

Application Name: 2019 Hemlock Water Revenue Requirements and Water Rates
Response to Information request NO:1 FROM: Hemlock Utility Services Ltd
Date: September 3, 2019

REQUESTOR NAME: *Utility Regulation Section, Water Management Branch
Ministry of Forests, Lands, Natural Resource Operations and
Rural Development*

INFORMATION REQUEST NO: 1 TO: *Hemlock Utility Services Ltd.*

DATE: *August 20, 2019*

REFERENCE NO: *7527*

APPLICATION NAME: *2019 Hemlock Water Revenue Requirements and Water Rates
Application*

1. Reference : Application - cover letter, pg. 1, para 2.0

Explanation: *Hemlock Utility Services Ltd. (“HUS” or “the Utility”) states that “In 2015, a new treatment facility, which cost the company over \$850,000 was constructed to meet the current drinking water standards. After a year of operation, on October 13, 2016 the boil water advisory was rescinded.”*

1.1 *When did the Utility first receive a quote for the cost of the project? Was an action plan developed at this time to offset/recoup costs?*

The quote from Water Tiger was received July 21, 2014. There were no immediate plans put in place at that time to recoup costs.

1.2 *Why did the Utility not apply for a rate increase sooner, knowing that this project would require significant capital?*

The Utility Company did not want to raise rates until the system was fully functioning and the boil advisory could be rescinded. The Utility company felt it would not have had the support from the customers until the boil advisory was lifted.

1.3 *What is the useful life of the water treatment plant?*

The useful life of facility is approximately 20 years.

1.4 *Was the Utility ordered to complete this project? If so, by whom and when? How long did the project take from when the order was received? Why did it take this amount of time to complete the project?*

The Utility was ordered by Fraser Health, Jeniene Lutz in June 2013 to complete this project. The order came during the process of the Master Development Plan (MDP) and was mandatory in order Province to all Berezan to proceed with the MDP. The Utility

company sourced out a quote at the time the order was made, however it took over 1 year to receive a proper to quote. The delay in getting the quote was due to the time it took the vendors to gather proper information from engineers regarding what was needed.

1.5 How many boil water advisories have the customers had since the implementation of the new treatment system? If any, how was the system compromised and what was done to remedy the situation? Does the treatment facility offer any new form of protection from the weather elements that have historically been an issue for water quality?

The utility Company estimates 4 boil water advisories had been put in place from 2016 when the water boil advisory was officially rescinded after the building was completed. The advisories were the results of Massive rains in the area and causing high levels of turbidity with the reservoir. The new water treatment facility is designed to provide data and set off alarms when the treatment is not sufficient, thus having to go on Boil water advisory's as a precaution. The reservoir is an open area that is susceptible to the elements of Hemlock Valley. When Hemlock Valley receives large amounts of rain fall in consecutive days the runoff from the mountains causes massive turbidity that need time to settle (usually 24 – 48 hours).

2.0 Reference: Application – Cover Letter, pg. 2, paras. 5 & 6

Explanation: HUS states that: “A potable water reservoir will satisfy peak demands that may occur with the addition of a hotel or housing development.” This project is estimated to cost \$350,000. Another project, which requires gradual replacement of the water distribution system, is estimated to take 10-15 years and cost \$3,000,000.

Request:

2.1 Please provide an estimate on the number of customers that will be served by the Utility in the next 10 years.

It is estimated that utility company would have approximately 310 residential units at the end of 10 years. It is unclear how many new commercial customers will be included by end of 10 years. The Master Development Plan allows for Hotel and retail spaces. This project is estimated to occur in the next 10 years, however, how many units will be built as part of this process is unknown at this time. Potentially over the next 10 years, a hotel(s) with 100-120 rooms will be added.

2.2 Identify how many customers will be commercial and how many will be residential.

The 310 units listed in 2.1 will be residential residential, the commercial customer will remain the same as now with the addition of the hotel(s).

