French Creek Water Services:

The Case for Integration, Coordination and Regional Ownership

A Submission To:

The Comptroller of Water Rights
Regarding the Application by Epcor North Island Inc.
for Approval to Purchase Breakwater Utilities System

From:

Canadian Union of Public Employees
(C.U.P.E.) Local 401

July 3, 2005

INTRODUCTION

The Canadian Union of Public Employees ("C.U.P.E.") is the largest trade union in both British Columbia and in Canada. In B.C., C.U.P.E. represents over 70,000 workers who provide a wide variety of services, primarily at the local, community level. Across Canada, C.U.P.E. represents thousands of water and wastewater workers in communities both big and small.

C.U.P.E. Local 401 represents employees of the Regional District of Nanaimo ("R.D.N."), City of Nanaimo, Town of Ladysmith, City of Parksville, Lantzville Improvement District, Town of Qualicum Beach, District of Campbell River, Vancouver Island Regional Library and Cedar Improvement District. As citizens and taxpayers of central and northern Vancouver Island, all our members have a vital interest in the health of our communities and the quality of drinking water. As well, since many of our members are employed in the provision of community water, wastewater and related services, we are particularly keen that the general public interest be protected when it comes to integrated and coordinated delivery of water in our region.

This submission pertains to the application to the Comptroller of Water Rights by Epcor North Island Inc. ("Epcor") pursuant to the Water Utility Act, R.S.B.C. 1996, c. 485 and the Utilities Commission Act, R.S.B.C. 1996, c. 473 for approval to: purchase Breakwater Enterprises Ltd. ("Breakwater") and all of its assets, including trust funds; consolidate the property and rights of Breakwater; approve the issuance of securities; issue a Certificate of Public Convenience and Necessity ("C.P.C.N.") to operate a North Island Utility; assign responsibility and control to Epcor of all Breakwater trust funds; and approve the rates, charges and terms of service set out in Epcor's application dated March 21, 2005. As well, Epcor is seeking a transfer of appurtenancy of Breakwater's Section 19 water license if the C.P.C.N. is granted.

Section 52, sub. 2 of the Utilities Commission Act mandates the Comptroller to make determinations "*…subject to conditions and requirements considered necessary or desirable in the public interest*." It is our view that the public interest can be much better served through integrated and coordinated provision of water services by the Regional District than through approval of the Epcor application. We request that the Comptroller make a broad and thorough determination about the public interest in this case.

While the Breakwater system is currently privately owned and the proposal is to authorize transfer of operations to Epcor as another private owner, C.U.P.E. Local 401 urges the Comptroller to use this important time of proposed transition to look closely at the broader public interest. Regulatory authority over water utilities is provided by statute to the Comptroller because of the issue of monopoly control. When examining this proposal to transfer ownership from one monopoly provider to another, we think the Comptroller should make a determination about what is best under the circumstances in terms of assuring integrated provision of high quality, safe and publicly accountable water service at a reasonable cost for all residents of the French Creek service area (i.e. Electoral Area G). What choice will best support coordinated implementation of the regional growth management strategy, maximise security of water supply, ensure that the provisions of the Drinking Water Protection Act are honoured, reduce unnecessary costs for water users and ensure investment in needed infrastructure while at the same time protecting the French Creek watershed and riparian areas?

It is our submission that a far better option for the broader community interest than simply approving the Epcor proposal would be to encourage and enable the Regional District of Nanaimo to provide the water distribution system for this part of the region, just as it does for the rest of the region. We think the Comptroller should examine whether or not continuation of private monopoly provision of water for those currently served by Breakwater is a better option than integrated provision by the Regional District. We submit it is not.

In this regard, we cite the 2004 publication of Land and Water British Columbia Inc. entitled Water Utilities: Guide to Applying for a Certificate of Public Convenience and Necessity:

"*3. Provincial Goals for Rural Service Delivery*

The provincial government encourages regional districts to become the primary service providers in rural areas. The goals of this expanded role are to provide linkages between land use and servicing decisions and to achieve efficiency in the provision of rural services by avoiding duplication and the proliferation of small, marginally-viable, independent systems. Local service areas are being created to acquire systems owned by utilities and improvement districts. In some cases local service areas are being created to serve new land developments where no water authorities exist."[1] *(*emphasis added*)*

Currently, the Regional District of Nanaimo provides water services to some 243 users in the Sandpiper area through its French Creek Water Utility District. As it is provincial government policy to encourage regional districts to become the primary service provider in rural areas (for the reasons noted in its guide to applying for a C.P.C.N), we believe the Comptroller should take proactive steps to facilitate the expansion of the current R.D.N. French Creek Water District to include those now being served by Breakwater Enterprises. This submission outlines our reasons for this recommendation.

