

# LITTLE BOW RESORT CONDOMINIUM ASSOCIATION

CONDOMINIUM CORPORATION NO. 931 1680

December 3, 2007

**TO: Little Bow Resort Owners**

**FROM: Little Bow Resort - Board of Directors**

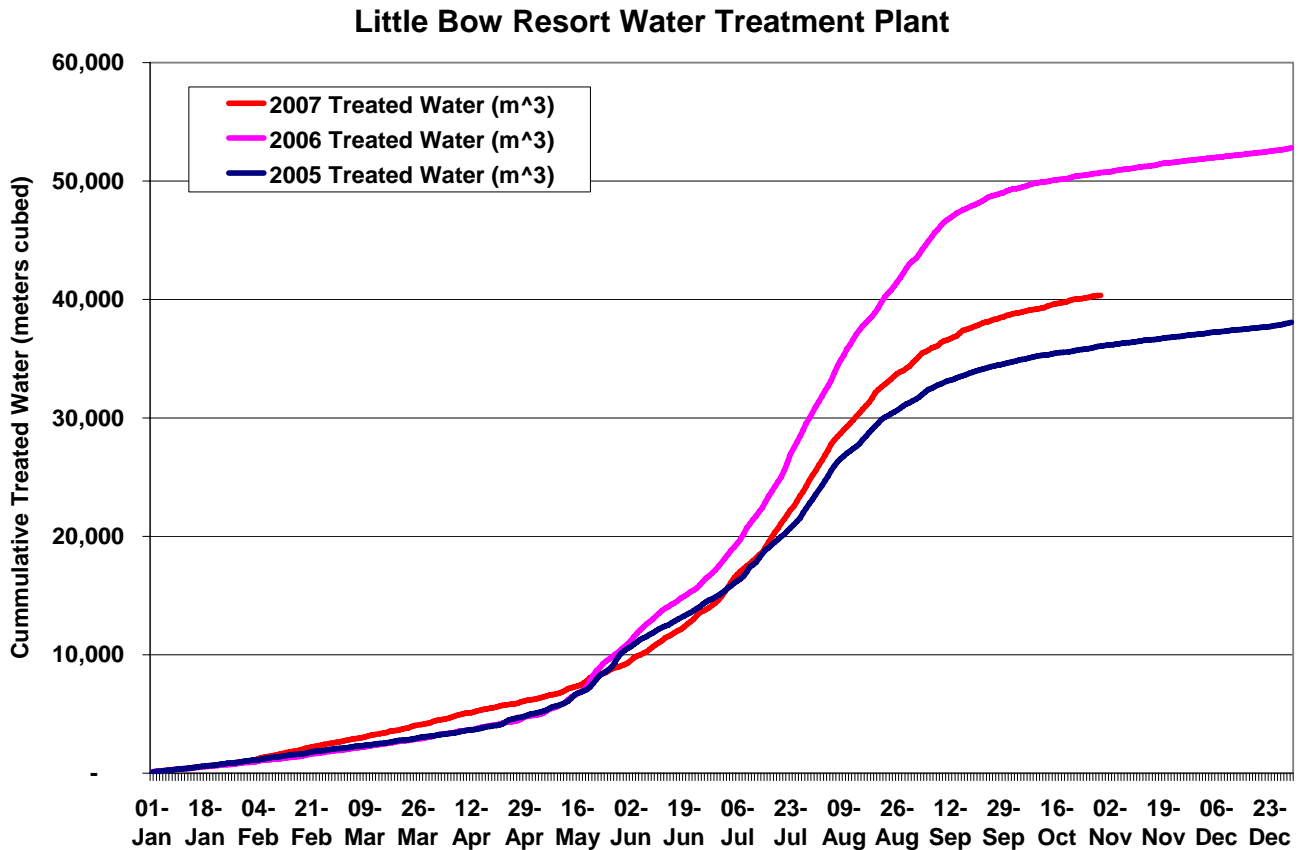
## **RESIDENTIAL WATER METERS – RATE IMPLEMENTATION PLAN PROPOSAL**

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### **Introduction:**

During the spring and summer of 2006 the Board communicated to Owners the need for water meters to curtail excessive water use during the summer months. At current usage rates, the water treatment plant may not have adequate capacity to serve the 250 dwellings that will eventually require service. Alberta Environment, verbally and in a letter, encouraged the Condominium Corporation to install water meters, which may become a requirement to have our water treatment plant licence renewed in 2010.

