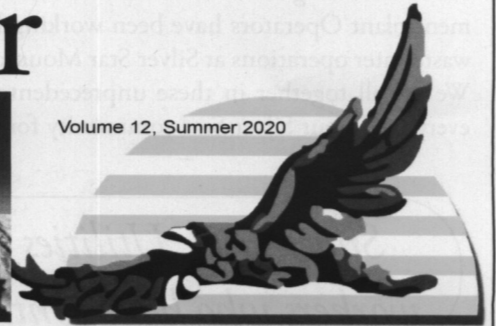


Silverhawk Utilities Inc. Annual Newsletter



Volume 12, Summer 2020



COMMERCIAL ACTIVITY FIXED FEE

For many years, Short Term Rentals on Silver Star Mountain have been increasing in their numbers and availability. Throughout North America, governments and municipalities have all found themselves in need of providing regulations to help integrate these short-term rentals into our existing communities. Some of the regulatory framework these organizations are introducing are;

- the requirement of short-term rental business licenses,
- the requirement of the home being a primary residence
- rezoning of properties to accommodate short-term rentals
- the introduction of hotel taxes for short-term rentals
- increased rates for utility services

While we all recognize the positive impact these rentals can have on the operation of Silver Star Mountain as a tourist destination, it is crucial that we address the unique demands these rentals place upon our utility.

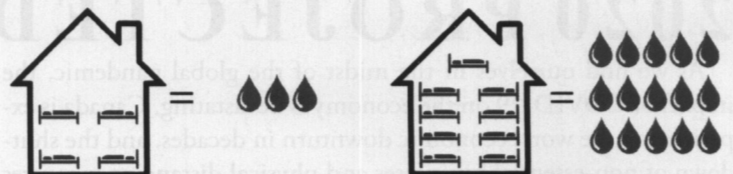
It is important to highlight that many of the residential properties at Silver Star Mountain are available for short-term rental. These properties are being operated as commercial rental properties and thereby have a larger number of people staying in them than what is generally provisioned for in residential wastewater design. For example;

A property on the Knoll that was built in 1992 has the zoning designation from RDNO as "R4 - Residential - Single Dwelling & Suite". Most properties on the Knoll with a R4 zoning have a grandfathered pillow capacity of 9.5 pillows. As part of our pillow survey, Silverhawk was able to easily find the property on a rental website that was advertising it as having 5 bedrooms and 6 bathrooms, and the capability to sleep 29 people.

The amount of wastewater generated by a rental property such as the example above can be up to three times that of a single-family home that does not offer short-term rentals. These properties can no longer be solely considered residential use. This increased demand placed on the utility will ultimately require Silverhawk Utilities to further upgrade the sewer infrastructure and treatment plant.

To divert the cost of these improvements onto the individual properties placing the increased demand on the utility, starting in the 2020 service year, where a property is designated as Commercial Activity through the short-term rental of the building, or portion of, they will be subject to a "Commercial Activity Fixed Fee". This Commercial Activity Fixed Fee will be charged per dwelling unit to properties on Silver Star Mountain that are involved in any aspect of advertising or facilitating the advertising of their unit for short-term rentals.

For the 2020 Service Year, the Commercial Activity Fixed Fee will be an additional \$500.00 added to the Annual Residential Fixed Fee for any Dwelling Unit engaged in renting their property for short-term or seasonal rentals. All properties currently designated as Commercial (Hotels, Condos, etc) will be assessed on a case-by-case basis.



Back in 2012, Silverhawk Utilities was required to add a robust nutrient removal process to the treatment plant as mandated by the Ministry of Environment. As a result, it was necessary to introduce the Capital Upgrade Reimbursement Fund (CURF) to all ratepayers as the cost wasn't due to specific properties but rather the entirety of Silver Star Mountain. Implementing this Commercial Activity Fixed Fee only for properties that are engaged in short-term rentals will place more of the burden of the increased demand upon those specific properties. This should then help relieve homeowners that do not commercially rent out their properties from the cost of this excess burden on the sewer system.

In addition, a portion of these fees will also be used to help lower our base rates for sewer services in the future, which all property owners will benefit from.

COVID-19 UPDATE

As an essential service company, Silverhawk Utilities is committed to delivering safe, reliable service to our customers. Our treatment plant Operators have been working hard to ensure that the wastewater operations at Silver Star Mountain continue as normal. We are all together in these unprecedented times and we thank everyone in our Silver Star community for doing their part.