EPCOR PROPOSAL[2]

Breakwater Enterprises currently provides service to approximately 1600 accounts. Over 1500 of those are single family residences. The majority of the water supply for the system comes from underground wells, with some 30 to 40% of supply coming from French Creek.

The initial three year period of Epcor operation of the system (until December 2007) is described as the "Test Period" in the Epcor application. The scenarios of their application are built around this three year period. Epcor's application says: *"…it is unlikely that a Rate increase will be required within the next three years…"* (p. 13). This leaves the door open to rate increases within that period, which may be rolled into the rate application Epcor has stated it will make at the end of the three year period. (p. 20)

[1] Water Utilities: Guide to Applying for a Certificate of Public Convenience and Necessity (CPCN) Land and Water British Columbia Inc. 2004, page 2
[2] See Water Tariff Application for Asset Disposition Approval, Certificate of Public Convenience and Necessity in the Regional District of Nanaimo, B.C. Epcor North Island Water Inc. 2005. March 21, 2005.

As well, in light of concerns that have been raised about consistency of water quality provided through the current private system, Epcor proposes to spend approximately $1.1 million over the three year period for capital improvements, primarily a new water treatment facility. The costs of debt for this spending are incorporated within the rate application. Epcor assumes it will pay an interest rate for debt of 6.85% over a ten year term.

Other core features of the Epcor application include: transfer to Epcor headquarters in Edmonton of an inter-corporate service charge in the amount of $313,000 over the three year period; a guaranteed rate of return on equity of 10.33%; an annual inflation factor of 2%; an assumption of ongoing population growth in the French Creek area of 4.98% per year; a 60/40 debt to equity ratio; and a significant amendment to current liability provisions to limit Epcor's liability and exposure to claims for damages. Epcor proposes that the annual revenue derived from the Utility increase from $781,000 (actual) in 2004 to $940,000 (forecast) in 2007 – an increase of 20.35%.

C.U.P.E. Local 401 would like to highlight a few specific points of concern about the Epcor application:

(i) Unnecessary Debt Costs

Because Epcor North Island Water Inc. is a private company, its costs for debt are much higher than if the owner was a public sector entity such as the Regional District. Epcor assumes an interest rate on its debt of 6.85% over a ten year term (see schedule B-12), because this Epcor subsidiary will only be able to obtain a credit rating of BBB at best. To quote from the application: "*Epcor North Island is a new company and will be issuing new debt for the assets to be purchased…Epcor North Island is too small to issue ten year bonds and for debt markets to assign a bond rating. In the event that Epcor North Island could receive a bond rating, it is unlikely that such a rating would not (sic) exceed BBB. For purposes of this Application, the bond rate associated with a BBB rating will be utilized*."[3]

If the French Creek water system was not owned by a private company like Epcor but rather was integrated with the water services of the Regional District of Nanaimo, residents would be able to benefit from a much lower cost of debt. The current market rate for ten year debt posted by the Municipal Finance Authority of British Columbia ("M.F.A.") is currently 4.1%.[4] The M.F.A. has an AAA credit rating. The Regional District of Nanaimo is eligible to access debt at the rates offered by the M.F.A.

We have attached as an appendix to this submission, amortisation calculations of the cost difference between a 4.1% interest rate for a ten year term and a 6.85% interest rate for a ten year term. In each case, we have first looked at the cost of financing the opening debt balance of $839,323 (as set out in schedule B-12) and then separately looked at the cost of financing the additional borrowing of $669,000 that Epcor is proposing for its capital program. These calculations are derived from the amortisation tables available on the M.F.A. website so incorporate M.F.A. assumptions.

[3] Ibid, page 18
[4] Website of Municipal Finance Authority of B.C. http://www.mfa.bc.ca/marketrates.htm

The calculations show that for the opening debt balance of $839,323, interest payments of $574,936.26 are required over the ten year period if the interest rate is 6.85%, but interest payments of only $344,122.43 are required if the interest rate is 4.1%. This is a difference of $230,813.83.

For the $669,000 in proposed new debt, the interest payment costs over the ten years are $458,265.00 if the interest rate is 6.85%, but are only $274,290.00 if the interest rate is 4.1%. In this case, the difference is $183,975.00.