The Board mandated the installation of water meters for each dwelling at the Resort in the summer of 2006. Starting in September 2006 water meters were installed in each dwelling, All dwellings at the Resort now have a water meter installed and we have in stock water meters for all dwellings that will be built. Treated water consumption at the Resort during the summer of 2007 was about 22% lower than summer 2006, and 8% higher than summer 2005, as shown in the chart below:



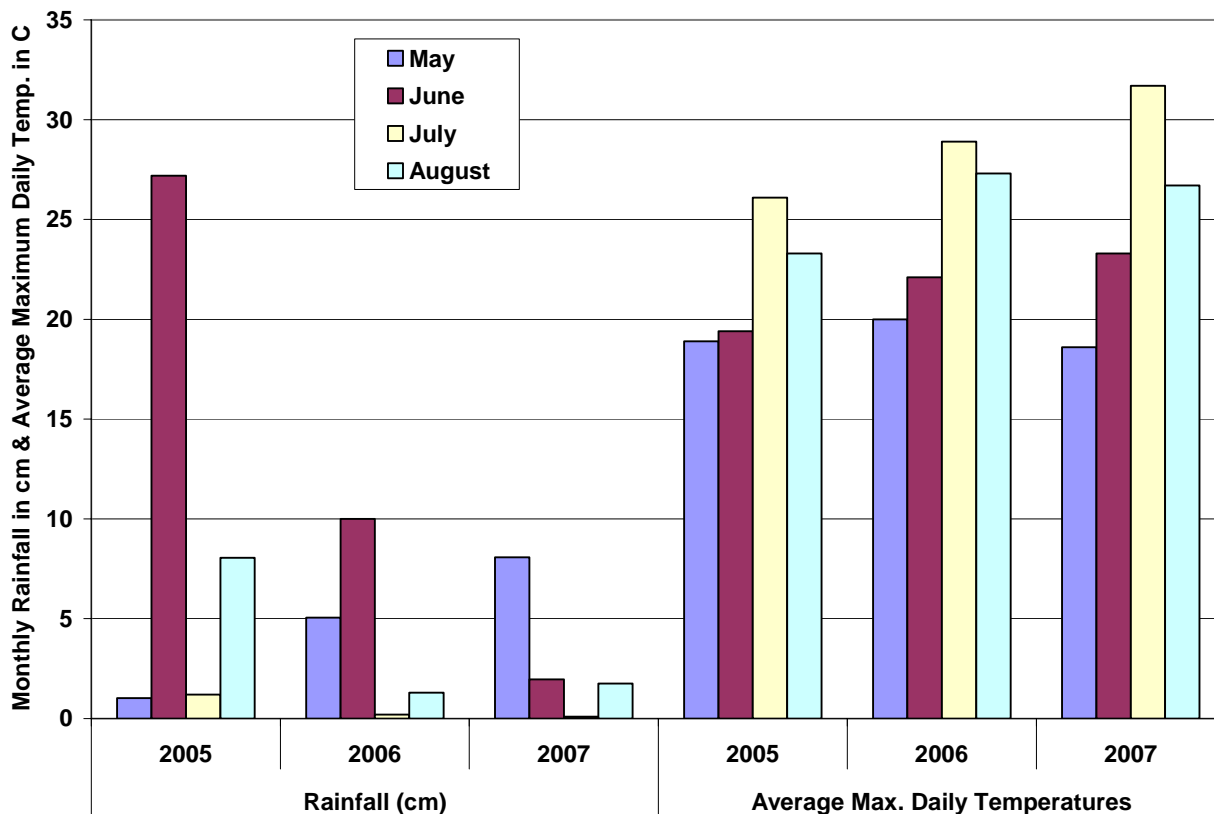
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The lower water consumption amounts during the summer of 2007 show a greater level of conservation when reviewed in light of historical weather data. The next figure shows that, on average in Lethbridge, summer 2007 was hotter and dryer than 2005 and 2006.