2.3 Identify which of these customers will be in any way related to Ralph Berezan, BerezanGroup, Berezan Juniper Enterprises, or Sasquatch Mountain Resort.

Most of the commercial customers will most likely be related to the Berezan Group, as for Residential, it is estimated that 20% will be related to the Berezan Group.

2.4 How does the Utility plan on financing these projects? Does the Utility expect these projects to be funded by the customers? If customer funded, has the Utility formulated a proactive plan to avoid rate shock?

The Utility Company has not formulated a comprehensive plan for these projects. The Rate increases includes \$82,000 a year be put into the Reserve Fund. The Utility will maximize the use of these funds for these projects. The fund will not be sufficient to upgrade the full aging distribution system however, the plan will be to do sections at a time, and spread over years. The original application states 10-15 years, however, in order to avoid rate shock, this project will most likely need to be spread out over 20-30 years.

3.0 Reference: Application, Projected Cash Flow Statement, Forecast 2019

Explanation: Projected Cash Flow Statement, Forecast 2019 column

Request:

3.1 As the Utility's fiscal year-end is April 30th, please update the Projected Cash Flow Statement to include 2019 Actuals.

Please see updated Cash flow Statement. The actuals have not been finalized yet by our external accounts review, therefore are not considered complete until finals are received.

HEMLOCK UTILITY SERVICES LTD.						
PROJECTED CASH FLOW STATEMENTS						
FOR THE YEARS ENDING APRIL 30						
	ACTUAL			Actual	Proposed Rate increase	
	2016	2017	2018	2019	2020*	2021
RATES:						
Residential service flat rate	\$ 199.28	\$ 199.28	\$ 199.28	\$ 199.28	\$ 1,394.96	\$ 1,394.96
Bunkhouse (each bed)					232.49	232.49
Day Lodge			10,466.00	10,466.00	20,932.00	20,932.00
Low Usage Commercial service flat rate			199.28	199.28	597.84	597.84
Condominium - Common Area			199.28	199.28	1,394.96	1,394.96
	-	-	-	-	-	-
	-	-	-	-	-	-
NO. OF UNITS:						
Residential service flat rate	230	230	230	233	244	250
Bunkhouse (each bed)			95	95	95	95
Day Lodge			1	1	1	1
Low Commercial (cat shop/ lift main / fire)	4.00		4.00	4.00	4.00	4.00
Condominium			2.00	2.00	2.00	2.00
	-	-	-	-	-	-
	234	230	332	335	346	352
REVENUE:						
Residential	45,854	45,723	45,452	46,508	267,434	348,740
Bunkhouse (each Unit)			1,903	2,785	11,043	11,043
Day Lodge			10,466	10,466	20,932	20,932
Low Commercial	797	797	797	797	1,993	2,391
Condominium					2,192	2,790
Hookup / Connection fees			1,000	2,000	2,400	1,200
Interest						
Other	890	260	260	6,194		
TOTAL REVENUE:	47,541	46,780	59,878	68,750	305,994	387,097
EXPENSES:						
Bank charges	7,231	7,289	9,858	9,795	10,000	10,000
Loan Interest					28,212	40,050
Bad Debt	168		50	296		
Hydro	1,924	4,317	5,882	6,839	6,000	7,000
Insurance	9,693	10,396	8,445	3,871	11,000	11,000
Licenses, Dues & Fees	455	571	586	515	600	600
Management Fees	7,131	7,017	8,982	10,313	24,480	30,968
Office Supplies	132			410	1,000	1,000
Wages	38,384	36,152	27,837	27,833	65,000	65,000
Professional Fees	1,348	1,348	2,930	4,020	1,350	1,350
Automotive	793			3,457	500	500
Rent	300	300	300	300	300	300
Repairs & Maintenance	15,151	38,473	40,287	74,987	60,000	60,000
Telephone	2,494	1,514	1,694	1,665	2,184	2,184
Testing						
Professional Development	1,254		1,237		2,000	2,000
Income taxes						
TOTAL EXPENSES	86,457	107,377	108,088	144,300	212,626	231,952
NET CASH	- 38,916	- 60,597	- 48,210	- 75,550	93,369	155,145
Less Loan - Principal payments					- 35,555	- 55,600
Add Authorized releases from Replacement Reserve Trust Fund						
Less Income Taxes						
Less Replacement Reserve Trust Fund Contributions					- 82,000	- 82,000
ADJUSTED NET CASH	- 38,916	- 60,597	- 48,210	- 75,550	- 24,186	17,545

* Year 2020- rate increase occurs partial year effective September 1, 2019, estimated revenue includes prorated amounts.