Taken together, the incremental interest costs for both elements of private borrowing total $414,788.33. This means that **water users in the proposed Epcor private monopoly service area will be paying at least $414,788.33 more over the next ten years for interest costs of debt** than they would be if the same debt was borne by the Regional District of Nanaimo instead.

There is no need for these unnecessary incremental costs. All neighbouring water users in the Regional District of Nanaimo service area benefit from the much lower cost of public sector borrowing. Why should the 1600 water users in the French Creek area be forced to pay these additional unnecessary costs when their nearby neighbours (including those in the R.D.N. French Creek Water Utility District) do not?

(ii) Unnecessary Profit

Epcor proposes a rate of return on equity of 10.3%. This is based on a 60/40 debt to equity ratio and is built on the capital structure authorized for other private utilities such as Pacific Northern Gas Ltd. and the risk premium established by the B.C. Utilities Commission in 2005 for Low Risk Benchmark Utilities as well as the recent decision of the Comptroller regarding White Rock Utilities Limited.

At no point in setting out its rationale for this guaranteed level of profit does Epcor compare such costs to the costs of public sector provision by the Regional District. Like other public sector entities, the Regional District does not derive a profit from the services it provides to citizens.

This is particularly of concern given that the proposed rate of return will, over time, significantly increase the return on equity generated by the utility. According to the chart in the Water Tariff application entitled Return on Rate Base (p.21), the 2004 return on equity generated by Breakwater was $22,000. Epcor proposes to quadruple this annual amount to $82,000 by 2007. Of course, the major reason for this significant increase is that Epcor is proposing to increase the level of the rate base itself. However, the total rate base is only proposed to roughly double over the period (from $1,014,000 in 2004 to $1,974,000 in 2007) while the annual return on equity will quadruple.

Once again, this proposal is unfair to residents and other water users in the French Creek area. Why should they be asked to subsidise annual profit (and especially such a sharp increase in profit) from their water system when their neighbours, including those served by the R.D.N. French Creek Water Utility District, do not?

(iii) Taxes

Epcor estimates it will pay income taxes in the amount of $90,000 over the three year period from 2005 to 2007 (p. 21). The Regional District of Nanaimo does not pay income taxes for the water services it provides. This is an additional incremental cost that French Creek water users will be asked to contribute to if the transfer to Epcor goes ahead. Once again, why should water users in the proposed Epcor utility area be required to pay this additional cost, when their neighbours in the R.D.N. service areas do not?

(iv) Inter-corporate Service Charges

In addition to profit, Epcor proposes to transfer $313,000 over the three year period for inter-corporate service charges. Presumably, most of this money will be transferred to Epcor corporate headquarters in Edmonton.

We recommend to the Comptroller that this level of charge-back for services be compared to the charge out rates that the Regional District of Nanaimo assesses to its water utilities. While there is no doubt that some level of internal corporate charge-out is standard and necessary, the key question in determining whether the amount of $313,000 is in the public interest is to compare the amount to the most reasonable alternative, which is provision by the R.D.N. What amount of water rates paid by R.D.N. users can be attributed to internal service charge-backs? How does this compare to the amounts that Epcor North Island is proposing to remit to its parent corporation?

(v) Rates

Epcor's application (at page 22) includes a chart entitled Comparative Residential 2004 Water Rates. This chart purports to show that the rates which Epcor will charge are comparable to the rates charged by other water service providers in the area, based on total costs including fixed charges, consumption charges and water parcel taxes as applicable. Only Lantzville, Parksville and Qualicum Beach are shown as comparators. The best comparable is presumably the French Creek Water Utility District of the R.D.N., but this is not shown.

According to the R.D.N. website[5], the amount for water billing of 25 cubic metres per month for its French Creek service area is $8.50 per month (based on average daily usage of .83 cubic metres over 30 days at 34 cents per cubic metre). In addition, the R.D.N. charges parcel taxes for water of $178 per year or approximately $14.83 per month. The Regional District does not assess any monthly service charge for water. This means the total monthly rate charged by the Regional District for use of 25 cubic metres of water per month in Electoral Area G would be $23.33, as opposed to the rate of $32.00 per month that Epcor North Island says it will charge. Those using the Epcor system will not derive any special benefit from paying these additional unnecessary costs compared to the costs paid by their neighbours who use the Regional District system.

[5] http://www.rdn.bc.ca/

We are also unclear about some of the other comparable charges shown in the Epcor chart at page 22 of their application. For example, water users in Parksville do not pay any parcel tax for water. The parcel taxes charged by the City of Parksville are only for sewage service. Why then does the Epcor application indicate that a parcel tax of $13.67 per month can be attributed to water in Parksville? We urge the Comptroller to examine the comparables in the Epcor application very closely to ensure they are all accurate and complete.