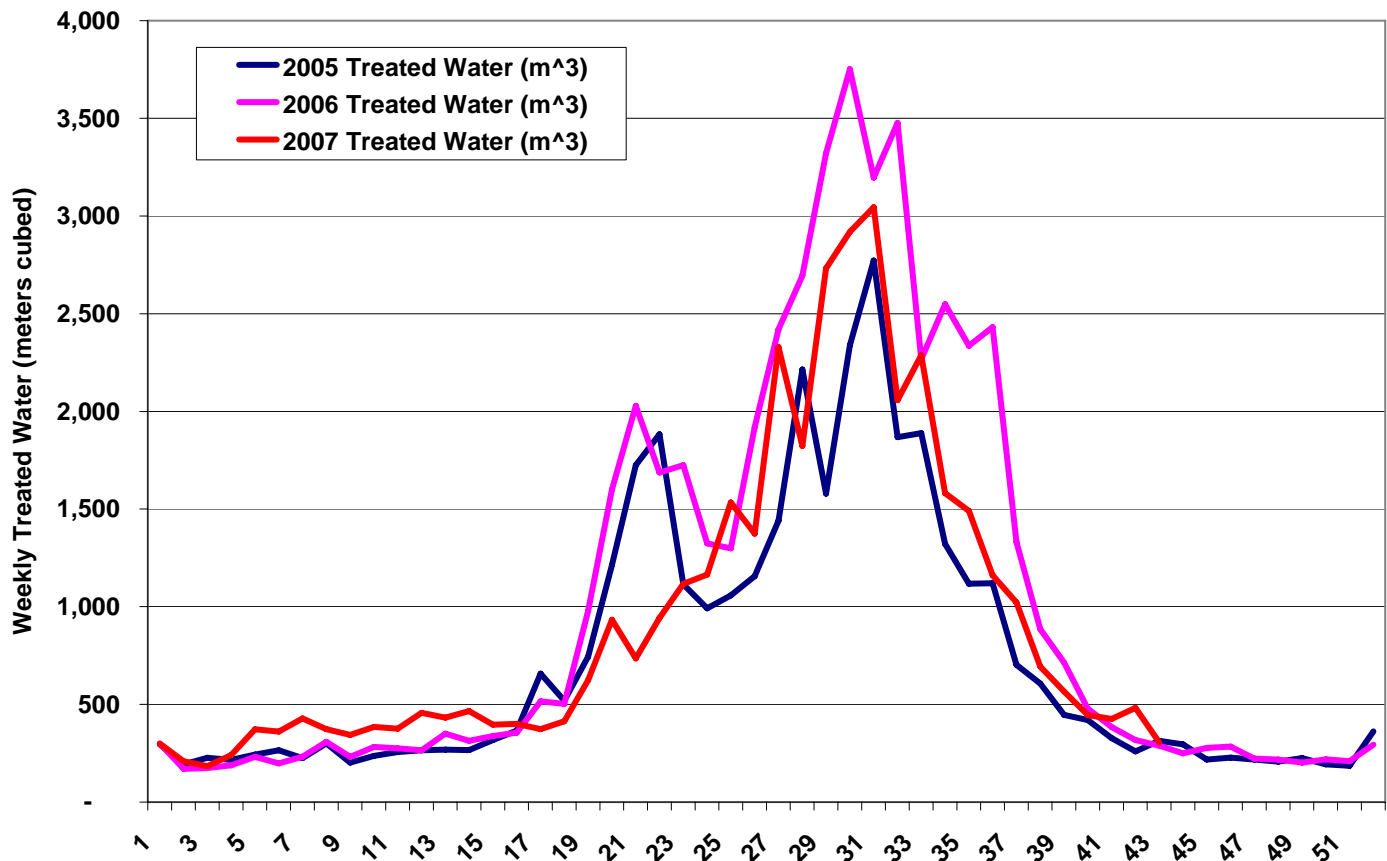
**Historical Summer Weather Data for Lethbridge**