4.0 Reference: Application, Projected Cash Flow Statement, Connections/No. of Units

Explanation: *The Projected Cash Flow Statement includes actual and projected number of units. No revenue is reported from the bunkhouse units until 2018, though the current approved Water Tariff No. 2, Schedule D, has rate of \$139.25 per quarter for each Bunkhouse unit.*

Request:

4.1 Provide information regarding the bunkhouse units. Has the Utility billed the Resort for the Bunkhouses? If so, how has revenue for the bunkhouse been recorded?

The Utility has billed the resort for the bunkhouse units. On the Cash Flow statement, 2016 & 2017 it was included in residential revenue. Included in the revenue was 1 bunkhouse charge for a total of \$199.28/year. In 2018 it was discovered the Original bunkhouse was only being charge the residential rate and corrected at that time to be 139.25/quarter. In December 2018 the resort added more bunkhouses.

Currently there are 5 bunkhouses being charged the \$139.25/per quarter rate. Please see section 3.0 Cash flow statement for updated actual revenue breakdown for 2019, as initial application was only a forecast.

4.2 Provide the rationale for using different unit measurements for the bunkhouse in the Rates section compared to the Revenue section. How many bed units are in a bunkhouse unit?

As the bunkhouses are different sizes, it was determined the current rate 139.25 per quarter may not be appropriate for the usage for each bunkhouse. A switch has been made to breakdown the Bunkhouses by bed. The rate was calculated by taking the proposed residential rate and dividing by 6 people per house (average 3 beds in a home and 2 people per bed). This resulted in a cost of 232.49 per annum per bed.

The total number of beds between all bunkhouses are 105 (please note application estimated for 95 Beds, however upon further review it is determined there is 105 beds.)

4.3 On average, how many people live in the bunkhouse each year? Provide historical data for the last 10-15 years if possible.

From 2018 there were 105 beds used on a seasonal basis. Prior to that, there is approximately 10-20 people using the bunkhouses each year (most staff accommodations were sourced out by renting units throughout the village prior to 2018 year).

4.4 Provide an explanation for the projected increase in residential service. Specifically, regarding the proposed additional residential connections (20 additional residential connections by 2021). Will these connections be condos or cabins?

These connections are estimated to be cabins/houses. The 20 additional customers by 2021 may not be an outdated figure, a more reasonable estimate will be 3-5 connections per year, based on historical values.

5.0 Reference: Application, Projected Statement of Cash Flows, Rates

Explanation: HUS provides actuals and proposed rates for residential and commercial customers. Actual rates reported for the low commercial and condominium common area are different from the rates set out in Water Tariff No. 2. The current approved rate for the low commercial users is \$229.48 annually (\$57.37 per quarter), however a rate of \$199.28 per annum was charged to these customers and only beginning in 2018. Moreover, no revenue is recorded for 2016 & 2017 from the condominium common area, the day lodge, or the bunkhouse.

The proposed residential rate is \$1,394.96 annually (\$348.74 per quarter) per residential unit.

Request:

5.1 Confirm the water rates charged to each customer class since Berezan Group acquired the water system.

Class	Rates per Quarter			
	2016 & prior	2017	2018	2019
Day Lodge	49.82	49.82	\$ 2,616.50	\$ 2,616.50
Condominium	49.82	49.82	\$ 49.82	\$ 49.82
Bunkhouse	49.82	49.82	\$ 139.25	\$ 139.25
Low Commercial	49.82	49.82	\$ 49.82	\$ 49.82

The Cash Flow Statement on the application included the 2 condo charges , the low commercial charges, and 1 bunkhouse charge in the residential revenue section for 2016 and 2017 years.