(vi) Limitation of Liability and Damages

Epcor proposes a reduction of the legal liability and potential damages set out in the Terms and Conditions of its Tariff, compared to the liability and potential damages which now rest with Breakwater Enterprises. C.U.P.E. Local 401 is concerned about this proposal. We are not convinced this level of liability will adequately protect the citizens of Electoral Area G.

At page 23 of the submission, Epcor argues that current liability provisions *"…may not be adequate to protect the Utility to a reasonable and appropriate degree."* The submission does not speak to the liability provisions that are most reasonable and appropriate to protect the **public** and French Creek water users. We respectfully request that the Comptroller examine this question from the perspective of the general public interest. What liability provisions will best protect water users and others in the general public?

In this regard, an applicable principle of risk management is that risk should be borne by the party best able to deal with it. In our submission, Epcor with its billions in corporate assets is in a far better position to manage the liability protection of water users and the public than are the individual water consumers of Electoral Area G.

Epcor argues that its proposed liability provisions are consistent with those set out by the City of Vancouver in its Water Works By-law. In our view, the better comparison is with the liability provisions that obtain within the Regional District of Nanaimo. As much as possible, the liability and damage protection enjoyed by those who use the French Creek Water District of the R.D.N. should also be available to their neighbours who currently use the Breakwater system.

WATER SUPPLY

The Epcor application does not speak to questions of water supply in the French Creek area, but we would like to urge the Comptroller to consider water supply issues as part of an integrated decision on the public interest.

An important current issue in the French Creek area is that well water supplies are depleting. According to a report from EBA Engineering Consultants jointly funded by the R.D.N., City of Parksville, Town of Qualicum Beach, and Breakwater Enterprises which was presented to a Regional District of Nanaimo committee of the whole meeting on March 8, 2005[6], well water in the French Creek and Parksville areas is being withdrawn faster than it is being replaced. This is a particular concern in light of significant declines in Vancouver Island snow pack.

[6] See "Regional well water supplies drying up" by Jessica Kerr, Nanaimo News Bulletin, March 15, 2005

The matter of well water supply is particularly pertinent to the Epcor application given that 60 to 70% of the raw water in the Breakwater system is currently sourced from wells. What contingency plans does Epcor have in place to deal with significant declines in well water supply? Given that Epcor does not speak to supply questions in its submission, what obligation does Epcor have to ensure adequate and stable supplies of water for its potential customers in the French Creek area?

In contrast, the Regional District of Nanaimo and area municipalities have been taking proactive steps in recent years to protect water supplies in this region. Since a successful 1996 referendum, the R.D.N., City of Parksville and Town of Qualicum Beach have formed a joint venture called the Arrowsmith Water Service. This is a bulk water supply system which sources surface water from the headwaters of the Englishman River. In 1998, a new Arrowsmith dam was constructed at the Englishman headwaters and by 2000 a new reservoir was fully functional. This dam was only the first stage of the new bulk water supply system. Plans for future capital investment include a new water intake on the Englishman River, the installation of water transmission systems in the area and the design and construction of water treatment facilities.

Currently, Arrowsmith bulk water is not supplied to the French Creek system, even though R.D.N. French Creek Water Service users do contribute to Arrowsmith capital costs. However, as well water supplies deplete, an important question for future coordinated planning is whether or not the current Breakwater system will be able to access Arrowsmith water. Breakwater Enterprises is not part of the Arrowsmith joint venture. We recommend that the Comptroller enquire of Epcor as to whether or not they have any plans to access bulk water from the Arrowsmith system in the future, whether they intend to support the Arrowsmith joint venture in any way and, in general, how does water from the Arrowsmith reservoir fit within Epcor's business plan. If Epcor does not envisage accessing Arrowsmith bulk water, what are its plans to make up for declines in groundwater supply?

In a related vein, we are curious as to whether Epcor has any plans to utilize its new French Creek water treatment facility to treat water for the R.D.N. or neighbouring municipalities. If so, the Comptroller may want to enquire into whether French Creek water users will be providing the capital funds for an Epcor water treatment plant that it hopes to utilize for other corporate purposes. If it is part of Epcor's business plan to use a new French Creek plant to treat water on behalf of nearby municipalities, then we urge the Comptroller to examine whether or not it is fair that only French Creek water users support the capital costs of the necessary investment. We submit that it is not.

