

ORDER NUMBER 2685

PROVINCE OF BRITISH COLUMBIA
OFFICE OF THE DEPUTY COMPTROLLER OF WATER RATES

IN THE MATTER OF
the *Water Utility Act* and the *Utilities Commission Act*

and

Hemlock Utility Services Ltd.

**For Approval of Revenue Requirements &
Water Rates Application**

BEFORE:

Bryan Robinson, Deputy Comptroller of Water Rights
PO BOX 9340 STN PROV GOVT
Victoria BC V8W 9M1

ORDER 2685

Dated this 11th day of June 2026

Whereas:

1. On April 29, 2024 Hemlock Utility Services Ltd. (Utility or Hemlock) filed its Water Rates Application requesting approval of changes to its water rates in order to recover forecast revenue requirements for a three-year rate setting period. In the application, the Utility requested, among other things, that the proposed rates be approved on an interim, refundable basis pursuant to Section 89 of the *Utilities Commission Act*.

2. On August 30, 2024 the Deputy Comptroller of Water Rights (Deputy Comptroller) issued Order 2658 approving the Utility's request for an interim, refundable rate increase effective September 1, 2024. The following rates and charges were to remain interim and refundable with interest subject to the Deputy Comptroller's final decision:

Interim Approved Rates F2025	Effective May 1, 2024 – August 31, 2024		Effective September 1, 2024 – April 30, 2025	
	Customer	\$/quarter	\$/quarter	\$/month
Residential Service Rate – 3 Bedroom		\$234.00	\$324.00	\$108.00
Commercial – Day Lodge		\$11,642.80	\$16,101.00	\$5,367.33
Commercial – Low Usage		\$256.00	\$354.00	\$118.00
Commercial – Condo. Common Areas		\$256.00	\$354.00	\$118.00

3. On September 20, 2024 the Utility advertised its application by sending a Notice of Application (Notice) to its customers. Customers wishing to submit comments on the application were required to do so by October 25, 2024. Twenty- three submissions were received. From the submissions received, two individuals were granted intervener status as representatives of Strata 1282 and the Hemlock Valley Homeowners Association.
4. The Deputy Comptroller continued with the written hearing process requesting the Utility's response to an information request and setting out a timetable for the next steps of the hearing process. The interveners actively participated by submitting their own information requests and final submissions which the Utility responded to. The Utility's final comments were received on April 4, 2025 which concluded the written hearing.
5. The relevant evidence submitted by the Utility, customers and interveners in the written hearing process (collectively called the Application) has been reviewed and considered.

NOW THEREFORE, the Deputy Comptroller orders that Hemlock Utility Services Ltd.'s Application, as determined in the attached Reasons for Decision (Appendix A), is approved effective September 1, 2024 and Water Tariff No. 4 is accepted for filing.

Dated at the City of Victoria, in the Province of British Columbia, this 11th day of June 2026.



Bryan Robinson
Deputy Comptroller of Water Rights under the
Water Utility Act/Utilities Commission Act

Attachments

IN THE MATTER OF

An Application by

Hemlock Utility Services Ltd.

**For Approval of Revenue Requirements &
Water Rates Application**

BEFORE:

Bryan Robinson, Deputy Comptroller of Water Rights
PO BOX 9340 STN PROV GOVT
Victoria BC V8W 9M1

REASONS FOR DECISION FOR ORDER 2685

11th day of June 2026

1.0 Background and Introduction

Hemlock Utility Services Ltd. (Utility or Hemlock) is a privately held corporation that owns and operates a water system serving the community and resort at Sasquatch Mountain, located in the Fraser Valley, near Agassiz, British Columbia. The Utility is regulated under the *Water Utility Act* and the *Utilities Commission Act* by the Comptroller of Water Rights (“Comptroller”). Under the *Water Sustainability Act*, the Deputy Comptroller of Water Rights (“Deputy Comptroller”) is authorized to exercise the powers and perform all the duties of the Comptroller.

On December 9, 1977, the Comptroller issued Certificate of Public Convenience & Necessity (CPCN) authorizing the construction and operation of a waterworks system to serve a 55 lot subdivision. Additional CPCNs were granted between 1978 and 1983 as the community expanded. The water system currently serves approximately 270 customers consisting of a variety of residential dwellings and commercial units such as day lodge, staff accommodation, firehall, maintenance/workshop buildings and tube park.

