



Regional District of North Okanagan Connection Option Questions and Answers

What's Wrong with the Status Quo?

The current water system for Okanagan Landing Utilities ("OLU") consists of a deep well, a pump-house, a distribution system and three hydrants. There are a few important points to note regarding the current system:

1. The system has no water treatment, and as such does not meet Interior Health Authority guidelines, which require at least one form of treatment for ground water (whether additional forms of treatment are required would depend on the outcome of certain well tests that have not yet been performed).
2. Although the system has three fire hydrants, the storage capacity and flow rates do not meet required fire flow standards.
3. The system is approximately 50 years old, and the distribution system was constructed with PVC pipe, which has an expected useful life of 50 years.

Why Can't Corix Replace the Distribution System and Upgrade the Existing System to Provide for Treatment and Fire Flow?

We can, but there are only 52 customers and it would be cost prohibitive. Our Engineers have examined the system and provided a Class D level estimate (+/- 40%) of \$3.9 million to incorporate chlorination, increased storage for fire flow, and the required distribution system upgrades. This is approximately twice the capital cost of connecting to the Regional District of North Okanagan ("RDNO") Water System.

Why Hasn't This Option Been Considered Before Now?

Historically, connection to the RDNO water system was not considered a viable option due to the proximity of the closest water main. That has recently changed, as the RDNO system has been extended to accommodate a new development, and now mains have been installed from Okanagan Landing Road to the east end of Osprey Road, parallel to the OLU system within Osprey Road.

Will there be a difference in ongoing User Rates?

Current User Rates on the OLU system are approximately \$374 per quarter, versus an average user rate of approximately \$220 per quarter for RDNO customers, as outlined in the letter circulated by RDNO. Actual quarterly charges will be much higher once capital requirements are taken into account. As noted above, if Corix were to upgrade the system to replace the pipes, add treatment and add storage for fire flow, the capital cost is estimated to be approximately twice the estimated capital cost presented by RDNO.

Is Corix Recommending a Yes Vote?

As Corix is the owner of the existing system, it is not appropriate for us to make a recommendation on how to vote. Our role is to ensure that you are aware of the options, and have the information necessary to make an informed decision. To that end, representatives of both Corix and RDNO will be available during the Open House to answer any questions that you may have.

What Happens if Customers Vote Not to Connect to the RDNO System?

That cannot be determined with certainty. Prior to the RDNO connection becoming a feasible option Corix applied to the Water Comptroller for a rate increase in order to accelerate the build-up of capital reserves to replace aging pipes and to address the treatment and fire flow shortfalls. Due to concerns over affordability, the approved rate increase was significantly lower than requested, which left us without a solution to the underlying problem.

If the response to the Petition is "no", it is reasonable to expect that both the Interior Health Authority and the Water Comptroller will want Corix to develop a long-term plan to bring the OLU water system into compliance with the relevant standards and guidelines. Initially that will require commissioning a Source Water Analysis to confirm that chlorination will constitute sufficient treatment for the water system. Once that information is obtained, the question of what upgrades need to be undertaken and in what time frame, together with how those upgrades will be financed and the corresponding rate impacts, is one that will need to be discussed with the Regulators and all stakeholders, in order to devise a strategy to address the issues going forward.