DRINKING WATER PROTECTION

In October of 2004, the Regional District of Nanaimo adopted a new Drinking Water Protection Action Plan[7]. That plan is consistent with the spirit and requirements of the provincial Drinking Water Protection Act. It is also consistent with the Regional Growth Strategy of the R.D.N., ongoing work on the State of Sustainability in the region, and broader community planning.

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[7] Drinking Water Protection Action Plan Regional District of Nanaimo, October 26, 2004. http://www.rdn.bc.ca/

One of the Issues that the plan identifies at page 8 is: "***7. Lack of coordination related to drinking water interests…****the protection of drinking water requires coordination of key activities that can impact the availability of drinking water. Unfortunately, drinking water interests are characterised by a patchwork of legislation and responsible governmental and non-governmental organizations, potentially resulting in particular aspects of drinking water provisions being overlooked."*

The plan identifies 14 action items, but – interestingly, action items 7 through 14 only apply to those who are served by water utilities within R.D.N. water service areas. Some of those particular action items include: an annual report on drinking water that provides information on water quality, water sources, infrastructure, costs and related issues in the R.D.N.; a detailed commitment to fulfill all requirements of the Drinking Water Protection Act including emergency response plans, certification and training improvements, integration with the local health region and well flood proofing; a broad review of water supply requirements and options; and a review of pricing and conservation incentives.

If the proposed transfer of the Breakwater system to Epcor is approved, the 1600 water users served by the proposed Epcor utility will not benefit from the implementation of those particular elements of the Regional Drinking Water Action Plan. Even though Electoral Area G is squarely within the regional district area, lack of coordination and integration will be exacerbated as some residents receive the benefits of the new drinking water protection plan while others do not.

THE WATERSHED

In 2001/2002, the provincial government issued a comprehensive study of the French Creek watershed.[8] We would like to commend this report to the Comptroller's attention, particularly with regard to surface water issues impacting the proposed Epcor utility.

Amongst a number of important findings, the various component reports of this study identified that (as of the date of the report):

- Actual use of French Creek surface water is not monitored and there is insufficient information on the impact of consumptive use of water on low stream flows during the summer months;

- French Creek has been designated a sensitive stream under the Fish Protection Act to protect a fish population whose sustainability is at risk because of inadequate flows and degradation of fish habitat (which means that the Comptroller of Water Rights or Regional Water Manager must be satisfied that water licensing decisions will have an insignificant adverse impact on fish or fish habitat);

- Non-point source pollution is the leading cause of water quality degradation within the French Creek watershed, which makes coordination between water use and land use decisions all the more vital;

[8] French Creek Watershed Study Ministry of Water, Land and Air Protection and Ministry of Sustainable Resource Management, Nanaimo Regional Office, 2001/02

- Water samples indicate the overall presence of fecal coliforms and an increasing trend downstream through the winter months. All drinking water withdrawn from French Creek should be disinfected;

- Virtually all of the rural areas within the French Creek watershed are not hooked up to the French Creek Water Pollution Control Centre, which raises the issue of potential interaction between tile fields and the drinking water supply;

- Urban and residential development is exacerbating low flow issues for French Creek;

- It is crucial that riparian areas such as wetlands be protected in light of the importance of this stream for fish protection.

The provincial watershed study highlights the vital need for integration and coordination of issues related to French Creek, particularly land and water use. Decisions about protection of wetlands, protection of the stream from residential pollution, integration between land use decisions and drawdowns of drinking water supplies from French Creek and general protection of drinking water quality should all be made in a coordinated way and in light of the Regional Growth Strategy. In our submission, integration and coordination of this sort of decision-making would be enhanced if all water users in the French Creek area were served by the Regional District.

BEST PRACTICES FOR WATER GOVERNANCE

The Federation of Canadian Municipalities recently issued a detailed handbook on good governance in the restructuring of water supply written by Dr. Karen Bakker of the University of British Columbia.[9] We would like to commend this report to the Comptroller's attention.

The report says at page 9 that the *"directly managed municipal utility"* is the most widespread business model for water and wastewater services in Canada. Amongst the advantages note are: clear and direct public accountability, coordination with other municipal activities and policies, general political acceptability and notes that political oversight limits abuse of monopoly power and ensures protection of vulnerable consumers.

At page 15, the report identifies some of the disadvantages of the "private utility" model. The identified disadvantages include that: private companies may not take a long term view; serviceability of assets may be a concern; regulation is likely to be complicated and costly; the model is very difficult to reverse; regulation is information-intensive and works better with a large number of comparators; the cost of capital may be higher relative to perceived risk (including regulatory risk); and with ineffective regulation abuse of monopoly power is possible and efficiency gains may be limited.

