

Silverhawk Utilities Inc. Annual Newsletter



Volume 11, Summer 2019



Recently there has been circulation of documents by the SSPOA among the residents of Silver Star Mountain that contain information about Silverhawk Utilities. Within this newsletter, we will provide some clarification on a few of the items discussed in hopes of offering a better understanding of how our utility operates.

IN MEMORIAM

It is with great sadness that we announce the passing of Silverhawk Utilities founder and President Raymond "Len" Leonard Sukovieff.



Len broke away from a life more ordinary, and with his loving wife and children by his side built his own companies. Driven by Len's brilliant mind and innovative ideas they founded Silverhawk Utilities in 1999. The utility was Len's prize project as it evolved over the years, and he worked diligently to turn it into the world-class treatment plant that it is today.

The Sukovieff's have a home at Silver Star and over the years spent many Christmases on the mountain together as a family. Len, however, wasn't sitting around the Christmas tree; he could always be found working the Christmas Day shift at the treatment plant to make sure that Silverhawk employees could spend Christmas Day with their families. Over the years Len made many personal contributions and sacrifices to keep the treatment plant in world-class condition. His generosity and genuine love of people will be remembered by all who knew him.

PILLOW COUNT CASE STUDY

Over the years, Silverhawk Utilities has periodically surveyed residential properties on the mountain to determine the difference between calculated pillow count versus actual pillow count. The population at Silver Star Mountain fluctuates drastically between winter and summer season, and as a result, the wastewater flows can increase significantly during these "peak" demand time periods. As mandated by the Ministry of Environment, our design

CURF Financials

While we understand that the CURF fees were an additional cost to the customers of our utility, we would like to point out that this upgrade was mandated by the British Columbia Ministry of Environment. Ensuring that the effluent from the wastewater treatment plant met all criteria set forth by the MOE required a sophisticated and significant upgrade in order to effectively deal with wildly fluctuating flows and temperatures. When the upgrade option review was presented to Silverhawk by a specialized engineering firm (AECOM), the estimated budget provided was \$4,630,000.

This budgeted amount would have increased significantly due to markups on third-party engineering costs (35%) and contingencies (10%). The cost of the upgrade would have increased into the \$5,500,000 to \$7,000,000 range.

By working closely with Waterworks Technologies and utilizing their expertise in implementing treatment plants in remote locations and difficult environments, we were able to drastically reduce this amount. Significant contributions by both Silverhawk and its parent company, Waterworks Technologies, helped reduce the total cost for the treatment plant upgrade to just under \$4,000,000. Through the Capital Upgrade Reimbursement Fund (CURF), the utility was able to collect in the order of \$1,300,000 towards this upgrade.

Full details of the treatment plant upgrade can be found on our website at <http://www.silverhawkutilities.com/capital-upgrade>

process must factor in these peak demand amounts at all times.

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 similar to a commercial rental property and have a larger number of people staying in them than what is generally provisioned for in residential wastewater design.

CASE STUDY 1: 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.

CASE STUDY 2: Another property on the Knoll has the zoning designation from RDNO as “R4 - Residential - Single Dwelling & Suite”. Again, as part of our pillow survey, Silverhawk was able to easily find the property on a rental website that was advertising it as having 6 bedrooms and 3 bathrooms, and the capability to sleep 20 people.

Although these properties are legally considered to have two dwelling units they only have one water meter, contrary to RDNO Building Bylaw No. 2670, 2015 – 606 Water Meters (2). This example highlights the need for Silverhawk to adjust our pillow count calculation to properly reflect actual demand being placed on the system. To ensure equity among our customers, properties such as this are being charged a secondary fixed fee to account for the increased demand. As a result, Silverhawk Utilities updated our pillow count calculations in 2009 as follows:

