

Silverhawk Utilities Inc. Annual Newsletter



Volume 12, Summer 2021



COMMERCIAL ACTIVITY FIXED FEE WILL BE POSTPONED UNTIL 2022

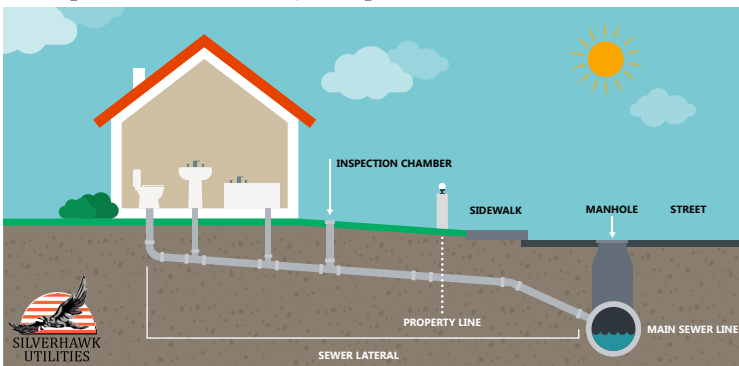
Last year we informed all customers that Silverhawk Utilities would be implementing a new Commercial Activity Fixed Fee for the 2020 Service Year. This new fee is a necessary and crucial component of ensuring the individual properties engaged in short-term rentals are responsible for the costs associated with the increased demand on the utility. With the negative impact of COVID-19 on tourism to Silver Star Mountain last year, and the resulting temporary reduction to short-term rentals, Silverhawk Utilities has made the decision to postpone the implementation of this fee until next year.

We understand that this has been a difficult year for our Silver Star community, and we hope that this postponement will help while the mountain tourism economy returns to its full potential.

For further information on the Commercial Activity Fixed Fee, and updates on when and how it will be implemented, please refer to our website at www.silverhawkutilities.com/news

SEWAGE BACKUP?

It is the responsibility of the property owner to maintain and repair the sewer line that connects their property to the main sewer line. This portion is called the "Sewer Lateral". This includes any portion of sewer line that is located past the property line but before the main sewer line. The main sewer line is owned by Silverhawk Utilities. It is the responsibility of Silverhawk Utilities to maintain the main sewer line that carries waste and wastewater to the treatment plant. When a property experiences a sewage backup on Silver Star Mountain it is the responsibility of the homeowner to arrange and pay for a sewer cleaning contractor to clean your sewer. If the contractor cannot restore your sewer service due to a blockage, please contact our Silverhawk Utilities Silver Star office to help determine the location of the blockage and to oversee that the repair work is correctly completed.



ONLINE NEWSLETTER

Starting with this current billing and newsletter, Silverhawk Utilities will be switching to a digital only format for our yearly newsletter. While the costs and environmental impact of printing a newsletter with each invoice might not be significant, Silverhawk Utilities is seeking to implement any and all cost-saving measures we can throughout this difficult economical recovery. In addition to this yearly newsletter, we will be providing further updates and news going forward on our website at www.silverhawkutilities.com

OKANAGAN SPIRITS

We would like to give a big thank you to Okanagan Spirits Craft Distillery in Vernon for supplying us with waste juice from their distillery process. During the Covid-19 pandemic, Silver Star Mountain has experienced many fewer visitors, and this waste juice, which is an excellent food source for the beneficial bacteria, has helped keep the treatment system alive and healthy. This allowed the plant to continue producing a very high-quality effluent. Congratulations on their double-gold at the 2020 World Spirit Awards.