[9] Good Governance in Restructuring Water Supply: A Handbook by Dr. Karen Bakker, Federation of Canadian Municipalities and the Program on Water Issues, University of Toronto Munk Centre for International Studies. 2003. http://kn.fcm.ca or http://www.powi.ca

Finally, we note the recommendations at page 35 of the handbook for sustainable water supply management. "*Sustainable water supply management requires a process that promotes the coordinated development and management of water, land and related resources…many communities are developing integrated water resources management approaches that seek to ensure equitable, economically sound, and environmentally sustainable management of water resources and provision of water services. In some cases, this requires balancing apparently competing goals: environmental protection, efficiency, equity and public health."*

We submit that all of these points are pertinent to the Comptroller's decision about the Epcor application. Provision of service by the Regional District is a much better option for achieving sustainability of water management than simple approval of the Epcor application.

OTHER CONCERNS

(i) Public Accountability

The best option for public accountability and transparency in this case is ownership and operation by the Regional District. While water users in neighbouring communities are able to raise their concerns with elected area representatives, mayors and municipal councillors the 1600 users in the proposed Epcor utility area will need to rely on the complicated regulatory process instead. Because public accountability and transparency is so important to successful water management, we urge that the Comptroller take steps to facilitate regional provision of this service.

(ii) Freedom of Information and Privacy

The Freedom of Information and Privacy Act applies to public bodies, including regional districts such as the R.D.N. It does not apply to private companies such as Epcor. This means citizens and water users whose water services are provided through a regional district may obtain information about management of their water systems which is not available to those who rely on private utilities. While regulated private utilities may be ordered to provide information by the regulator or the courts (so long as it is not deemed proprietary or commercially confidential) this is an onerous and complex process in comparison to the legislated process for gaining information from public bodies.

(iii) Loss of Revenue to the Community

Profits made by Epcor North Island Inc. will contribute to higher shareholder dividends (in Edmonton) and hence will not be available to the communities of the mid-Island. For example, these funds might, in the alternative, be dedicated to improved investment in the Arrowsmith bulk water supply.

CONCLUSION AND RECOMMENDATIONS

In 1999, the provincial Auditor General issued a report on drinking water[10] which identified certain concerns with small water systems that are pertinent to the Comptroller's review of the Epcor application. The Auditor General noted (pages 115 to 122) that: small water systems are particularly vulnerable to the impacts of inadequate water-source protection; small water systems face more threats than large ones; less protection of water sources is available to small systems; and small systems often lack resources for adequate tap water protection.

It is perhaps for those reasons, amongst others, that the provincial C.P.C.N. guide notes the provincial government preference for regional districts as the primary water service providers in rural areas. We urge that this provincial policy be borne in mind when a decision is made about the Epcor application.

We further recommend that a full public hearing, including public meetings in the French Creek community, be held by the Comptroller before any final decision is made on this application. We know there is significant concern about the application amongst those few who are aware of it, but we also believe many in the community are not aware that this change has been proposed. Small newspaper ads are hardly an adequate process of public information and consultation regarding this application, so we urge that well advertised public meetings be organised as well.

With regard to our core recommendation, we urge the Comptroller to facilitate development of the option of regional district ownership and control of the French Creek system. There are a number of ways that this might be done, but the simplest is probably for the Comptroller to defer the Epcor application until it has contacted the Regional District Chief Administrator to urge that a submission be prepared which sets out the Regional Districts preferences on this question. We know there has been interest on the part of the Regional District in the very recent past in integrating the Breakwater system with the rest of the water utilities operated by the R.D.N. If the Comptroller were to seek options and views from the Regional District, we are confident that a more sustainable and coordinated option could be brought forward.

Coordinated, integrated, affordable and sustainable water management is important not only for the residents of Electoral Area G, but also for the broader region. The Comptroller's decision about the Epcor application will have far reaching implications for the health of the watershed, for the future of integrated land use planning, for coordination of growth management, for the safety and security of drinking water, for public accountability, for future bulk water supplies and for the protection of fish. We urge that the broad public interest be taken into account when this decision is made.