On April 29, 2024 the Utility filed its Water Rates Application for Fiscals 2025 to 2027 with detailed support to increase water rates effective May 1, 2024 (the Application). In the Application, the Utility requested that the proposed water rates be approved on an interim, refundable basis pursuant to sections 58 to 60 and 90 of the *Utilities Commission Act*.

The current and proposed water rates billed on a quarterly basis are:

	Current Since May 1, 2020	Proposed 2025	Proposed 2026	Proposed 2027
Quarterly Water Rates:				
Residential Service Flat Rate - 3 Bedroom	\$ 234.00	\$ 324.00	\$ 394.00	\$ 485.00
Commercial - Day Lodge	11,642.80	16,101.00	19,625.00	24,136.00
Commercial - Low Usage	256.00	354.00	432.00	530.00
Commercial - Condo. Common Areas	256.00	354.00	432.00	530.00

On August 30, 2024 the Deputy Comptroller issued Order 2658 approving the Utility’s request for an interim, refundable rate increase effective September 1, 2024. The proposed rates and charges for fiscal 2025 were to remain interim and refundable with interest subject to the Deputy Comptroller’s final decision.

The Utility advertised its application by sending a Notice of Application to its customers on September 20, 2024. Customers wishing to submit comments on the application were required to do so by October 25, 2024. Twenty- three submissions were received. From the submissions received, two individuals were granted intervener status as representatives of Strata 1282 and the Hemlock Valley Homeowners Association.

The written hearing process continued with Information Requests requested of the Utility (IRs), Information Request Responses by the Utility (IRRs), Final Submissions by the Utility and Interveners, and a Final Reply Submission by the Utility. Interveners for Strata 1282 and the Hemlock Valley Homeowners Association actively participated in the written hearing process. The filing of the Utility’s Final Reply Submission on April 4, 2025 concluded the evidentiary portion of the written hearing process.

The relevant evidence submitted by the Utility, customers and interveners in the written hearing process (collectively called the Application) has been taken into consideration. The issue to be decided is whether to accept, set aside, or vary forecast revenue requirements and proposed water rates for the test years. Sufficient evidence was received to proceed with a final review and decision on the Application.

3.0 Revenue Requirements

Revenue Requirements (RR) include forecast operating expenses, reserve/trust fund provisions, loan repayments and operating margin. In order to ensure that the Utility continues to provide adequate water service while remaining financially viable, it is necessary to generate enough revenue through rates to cover forecast RR. At the current rate, the Utility is unable to cover future RR.

The Utility provided detailed support for its forecast RR for fiscal years ending April 30, 2025 to 2027. In addition, further explanations in its responses to customers' questions and information requests from the Deputy Comptroller were submitted, including Actuals for F2024 and 2025. The forecast period has been extended to include F2028, as the RR and rates for F2025 represent only a partial year – from September 1, 2024 to April 30, 2025 – resulting in less than a full test year. Extending the forecast period to F2028 will provide a more complete and stable basis for rate-setting while minimizing regulatory application costs.

3.1 Operations and Maintenance

Operating and Maintenance (O&M) expenses account for a significant proportion of the Utility's revenue requirements each year. Deputy Comptroller staff sought updated information for Actuals and Forecast figures as well as further details on the proposed operating costs in the Information Request (IR). The Utility responded with additional information. Since 2021, O&M expenses have increased with Personnel (Wages) and Repairs & Maintenance being the key drivers. Generally, the remaining O&M expenses have remained stable with increases mainly tied to inflationary pressures and economic conditions. Approved O&M costs for F2026 to F2028 are shown on the attached Schedule (S-1).

3.1.1 Consulting Fees

Consulting Fees include the projected and forecast amounts to support the preparation of this Application and the anticipated planned efforts to advance future capital projects, rate design initiatives, and revenue requirements for approval. Actual consulting fees reflect mainly the allocated costs of hiring external firms to complete utility locates and scanning. The projected consulting fees in 2024 of \$30,000 were an estimate of the costs to hire external support to prepare the Application. In response to IR 1, the Utility updated the actual cost of preparing the Application from \$30,000 to \$33,000 and acknowledged that it may have been appropriate to levelized recovery of these costs over the test period to match cost recovery to the period. The Utility did not provide a breakdown by project type for the forecast period as requested in the IR but explained the amounts to be based on recent actual expenses paid to third-party firms with

regulatory and rate-setting expertise, noting in particular the planned new rate design in relation to the Water Meter Project.