5.2 How many customers were in each customer class in each year?

Class	#of units in each class			
	2016 & prior	2017	2018	2019
Day Lodge	1	1	1	1
Condominium	2	2	2	2
Bunkhouse	2	3	5	5
Low Commercial	3	4	4	4

5.3 Provide the rationale for charging condos and cabins the same residential rate.

The Utility company does not have the data to support who would use more water or less water between condos and cabins. It was felt to keep all at the same rate for simplicity. The Utility company will defer to the Commission to determine if condos should be the same as cabins.

5.4 Provide a breakdown of the residential units split between detached single family homes, condominium units and cabins.

91 Single family homes, 2 Condos (60 units), 21 multiplexes (83 units)

5.5 Is there a rate for seasonal use? If so, how many customers does the Utility estimate will take advantage of the seasonal rate?

In the proposed Tarriff there is a clause that supports seasonal usage at 50% of proposed water rates. Estimating how many customers will take advantage of these rates is difficult, as there is no historical data and compounded with the goal of the Master Development Plan to be open year round.

6.0 Reference: Application, Projected Statement of Cash Flows, Revenue

Explanation: Residents accounted for 76% of total revenue generated in 2018. The proposed 2021 rates will see residential units covering 90% of total revenue. Many of these residences are used only a few times a year.

Request:

6.1 What are the commercial rates based on?

As water usage is not metered we have no real indicators as to what the lodge should be charged. Therefore, the Utility company used a fairness test for lodge rate, which has 60,000 visitors a year, by doing comparisons with other business. Through the below comparisons of visitors per year and water rates, a reasonable reflection of usage was determined.

- i. A Casino and Restaurant Business which operates year-round receives approximately. 240,000 guests annually has an annual water bill of approx. \$6000. (this equates to \$1500/year based on 60,000 visits)
- ii. Another Casino and Restaurant Business which operates year-round receives approximately 313,000 guests annually has an annual water bill of approximately. \$15,000. (this equates to \$5,000/year based on 60,000 visits)

The Utility company used the above comparisons and noted that the municipal rates would be approximately \$5000/year for the 60,000 guest visits, therefore an appropriate premium was added resulting in a rate of \$20,932 per annum for service in the Hemlock Valley area.

The Utility will concede that these comparisons were in different cities and did not have access to residential information for comparison and will welcome any input the Commission has regarding rates.

6.2 Explain why the residential service flat rate is increasing by 600% when the commercial rates are not increasing similarly. For example, the rate for the Day Lodge is increasing 100%. What is the Utility's rationale for having residents account for such a significant portion of the revenue?

Prior to 1998 the Utility Company does not have information on how rates were derived or how the proportions were determined. Therefore the Utility company decided to use a work back model, starting with the largest customer, the lodge, to determine what the lodge rates should be (see 6.1 for determination) and then working back to the residential customers.

6.3 Provide a listing of the existing commercial connections and their single family equivalents. What is the water used for at these locations?

Currently there are 4 commercial customers:

1. Lift Maintenance building which uses washroom, washer and dryer used year round by a few people.
2. Cat Shop which uses washroom, washer and dryer, and pressure washer, used year-round by a few people
3. Fire hall which used washrooms, kitchen, shower.
4. Yeti tube Park which uses washrooms and sink for the small food service.

7.0 Reference: Application, Projected Cash Flow Statements, Bank Charges

Explanation: Bank charges includes interest “paid to lender - Berezan Juniper Enterprises. It is based on 5% of the borrowed value. This interest amount is not including the cost of the water building. This is based on needed contributions to sustain operations while the water division was running as a deficit for many years”.

