

April 14, 2022

Mr. Bill Hunter
Director – Mountain Resorts Branch
Ministry of Tourism, Arts, Culture, and Sport
510 – 175 Second Avenue, Kamloops, BC, V2C 5W1

Via email: Bill.Hunter@gov.bc.ca

Dear Mr. Hunter;

RE: Opinion Letter - Silverhawk Utilities Rates Assessment 2022

Over the last 20 years, a group of Silver Star property owners has been dissatisfied with the rates charged to them by Silver Hawk Utilities (SHU) for sewage collection and treatment services. These property owners have attempted to establish dialog with the utility to try and resolve this issue. However, this has reached an impasse, so the property owners reached out asking the province to investigate. The province commissioned Waterworth, to conduct this investigation and to produce an opinion on the matter which is summarized in this letter.

It is important to note that the information available to conduct this investigation was incomplete and contained several inconsistencies. There was no correspondence with SHU itself to request, confirm or clarify any of the available information. All this makes it very difficult to provide a definitive conclusion to the question of whether SHU rates are reasonable.

That said, on the balance, it appears that SHU is over-charging its customers. SHU rates are much higher than rates at Panorama, a comparable system to SHU suggesting that SHU is earning an unreasonable return on investment. The fees levied on new developments to offset the cost of future capacity expansions also appears to be unreasonably high.

The Province of BC only regulates private wastewater utilities from an environmental perspective but not from an economics or business practice perspective, as it does with private water utilities. Water utilities must seek approval from the province in order to establish and modify rates. Wastewater utilities are left to set rates as they please with no oversight of any kind.

Most of the private wastewater utilities' rates in North America are government regulated. In some of the few jurisdictions lacking regulation, government has intervened early on ensuring that there is a contract in place between the property owners and the utility outlining the arrangement and dispute resolution processes. This approach seems to work enabling the parties to work together without requiring undo regulation and government interventions.

The report that follows, assesses the relevant components of the Silver Star Resort's sanitary sewage system that would affect the sewage utility rate charge to a customer.

Regards,

JP Joly
Director, Waterworth

1.0 INTRODUCTION

1.1 Purpose of the Report

The Ministry of Tourism, Arts, Culture, and Sport would like to address a complaint from the Silver Star Property Owners Association (SSPOA) regarding the sewage rates they are assessed by the provider of the sewage service, Silver Hawk Utilities (SHU).

The Ministry has asked Waterworth, a company that specializes in utility assessments, to prepare a report that assesses the relevant components of the Silver Star Resort's sanitary sewage system that would affect the sewage utility rate charge to a customer. The Ministry would also like a comparison of other similar wastewater utility providers.

1.2 Disclaimer

A wide range of information, provided largely by the SSPOA, was reviewed, and assessed. Some of the information that would be most relevant to supporting the assessment (financial statements, historic spending, detailed O&M cost breakdown) was either not available or deemed unreliable. Throughout the analysis there was no correspondence with a SHU representative to request, confirm or clarify information.

This work is not a financial audit, nor an accurate historical accounting of construction costs. Two separate accountants reviewed the unaudited financial statements for Fiscal Year 2018 (FY18) that were provided, and they concluded that with the inconsistencies and lack of notes, the information is not reliable for conducting an accurate analysis.

This work is not a legal audit of past court actions. This report does not comment towards the question of whether SHU should be regulated, whether it's a monopoly or whether it has duties under common law.

This work also does not delve forensically into details to analyze the utility rates, consequently this cannot be considered a rate study. The assessment contained herein, assessed information on an order of magnitude scale and primarily identifies information gaps that preclude a more detailed and accurate rate analysis. A general summary and list of recommendations is provided.

2.0 BACKGROUND

2.1 History of the complaint

Silver Star Mountain Resort (SSMR) operated the resorts sewage collection and treatment utility until 1999 when SSMR had financial difficulties and could not pay their sewage utility operator, Waterworks Technologies Inc (WTI) for the installation of a major water supply line. WTI formed a new sewage utility company called Silverhawk Utilities Inc (SHU). The assets of the existing sewage disposal works were transferred from SSMR to SHU to satisfy the debt. Since then, there is a long history of dissatisfaction from the Silver Star property owners relating to the cost of service.