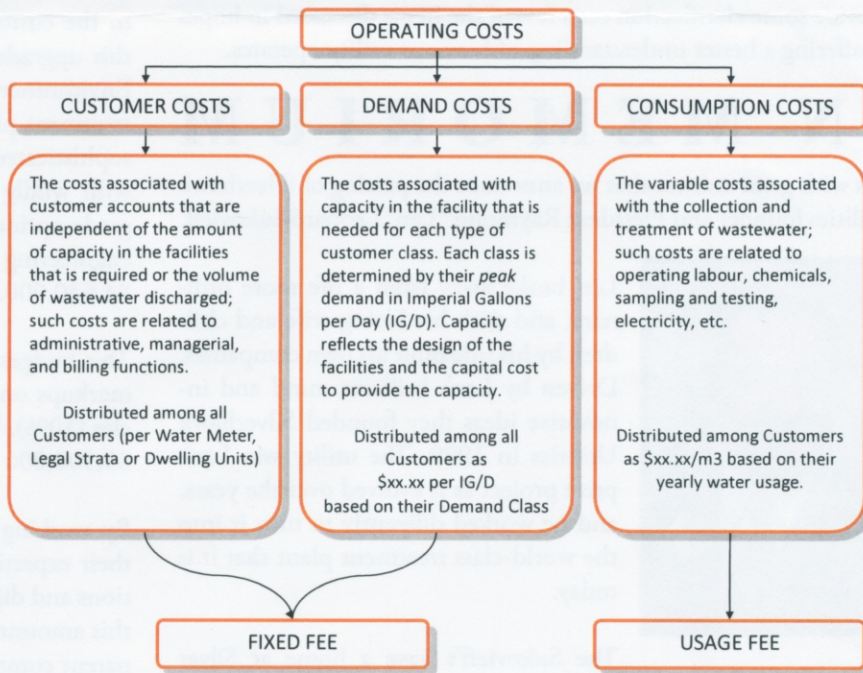
PILLOW COUNT CALCULATION

Studio = 4 pillows	3 Bedroom = 10 Pillows
1 Bedroom = 6 Pillows	4 Bedroom = 14 Pillows
2 Bedroom = 8 Pillows	5 Bedroom = 16 Pillows

RATE SETTING PROCESS

Since we began operation at Silver Star Mountain, Silverhawk Utilities has always calculated our rates as if we were a regulated utility, whether they are residential or commercial properties, using an industry standard methodology. The rate structure contains both fixed and volumetric components, and the balance of these components promotes equity among the utility. To help our customers better understand how our rates are determined we will provide an overview of our rate-setting process.

We begin with calculating all operating yearly costs associated with the operation of the utility. Next, we calculate the total consumption for the “Service Year”, being January 1st to December 31st. Our annual billing is for services provided within the previous Service Year (billing in arrears). In this way, Silverhawk correlates its actual Service Year operating costs with the customers’ wastewater production during the same timeframe. We then allocate all operating costs into three functional categories to determine the revenue requirements that are to be funded by our rates.



Recently, the SSPOA referenced a report which included a national benchmarking initiative that compared multiple water and wastewater utilities throughout Canada. While we recognize that the sewer rates at SSMR are above the B.C. average, it is imperative that similar variables are compared.

ECOLOGICAL: SSMR is located within a highly sensitive ecological area and we need to take great care in ensuring that no harm is done to the environment. This requires a highly sophisticated treatment plant that results in effluent that is “crystal clear, with absolutely no smell” and is “classified as being permitted for use as irrigation for unrestricted public access”.

POPULATION: The wildly fluctuating wastewater flows require our treatment plant to sufficiently handle the high demand and peak flow rates during the busy season. The municipalities and regional districts cited within the National Benchmarking Initiative

referenced by the SSPOA all have a service population of greater than 50,000. SSMR has a very low permanent resident count; approximately 100 permanent residents, while Sun Peaks Resort has around 700 permanent residents according to their latest survey.

ECONOMY OF SCALE: Silverhawk does not have the advantage of “economy of scale” as most other utility operators (private or public) serving a population of greater than 50,000. All other utilities that the SSPOA are comparing us to are also operating at minimum one other service such as water, garbage, natural gas, etc., which invariably will reduce administrative costs and overhead.