All of which is respectfully submitted,

Canadian Union of Public Employees Local 401

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[10] Protecting Drinking Water Sources Office of the Auditor General of British Columbia, Victoria. 1999

APPENDIX

10 Year Term 4% Capitalization Rate

Principal:	**839,323.00**	Interest Rate:	**6.85%**	S/F Factor:	0.083290944

	Principal Pymnt	**Interest Pymnt**	**Total Pymnt**	**Actuarial**	**Reducing Balance**
					839,323.00
Yr 1 Semi Annual		28,746.81	28,746.81		839,323.00
Yr 1 Annual	69,908.01	28,746.81	98,654.82		769,414.99
Yr 2 Semi Annual		28,746.81	28,746.81		769,414.99
Yr 2 Annual	69,908.01	28,746.81	98,654.82	2,796.32	696,710.67
Yr 3 Semi Annual		28,746.81	28,746.81		696,710.67
Yr 3 Annual	69,908.01	28,746.81	98,654.82	5,704.49	621,098.17
Yr 4 Semi Annual		28,746.81	28,746.81		621,098.17
Yr 4 Annual	69,908.01	28,746.81	98,654.82	8,728.99	542,461.17
Yr 5 Semi Annual		28,746.81	28,746.81		542,461.17
Yr 5 Annual	69,908.01	28,746.81	98,654.82	11,874.47	460,678.69
Yr 6 Semi Annual		28,746.81	28,746.81		460,678.69
Yr 6 Annual	69,908.01	28,746.81	98,654.82	15,145.77	375,624.92
Yr 7 Semi Annual		28,746.81	28,746.81		375,624.92
Yr 7 Annual	69,908.01	28,746.81	98,654.82	18,547.92	287,168.99
Yr 8 Semi Annual		28,746.81	28,746.81		287,168.99
Yr 8 Annual	69,908.01	28,746.81	98,654.82	22,086.16	195,174.82
Yr 9 Semi Annual		28,746.81	28,746.81		195,174.82
Yr 9 Annual	69,908.01	28,746.81	98,654.82	25,765.93	99,500.89
Yr 10 Semi Annual		28,746.81	28,746.81		99,500.89
Yr 10 Annual	69,908.01	28,746.81	98,654.82	29,592.88	-0.00
TOTALS:	699,080.05	574,936.26	1,274,016.31	140,242.95	

Total principal repaid plus total actuarial earnings equal amount originally borrowed

NOTE: This schedule of payments is calculated on an estimate of rates based on today's rate.

10 Year Term 4% Capitalization Rate

Principal:	839,323.00	Interest Rate:	4.10%	S/F Factor:	0.083290944

	Principal Pymnt	Interest Pymnt	Total Pymnt	Actuarial	Reducing Balance
					839,323.00
Yr 1 Semi Annual		17,206.12	17,206.12		839,323.00
Yr 1 Annual	69,908.01	17,206.12	87,114.13		769,414.99
Yr 2 Semi Annual		17,206.12	17,206.12		769,414.99
Yr 2 Annual	69,908.01	17,206.12	87,114.13	2,796.32	696,710.67
Yr 3 Semi Annual		17,206.12	17,206.12		696,710.67
Yr 3 Annual	69,908.01	17,206.12	87,114.13	5,704.49	621,098.17
Yr 4 Semi Annual		17,206.12	17,206.12		621,098.17
Yr 4 Annual	69,908.01	17,206.12	87,114.13	8,728.99	542,461.17
Yr 5 Semi Annual		17,206.12	17,206.12		542,461.17
Yr 5 Annual	69,908.01	17,206.12	87,114.13	11,874.47	460,678.69
Yr 6 Semi Annual		17,206.12	17,206.12		460,678.69
Yr 6 Annual	69,908.01	17,206.12	87,114.13	15,145.77	375,624.92
Yr 7 Semi Annual		17,206.12	17,206.12		375,624.92
Yr 7 Annual	69,908.01	17,206.12	87,114.13	18,547.92	287,168.99
Yr 8 Semi Annual		17,206.12	17,206.12		287,168.99
Yr 8 Annual	69,908.01	17,206.12	87,114.13	22,086.16	195,174.82
Yr 9 Semi Annual		17,206.12	17,206.12		195,174.82
Yr 9 Annual	69,908.01	17,206.12	87,114.13	25,765.93	99,500.89
Yr 10 Semi Annual		17,206.12	17,206.12		99,500.89
Yr 10 Annual	69,908.01	17,206.12	87,114.13	29,592.88	-0.00
TOTALS:	699,080.05	344,122.43	1,043,202.48	140,242.95	

Total principal repaid plus total actuarial earnings equal amount originally borrowed

NOTE: This schedule of payments is calculated on an estimate of rates based on today's rate.