The SSMR property owners formed the Silver Star Property Owners Association (SSPOA) and brought their dissatisfaction to the attention of the local and provincial government and the Union of BC Municipalities (UBCM). In 2005 and 2007 the UBCM called on the provincial government to regulate private sewer utilities due to the excessive rates being charged.

The SSPOA also retained legal council to consider alternative approaches to addressing the challenges of the Silver Star community and conclude that legislative change is the preferred option. Legal proceedings between SSPOA and SHU are in process. The SSPOA contend that SHU costs are too high,

lack of financial accountability and transparency with regards to the rates and the future security of the sewage utility operated by SHU [5].

2.2 SHU Regulatory Compliance under the Municipal Wastewater Regulation

The Municipal Wastewater Regulation (MWR) under the Ministry of Environment, Environmental Management Act is applicable to the SHU system to prevent and control pollution to the environment.

SHU is a private sewage treatment service provider and is not currently regulated in BC from an economic (pricing and business practice) perspective.

The last inspection by the Ministry of Environment was in 2017. Historically, the SHU facility has had a few minor non-conformances with no recent complaints on file.

While the MWR does provide a mechanism for establishing a security for future expenses, SHU does not have security information on file. A security provision was not pursued by the Ministry, likely due to the seasonal nature of the community.

- 1) *In MWR definitions, “residential development” means a dwelling or collection of dwellings that serve as the primary residence of the majority of their inhabitants, all of whom rely on a discharger to provide a municipal wastewater system;*
- 2) *MWR Section 28 on Maintenance of Security states that:*
 - a. *“28 (1) Subject to subsections (2) and (3), a discharger who is an individual, company or strata corporation must not treat, reuse or discharge municipal wastewater generated by a residential development unless all of the following conditions are met:”*
 - i. *...And then goes on to explain about establishing a security.*

2.3 Silverhawk Utilities Sewage System

Much of the information in this section comes from the 2014 Report written by Stantec on behalf of Regional District of North Okanagan [1].

2.3.1 Ownership and Governance

As with most Municipal Sewer Services, Silver Star Mountain Resort (SSMR) is served by a single utility. Silverhawk Utilities Inc (SHU) is a private company acting as the sole provider of Sewer and Sewage Treatment Services. The SHU is owned by its parent company Waterworks Technologies Inc. (WTI) based out of Calgary.

The cost of services is recovered by direct billing to customers.

The Silver Star Property Owners Association (SSPOA) has been established as a representative of the residents and businesses of the resort. It does not have a formal relationship with SHU.

2.3.2 Service Area

There are approximately 508 residential units and 562 commercial condo and hotel units (total 1,070 units) that accommodate the recreational users.

The SSMR hasn't seen any significant expansion since 2008. New development is possible from a serviceable area perspective but the treatment plant is thought to be near or at capacity.

2.3.3 Sewage Treatment System

- Regulation:
 - o Registration under the MSR issued in Jan 2001, amended July 2003 RE 06738
 - o EOCP Class III facility.
 - o Total Nitrogen less than 10 mg/l
 - o BOD less than 45 mg/l
- SHU Sewage treatment system includes the collection, treatment and disposal of wastewater.
- Collection system 8.6 km network of mostly 100 mm dia pipe, 181 manholes, no lift stations. 1.5 km, 250 mm dia main transmission line to plant.
- Sewage treatment plant houses 2 MBR units with a total flow capacity of 20 m³/hr. Equivalent to 480 m³/d. Annual flow 95,000 m³.
- Modified Ludak Ettinger (MLE) activated sludge process in Membrane Bioreactor (MBR) configuration.
- Hydranautics MBR System with 2 anoxic tanks (140 m³), 2 aerobic tanks (200 m³), de-ox Tank
- Membrane capacity was doubled to 40 m³/hr in spring of 2014.
- Influent cells, aerated equalization tank 252 m³ and screening.
- 20 million gallon exfiltration basin.
- Spray irrigation disposal system to designated areas in the summer.
- An apartment in Silver Star Village is used as an office for SHU.
- SHU reported the value of the assets in Feb 2013 as \$4,407,865 (excluding the collection system). The land for the Sewage Treatment Plant is owned by the Province. [1, pg.7]

3.0. DISCUSSION

The key question of this letter is whether the sewage utility's rates are reasonable or is the utility generating too much revenue. This section will discuss this question by developing the operating costs, capital spending, net book value, and return on investment (ROI).