Deputy Comptroller Determination

Consulting fees should be non-recurring as normally these fees are project related and should be recovered as part of the project cost. The forecast consulting fees of \$20,000 per year were not adequately explained and based on the Utility's explanation some of the costs could be considered as part of management fees and/or the new administration role. The \$33,000 incurred for the cost of preparing the Application is reasonable and it is appropriate to recover the cost over the three-year test period. For future recovery of consulting fees, detailed information should be submitted, including description of project, estimated number of hours required, hourly rate paid, etc.

Consulting Fees should be set at \$11,000 per year for test years 2026 to 2028.

3.1.2 Repairs and Maintenance

Repairs and Maintenance (R&M) are carried out by on-site staff and external contractors, depending on the nature of the work. In IRR 1, the Utility provided a schedule of routine maintenance performed by on-site staff. Actual F2024 and F2025 expenses were lower than projected due to lower actual versus estimated hours required on the water system and the removal of home installation costs.

The wages for on-site staff are tracked through a timecard system so labour costs can be allocated to each utility division. Contractor costs are allocated based on the specific projects completed for each utility division. The approved budget amount of \$45,000 per year was based on the average of actual repairs and maintenance costs from 2016-2019. It would be reasonable to forecast general repairs and maintenance expenses for 2026-2028 test period using actual recent costs. The average actual repairs and maintenance costs from 2022-2025 was \$110,000. This approach reflects both the upward trend in the cost of maintaining an aging system and the year-to-year variability and uncertainty in maintenance needs.

Deputy Comptroller Determination

The Utility provided sufficient information to support an increase in R&M compared to the last approved budget amount of \$45,000 per year. Several cost items not included in the 2021 approved budget – such as filter replacements, fire hydrant maintenance, and water treatment system maintenance – are now recurring and necessary for the ongoing system upkeep.

The Deputy Comptroller recognizes that as the water system ages, the frequency of components needing replacing and costs of ongoing repairs and maintenance on the system will increase. Using recent actual costs as a base and applying a 3% escalation factor is reasonable.

Accordingly, forecast R&M of \$110,000 for 2026, \$113,300 for 2027 and \$116,700 for 2028 are approved.

3.1.3 Wages

The personnel/wages cost category consists of salaries and benefits for the Utility's employees. The Utility employs three full time utility service professionals who work across the three utility divisions, an increase from a single staff member in 2021. In previous years, the Utility did not have the full complement of personnel required to ensure safe, reliable, and cost-effective service, given the increasing complexity of operations and the renewal needs of an aging system. Operation of the new water treatment facility further requires a greater, more specialized staff complement.

The Utility also faces challenges in attracting and retaining qualified personnel due to its remote location. As a result, offering competitive wages is necessary to maintain a stable and skilled team.

Actual staff hours are tracked through a time-entry system and allocated proportionally across the three utility divisions. The Utility also proposes to add a new permanent administrative position to support effective service delivery to both staff and customers. This role would provide administrative and coordination support, allowing professional staff to focus on their core operational responsibilities. Wages for the new position will be allocated based on time entry by division, with an estimated 15 hours per week attributable to the water utility.

Deputy Comptroller Determination

The Deputy Comptroller accepts that an increase to personnel and wage costs is required to meet growing regulatory obligations and the demands of operating an aging system. However, the Utility did not provide sufficient evidence to support a 38% increase or the forecasted \$202,990 when compared to 2023–2025 actuals. **Based on historical average and incorporating the new administrative position, a budget of \$150,000 for 2026, \$175,000 for 2027 and \$180,250 for 2028 is deemed sufficient.**

3.2 Replacement Reserve Fund

The Deputy Comptroller requires regulated water systems to set up and maintain a Replacement Reserve Trust Fund (RRTF) to ensure funds are available to replace water system components when required. The monies are set aside in a restricted bank account and no releases are allowed without the Deputy Comptroller's written authorization. In the event of a change in ownership, the RRTF transfers with the system for the beneficial interest of the customers. Ideally, annual RRTF contributions are equal to the annual depreciation rate on water system components (about 2% of the capital cost per year). Annual depreciation is calculated using the Standard Depreciation Rates for Private Water Utilities in British Columbia found in the CPCN Guide.

