



POA Board of Directors UIG Update

Summary

Your POA Board of Directors is very pleased to share the following update, which we feel is a big step forward in our relationship with a valuable infrastructure partner.

The purpose of this email is to inform everyone of the negotiated settlement between the POA and Utilities Inc. of Georgia (UIG), but first, we will provide some background.

- UIG purchased Big Canoe Utilities' failing system in 2018
- The 2022 POA Board revisited the 2018 Service Level and Operating Agreement (SLOA) regarding how rates are calculated
- The 2024 POA Board worked to resolve negotiations leading to the settlement

The key settlement points are:

- UIG will credit Property Owners \$355,000: \$15.49/mo. for water and an additional \$15.49/mo. for sewer service for seven months
- Accumulated Deferred Income Taxes (ADIT) will be removed from the rate base calculation in two phases, which will result in additional savings
- UIG is returning or saving customers an estimated \$700,000 over the next 30 months with the \$355,000 credit and the ADIT rate base reduction
- UIG agrees to limit future combined rate increase for both water and sewer to a maximum of 10%

- Key Performance Indicator (KPI) quarterly reporting criteria will be updated
- Trust Deed replaced with more specific Service Level and Operating Agreement
- POA has the right of first refusal regarding UIG water and wastewater assets
- If Georgia House Bill 1220 is passed, it will take precedence over the UIG settlement
- UIG assures capacity for Big Canoe growth
- UIG will utilize the American Water Works Association (AWWA) methodology to determine fair water rates
- Should any fines or penalties be imposed on UIG by EPD, the POA is not responsible
- POA Board to verify UIG's compliance with AWWA rate-setting standards

The Board would like to thank Tiffany Vanhorn, President of UIG, for her leadership and guidance in crafting the settlement agreement. In addition, a big thank you to past POA Boards, Water Task Force, Water Committees, and many others for their hard work.

Please read on for a brief History of Big Canoe Water Service and more details on the settlement.

Brief History of Big Canoe's Water Service

The Big Canoe Corporation, the community's developer, initially owned and operated the water utility system, which consisted of groundwater wells, PVC pipes under the roads, storage tanks, and pump stations. The three lakes, Disharoon, Petit, and Sconti, also played a role. The first was Lake Sconti, which provided water to a one-million-gallon-per-day treatment plant built near the current Playfield.

In 1987, a lawsuit by the Homeowners Association (HOA) led to a settlement requiring significant upgrades to Big Canoe's water system. In December 1994, a power outage caused a major water system failure, prompting the construction of the Lake Petit surface water treatment plant in 1995.

Another crisis emerged during the 2001 drought, leading to a study that recommended building a new water treatment plant and reservoir. By spring 2007, the Blackwell Creek Water Intake replaced the Lake Petit intake and the Blackwell Creek Water Reservoir was completed by late 2010.

Despite these efforts, a major system failure in 2016 left many residents without water for an extended period. This led the POA Board to create the

Water Task Force to investigate the failure and recommend improvements. During this time, Big Canoe Utilities announced its intent to sell the water and sewer systems. With no immediate buyers, the POA Board considered creating a community-run Water and Sewer Authority. In March 2018, the Georgia legislature passed HB 1039 to establish this authority.

Before the bill was signed into law, UIG reached an agreement to buy Big Canoe Utilities' water and sewer systems. At that time, the POA Board conducted thorough research on UIG, held public meetings to hear community feedback, and considered all options. In 2018, the POA Board reached a Service-Level and Operating Agreement (SLOA) with UIG.

UIG has delivered reliable and improving water and sewer services to our community for seven years.

Terms of the Negotiated Settlement

Customer Bill Credits

UIG will credit \$355,000 to customer bills over seven months. Customers will begin to see the credit reflected on their January bills, including December usage. The credit will be applied to each service individually, meaning customers receiving both water and wastewater services will see two separate credits on their monthly statements. The \$355,000 is divided into \$15.49 per month for water service and an additional \$15.49 per month for sewer service over a period of seven months.