www.okanaganspirits.com



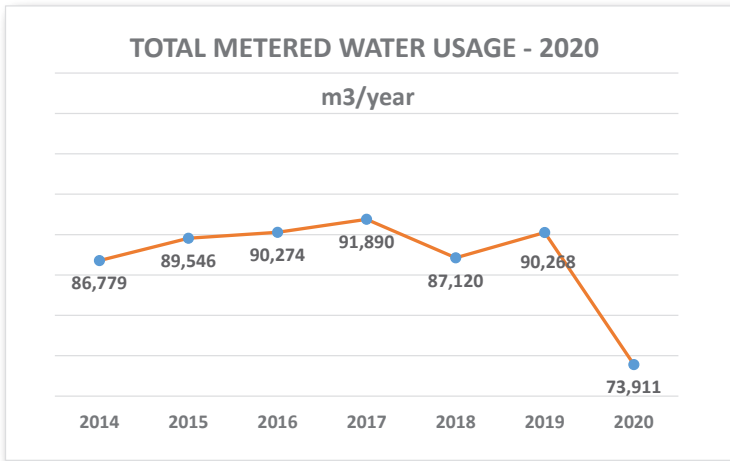
2020 RATE INCREASE

As anticipated and outlined in our newsletter last year, the effect of COVID-19 and the necessary health restrictions during the last 16 months have contributed to an increase in the base rates for sewer service for the 2020 Service Year by an averaged 12.85% over the previous year.

There were a few major factors that can be attributed to this increase, all of which were unforeseen:

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

As a result of the reduced visitation at Silver Star Mountain, there has been a significant decline in the metered usage of water throughout the community. The impact that this decline in usage has on the base rates for sewer service is also significant and has directly contributed to the increase for the 2020 service year.



The overall metered usage for the Silver Star community has dropped by over 18% compared to last year, which is by far the lowest in Silverhawk Utilities history.

For a comparison, if the 2020 water usage on the mountain had been the same as 2019, our Usage Rate would not have increased.

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. In fact, many of our fixed costs experienced an increase due to Covid-19 during the last year. With less overall flow to distribute the cost among customers, this has resulted in an increase of the Usage Fee per cubic meter.

In order to keep the rate from increasing more than the 12.85% this year, several costs were deferred by Silverhawk until 2022. These deferrals will need to be picked up within our operating costs for future years, which may result in an increase of 5% to 15% during the next billing year.

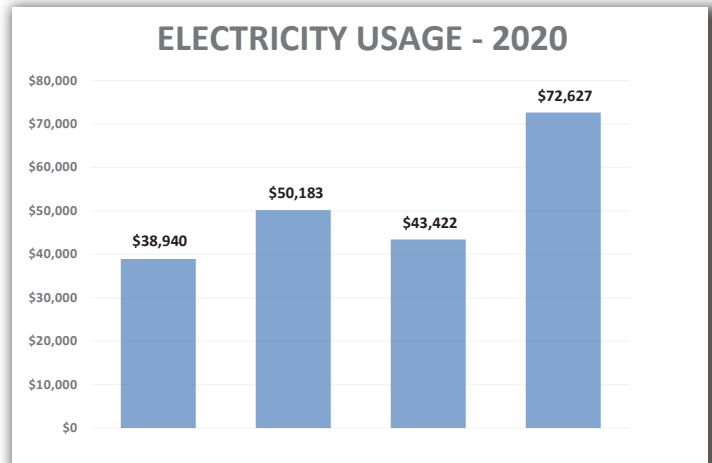
2.) Additional costs associated with maintaining the beneficial bacteria required within the treatment plant.

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 flows on the mountain, the beneficial bacteria within the system were not receiving enough “food” to keep the biological process optimal without using alternate methods. With help from Okanagan Spirits Craft Distillery, we have been able to use their waste “juice” to provide the required food for the bacteria. These are additional and unforeseen costs that are associated with sourcing and transporting the necessary waste juice to the treatment plant multiple times per week.

3.) Unforeseen additional costs for electricity

Earlier in 2021, Silverhawk discovered that one of the electrical meters which monitors electrical usage used by the Wastewater Treatment Plant was not being read by Silver Star Mountain Resort. A subsequent invoice for this additional electrical charge was received by Silverhawk Utilities and must be accounted for in our fixed costs. This resulted in an unforeseen increase of 67% in the cost of electricity for the 2020 Service Year and likely signifies further increases for electrical in the upcoming years. This unforeseen cost in itself contributed to approximately 3.5% increase in the usage rate.

Silverhawk continues to investigate any methods that can contribute to lowering the utilities fixed costs and will be further assessing the electrical consumption of the Wastewater Treatment Plant and the associated costs.



The base rates for Sewer Services are as follows:

- **2020 Residential Fixed Fee** \$942.89/year
- **2020 Vacant Lot Fee** \$942.89/year
- **2020 Usage Fee** \$8.80/m3