In 1990, the Deputy Comptroller issued Order 1471 requiring the Utility to set up and maintain the RRTF with annual contributions to be made as set out in the tariff. In the last rate

application, the Utility was directed to submit a Depreciation Study by April 30, 2020. Hemlock filed the Depreciation Study on April 13, 2020.

A summary of the Depreciation Study results was included as Table 10 in the Application:

Table 10 – Depreciation - Current and Projected Values

	F2020 (March 2020)	F2024 (February 2024)	F2025	F2026	F2027
CPI (Table: 18-10-0004-13)	136.6	158.8			
Ratio		1.16			
Annual Inflation			3%	3%	3%
Plant Value⁵	\$4,823,866	\$5,607,833	\$6,082,067	\$6,264,530	\$6,452,465
Depreciation	\$103,459	\$120,273	\$130,444	\$134,357	\$138,388
Composite Depreciation Rate	2.1%				
Engineering Cost (10%)	\$10,346	\$12,027	\$13,044	\$13,436	\$13,839
Contingency (15%)	\$17,068	\$18,041	\$19,567	\$20,154	\$20,758
Total Annual Cost Projection	\$130,873	\$150,341	\$163,055	\$167,947	\$172,985

Currently, the RRTF collects customer contributions of \$65,000 per year. At the end of F2026 the RRTF balance is estimated to be \$220,000 however once the final costs of the well drilling project are submitted for approval, the amount could be reduced to nil. The Utility proposes to increase annual RRTF contributions by 5% starting in F2025 so that by F2028 approximately \$80,000 would be contributed annually.

Deputy Comptroller Determination & Directive

Considering the age of the system and that the current balance could be depleted once the final costs for the well drilling project are approved, it would be prudent to see RRTF contributions increase steadily during this test period. The Deputy Comptroller appreciates the Utility's explanation that to achieve full replacement during this test period would have a significant impact on customer rates. However, a modest growth of 5% per year would add about \$4-5,000 per year and would take an even longer time to get to an appropriate funding level. An RRTF contribution rate of 15% starting September 1, 2024, and then increasing to 18% effective May 1, 2026, will see annual RRTF contributions increase from \$65,000 in 2025 to \$112,418 for 2028. In the next rate application, the Utility should propose further increases to the RRTF and analysis on rate impact of achieving full replacement provision over a 3-, 5-, 10-year period.

Therefore starting September 1, 2024 15% of rates collected are to be contributed to the RRTF with an increase to 18% effective April 1, 2026. In the next rate application, the Utility is to propose additional increases to the RRTF contribution rate and when annual contributions will match full replacement provision.

3.3 Water Meter Project – Proposed

Hemlock requests approval to proceed with a Water Meter Project, and for the cost to be recovered through a bank loan. Installing water meters would provide for accurate measurement of water consumption and allow the Utility to move to a metered rate. A metered rate structure would improve fairness of the cost of service allocation among customers.

Water meters would encourage responsible water use and support water conservation efforts. The data made available through water metering would also help identify potential leaks, which would support timely repairs and prevent unnecessary water wastage.

Following implementation of the Water Meter Project, Hemlock intends to collect customer usage data, which will inform the allocation of costs between fixed and variable cost drivers and customer type, and ultimate development of a usage rate to be brought forward in a future rate application.

The scope of the project involves the purchase and installation of an estimated 164 meters to serve all buildings at the point of connection. The number of meters needed is less than total customers as multiple accounts are served through a single building connection, such as the strata-owned condominium customers.

The cost per meter is estimated at \$300 for hardware plus \$1,100 for installation, including labour, parts, commission and contingency. The total cost is estimated at \$1,400 per meter and approximately \$230,000 for the project overall.

Upon approval of the Water Meter Project, Hemlock would seek a bank loan to fund the total project costs. The Utility proposes to finalize the applicable structure and rate in a compliance filing to follow project completion. Annual principle and interest loan repayment is estimated to be \$33,299.