Request:

7.1 What is the original borrowed value and terms of repayment?

There is no original amount borrowed, as it slowly increases each year when bank account cannot sustain expenses. This 5% is solely on the intercompany balance and is reviewed with the external accounts each year.

7.2 Provide the terms of the agreement between HUS and Berezan Juniper Enterprises

There are no terms, just an interest amount accruing each year based on 5 % of the intercompany balance.

7.3 Provide the reasoning for HUS knowingly operating at a deficit for many years. Why did HUS take out a loan instead of raising rates?

The Utility did not feel it was reasonable to raise rates while the system was on a boil advisory.

7.4 How long has the Utility been making payments to Berezan Juniper Enterprises as a part of the agreement regarding the “needed contributions”. What is the total amount that has been paid to Berezan Juniper Enterprises for this agreement?

No amounts have been repaid to-date.

7.5 Separate credit card related charges from loan interest payable charges for all years where this expense contained both.

	2016	2017	2018	2019
Bank charges	\$ 686	\$ 744	\$ 916	\$ 795
Interest on due balances	\$ 6,545	\$ 6,545	\$ 8,942	\$ 9,000
Total bank Charges	\$ 7,231	\$ 7,289	\$ 9,858	\$ 9,795

8.0 Reference: Application, Projected Statement of Cash Flows, Loan Interest

Explanation: The term of the loan is 5% interest over 12 years with a total borrowing amount of \$861,828.

Request:

8.1 What is the rationale for a 5% interest rate and a repayment term of 12 years? What other options were explored? What makes these terms the most appealing?

Based on Experience Mr. Berezan felt that these terms were better than what he could get from a financial institution for this size and type of loan.

8.2 Is the loan spread out over the useful life of the water treatment plant? If not, why?

Loan is not spread over the useful life of the plant. The Utility followed the guidelines for acceptable terms when determining the length of loan repayment plan (terms must be more favorable then when sourcing from a financial institution).

9.0 Reference: Application, Projected Statement of Cash Flows, Hydro

Explanation: Expense for Hydro increases \$1,000 each year in the forecast.

Request:

9.1 Explain why a hydro increase of \$1,000 per year is fair and reasonable. How much more power is the Water Division of HUS expected to use? Why?

The estimated increase was based on history. As more people connect to the system, the higher the usage at the plant will be. Also, hydro rates have been increasing automatically each year in conjunction when BC Hydro rates increase per the formula given by BCUC.

10.0 Reference: Application, Projected Statement of Cash Flows, Management Fees

Explanation: The Utility has submitted a cost breakdown of the proposed management duties. It includes 140 hours annually at \$60/ hour for bookkeeping, 48 hours annually at \$150/hour for budgeting and year-end review, and 92 hours annually at \$150/hour for Executive Management duties.

Request:

10.1 Provide a detailed explanation for bookkeeping duties, budget/year-end review, and executive/management duties. Include the rationale for the amount allocated to each.

Bookkeeping 140 Hours Annually

Duties include, Bank reconciliations, account reconciliations, GST filing, accounts payable and Monthly financial statement preparation. This equates to approximately 12 hours a month and is felt reasonable for our accounting staff time.

Budget and year end Review – 48 Hours Annually

- 3 hours annually on budget review
- 20 hours on annual year end and review
- 25 hours on miscellaneous items, such as government filings, and other miscellaneous tasks.

Executive Management – 92 Hours Annually

- 16 hours annually on budgets and capital expenditures.
- 12 hours annually on Financial Review
- 12 hours annually on Cash flow projects
- 12 hours annually to manage personnel and schedule work on accounting records.
- 40 hours annually working with Staff, commissions, rate applications and other items that arise for the water division.

10.2 How does the Utility determine the costs for these activities? Is it based on a percentage of revenue or actual hours spent on management duties?

The cost for these activities are based on an estimate of hours spent on each activity. The application shows a calculation based on percentage of revenue however the percentage was adjusted to reflect actual costs. Prior years it was based on 15% of revenue, however, with the rate increases, this percentage is too high in comparison to actual costs, so the rate used in the application is 8%, which nets in amounts closer to actual cost.

