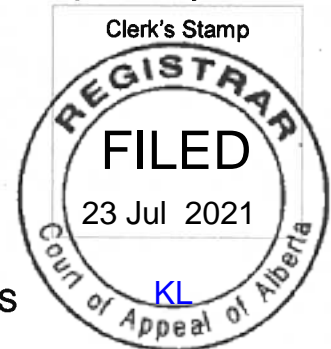


COURT OF APPEAL OF ALBERTA

COURT FILE NUMBER	2101-0085 AC
TRIAL COURT FILE NUMBER	25-2332583 25-2332610 25-2335351
REGISTRY OFFICE	CALGARY
APPLICANT	STETTLER COUNTY and WOODLANDS COUNTY
STATUS ON APPEAL STATUS ON APPLICATION	NON-PARTY APPLICANT
RESPONDENT	ALVAREZ & MARSAL CANADA INC. in its capacity as the Court-appointed receiver and manager of MANITOK ENERGY INC.
STATUS ON APPEAL STATUS ON APPLICATION	APPELLANT RESPONDENT
RESPONDENTS	PRENTICE CREEK CONTRACTING LTD., RIVERSIDE FUELS LTD. and ALBERTA ENERGY REGULATOR
STATUS ON APPEAL STATUS ON APPLICATION	RESPONDENTS RESPONDENTS
DOCUMENT	AFFIDAVIT (STETTLER COUNTY)
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Gregory G. Plester Brownlee LLP 2200 Commerce Place 10155 102 Street Edmonton, AB T5J 4G8 Telephone: (780) 497-4859 Facsimile: (780) 424-3254 File #: 71552-0086

Form 49
[Rule 13.19]



AFFIDAVIT OF YVETTE CASSIDY

Sworn on July 20, 2021

I, Yvette Cassidy, of the County of Stettler, in the Province of Alberta, MAKE OATH
AND SAY THAT:

1. I am the Chief Administrative Officer for the County of Stettler No. 6 (the "County"), and as such, I have personal knowledge of the matters hereinafter deposed to except where stated to be based on information and belief and, where so stated, I do verily believe the same to be true.
2. The County seeks involvement in this appeal as it may be significantly impacted by the result of this appeal, both with respect to its ability to recover taxes against insolvent oil and gas companies (generally as well as specifically in the matter of Trident Exploration Ltd., as discussed below), and with respect to its role as a regulatory body in its own right.

Overview of the County

3. The County is a municipal corporation established under the *Municipal Government Act* (the "MGA").
4. The County is a rural municipality, with its boundaries located east of Red Deer and surrounding the Town of Stettler. It has a population of approximately 5,322 as of the 2016 census. Its annual operating budget is/was approximately:
 - \$13.5 million in 2019;
 - \$8.2 million in 2020; and
 - \$9.4 million in 2021.
5. Pursuant to section 3 of the *MGA*, the County's purposes include providing good government, fostering the well-being of the environment, and providing services, such as roads and other infrastructure, which are used by oil and gas companies in accessing their licensed properties.
6. In order to fund its activities and the services it provides, the County is required under the *MGA* to levy property taxes upon assessed property located within the County's municipal boundaries. This is done through a property tax bylaw required by section 353 of the *MGA*, which is passed by the County's Council annually.