Deputy Comptroller Determination & Directive

The Utility has adequately explained and justified the need for the Water Meter Project. The Water Meter Project will address customer concerns regarding fairness while promoting conservation and being able to more readily detect leaks.

Prior to proceeding with the purchase and installation of the meters, the Utility is to submit costs estimates to support the proposed total project cost of \$230,000 as well as confirmation of the terms of the bank loan for final approval. The annual principal and interest payments of \$33,299 have been included in 2028 Revenue Requirements and are to be recovered on a per customer basis rather than a per meter basis. It is expected that once the meters are installed, the Utility will carry out regular meter readings and collect at least one to two years of consumption data to be able to file for approval of a new rate design, including a metered usage rate.

The Utility is granted pre-approval to proceed with the Water Meter Project but must submit final cost estimates and confirmation of the loan and repayment terms for final approval. Within six months of this Order, or by December 31, 2026, the Utility must confirm that it has secured a bank loan for the full project cost and provide final cost estimates for the purchase and installation of the water meters, including supplier details, cost per meter, and delivery dates. If recovery of the project does not begin in F2028, the amount included for Water Meter Loan repayment is to be applied instead to accelerate repayment of the Shareholder Loan.

3.4 Shareholder Loan Repayment Rate

Hemlock proposes to recover the remaining balance of the Shareholder Loan over a longer period of time.

In Order 2555 issued January 27, 2020, the Comptroller accepted that the water treatment upgrades were a necessary expenditure and the final cost of \$862,000 was approved as an authorized expenditure. The Comptroller directed that the final cost of the project be used to offset a \$140,000 deficiency in the RRTF with the remaining balance of \$722,000 to be repaid through the Shareholder Loan at an annual repayment cost of \$80,133. The projected balance at the end of F2024 is approximately \$491,000, and the remaining amortization period is 8 years.

Hemlock proposes to recover the remaining balance of the Shareholder Loan over a 15 year period (i.e. for the period F2025 through F2039) at a continuing rate of 5 percent. This would reduce annual principal and interest payments from \$80,133 as approved to \$46,412 starting May 1, 2024 in order to moderate the overall customer rate impact.

Deputy Comptroller Determination & Directive

The Deputy Comptroller accepts Hemlock's request to extend the amortization period for the remaining balance of the Shareholder Loan associated with the water treatment plant upgrades approved in Order 2555. Extending the repayment period from the originally approved 12 years to 15 years will reduce annual loan payments from \$80,133 to \$46,412 beginning May 1, 2024, thereby moderating near-term rate impacts for customers. The short-term rate stability is an appropriate consideration in the current revenue requirement period. However, the long-term suitability of the extended amortization period will be reassessed in the next rate application.

The Utility's request to extend the amortization period of the remaining Shareholder Loan balance is approved, with annual payments of \$46,412 effective May 1, 2024.

The repayment terms will be reassessed in the next rate application. In the next rate application, the Utility is to include updated financial projections, and rate impact analysis, of revising repayment terms.

3.5 Operating Margin

Operating margin (net cash flow income) is calculated as a percentage of total operating expenses. For new water utilities, the Deputy Comptroller may approve an operating margin of up to 10%. In this application, Hemlock has assumed an annual allowed operating margin of 5% for the test period.

Deputy Comptroller Determination

An allowed operating margin of 5% annually is approved for the test period. Net earnings are to remain with the Utility to meet cash flow needs and cover unexpected costs.

Accordingly, For Test Years 2026 to 2028, total annual RR of \$488,619, \$552,295 and \$610,191 are required to cover total O&M expenses, RRTF contributions, Loan Repayments and Operating Margin.

4.0 Tariff Amendments and Water Rates

4.1 Terms and Conditions

4.1.1 Liability Provision

The Utility proposes to amend Section 6 – Interruption of Service to include additional terms governing liability. Equivalent terms governing the Utility’s provision of Electricity service in the Hemlock Valley Area were approved by the BC Utilities Commission (BCUC) under Order G-153-21. The Utility states that the requested changes will ensure a stronger covenant is in effect to protect the Utility against claims that may be detrimental to its ability to provide water service to customers.