The percentage of revenue method is a simplified method to calculate management fees and is standard in other private enterprises.

10.3 How did the Utility determine that \$60/hour is a reasonable amount for bookkeeping duties?

There are vast differences in rates, depending on which type of firm is used for these services. The Utility company felt that \$60 per hour was a good average from a Bookkeepers rates (which can range from \$40-50\$ per hour) compared to rates from an accounting firm (which can range from \$60-100 per hour).

11.0 Reference: Application, Projected Statement of Cash Flows, Wages

Explanation: “Wages are paid by Sasquatch Mountain Resort for our Operator, full wage for operator gets allocated to Hemlock Utility Services Ltd. Hemlock Utility allocates wages between divisions based on time spent on each division. This time is tracked by operations manager and allocated accordingly. An annual estimate for this operation is \$20,000.”

An additional operator is also said to be required as “maintenance duties have significantly increased with the water system”.

Also included is “10% of the wage of the general manager of the Resort. Approximately 10% of his time is being used on Utility Services projects”.

Request:

11.1 How many certified operators does the Utility employ? How many hours per week are spent on water activities and at what hourly rate?

The Utility employs 1 certified operator to manage all three utilities known as the operations manager. In 2019 approximately 530 hours were spent on water activities.

11.2 How many hours are spent on hydro and sanitation? Provide a breakdown.

In 2019 Operations manager spent 315 hours on hydro, and 525 hours on sanitation.

11.3 Provide a description of the activities undertaken by the full-time operator. What are the activities that will require the attention of a second operator?

Currently the system requires water building to be monitored 24 hrs day, 7 days a week, and 365 days a year. The Current operator has been handling the full monitoring duties, but this is not sustainable for one person.

Duties required to maintain the water system are listed below but not limited to:

Treatment plant operation:

Cartridge Filter cleaning and maintenance, Profimat 100micron self cleaning filter maintenance, UV cleaning and maintenance, monitor/adjust chlorine dosing system, maintain turbidity sensor, Free chlorine sensor maintenance, monitor/adjust distribution pumps based on usage and lead/lag cycles, backup generator operation and maintenance, 24/7 response to alarm call outs, record keeping and logging of all work completed, data collection and spreadsheet management, PLC troubleshooting, weekly water samples, yearly detailed water sample, all ordering and pickups, communications with Fraser health, yearly reports.

Distribution System:

Monitor and respond to distribution system failures and water main leaks, locating water service boxes for homeowners and new builds, responding to freezing events and water leaks inside lot lines, maintenance to pressure reducing stations, maintenance and cleaning to the emergency balancing tank reservoir, 24/7 response to potential house fires (bypass treatment and engage emergency reservoir), Fire hydrant maintenance, Posting of boil water notices during adverse events.

The second operator is also important to ensure daily operation through the weekend to fulfill our permit requirements. This will allow for days off and a schedule rotation instead of a seven day work week for one operator. The second operator can also assist in activities which require two people for safety reasons; confined space, heavy lifting, chlorine handling, hydrant operation and flushing, valve operation, system troubleshooting and water main repairs.

11.4 Provide clarification on the claim regarding the general manager of the Resort that states, "10% of his time is being used on Utility Services projects." Is 10% of his time used on all of the Utility projects including sanitation and hydro? Or, is the 10% allocation specific to water? If the allocation is just for water, what are the allocations for hydro and sanitation? Include the rationale that determined a 10% allocation was the best option.

Each year it is estimated based on how much time the resorts general manager spends assisting the Utility Company. Resort allocates a total of 30% of general managers time for all three Utilities. This is split evenly between departments, therefor 10% of time is spent on water tasks. 2019 the time spent on the entire utility company was only 20% while in previous years it was 30%. Each year the allocation is split evenly to each department.

11.5 What are the activities of the General Manager that necessitate his time being spent on the Utility? Provide a breakdown of the activities and the number of hours spent on each during the year.