Future Rate Base Changes

While it will not be reflected as a credit on your bill, deferred income taxes (Accumulated Deferred Income Taxes, or ADIT) will be removed from the rate base calculation in two phases (for the 2025 and 2026 rates). This equates to an estimated \$4 to \$5 savings (\$4 to \$5 savings on water and \$4 to \$5 savings on sewer) per month beginning in July 2025 and increasing to \$9 to \$10 per month in July 2026.

With the \$355,000 credit and the ADIT rate base reduction, UIG will return or save customers an estimated \$700,000 over the next 30 months.

Rate Increase Cap

This clause sets limits on how much UIG can increase water and wastewater rates in Big Canoe for five years after the agreement is signed. UIG agrees to limit the combined annual rate increase for water and sewer services to a

maximum of 10% of the previous year's revenue (with limited exceptions). However, it's important to note that individual components (water or sewer) could potentially increase by more than 10% as long as the combined increase stays within the 10% cap.

Key Performance Indicators (KPI) Reporting

KPIs provide a measurable way to track UIG's performance in areas such as water quality, system reliability, customer service, and environmental compliance. In October 2021, the KPIs currently in the SLOA will be replaced with those approved by the Water Committee and UIG.

UIG agrees to present the POA Board with information every three months showing its compliance with the KPIs. The report covers areas such as budget performance, customer service metrics, field activities, system reliability, water quality, and wastewater compliance.

Trust Deed Dissolution

The Georgia Department of Natural Resources (DNR) established the Trust Deed in 1984 to ensure continuity of maintenance and operation for non-governmentally owned and operated water systems. As a safeguard, it essentially conveyed the system assets "in trust" to the POA.

However, the DNR changed its regulations in 2016 and no longer requires a Trust Deed for private systems. In 2018, Big Canoe Utilities was sold to Utilities, Inc. of Georgia, and the Trust Deed was amended. A service Level and Operating Agreement (SLOA) was then implemented, which provides more specific covenants and performance indicators for UIG to meet.

Essentially, the Trust Deed served as a temporary measure to ensure the water system was maintained and operated correctly until a more permanent solution, like the SLOA, could be implemented. The Trust Deed will be dissolved through the amendment SLOA process.

Right of First Refusal and Regulatory Authority Override

This clause clarifies the POA's right of first refusal regarding the water and wastewater system assets.

If a law like Georgia House Bill 1220 is passed to regulate private utilities, its rules would take precedence over the UIG Service Level and Operating Agreement (SLOA).

System Capacity & Expansion

UIG will ensure there is enough utility capacity to serve current Big Canoe residents. They will take care of the existing infrastructure, but if Big Canoe Company (BCC) adds new properties, BCC will be responsible for paying for any utility upgrades needed for those additions.

Cost-to-Serve Study and Depreciation Study Agreement

UIG will conduct a cost analysis using the American Water Works Association (AWWA) methodology to determine fair water rates. This study will differentiate costs within and outside the Big Canoe service area and be updated every five years.

UIG and the POA will share the cost of conducting a study to determine depreciation rates for system assets and collaborate to analyze the results.

Fines & Compliance

UIG agrees that any fines or penalties imposed by the Georgia Department of Natural Resources, Environmental Protection Division (EPD) will not be included in the rate calculations charged to Big Canoe customers.

Annual Reports and Confidential Information

UIG will provide the POA Board with yearly updates on planned water and wastewater system spending and a rolling five-year capital expenditure plan.

To ensure transparency and protect sensitive information, UIG and the POA Board will sign confidentiality agreements before exchanging detailed reports, including spreadsheets that allow the POA Board to independently verify UIG's compliance with AWWA rate-setting standards and confirm the allocation of expenses.

Thank you,
POA Board of Directors

Ask the POA

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