The proposed terms are:

The Utility will endeavor to provide a regular and uninterrupted supply of Water but does not guarantee a constant supply of Water or the maintenance of unvaried frequency and will not be responsible or liable for any loss, injury, damage or expense caused by or resulting from any interruption, termination, failure or defect in the provision of Water, whether caused by the negligence of the Utility, or its representatives or agents or otherwise, except to the extent that the loss, injury, damage or expense results directly from the willful misconduct of the Utility or its representatives or agents, provided, however, that neither the Utility, nor any of its representatives or agents is responsible for any loss of profit, consequential damages, loss of revenue, or other economic loss, even if the loss or damage arises directly from the willful misconduct of the Utility or its representatives or agents.

The Utility reserves the right to Terminate Service (including by Disconnection) at any time to prevent fraudulent use of Water, to protect its property, or to protect Service to other Customers, or if the

Customer fails to comply with the terms of the tariff, or if the Utility is ordered by a competent government authority to Terminate such Service. The Utility may also temporarily Disconnect a Premises to make repairs or improvements to its water system or in the event of fire, flood or other sudden emergency. The Utility will, whenever practicable, give notice of such Disconnection to the Customer and will restore Service as soon as reasonably possible. Neither the Utility nor any of its representatives or agents will be liable for any loss, injury, damage or expense caused by or arising out of any such Disconnection.

Liability of Other Utilities

Service under the Water Tariff is sometimes provided by the Utility through the use of property and services provided by or shared with other utilities. It is a condition of Service that any loss or damages, direct or indirect, that the Customer may suffer by reason of any defect in Service under the Water Tariff or any interruption in or failure to provide Service, whether or not caused by negligence, will not be recoverable from such other utilities, and that the Customer will not take proceedings of any kind against any such utilities by reason of any defect in the Service or any interruption in or failure to provide Service to the Customer by the Utility.

In response to a customer's IR, the Utility further explains that the amendment is necessary to obtain liability insurance:

“Hemlock’s insurers have signalled that the language in the existing liability provision of our water tariff is not adequate to protect us from the noted liabilities, therefore impeding our ability to obtain insurance. If the updated Liability provision is not approved this will ultimately increase the risk to Hemlock’s ability to maintain the provision of service to customers in relation to any claims brought against the Utility in the matter of any interruption, termination, failure or defect in the provision of Water”.

Deputy Comptroller Determination

The requested changes are intended to update the Utility’s liability terms and conditions and better align with its electric tariff approved by the BCUC. The changes would allow the Utility to secure the appropriate liability coverage, which is critical for the day to day operation of the utility. **Therefore, the proposed additions to Section 6 of the Water Tariff are approved.**

4.1.2 Standard Charges, Billing and Payment

Hemlock proposes updates to the standard charges set out in the terms and conditions of the Water Tariff and to move to a monthly billing cycle. The current amounts are in general outdated and do not reflect current cost drivers nor the ability to enforce water restrictions:

Table 25 – Proposed Updates to Standard Charges

Standard Charge	Current	Proposed	Rationale
Turn-on Fee Section 1 (b) Application for Service	\$75	\$200	Directional update to align with current costs
Shut-off Charge Section 1 (c) Application for Service	\$25	\$200	Directional update to align with current costs
Penalty for Contravention of a Water Use Restriction Section 7 – Restriction of Use	\$50 penalty Applicable to each contravention during a calendar year following a Water Restriction Notice	\$200 penalty Applicable to the <u>first</u> contravention during a calendar year following a Water Restriction Notice \$500 penalty Applicable to each subsequent contravention during a calendar year following a Water Restriction Notice	Update to ensure a compatible incentive to comply with water use restrictions and to ensure enforcement penalties more properly align with the potential cost implications of non-compliance
Connection of customer service pipe to an existing curb stop Schedule A – Water Service Connection	\$100	\$300	Directional update to align with current costs

Deputy Comptroller Determination

The proposed changes to the standard charges are found to be acceptable. The Utility’s request to move to a monthly billing cycle is approved.

4.1.3 Rent Charges on vacant lots

Schedule G of the Water Tariff sets out Availability of Service (Rent) Charges applicable to a vacant lot that has a Rent Charge Agreement registered on the title of the property. The rent charge is a source of revenue to assist with covering the fixed costs of operating and maintaining the water system. Under current the CPCN Guide, new utilities with full replacement provision in rates generally have availability (rent) charges set at 70% of user rates.