While the installation of the water meters is the most significant factor in the reducing treated water consumption, we have also implemented other initiatives to try and reduce both raw and treated water consumption. Other initiatives are under consideration to try and minimize water use both within the treatment plant and for the irrigation of the common areas.

The next chart shows that 2007 weekly peak summer volumes were significantly lower than summer 2006 (early May week 18 to end of mid-September week 38):

### Little Bow Resort Water Treatment Plant



More importantly, on a daily based, the peak treated water production was 719 m<sup>3</sup> in 2006 and 534 m<sup>3</sup> in 2007 (24% lower). The Board believes that Owner's efforts to reduce water usage during the weekends and Ray's initiatives to stagger irrigation times in the summer are paying off. Our water treatment plant is currently capable of reliably producing about 900 m<sup>3</sup> per day; however, there are about 80 more dwellings to be constructed. Based on the 2006 peak daily production the water treatment plant would not have adequate capacity to serve 250 houses, whereas based on the 2007 peak daily production the water treatment plant would have adequate capacity to serve 250 houses. We are on the right track.

### Proposed Rate Plan

In a letter dated September 16, 2007 Alberta Environment recommended that water and wastewater rates should be sufficient to recover operating costs using full cost utility accounting. The Board agrees that Owners should be paying for the full cost of water and sewer service under a rate that allows Owners to make appropriate decisions regarding their water use. The Board has determined that an annual charge for water usage at each dwelling should be imposed effective January 1, 2009 based calendar year 2008 water consumption. The Board's authority to set utility rates by Owner is under by-law 3.1(f).

The proposed rate for 2009 based on 2008 owner consumption will be as follows:

1. A fixed annual charge of \$133 that will be included in the annual condo fees.
2. A variable charge of \$1.00/m<sup>3</sup>.

3. Un-metered trailers will be deemed to use 100 m<sup>3</sup> per summer season.
4. Un-metered dwellings<sup>1</sup> or Owners who fail to provide a meter reading will be deemed to use 500 m<sup>3</sup> per year.

The intent is that every water meter will be read around year end 2007 and again at the end of 2008. The annual consumption during 2008 will be used to determine the water related portion of the condo fee for 2009. The following table shows the amount Owners will pay in condo fees for 2009 based on their water consumption during 2008, using the base condo fee of \$1,200 for 2009:

|  | Owner 1<br>(empty lot) | Owner 2<br>(trailer -<br>deemed,<br>unmetered) | Owner 3<br>(non-irrigator) | Owner 4<br>(average<br>irrigator) | Owner 5<br>(heavy<br>irrigator) | Owner 6<br>(very heavy<br>irrigator) |
|--|------------------------|--|----------------------------|-----------------------------------|---------------------------------|--------------------------------------|
| 2008 Annual Water Use<br>(cubic meters)        |                        | 100  | 50                         | 100                               | 225                             | 350                                  |
| Condo fees excluding<br>water                  | \$997                  | \$997  | \$997                      | \$997                             | \$997                           | \$997                                |
| Fixed Water Customer<br>Charge                 | \$133                  | \$133  | \$133                      | \$133                             | \$133                           | \$133                                |
| 2008 water usage fees at<br>\$1/m <sup>3</sup> | \$0                    | \$100  | \$50                       | \$100                             | \$225                           | \$350                                |
| <b>Total 2009 Condo Fee</b>                    | <b>\$1,130</b>         | <b>\$1,230</b>                                 | <b>\$1,180</b>             | <b>\$1,230</b>                    | <b>\$1,355</b>                  | <b>\$1,480</b>                       |
| Percent change from<br>\$1,200 base condo fee  | -5.8%                  | 2.5%   | -1.7%                      | 2.5%                              | 12.9%                           | 23.3%                                |