3.1 Operating Costs

Small and remote systems are very expensive to operate. They don't have the economies of scale, and they are dealing with challenges transporting goods and services to remote location. Mountain resorts further have the complication of dealing with unfavorable seasonal treatment environment with low flows with high temperatures in the summer, and high flows with low temperatures in the winter. SHU is a Class 3 system with an expensive, and advanced MBR system. As they point out on their website: "we require a sophisticated treatment plant that results in effluent that is crystal clear with absolutely no smell and is permitted for use as irrigation for unrestricted public access". This is a high standard and SHU has been in compliance with its regulatory requirements.

In 2014, Stantec conducted a comprehensive study of the utility on behalf of RDNO. The report stated that "*... the staffing levels appear to be sufficient for the scale of the operation and the level of operator input required.*" [1, pg. 63] That report also states: "*...while SHU has not revealed details of their financial position, there is no evidence to indicate that they are not recovering their costs*"

In the 2018 Financial Statements [2], SHU reports that Operating Costs (excluding depreciation and including "purchases") amount to \$985,000, about 67% of which is salaries and benefits.

Yet, through discussions arising from this project, there is also anecdotal evidence that suggests the reported expenses, particularly the salaries, are high.

3.2 Historic Capital Spending

Including the 1999 purchase price of \$450,000, an estimated \$7,000,000 was spent on capital upgrades from 1999 to 2014. [2]. However, \$1,500,000 of the cost of the MBR upgrade was recovered through a cash-call to homeowners that was termed “*the Capital Upgrade Reimbursement Fund (CURF)*”.

There may have been additional capital spending since then but information to that is not available. It should be noted that some of the capital spending could have been recorded on WTI balance sheet, rather than SHU’s balance sheet. This could further distort the overall picture, including the depreciation and NBV of assets on SHU’s books.

3.3 Net Book Value of the Assets

Purchased capital assets are typically recorded as tangible capital assets on the balance sheet and then depreciated over time. The Net Book Value (NBV) of assets (that is the historic purchase cost less accumulated depreciation) can be used to determine a fair return on investment.

There are some different sources of information regarding the NBV of SHU assets.

For example, SSPOA have provided a summary of tax forms filed from 2002 to 2012 [3]. According to this, the NBV of assets in 2012 was \$1,335,839. In that same report SSPOA summarizes information from the 2012 to 2018 SHU financial statements. In 2012, the NBV reported on the financials matches the tax filing, around \$1,379,071. Two years later in 2014, NBV of assets is up to \$2,000,000. And then by 2018, NBV of assets are back down to \$673,753. The assets appeared to have depreciated on average about \$331,000 per year from 2014 to 2018. This seems fairly aggressive for depreciation of assets with at least 10-20 year life.

In calculating net value of assets it is appropriate to subtract any contributed capital such as, in this case the \$1,500,000 CURF funds. Normal practice would be to record the tangible capital assets in the financial statements net of the CURF contributions.

3.4 Utility-Basis Approach for Determining Revenue Requirements

SHU explains on their website (www.silverhawkutilities.com/rates-how-our-rates-are-set) that they calculate rates “as if they are a regulated utility”. This implies that they would be using a utility-basis method for calculating revenue requirements.

The AWWA M1 Manual on Principles of Water Rates, Fees and Charges sets out a widely accepted utility-basis methodology for determining revenue requirements for investor-owned utilities. The three primary components of revenue requirements under the utility-basis model are:

- O&M costs (including taxes) of running the utility
- Depreciation (loss-in-service) of assets
- Return on Rate Base¹ (rate of return on net book value of assets)

If accurate data can be obtained, a proper depreciation schedule can be developed to get an accurate assessment of the overall value of the system and what the depreciation should be and how to calculate a return on investment.