The Utility proposes an appropriate availability charge applicable to vacant lots, with terms amended to not require a rent charge agreement be in place.

Deputy Comptroller Determination

Current lots authorized for service were created prior to rent charge agreements being a requirement of CPCN approval. Therefore, there are no rent charge agreements registered on title and the Utility does not have the authority to bill an availability of service charge to owners of vacant lots. For future expansion of the service area and/or once the Utility registers a rent charge agreement, the rate on Schedule G will be set at 70% of the single family rate.

4.2 Water Rates

At the current rates the Utility is unable to recover the approved 2026-2028 Revenue Requirements and a rate increase is warranted. The following water rates as shown in the table below are necessary to meet approved RR:

	Approved 2025	Approved 2026	Approved 2027	Approved 2028
Water Rates, Monthly	<i>eff. Sep 1, 2024</i>	<i>eff. May 1, 2025</i>	<i>eff. May 1, 2026</i>	<i>eff. May 1, 2027</i>
Residential 3	\$ 108.00	\$ 108.00	\$ 130.00	\$ 145.00
Residential 4	144.00	144.00	174.00	193.00
Residential 5	180.00	180.00	217.00	242.00
Residential 6	216.00	216.00	260.00	290.00
Bunkhouse beds, \$ per bed	18.00	18.00	22.00	24.00
Commercial - Large	5,368.00	5,368.00	6,461.00	7,207.00
Commercial - Low usage	118.00	118.00	142.00	159.00
Commercial - Condo Common	118.00	118.00	142.00	159.00

Water rates are set to ensure that a utility can recover approved revenue requirements and are based on a uniform rate structure. A seasonal rate, as proposed by some customers, would increase the burden to full-time residents when seasonal users benefit from having water available throughout the year.

Deputy Comptroller Determinations

The utility's costs are predominantly fixed and driven by the need to maintain system capacity, water quality, and fire-flow readiness for every service connection at all times. Differential rates for part-time or seasonal occupants would shift fixed system costs onto other customers and undermine the fairness and stability of the rate structure. Maintaining a uniform base charge is therefore consistent with cost-of-service methodology and established regulatory practice.

Effective September 1, 2024 the approved water rates as shown above are considered necessary for the Utility to meet the approved Revenue Requirements for fiscal years 2026 to 2028.

All connected properties are required to pay the water rates shown above because they benefit from year-round access to the system and contribute to the fixed costs of maintaining system capacity, regardless of occupancy.

The interim rates billed from September 1, 2024 to April 30, 2026 are acceptable and approved as final.

5.0 Conclusion

Having considered all of the evidence affecting the proposed rates and changes to the terms and conditions of its Water Tariff, IT IS HEREBY DECIDE AND ORDERED that Hemlock Utility Services Ltd.'s Application as determined in this Reasons for Decision to Order No. 2685 is approved effective September 1, 2024 and Water Tariff No. 4 is accepted for filing by the Deputy Comptroller.

Dated at the City of Victoria, in the Province of British Columbia, this 11th day of June 2026.



Bryan Robinson
Deputy Comptroller of Water Rights under the
Water Utility Act/Utilities Commission Act

Schedule 1 (S-2) – Approved O&M Costs

	APPROVED	APPROVED	APPROVED	APPROVED
	2025	2026	2027	2028
	<i>eff. Sep 1, 2024</i>	<i>eff. May 1, 2025</i>	<i>eff. May 1, 2026</i>	<i>eff. May 1, 2027</i>
OPERATIONS & MAINTENANCE COSTS				
Administration (Courier, Computer, PD, Office)	560	2,575	2,652	2,732
Auto	7,400	12,000	12,360	12,731
Bank Charges & Interest (includes CrCd Discounts)	3,500	3,050	3,142	3,236
Consulting fees	21,460	11,000	11,000	11,000
Insurance	13,930	14,348	14,778	15,222
Licenses, Dues & Fees	1,480	1,500	1,545	1,591
Management Fees	24,300	21,000	21,630	22,279
Accounting fees	1,210	1,200	1,236	1,273
Rent	300	318	328	337
Repairs and Maintenance	77,365	110,000	113,300	116,699
Supplies (Cleaning & Chemicals)	5,930	6,108	6,291	6,480
Utilities (Propane, Cell, Hydro & Telephone)	11,435	14,400	14,832	15,277
Wages	125,450	150,000	175,000	180,250
TOTAL O&M COSTS	294,320	347,499	378,094	389,107