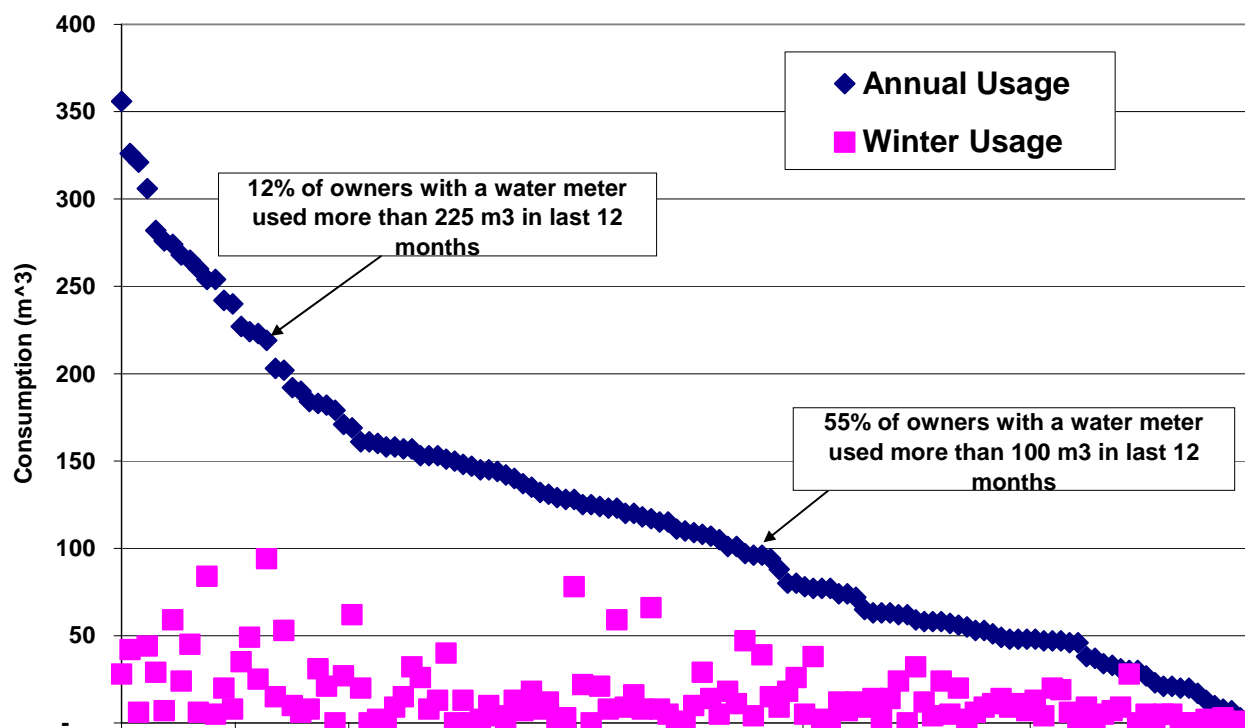
Over the past 12 months the average water used at dwellings that were metered was 117 m<sup>3</sup>. Therefore the average water user will see a 3.9% increase in their annual condo fee. Owners who use less could see a small reduction, whereas the few Owners that use significantly more water could face an increase of up to 25%. Empty lots that do not cause any water or sewer related variable costs to be incurred will see a 5.8% reduction.