The Utility company does not have an exact breakdown of hours, however the tasks performed are administration Support, project approvals, outsourcing supplier, damage control, staff coordination when necessary.

11.6 What is the General Manager's annual salary?

Utility Company wishes not to divulge this information on this public forum, in order to protect privacy for the General Manager. If it is necessary to for the Commission to have this information, it is requested this get discussed in a more private manner.

11.7 Who is the Operations Manager? Who pays their wage? Is any of their time spent on utilities?

The operations manager is the certified operator discussed in 11.1 to 11.3.

12.0 Reference: Application, Projected Cash Flow Statement, Professional Fees

Explanation: "These fees are the year-end accounting fees performed by the external accountants."

Request:

12.1 Describe the year-end duties completed by the external accountants.

The external accountants are responsible for preparing year end financial statements and Tax return for the Utility Company.

12.2 How is the cost allocated between the water, sewer and electricity divisions?

This cost is allocated evenly between each division.

12.3 Provide the consolidated financial statements for Hemlock Utility Services for the last 3 years. Include information on the allocation methodology of expenses on the income statement.

	2017	2018	2019	Allocation Method
Total Revenue	\$ 502,675	\$ 559,217	\$ 640,958	Actual per Division
Expenses:				
Automotive	\$ 2	\$ 8,791	\$ 10,251	Actual per Division
Bad Debts	\$ -	\$ 60	\$ 2,199	Actual per Division
Bank Charges	\$ 6,085	\$ 7,708	\$ 8,438	Actual per Division
Interest	\$ 44,971	\$ 56,368	\$ 57,000	Actual per division
License fees & Dues	\$ 1,318	\$ 1,708	\$ 1,856	Actual per Division
Insurance	\$ 31,188	\$ 25,335	\$ 11,613	total Insurance Premium divided equally to each division
Management Fees	\$ 75,401	\$ 83,883	\$ 96,144	Actual per Division
Office and Miscellaneous	\$ 531		\$ 229	Actual per Division
Professional Fees	\$ 4,043	\$ 3,710	\$ 5,980	Accounting fee from external accountant is allocated to evenly to each department, and other costs added based on actual
Rent	\$ 6,003	\$ 6,003	\$ 6,003	Actual per Division
Repairs and Maintenance	\$ 74,027	\$ 110,931	\$ 164,398	Actual per Division
Salaries and Wages	\$ 93,986	\$ 65,830	\$ 75,774	Actual for Operations manager, and General Manager split evenly to each department
utilities	\$ 219,013	\$ 247,109	\$ 294,994	Actual per Division
Amortizaiton	\$ 65,972	\$ 67,095	\$ 67,000	Actual per Division
Total Expenses	\$ 622,540	\$ 684,531	\$ 801,877	
Net Loss	-\$ 119,865	-\$ 125,314	-\$ 160,919	

13.0 Reference: Application, Projected Statement of Cash Flows, Repairs & Maintenance

Explanation: “Chemicals for the Water Treatment plant purchased thru Cleartech Industries are approximately \$5,600 per annum”.

“Snow clearing around the hydrants and road to water building estimated at \$15,000 per annum based on actual cost of 2017. ... done and payable to the Resort”.

“Contingency for other repairs such as water main/pipe leaks, estimated average at \$20,500 per annum.”

“Miscellaneous projects \$20,000”.

Request:

13.1 Provide invoices from 2017 and 2018 for the chemicals purchased from Cleartech Industries.

Please see attached invoices.

13.2 According to residents’ comments and concerns, snow removal costs no more than \$1,000 per year per home. Explain how the clearing of the watershed and hydrants costs considerably more.

The Utility company needs to ensure in case of a fire there is access to all 23 hydrants to ensure the fire department can perform their duties effectively. Hemlock Valley area can see approximately 30-40 feet of snow falling every year and it's a big job to clear the hydrants. Comparing 1 residential home is not an adequate reflection of what it costs to ensure they hydrant and the water shed are cleared properly over the winter break. Rates for every driveway are different, while driveways can start at \$1000 per year for very small driveways, others can be over \$2400 per year per driveway, depending on size and how often they are cleared.