Compared with government-run utilities, overall revenue requirements tend to be higher with investor-owned utilities that must also pay taxes and provide a rate of return to investors-

¹ Return on Rate Base is essentially the profit that investors earn through investing their capital in the utility. This term may also be called return on net book value or return on investment.

3.5 Calculation of SHU ROI (from SHU reported data)

The following table contains data from a copy of the Silverhawk Utilities financial statements for FY17/FY18 [4].

Table 1 – Calculation of Return using Figures from Financial Statement

	O&M Expenses	Depreciation	Return on net book value of the assets
FY18 FS data	\$985,000	\$98,000	\$246,000 (37% return)
FY17 FS data	\$911,000	\$94,000	\$294,000 (44% return)

Calculation of the return assumes a NBV of \$673,000 that was discussed in section 3.3 above.

Using the reported \$673,000 NBV results in an approximate 37% to 44% return on net book value of the assets. This indicates an unreasonable return on investment.

However, the \$673,000 NBV appears to be low given that the total capital spending (1999 – 2014) discussed in section 3.2, amounts to \$7,000,000. And it is also unusual that the \$2,000,000 NBV reported in 2014 SHU financials depreciated down so quickly to \$673,000 by 2018.

This therefore raises the question of how the \$7,000,000 was accounted for. Perhaps it was depreciated too quickly or perhaps it was recorded on the parent company WTI balance sheet instead of SHU's balance sheet.

If the NBV in 2018 was higher, say for example \$2,500,000 instead of \$673,000, then the return of \$246,000 would be a more reasonable 10% return.

3.6 Capital Replacement Reserve Fund

A Capital Replacement Reserve Fund (CRRF) is a good idea and one that is promoted widely in government-run utilities. It is not necessarily a requirement for an investor-owned utility. Investors typically continue to reinvest in a utility using their own capital, and recouping that capital, plus interest through the depreciation and the return on rate base, as was discussed previously. Regulatory bodies such as utilities commissions ensure that the calculations are correct, and the rates are fair.

On the other hand, the province regulates private water utilities. Private water utilities that are not approved for a rate base are required to maintain a capital reserve. These tend to be smaller-sized utilities that are started as part of a new development and initially owned by the developers. Under this requirement, the utility is required to transfer funds annually (based on a depreciation schedule with engineer signature) to a reserve fund for capital replacement. This enables the ministry to ensure to future customers that the system will have funds needed to sustain its capital renewal requirements.

The Ministry of Environment MWR regulation also provides a mechanism for establishing what it calls a security. This is a legislative-backed mechanism that forces the utility to contribute to a trust fund that is intended for capital upgrades and must have ministry approval to be spent. However, this is only applied to systems with residential, primary residences. Smaller systems that serve seasonal populations such as at resorts like Silver Star, are likely exempted from this requirement.

3.7 Comparison with Panorama Mountain Resort.

It is difficult to get apples-to-apples comparisons in the utility industry because of variations in governance model, service population size and composition, technology, environmental considerations, regulatory requirements, age and condition of the assets, and different levels of inflow and infiltration.

A private utility like SHU should be compared with other private utilities, not with government-run utilities, because government-run utilities:

- don't pay taxes,
- can levy taxes, which distorts the true cost of the service,
- have economies of scale in operations and management,
- have access to government grants and lower borrowing costs.

Corix Utilities is a private utility company that owns and operates the water and waste water utilities at Panorama Mountain Resort. Through discussion with Corix, we were able to compare the Corix-Panorama Utility (C-P) with SHU. This is about as close to an apples-to-apples comparison we can find.

Similarities:

- They are privately owned and operated,
- They are at mountain resorts near each other, and have similar seasonal treatment challenges (re: low flows with high temperature, high flows with low temperature.),
- They have the more advanced and expensive MBR system for nitrogen removal,
- They likely require the same number of qualified operators (3),
- There are no new accommodation units being developed,
- The NBV of the assets, the plant-in-service, of both organizations are in the same ball park.