The Board believes this proposed rate design will meet Alberta Environment's requirements and is fair and reasonable to all Owners. The Board has carefully considered comments received from Owners and believes that this proposed rate provides an appropriate price signal to Owners to conserve water. This proposed rate design is similar to other municipalities (see below) and is based on the fundamental premise of "user pay", or Owners should pay the costs they cause to be incurred to provide them with water and sewer services.

The following chart shows the water usage over the past 12 months for the 133 Owners who had a water meter installed and read over the past 12 months, with the highest Owner at over 350 m<sup>3</sup> per year, shown on the right side, with annual declining water usage to the right. The chart shows that 55% of the Owners used more than 100 m<sup>3</sup> and that there were a relatively small number of Owners (12%) who are used more than 225 m<sup>3</sup> in the past 12 months.

<sup>1</sup> Currently all dwellings have a water meter installed.

### Little Bow Resort - Fall 2006 to Summer 2007 Water Consumption Duration Curve



The above chart also shows that no Owner used more than 100 m<sup>3</sup> during the winter months. The Board is convinced that excess water use is predominately related to irrigation during the summer months. The proposed rate is simple in that it only requires one meter read per year. Our manager has advised that issuing annual condo fees that vary by Owner will not result in a large administrative burden. The Board is of the view that there should be no special consideration for full-time residents. Using the “user pay” concept, all Owners will pay for the water they use. Interestingly, the highest water users are not full time residents, but rather Owners who elect to use more water for irrigation.

The proposed rate was designed based on a review of the actual costs incurred over the past 12 months to provide water and sewer services to Owners. A review of all expenditures shows that the total cost to provide water and sewer services is about \$97,000 per year, or about one-third of our annual budget. This \$97,000 estimate includes all costs for the production of treated water and the operation of the sewer system, including a portion of Ray’s time, all power and chemicals, repairs, insurance, etc.

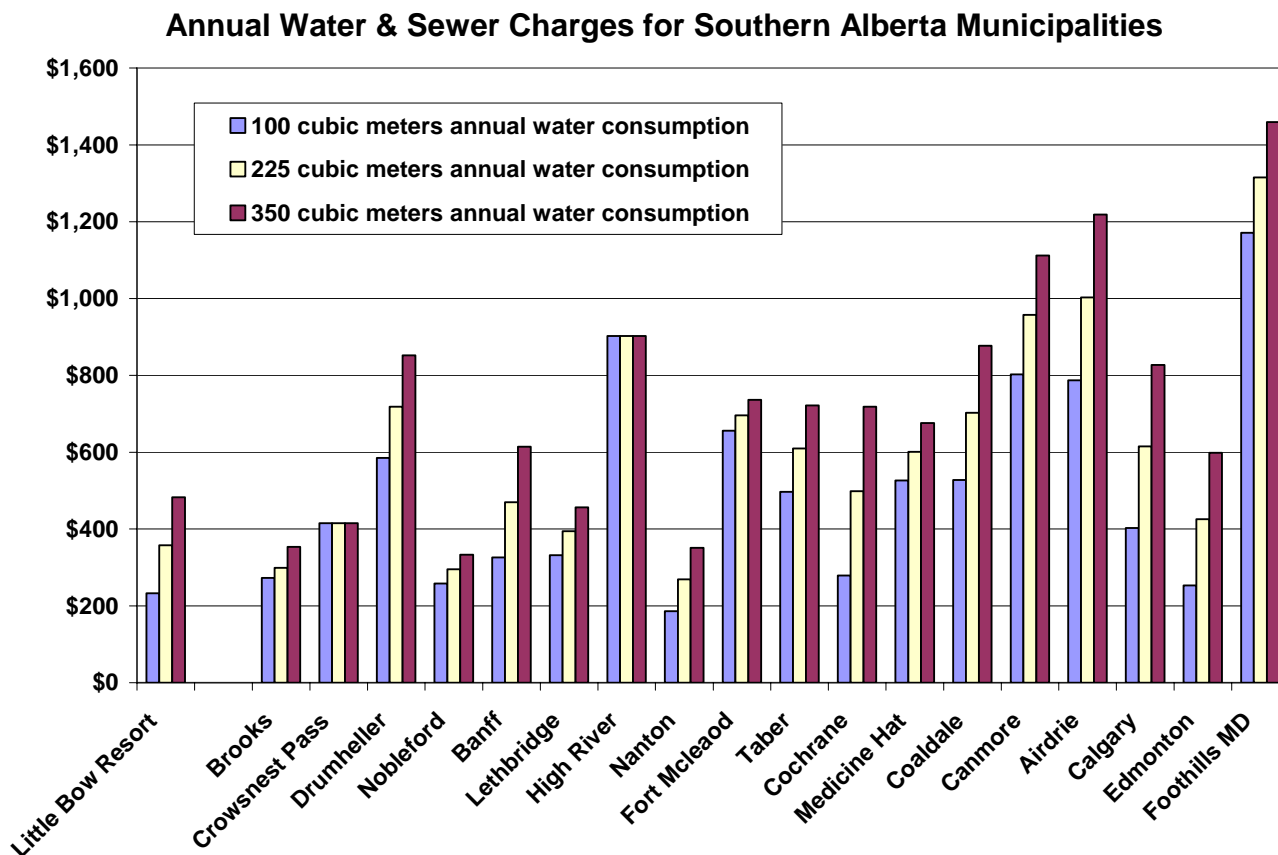
About 52% of the treated water is forecast to be used by Owners; the remainder is used for irrigation of the common areas or is sold to the Bible Camp or used to back flush the water treatment plant filters. About 57% of the costs are deemed to be fixed, that is, we would incur the cost regardless of the amount of water produced (e.g. insurance). The other 43% of the costs are variable and depend on the amount of water produced (e.g. chemicals). The split of fixed and variable costs was used to determine the \$133 annual customer charge and the \$1/m<sup>3</sup> variable charge.

