

BOARD ORDER: MGB 235/98

IN THE MATTER OF THE "Municipal Government Act" being Chapter M-26.1 of the Statutes of Alberta 1994.

AND IN THE MATTER OF AN APPEAL from a decision of the 1996 Assessment Review Board of the Municipal District of Opportunity No. 17.

BETWEEN:

Bryce Kipp Nelson Ltd. on behalf of Pinnacle Resources Ltd. - Appellant

- a n d -

Municipal District of Opportunity No. 17 - Respondent

BEFORE:

R. A. Bishop, Presiding Officer

S. Cook, Member

K. McDonald, Member

D.H. Marchand, Secretariat

Upon notice being given to the affected parties, a hearing was held in the City of Edmonton, in the Province of Alberta on July 14, 1998.

This is an appeal to the Municipal Government Board from a decision of the Assessment Review Board of the Municipal District of Opportunity No. 17 with respect to property assessments entered in the assessment roll of the Respondent municipality as follows:

Roll No.	Location	Building	Machinery & Equipment	Total
311425	NW-1-74-20-W4	\$2,930	\$24,610	\$27,540
311426	NW-8-74-20-W4	\$2,930	\$24,610	\$27,540
311427	SW-15-74-20-W4	\$2,930	\$24,150	\$27,080
311428	NE-17-74-20-W4	\$2,930	\$24,610	\$27,540
311430	SW-23-74-20-W4	\$2,930	\$24,610	\$27,540
311431	NW-22-74-20-W4	\$2,930	\$24,610	\$27,540
311432	NE-26-74-20-W4	\$8,800	\$73,820	\$82,620
311433	NW-34-73-20-W4	\$2,930	\$14,590	\$17,520
311434	SW-10-74-20-W4	\$2,930	\$14,590	\$17,520

BOARD ORDER: MGB 235/98

Roll No.	Location	Building	Machinery & Equipment	Total
315037	NW-10-72-19-W4	\$2,930	\$24,790	\$27,720
315038	SE-8-73-18-W4	\$2,930	\$27,420	\$30,380
315039	SW-32-72-19-W4	\$2,930	\$24,420	\$27,350
315040	SW-33-72-19-W4	\$2,930	\$24,420	\$27,350
315041	NE-34-72-20-W4	\$2,930	\$24,420	\$27,350
315042	SE-14-73-20-W4	\$2,930	\$24,420	\$27,350
315043	NE-22-73-20-W4	\$2,930	\$24,420	\$27,350
315044	SW-17-74-19-W4	\$2,930	\$27,450	\$30,380
315045	SW-16-74-19-W4	\$2,930	\$24,420	\$27,350
315046	NE-19-71-20-W4	\$2,930	\$28,640	\$31,570
315047	NE-8-72-19-W4	\$2,930	\$14,590	\$17,520
315048	NE-35-72-19-W4	\$2,930	\$14,500	\$17,430
315050	SW-1-73-20-W4	\$2,930	\$14,500	\$17,430
315051	SE-3-73-20-W4	\$2,930	\$14,500	\$17,430
315052	NE-11-73-20-W4	\$2,930	\$14,500	\$17,430
315053	NE-35-72-19-W4	\$2,930	\$14,500	\$17,430
315055	SE-9-76-20-W4	\$5,040	\$32,740	\$37,780
315060	SW-31-76-18-W4	\$2,930	\$13,010	\$15,940
315062	SE-21-71-20-W4	\$2,930	\$13,010	\$15,940
315063	NW-8-74-20-W4	\$2,930	\$10,950	\$13,880
315068	NE-3-72-19-W4	\$2,930	\$12,440	\$15,370
315069	SW-29-71-20-W4	\$2,930	\$12,730	\$15,660
315072	NW-12-73-20-W4	\$2,930	\$20,900	\$23,830
315074	SW-2-74-20-W4	\$2,930	\$20,900	\$23,830
315075	NE—27-74-20-W4	\$2,930	\$20,900	\$23,830
315076	SW-36-74-20-W4	\$2,930	\$20,900	\$23,830
315077	NE-36-70-21-W4	\$2,930	\$12,440	\$15,370
315081	NE-36-70-21-W4	\$2,930	\$12,440	\$15,370

BACKGROUND

The thirty one roll numbers subject to this appeal represent various gas well sites within the Municipality. Each site contains equipment consisting of gas scrubbers, orifice fittings, gas meter runs, chemical injectors, chemical tanks etc. and are considered to be incidental equipment. The Appellant concedes that the metering separators and the building(s) that shelter are not at issue. The major purpose of this incidental equipment under appeal is to meet the metering requirements of the Alberta Energy Utilities Board.

ISSUE

1. Is the equipment considered to be incidental equipment, located at each of the subject sites. Is this incidental equipment within the definition of “*linear property*” or is this incidental equipment excluded from the definition and assessable as “*machinery and equipment*”?

LEGISLATION

Municipal Government Act Section 284(1)

- (j) “*improvement*” means
 - (i) *a structure,*
 - (ii) *any thing attached or secured to a structure, that would be transferred without special mention by a transfer or sale of the structure,*
 - (iv) *machinery and equipment;*
- (k) “*linear property*” means
 - (iii) *pipelines, including*
 - (B) *any pipe for the conveyance or disposal of water, steam, salt water, glycol, gas or any other substance intended for or used in the production of gas or oil, or both,*
 - (C) *any pipe in a well intended for or used in*
 - (II) *injecting or disposing of water, steam, salt water, glycol, gas or any other substance to an underground formation*
 - (D) *well head installations or other improvements located at a well site intended for or used for any of the purposes described in paragraph (C) or for the protection of the well head installations, and*
but not including
 - (F) *the inlet valve or outlet valve or any installations, materials, devices, fittings, apparatus, appliances, machinery or equipment between those valves in*
 - (I) *any processing, refining, manufacturing, marketing, transmission line pumping, heating, treating, separating or storage facilities, or*
 - (II) *a regulating or metering station,*
 - or*
 - (G) *land or buildings;*
- (l) “*machinery and equipment*” has the meaning given to it in the regulations;

292(1) *Assessments for linear property must be prepared by the assessor designated by the Minister.*

BOARD ORDER: MGB 235/98

(2) Each assessment must reflect the valuation standard set out in the regulations for linear property.