Key differences:

- SHU has about 50% more accommodation units than C-P,
- C-P and its parent company British Columbia Investment Management Corporation are much larger than SHU and WTI and enjoy greater economies of scale,
- C-P are highly engaged with their customer base. Customer satisfaction is a priority and C-P has a history of listening to customer concerns and working together with them to resolve.

Findings from the conversation with Corix regarding comparing C-P with SHU:

- The salaries and benefits reported by SHU in the FY18 Financials Statements appear high.
- SHU rates are much higher than C-P: FY22 base charge is three times higher, and the metered charge is about 40% higher. Considering that C-P might have economies of scale allowing its rates to be lower, this difference in the two rates seems high.

3.8 Silverhawk Rate Structure and Rate Setting Methodology

Stantec reported in 2014 [1] that “the format of the rating structure follows principles commonly used by North American utilities...”

SHU explains on their website (www.silverhawkutilities.com/rates-how-our-rates-are-set) that they calculate rates “as if they are a regulated utility”. This implies that they would be using a utility-basis method for calculating revenue requirements: rates are then designed to meet those revenue requirements.

They explain further that a cost-of-service method is used to allocate functional costs to customer categories by determine units of service associated with each class and then apportioning costs to that class based on the number of units.

This all meets industry standard.

3.9 Expansion and Pillow Fees

As communities grow, so do the overall demands on the utilities. As populations increase, this places pressure on utilities to expand their rated capacity. SHU measures their capacity using a unit of measurement they term “pillows”. This is meant to represent people, which in turn is a proxy for demand. With more developments, there would be more beds (and couches and other places to throw down a sleeping bag). So, for example, a five-bedroom suite is considered to have 16 pillows. SHU claims that there’s nothing stopping these units from accommodating large numbers of people, say 16 in a five-bedroom condo. It’s not clear if there’s evidence of this being the case.

SHU’s current pillow count is at around 9,000. According to SSPOA it’s possible for the service area to grow by another 9,000 pillows. However, there hasn’t been growth for quite some time. SHU’s current tariff states the new connection fee as: \$2400/pillow. Thus, if the service area expands by another 9,000 pillows (another 560 five-bedroom units for example) would result in about \$20,000,000 revenues to SHU from these connection fees.

Note that capacity expansion is not linear. SHU is not able to scale up capacity 1 pillow at a time. At some point, there needs to be a significant investment to expand capacity to the “next level” which may be to service an additional 9,000 pillows. SHU would make that decision depending on the prospects for growth to happen. Because SHU will likely have to invest the funds required to expand capacity, while new developments and therefore the pillow fees will trickle in over time. This is sometimes termed a “late-comer” charge. New developments will pay the pillow fee to reimburse SHU for money already invested to expand the system.

Given that the spending from 1999 to present day was around \$7,000,000 (see section 3.2), and through discussion with Corix-Panorama, it seems greatly over-inflated by an order of magnitude to price out the cost of expanding the utility to meet 9,000 more pillows of demand to cost \$20 million. This expansion would likely only cost \$2-3 million.

Regulated private water utilities in BC are required to have an engineer complete a depreciation schedule and a deferred capacity connection fee analysis to determine what the utility must charge of new developments to assure sufficient capacity. They are further required to deposit this fee into a trust fund until a time comes to use those funds for expanding the system. So, the provincial ministry has significant oversight into this process.

For a private wastewater utility like SHU, there is no requirement to charge those fees, no requirement to place those into a fund. And there is no record or other evidence of what SHU does with these funds.

This issue of pillows and deferred-capacity fees does not affect existing homeowners. It only impacts new developments. A fee that is too high may deter new developments.

3.10 Jurisdictional Review

Some notes from discussion with Corix re: private wastewater regulation in US and Alberta.

- Private wastewater utilities are regulated in all but three legacy states (Georgia, New York and Michigan). Alberta also does not regulate private wastewater utilities.