Overall, based on water consumption during the past 12 months, we would expect to collect about \$23,000 on the \$1/m<sup>3</sup> variable charge. The hope is that this charge will encourage all Owners to use water responsibly.

The Board believes that our proposed water rate is fair and in line with the views of the majority of the Owners. The proposed rate will be in place for 2008 water consumption and will be applied to the 2009 condo fees. Going forward the Board will continue to monitor water and sewer costs and water usage and will make adjustments to the rate as required.

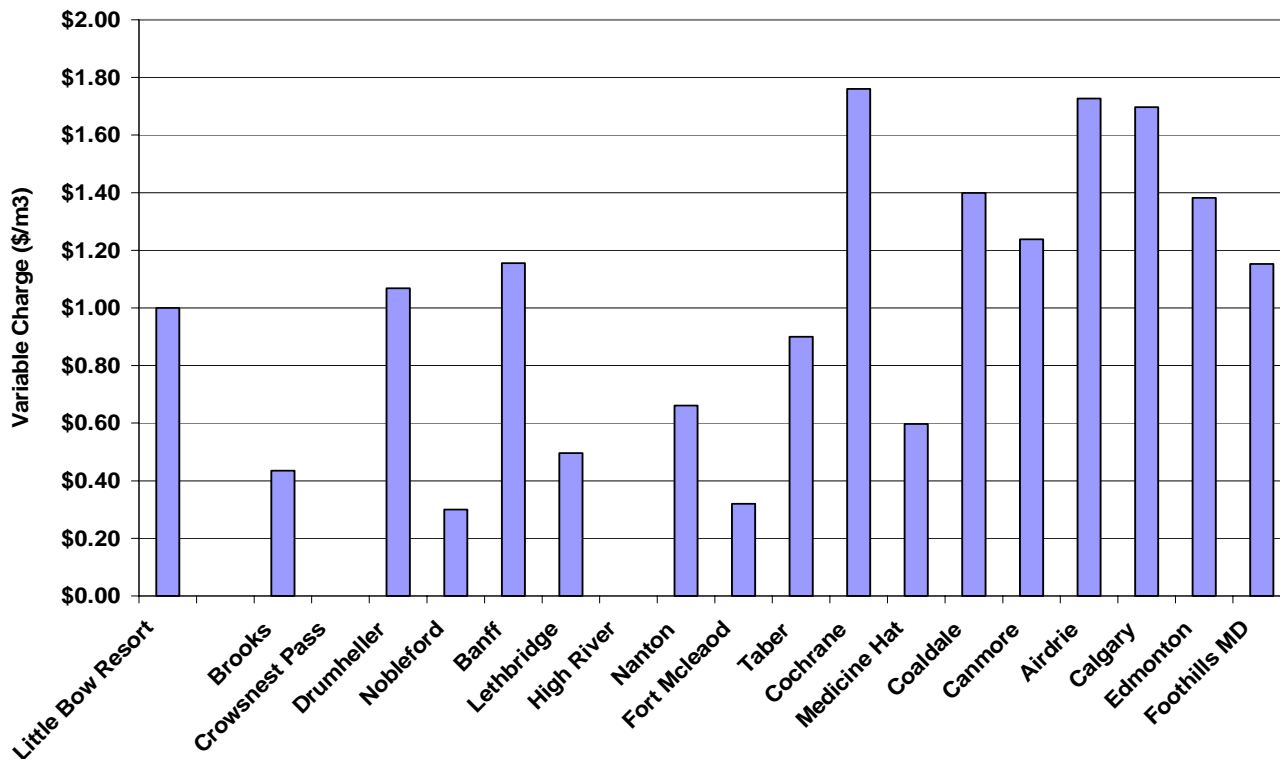
### Comparisons

The Board has also compared our proposed water rate to other southern Alberta communities that have water meters in place. The following chart shows what other home owners pay in different communities based on their annual water usage:



As can be seen, the proposed Little Bow Resort water rates are on the low end of the rates charged by other municipalities. The next chart shows the variable rate charged, in \$/m<sup>3</sup>, by other municipalities. Note that Crowsnest Pass and High River do not have water meters installed. All other municipalities have water meters and charge a variable fee.

### Variable Charge for Southern Alberta Municipalities



Over time, it is likely that the water rates for Little Bow Resort will increase. Our water treatment plant is 15 years old and in need of several upgrades, many due to pending more stringent Alberta Environment requirements. Alberta Environment has provided us with a long list of upgrades that will be required by 2010. In order to keep our water rates down, please consider implementing the following:

1. If you don't have an automatic sprinkler system that can regulate your water use, please install one.
2. Set your sprinkler system not to run during Saturday or Sunday during the summer months.
3. Set your sprinkler system to start and stop during the morning hours when the winds tend to be lower and lower evaporation losses are expected.
4. Regulate the time the sprinklers run based on the time of year (less time in the spring and fall).

The Board appreciates the efforts of Ray in coordinating the installation of the water meters and the willingness of all the Owners to allow the water meters to be installed in your homes. For Owners who do not have a remote monitor on your water meter, the Board will appreciate you reading the meter at the end of each year and providing the reading to Braemore. Braemore will send you a reminder with a request for the meter read at the end of each calendar year.

Any Owners with questions regarding the implementation of the proposed water rate can send their queries to the manager at [braemore@telusplanet.net](mailto:braemore@telusplanet.net). The manager will distribute to a Board member who will respond to your questions either in person or by e-mail. If this proposal is deemed to be acceptable by the majority of Owners, the Board will implement and adjust the 2009 condo fees as described above. Regardless of the final rate that is put in place for 2008 water consumption, the Board will read all meters at year end and will ask all Owners without a remote monitor to provide a reading to Braemore.