Relevance of Manitok Receivership and Appeal Hearing to Stettler County

Unpaid Taxes from Oil and Gas Companies

7. The present Manitok appeal and its outcome is likely to have substantial implications for the County and its ability to recover property taxes from insolvent oil and gas companies.
8. Generally, non-payment of property taxes by oil and gas companies, such as Manitok, has been a significant issue for the County in recent years. In total, the County estimates that, since 2015, oil and gas companies operating within the County's borders have failed to pay approximately \$14.4 million in property taxes.
9. This impact extends beyond the County. According to a recent Rural Municipalities of Alberta ("RMA") survey, across Alberta there are approximately \$245 million in property taxes currently owed to rural municipalities by oil and gas companies that have gone unpaid, up from \$173 million in early 2020. Attached hereto and marked as **Exhibit "A"** to this, my Affidavit, is a copy of an RMA media release discussing the results of this survey.
10. The County is not owed property taxes by Manitok specifically. However, the County is a stakeholder in the receivership of another insolvent oil and gas company, Trident Exploration Ltd. ("Trident"). The County is owed approximately \$4 million in outstanding property taxes from Trident and related entities. The majority of these amounts are post-receivership taxes, levied after the effective date of the receivership.
11. In the Trident receivership, there is presently a priority dispute ongoing between the County and Woodlands County (collectively, the "Municipalities") on the one hand, and the Alberta Energy Regulator ("AER") and Orphan Well Association ("OWA") on the other, as to whether available distribution funds should be allocated in part to the Municipalities' post-insolvency taxes as a cost of maintaining the insolvent Trident estate, or should instead be wholly absorbed by the OWA.
12. Both the Manitok appeal, and the present Trident dispute, concern the scope of the Supreme Court case of *Orphan Well Association v. Grant Thornton Ltd.*, 2019 SCC 5 ("*Redwater*") and the extent to which the AER and OWA are able to direct that assets of an insolvent estate be directed to satisfying abandonment and reclamation obligations.

Accordingly, the outcome of the Manitok appeal may be highly relevant to the Trident dispute.

13. The AER and OWA appear to have recognized this. On April 29, 2021, counsel for the OWA, on behalf of both the AER and OWA, requested an adjournment of the Trident proceedings pending the hearing of the *Manitok* appeal, on the basis that the *Manitok* appeal may significantly impact the issues in dispute in the Trident receivership proceedings. The Municipalities consented to this adjournment request.

The County as Another Regulator

14. Like the AER and the OWA, the County acts in a regulatory capacity in a number of respects on the basis of provincial laws.
15. For example, pursuant to Part 17 of the *MGA*, municipalities have wide authority to regulate land use. Municipalities may issue and enforce stop orders when a land use bylaw, development permit, or subdivision approval is contravened. They may also, pursuant to sections 650 and 655 of the *MGA*, require developers to complete construction of roadways, utilities, and other amenities as a condition of development or subdivision approval. A municipality's planning authority also extends to environmental concerns, as development and subdivision authorities consider environmental issues in issuing or refusing approvals.

Conclusion

16. I make this Affidavit in support of an Application by the County for an Order granting the County intervenor status in the within appeal, subject to such terms and conditions and with such rights and privileges as this Honourable Court may specify.

SWORN BEFORE ME at Stettler
Alberta, this 20 day of July, 2021.



Commissioner for Oaths in and for
Alberta



YVETTE CASSIDY

Elizabeth Fuller
A Commissioner for Oaths
in and for Alberta.

My Commission expires May 16, 2022

This is Exhibit "A" referred to in the Affidavit of

YVETTE CASSIDY

Sworn before me this 20th day of

July A.D., 2021



A Commissioner for Oaths in and
For the Province of Alberta

Elizabeth Fuller

A Commissioner for Oaths
in and for Alberta.

My Commission expires May 16, 2022

February 18, 2021

FOR IMMEDIATE RELEASE

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Rural municipalities continue to struggle as unpaid tax amounts owed by oil and gas companies increase

Nisku, AB, February 18, 2021 – The Rural Municipalities of Alberta (RMA) has conducted a member survey identifying that approximately **\$245 million in property taxes** currently owed to rural municipalities by oil and gas companies have gone unpaid. This continues the now multi-year trend of this issue worsening, as a similar survey conducted in early 2020 showed unpaid amounts at an estimated \$173 million, and a 2019 survey estimated the amount at \$81 million. The latest survey shows a 42% increase in unpaid tax amounts compared to 2020, and a 203% increase from 2019. The \$245 million amount is based on a 100% response rate to the survey from all 69 RMA members.