- Even in those states, it's typical for a contract to be setup between the original developer and the home owner associations, such that both parties are tied together and required to negotiate in good faith together.
- Profits
 - o Larger utilities are regulated using a utility-basis method involving return on rate base
 - o Smaller utilities are regulated by allowing an operating margin, eg: 12% over O&M costs
- Use of security trust funds is not standard,
- Private utilities in some states have access to grants, SRF, and low income financing.

4.0 SUMMARY & CONCLUSION

As is uniformly the case across the US and Canada private wastewater utilities in BC are regulated for the prevention and control of pollution to the environment. Regulating private wastewater utility pricing, economics and business practices is the norm across US and Canada; however, there are a few jurisdictions where this type of regulation is absent, including in British Columbia.

This lack of regulation has led to a complaint from the Silver Star Property Owners Association (SSPOA) at Silver Star Mountain Resort that are being serviced by the privately owned Silverhawk Utilities (SHU). The SHU system includes a sewage collection network (8.6 km), treatment and disposal of wastewater into the environment. They have an advanced and expensive Membrane Bioreactor (MBR) treatment system that treats flow from approximately 508 residential units and 562 commercial condo and hotel units. The SSPOA claim that rates charged by SHU to property owners are too high and therefore not fair.

To address this complaint, the province has asked Waterworth to investigate and report on the situation. This investigation involved mainly the review of vast amounts of information provided by SSPOA, that SSPOA have collected, compiled, and analyzed over the years. Though much information has been provided, there is a lack of reliable and relevant data and no opportunity to correspond with SHU for additional information or clarifications. There are wide variations in possibility depending on assumptions made. It is therefore very challenging to conduct an accurate analysis of SHU rates and to be conclusive about assessing rates for fairness.

To approach this question, financial data was reviewed, and a model developed for determining revenue requirements under the utility-basis approach. Section 3 of this report discusses the findings which are summarized here:

On the question of if revenues generated from rates are appropriate:

- SHU reports 2018 operating costs at \$985,000; there is anecdotal evidence that these costs are too high for the size and composition of this utility;
- Historically, it appears that SHU owners invested \$7,000,000 into the utility including the purchase in 1999 and up to 2014. (\$1,500,000 of that cost was recovered through a direct cash-call to homeowners).
- There is little evidence of that capital spending on the SHU balance sheet and no clear record of how that spending was accounted for. It's possible the capital expenses were recorded on the parent company balance sheet instead; or maybe they were depreciated very aggressively off the SHU balance sheet.
- As of 2018, the net book value of the assets was stated at \$673,000.

- In using the available data a calculating the utility-basis of determining revenue requirements, it is determined that the 2018 rate of return is around 37%. If this is true, then this seems an exorbitant and unfair rate of return.
- On the other hand, if the net value of the assets are simply mis-recorded but might still be in the order of \$2,500,000, then the rate of return would be 10% and that would be fair. (Notwithstanding the question of whether the operating expenses mentioned above are fair or not.)
- In comparing SHU with another similar sized private wastewater utility, Panorama which is run by Corix, it was discovered that SHU rates are much higher than Panorama rates. It can be argued that Corix being a large company with an even larger parent company, have economies of scale and therefore you might expect Panorama rates to be lower. However, the difference is quite significant to support this as the only explanation.

On the question of whether pillow fees are appropriate:

- New developments must pay pillow fees as a contribution towards the cost of expanding capacity, either before or after the expansion.
- Growth has been stagnant so this isn't really an issue, unless the fee is so high that it is in fact deterring new developments.
- This is not impacting existing homeowners' rates; it only impacts new developments.
- The finding is that the pillow fees being charged could amount to around \$20,000,000 of new revenues if the service area grows by 9,000 new pillows.
- However, expanding the current system capacity to support 9,000 more pillows would likely only cost in the order of \$2-3 million dollars.
- Therefore, it looks like the pillow fees are extremely high.