2019 RATE FREEZE

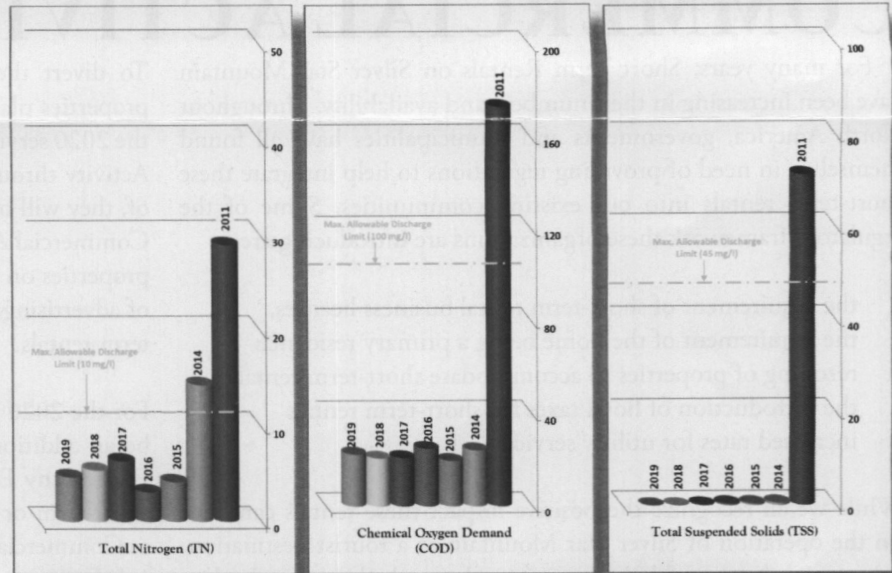
The entire Silverhawk Utilities team has been working diligently to control the operating costs of the treatment plant and as a result the base rates for Sewer Service for 2019 have not increased.

- 2019 Residential Fixed Fee **\$835.82/year**
- 2019 Vacant Lot Fee **\$835.82/year**
- 2019 Usage Fee **\$7.79/m³**

Silverhawk Utilities would like to extend our sincere thanks to all essential workers who have continued to help us all stay safe during the last few months.

WATER QUALITY

The Silver Star Sewage Treatment plant continues to operate with high efficiency and has been consistently producing effluent that exceeds the criteria outlined by the BC Ministry of Environment. Stringent monitoring of the effluent is undertaken by our Silverhawk plant operators and reported throughout the year. Our commitment to protecting the environment and the highly sensitive ecological integrity of any receiving waters is paramount. The following charts show a comparison of annual averages for Total Nitrogen (TN), Chemical Oxygen Demand (COD), and Total Suspended Solids (TSS) during that last six years.



2020 PROJECTED RATE INCREASE

As we find ourselves in the midst of the global pandemic, the impact of COVID-19 on the economy is devastating. Canada is experiencing the worst economic downturn in decades, and the shutdown of non-essential businesses and physical distancing measures in place across the country to slow the spread of COVID-19 have brought many industries to a near standstill.

As a result of the shutdown of services at Silver Star Mountain, we have already noticed a decline in the wastewater flow rates that are entering the treatment plant. The impact that this decline in wastewater flows might have on the base rates for sewer service is yet to be determined, but there is potential that it will contribute to an increase for the 2020 service year. This potential increase can be attributed to two main factors:

1) The reduced flows will increase the cost per cubic meter to treat the wastewater.

Within our rate-setting, the costs associated with the collection and treatment of wastewater is distributed among customers based on their yearly water usage taken from meter readings. While the amount of water used on the mountain might have decreased due

to the shutdown, the cost of treating the wastewater produced does not. With less overall flow to distribute the cost among customers, this will result in an increase of the Usage Fee per cubic meter by a minimum of 5%, and more likely 15%.

2) Additional costs associated with maintaining the beneficial bacteria required within the treatment plant.

The Wastewater Treatment plant at Silver Star Mountain is a Membrane Bio Reactor; a hybrid technology that combines biological treatment with physical treatment. With the reduced wastewater flows to the plant, the beneficial bacteria within the system are not receiving enough "food" to keep the biological process optimal without using alternate methods. With the uncertainty of when the flow rates will return to a pre-pandemic level, the costs associated with these methods are unforeseen and possibly ongoing.

At this time, Silverhawk Utilities is projecting that the rates for sewer for the 2020 service year will increase by a minimum of 5%, and more likely 15%. Updates on our ongoing response to COVID-19 can be found on our website at www.silverhawkutilities.com