10 Year Term 4% Capitalization Rate

Principal:	**669,000.00**	Interest Rate:	**6.85%**	S/F Factor:	0.083290944

	Principal Pymnt	**Interest Pymnt**	**Total Pymnt**	**Actuarial**	**Reducing Balance**
					669,000.00
Yr 1 Semi Annual		22,913.25	22,913.25		669,000.00
Yr 1 Annual	55,721.64	22,913.25	78,634.89		613,278.36
Yr 2 Semi Annual		22,913.25	22,913.25		613,278.36
Yr 2 Annual	55,721.64	22,913.25	78,634.89	2,228.87	555,327.85
Yr 3 Semi Annual		22,913.25	22,913.25		555,327.85
Yr 3 Annual	55,721.64	22,913.25	78,634.89	4,546.89	495,059.32
Yr 4 Semi Annual		22,913.25	22,913.25		495,059.32
Yr 4 Annual	55,721.64	22,913.25	78,634.89	6,957.63	432,380.05
Yr 5 Semi Annual		22,913.25	22,913.25		432,380.05
Yr 5 Annual	55,721.64	22,913.25	78,634.89	9,464.80	367,193.61
Yr 6 Semi Annual		22,913.25	22,913.25		367,193.61
Yr 6 Annual	55,721.64	22,913.25	78,634.89	12,072.26	299,399.72
Yr 7 Semi Annual		22,913.25	22,913.25		299,399.72
Yr 7 Annual	55,721.64	22,913.25	78,634.89	14,784.01	228,894.06
Yr 8 Semi Annual		22,913.25	22,913.25		228,894.06
Yr 8 Annual	55,721.64	22,913.25	78,634.89	17,604.24	155,568.19
Yr 9 Semi Annual		22,913.25	22,913.25		155,568.19
Yr 9 Annual	55,721.64	22,913.25	78,634.89	20,537.27	79,309.27
Yr 10 Semi Annual		22,913.25	22,913.25		79,309.27
Yr 10 Annual	55,721.64	22,913.25	78,634.89	23,587.63	-0.00
TOTALS:	557,216.42	458,265.00	1,015,481.42	111,783.58	

Total principal repaid plus total actuarial earnings equal amount originally borrowed

NOTE: This schedule of payments is calculated on an estimate of rates based on today's rate.

10 Year Term 4% Capitalization Rate

Principal: **669,000.00** Interest Rate: **4.10%** S/F Factor: 0.083290944

	Principal Pymnt	Interest Pymnt	Total Pymnt	Actuarial	Reducing Balance
					669,000.00
Yr 1 Semi Annual		13,714.50	13,714.50		669,000.00
Yr 1 Annual	55,721.64	13,714.50	69,436.14		613,278.36
Yr 2 Semi Annual		13,714.50	13,714.50		613,278.36
Yr 2 Annual	55,721.64	13,714.50	69,436.14	2,228.87	555,327.85
Yr 3 Semi Annual		13,714.50	13,714.50		555,327.85
Yr 3 Annual	55,721.64	13,714.50	69,436.14	4,546.89	495,059.32
Yr 4 Semi Annual		13,714.50	13,714.50		495,059.32
Yr 4 Annual	55,721.64	13,714.50	69,436.14	6,957.63	432,380.05
Yr 5 Semi Annual		13,714.50	13,714.50		432,380.05
Yr 5 Annual	55,721.64	13,714.50	69,436.14	9,464.80	367,193.61
Yr 6 Semi Annual		13,714.50	13,714.50		367,193.61
Yr 6 Annual	55,721.64	13,714.50	69,436.14	12,072.26	299,399.72
Yr 7 Semi Annual		13,714.50	13,714.50		299,399.72
Yr 7 Annual	55,721.64	13,714.50	69,436.14	14,784.01	228,894.06
Yr 8 Semi Annual		13,714.50	13,714.50		228,894.06
Yr 8 Annual	55,721.64	13,714.50	69,436.14	17,604.24	155,568.19
Yr 9 Semi Annual		13,714.50	13,714.50		155,568.19
Yr 9 Annual	55,721.64	13,714.50	69,436.14	20,537.27	79,309.27
Yr 10 Semi Annual		13,714.50	13,714.50		79,309.27
Yr 10 Annual	55,721.64	13,714.50	69,436.14	23,587.63	-0.00
TOTALS:	557,216.42	274,290.00	831,506.42	111,783.58	

Total principal repaid plus total actuarial earnings equal amount originally borrowed

NOTE: This schedule of payments is calculated on an estimate of rates based on today's rate.