On the question of whether there should be a capital reserve fund to assure longevity of the system:

- One approach to assure homeowners of longevity of their wastewater services is to establish a capital reserve fund;
- In the case of regulated water utilities in BC, this is taken one step further in that the reserve fund is a trust fund that is controlled by the Ministry; this is not a common practice in the US;
- SHU is not required to establish a capital reserve fund;
- Instead, it is expected that SHU will always invest whatever funds are required to keep the system updated, and then recover those investments through the typical mechanisms of the utility-basis approach: depreciation and return on invested assets.

Approaches in other jurisdictions:

- Most states regulate pricing for private utilities either on a utility-basis method or for smaller utilities, using an operating margin of 10 - 12%.
- In unregulated states, it is typical for a service agreement to be setup between the utility and the home owners at the outset, thus establishing a mechanism for collaboration and dispute resolution.
- In the US, use of a trust fund to enable regulators to control use of reserve funds is not a standard practice.

Key Gaps – the most important missing data points

- A depreciation schedule showing details of capital spending over the years, how those assets were depreciated;
- A detailed breakdown and explanation of operating expenses;
- An analysis of future deferred capacity revenue requirements;
- Evidence of any reserve funds that have been set aside for future replacement and future expansions;
- Detailed calculations on how rates are developed;

In conclusion, there is a possibility that SHU is earning unfair profits however it's not possible to be conclusive about this. Alternative assumptions lead to scenarios that show that SHU rates may indeed be appropriate. This cannot be resolved easily without the collaboration of SHU and access to more detailed data. This situation between SSPOA and SHU is not an issue in most jurisdictions in Canada and US where private sewer utilities are regulated from a pricing and economic standpoint. And even in some unregulated regions in the US, other mechanisms are in place to avoid this type of conflict.

The essential issue here is the large communication gap between The SSPOA and SHU which raises trust and financial transparency and accountability issues. SSPOA has insecurity around their sewage utility provider with regards to the rates they pay and the future viability of the sewage system and their recreational investment at Silver Star Mountain Resort.

5.0 RECOMMENDATIONS

The purpose of this report was to assess for fairness of rates of one single private sewage utility. The result shed some suspicions but there is no conclusive result. This section proposes some recommendations for moving forward on this.

Firstly, we look at recommendations for dealing with this specific issue. These are presented in an order which progresses from carrots to sticks. Secondly below, we look at recommendations towards the potential broader province-wide issue.

Recommendations towards SHU and SSPOA:

1. Use the summary information provided in this report to approach SHU to discuss the issues with dialogue. A mediation process may also address the communication to reset the relationship between SSPOA and SHU perhaps proposing the model that a contract be established between the two parties.
2. Request or demand better data from SHU. Getting better data would help develop a more accurate analysis. If SHU are certain they have made proper calculations and their rates are appropriate, then they ought to gladly cooperate with the goal of putting all this conflict to rest.
3. Explore opportunities for providing assistance to gain SHU cooperation.
4. Reassess the interpretation of the existing MWR regulations with respect to SHU that may encourage a resolution. These are sometimes referred to as technicalities.
5. Coordinating with Regional District of North Okanagan on regulatory issues.
6. Business licensing.
7. Crown land tenure for the sewage infrastructure, including easements and leases.

6.0 REFERENCES

A wide range of information, provided largely by the SSPOA, was reviewed, and assessed. Some of the information that would be most relevant to supporting the assessment (financial statements, historic spending, detailed O&M cost breakdown) was either not available or deemed unreliable.

[1] Stantec, 2014. Silver Hawk Sewer System – Comprehensive Utility Assessment. (SSPOA doc#12). Stantec, 2014.

[2] Mae S., 2018. Affidavit. (SSPOA doc#24s). Edna-Mae Sukovieff, Vernon Registry, 2018.

[3] SSPOA, 2022, 14b. No 14(b) Silverhawk Capital Assets. 2022.

[4] SHU, 2018. Silverhawk Utilities Financial Statements (unaudited) ending Feb 28, 2018.

[5] SSPOA, 2018, 1. Private Sewage Business Regulation in B C – The Case for Change. Position of the Silver Star Property Owners Association, 2018.

Some of these referenced materials were provided by SSPOA and may be available by contacting SSPOA directly.