293(1) In preparing an assessment, the assessor must, in a fair and equitable manner,
(a) apply the valuation standards set out in the regulations, and
(b) follow the procedures set out in the regulations.

(2) If there are no procedures set out in the regulations for preparing assessments, the assessor must take into consideration assessments of similar property in the same municipality in which the property that is being assessed is located.

Alberta Regulation 365/94
(Standard of Assessment Regulation)

Valuation standard for linear property

6(1) The valuation standard for linear property is that calculated in accordance with the procedures referred to in subsection (2).

(2) In preparing an assessment for linear property, the assessor must follow the procedures set out in the Alberta Linear Property Assessment Ministers Guidelines established and maintained by the Department of Municipal Affairs, as amended from time to time.

Valuation standard for machinery and equipment

7(1) The valuation standard for machinery and equipment is that calculated in accordance with the procedures referred to in subsection (2).

(2) In preparing an assessment for machinery and equipment, the assessor must follow the procedures set out in the Alberta Machinery and Equipment Assessment Ministers Guidelines established and maintained by the Department of Municipal Affairs, as amended from time to time.

SUMMARY OF APPELLANT'S POSITION

The Appellant submits that the incidental equipment; located at the various gas well sites, supports the production activity and is included in the standardized linear property assessment. In order to meet the metering requirements of the Alberta Energy and Utilities Board separation of each gas well's raw product is necessary. After the metering measurement has taken place the water and gas both continue down the same flow line and the mixture is transported by pipeline to the processing facility. The metering separator ensures that water cannot enter the meter run to interfere with the metering operation. The product that leaves each site is the same as it was when it entered the metering separator; no permanent process takes place. The Appellant submits

BOARD ORDER: MGB 235/98

that Assessment Commissioner's Bulletins 4/83 and 2/86 clarifies the incidental equipment that is included in the standardized wellhead assessment. The Appellant submits that the incidental equipment falls to the definition of linear property section 284(k)(iii)(D) and is requesting the Board adjust each roll number's assessment to reflect the removal of all the incidental equipment. The assessment for each roll under appeal would retain the assessments pertaining to the separators and the buildings housing them. This would be in keeping with Municipal Government Board Order MGB 143/97.

SUMMARY OF RESPONDENT'S POSITION

The Respondent submits that neither the physical characteristics nor the function and use of the incidental equipment identified are in question. The Respondent submits that in order to meter the raw feedstock it must be separated. The fact that the separated products, once metered are recombined and transferred to the processing plant does not negate the fact that a separation is taking place within each site. The Respondent submits that the equipment under appeal falls between the inlet and outlet valve of each facility and therefore falls to the but not including portion of the Municipal Government Act, section 284(1)(k)(iii) at sub-clauses (F) and (G). The Respondent submits the Board's Order MGB 114/98 addresses the issue(s) that are most similar to this appeal and is requesting that the Board find that the incidental equipment to be within the meaning of machinery and equipment.

FINDINGS OF FACT

Upon hearing and considering the representations and the evidence of the parties shown on Appendix A and upon having read and considered the documents shown on Appendix B attached hereto, the Board finds the facts in the matter to be as follows:

1. The equipment under appeal is located between the inlet and outlet valves of separating facilities.

In consideration of the above and having regard to the provisions of the Municipal Government Act, the Board makes the following decision, for the reasons set out below.

DECISION

The appeals are denied and accordingly, the improvement assessment and the machinery and equipment assessment of each roll number enumerated herein, is confirmed.

It is so ordered.

BOARD ORDER: MGB 235/98

REASONS

The Board is satisfied, and the parties agree, all incidental equipment under appeal is located between the inlet and outlet valves of individual meter separating facilities. While the Board received substantial argument and evidence regarding the purpose and use of the equipment, this does not negate the fact that the legislation clearly states that all equipment located between the inlet and outlet valves is not included in the definition of linear property. Within the context of the not including provisions of the definition of linear property, the assessment of the incidental equipment is determined by location not use or purpose.

No costs to either party.

Dated at the City of Edmonton, in the Province of Alberta, this 23rd day of September, 1998.

MUNICIPAL GOVERNMENT BOARD

S. Cook, Member

BOARD ORDER: MGB 235/98

APPENDIX "A"

APPEARANCES

NAME	CAPACITY
Bill Nelson	For the Appellant
Kevin Nelson	Observer
Alan McNaughton	For the Respondent
Ray Fortin	For the Respondent
Reuban J. Ozubko	For the Respondent

APPENDIX "B"

DOCUMENTS RECEIVED AT THE HEARING AND CONSIDERED BY THE BOARD:

NO.	ITEM
Exhibit No. 1	Appellant's Brief: - Bryce Kipp Nelson Limited
Exhibit No. 2	Typical Gas Well Metering Schematic
Exhibit No. 3	Copy of Board Order MGB 143/97
Exhibit No. 4	Copy of Board Order MGB 72/98
Exhibit No. 5	Copy of Assessment Commissioner's Bulletin No: 2/86
Exhibit No. 6	Photos of typical well site, shelter, and equipment
Exhibit No. 7	Respondent's Brief. - Municipal District of Opportunity No. 17 Municipal by Compass Assessment Service Group Inc.