13.3 Explain the rationale for forecasting \$40,500 in miscellaneous and planned repairs. R&M has not exceeded \$40,500 in the last three years, and this only accounts for 68% of the projected repairs and maintenance expense for 2020.

The Utility system is an aging system which will require more and more repairs until such time as the distribution system can be completely upgraded. Unplanned maintenance can be costly, the labour required to repair broken pipes/ leaks in these situations usually costs 3-4 times more than if repairs are planned. With our current situation, most of the repairs are unplanned, and often encounter unexpected challenges as the infrastructure and documentation the Utilities company inherited do not always meet the requirements needed. The increase in budget will allow the Utility company to allocate more resources to planned repairs and preventative maintenance in order to save on costs.

The miscellaneous projects listed at \$20,000 in the application include items such as Fire Hydrant and Leak Analysis which is to be performed by a third party in the 2020 fiscal year. Water Main leak analysis will pinpoint leaks in our system and be able to give us a flow rate for each leak found. This will help reduce water loss by repairing the largest leaks first and will identify the areas of the village which require complete replacement in the coming years. The water main leak analysis includes finding all water valves that are buried in the road and using a hydro vac to expose the water main every 1000ft span from a water valve or fire hydrant. The detecting device then provides exact location and size of the leak saving considerable amounts in excavation costs. It is essential to have all of our isolation valves located by GPS to repair the system and minimize interruptions to customers while repairs are made.

14.0 Reference: Application, Projected Statement of Cash Flows, Expenses, Related Party Transactions

Explanation: Many expense items are payable to the Resort. For example, HUS states that "Rent is payable to the Resort for use of the office and inventory storage".

Request:

14.1 For each expense item listed on the Statement of Projected Cashflows, indicate the dollar amount being charged or paid to a related party. Please format similarly to the provided

14.2 Please also identify who the related party is and what relationship makes them a related party.

Expenses	2017	Amount paid to Related Party 2017	2018	Amount paid to Related Party 2018	2019	Amount paid to Related Party 2019	Related Party Name (all parties are related by same ownership)
Bank Charges	\$ 7,289	\$ 6,545	\$ 9,858	\$ 8,942	\$ 9,795	\$ 9,000	Berezan Juniper Enterprises
loan interest							
Bad Debt					\$ 296		
Hydro	\$ 4,317	\$ 4,317	\$ 5,882	\$ 5,882	\$ 6,839	\$ 6,839	Hemlock Utility Services - Hydro division
Insurance	\$ 10,396	\$ -	\$ 8,445		\$ 3,871		
License Fees & Dues	\$ 571	\$ -	\$ 586		\$ 515		
Management Fees	\$ 7,017	\$ 7,017	\$ 8,982	\$ 8,982	\$ 10,313	\$ 10,313	Sasquatch Limited Partnership
Office Supplies	\$ -		\$ -		\$ 410		
Wages	\$ 36,152	\$ 36,152	\$ 27,837	\$ 27,837	\$ 27,833	\$ 27,833	Sasquatch Limited Partnership
Professional Fees	\$ 1,348	\$ -	\$ 2,930		\$ 4,020		
Automotive					\$ 3,457	\$ 2,930	
Rent	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	Sasquatch Limited Partnership
Repairs and maintenace	\$ 38,473	\$ 23,689	\$ 40,287	\$ 23,417	\$ 74,987	\$ 28,185	Sasquatch Limited Partnership
Telephone	\$ 1,514	\$ -	\$ 1,694	\$ -	\$ 1,665		
Professional Development			\$ 1,237	\$ -			
	\$ 107,377	\$ 78,020	\$ 108,038	\$ 75,360	\$ 144,300	\$ 85,400	

Note: by utilizing resources and skilled labour from the resort, savings are experienced versus using 3rd parties at higher rates, minimum call charges and travel time.