Non-payment of property taxes by some oil and gas companies is an ongoing and increasingly urgent threat to the ability of rural municipalities to provide the core infrastructure and services that the oil and gas industry relies on to access natural resources. RMA members manage over 70% of Alberta's roads and 60% of Alberta's bridges, and the revenue needed to manage this critical transportation network is almost entirely derived from property taxes. If municipalities are unable to depend on taxes being paid, they may be unable to manage roads and bridges at a level required by the oil and gas and other industries.

"The fact that every rural municipality in the province took the time to complete this survey speaks to the anxiety and frustration that rural leaders are facing on this unpaid tax issue. In some municipalities, unpaid tax amounts are so high that service levels are being reduced, municipal staff are being laid off, and serious discussions are occurring about whether the municipalities can continue to function." – Paul McLauchlin, RMA President

While municipalities can take action to recover unpaid taxes on most residential and commercial properties, the oil and gas industry is subject to a legislative loophole that does not allow municipalities to place special liens or use other tax recovery tools on linear property. This puts rural municipalities in a powerless position to enforce the payment of property taxes on oil and gas companies and has made recovering unpaid taxes from both operational and non-operational companies extremely difficult. According to the member survey results, approximately 57% of unpaid taxes are the responsibilities of companies that continue to operate.

"As a homeowner, I am responsible for paying my property taxes or facing stiff penalties. Small business owners across the province are expected to pay property taxes regardless of the profitability of their business," McLauchlin said. "There is no reason why oil and gas companies should have an option to pay property taxes and face no consequences if they choose not to. Not only does this non-payment impact municipalities providing the infrastructure that those companies use every day, but it is also

disrespectful to every other homeowner and small business in the municipality who will see their taxes increase or their service levels decrease due to the irresponsibility of some oil and gas companies.”

Although this issue continues to become more serious, there are actions that could be taken by the Government of Alberta. The most straightforward provincial solution would be to amend the process through which the Alberta Energy Regulator approves the acquisition and transfer of energy licences and approvals. The current approval process uses a variety of financial criteria to determine whether an energy company has the fiscal capacity to take on additional licences. However, the process does not consider whether the acquiring company has outstanding municipal property taxes, a condition that could easily be added. The province could also amend the *Municipal Government Act* to clearly state that municipalities may use tax recovery powers available for other property types to address non-payment oil and gas property taxes. The province could also choose to no longer require municipalities to provide education property tax funds to the province on properties for which taxes are uncollectible. Under the current model, not only are municipalities not able to recover unpaid oil and gas property taxes, they are actually on the hook for forwarding a portion to the province, even if they are unable to collect it from the property owner. Unfortunately, the province has yet to take any action, despite repeatedly indicating that they take the issue seriously over the past several years.

McLauchlin said, “We appreciate that this is a complex issue, and that the province needs to thoroughly evaluate the options available. However, action is needed now. RMA and its members are willing to work with the province and the oil and gas industry to develop tools and incentives to lessen the property tax burden on industry during these difficult economic times. However, constructive dialogue will not take place while the oil and gas industry continues to take advantage of municipalities through the non-payment of property taxes, and the province stands by and does nothing. Let’s have a conversation about how municipalities, industry, and the province can work together to support one another, rather than continue to let some companies take advantage of legislative loopholes.”

It is important to note that while this is a province-wide issue, most oil and gas companies pay taxes on time, or work with the municipality to develop an agreement to defer taxes or pay through installments. Many rural municipalities have recognized the issues facing the industry in recent years and have extended payment deadlines and reduced penalties for late payments. However, some companies still prefer to simply avoid paying property taxes, regardless of the impacts on the municipality and other property owners.

“Rural municipalities and the oil and gas industry have a long history of supporting one another to grow Alberta’s economy and create vibrant rural communities,” said McLauchlin. “Now that times are tough for the industry, that partnership is needed more than ever. We understand that those not paying taxes do not represent the entire industry, and most companies understand the important role municipal service and infrastructure play in the industry’s success. We need to address this issue, ensure that oil and gas companies pay taxes the same as everyone else, and move forward on how to build strong rural industries and communities.”