Schedule 2 (S-2) – Summary of Revenue Requirements

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PROJECTED	FORECAST	FORECAST	FORECAST	APPROVED	APPROVED	APPROVED	APPROVED
	2021	2022	2023	2024	2025	2024	2025	2026	2027	2025	2026	2027	2028
Operations and maintenance costs	150,143	312,908	403,809	356,580	294,280	406,910	408,502	421,067	433,978	294,320	347,499	378,094	389,107
Income Tax provision	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Requirements w/o Operating Margin (OM)	150,143	312,908	403,809	356,580	294,280	406,910	408,502	421,067	433,978	294,320	347,499	378,094	389,107
Allowed Operating Margin (OM)	11,561	24,094	31,093	-	-	31,332	20,425	21,053	21,699	14,716	17,375	18,905	19,455
Total Revenue Requirements with OM	161,704	337,002	434,902	356,580	294,280	438,242	428,927	442,120	455,677	309,036	364,874	396,998	408,562
less Other Revenue	-	1,100	-	13,125	-	28,425	-	3,080	-	1,000	-	-	-
Net Revenue Requirements	160,604	337,002	421,777	328,155	291,200	437,242	428,927	442,120	455,677	309,036	364,874	396,998	408,562
plus RRF Contributions	58,337	59,246	60,229	62,460	53,985	62,865	67,680	72,168	76,937	53,985	67,833	99,385	112,418
plus Shareholder Loan Payments	80,133	80,133	80,133	80,133	80,133	80,133	46,412	46,412	46,412	46,412	46,412	46,412	46,412
plus Water Meter Project Cost Recovery	-	-	-	-	-	-	-	33,299	33,299	-	-	-	33,299
plus Other Revenue & New Connections	1,100	-	13,125	28,425	3,080	1,000	9,500	9,500	9,500	3,000	9,500	9,500	9,500
Total Gross Revenue Requirements	300,174	476,381	575,264	499,173	428,398	581,240	552,519	603,499	621,825	412,433	488,619	552,295	610,191
Revenue - Water Rates	289,465	296,256	300,599	309,999	402,335	394,460	445,287	583,922	720,133	402,415	452,219	552,137	624,545
Revenue - Other	1,100	-	12,708	28,425	3,080	1,000	9,500	9,500	9,500	3,000	9,500	9,500	9,500
Total Revenue	290,565	296,256	313,307	338,424	405,415	395,460	454,787	593,422	729,633	405,415	461,719	561,637	634,045
less Total O&M Expenses	-	150,143	-	312,908	-	403,809	-	356,580	-	294,280	-	406,910	-
less Shareholder Loan Payments	-	80,133	-	80,133	-	80,133	-	80,133	-	80,133	-	80,133	-
less Water Meter Project Cost Recovery	-	-	-	-	-	-	-	-	-	33,299	-	33,299	-
less RRF Contributions	-	58,337	-	59,246	-	60,229	-	62,460	-	53,985	-	62,865	-
less Other Revenue & New Connections	-	1,100	-	-	-	13,125	-	28,425	-	3,080	-	1,000	-
less Provision for Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss)	852	- 156,031	- 243,989	- 189,174	- 26,063	- 155,448	- 77,307	10,976	129,507	7,698	- 9,525	28,247	43,310
Cumulative Net Income - Rate Setting 2025-2027							- 77,307	- 66,331	63,176	7,698	- 1,827	26,420	69,729
Operating and Maintenance Expenses	150,143	312,908	403,809	356,580	294,280	406,910	408,502	421,067	433,978	294,320	347,499	378,094	389,107
Operating Margin %	8%	8%	8%			8%	5%	5%	5%	5%	5%	5%	5%
Operating Margin \$	11,561	24,094	31,093	-	-	31,332	20,425	21,053	21,699	14,716	17,375	18,905	18,755
Cumulative Allowed Operating Margin over the Forecast Test Period							20,425	41,478	63,177	14,716	32,091	50,996	69,729