Water Conservation and Declining Revenue

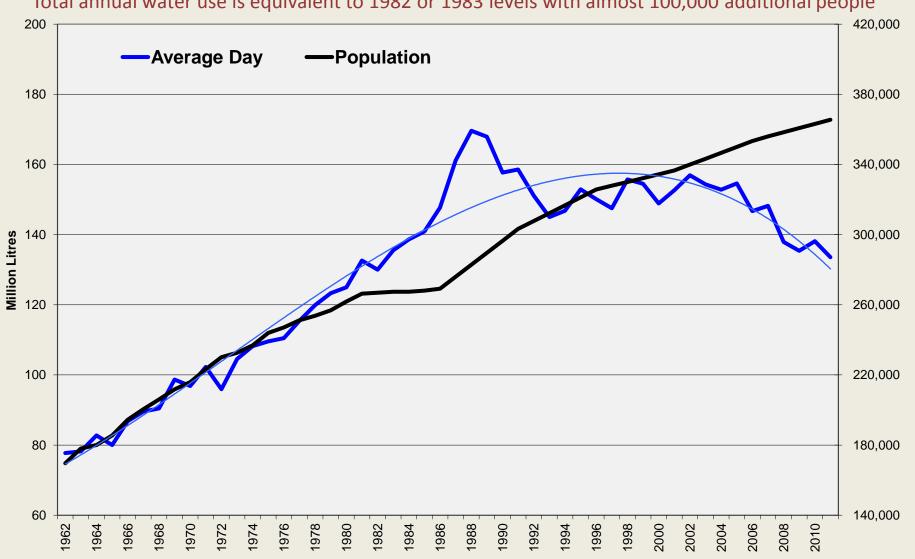
London's Infrastructure

- City and customer efficiencies will not lower capital infrastructure costs and overall capacity needs
- Core infrastructure needs are defined by:
 - public health requirements
 - safety considerations
 - overall service levels (i.e. 24hr water service)

SERVICE	REPLACEMENT VALUE \$ Millions	CAPITAL 2012	OPERATING 2012	GAP \$ Millions
Water / Joint Water Boards	\$1,800	\$80.3	\$86.1	\$220
Wastewater and Drainage	\$3,600	\$58.4	\$75.5	\$250
TOTAL	\$5,400	\$138.7	\$161.6	\$470

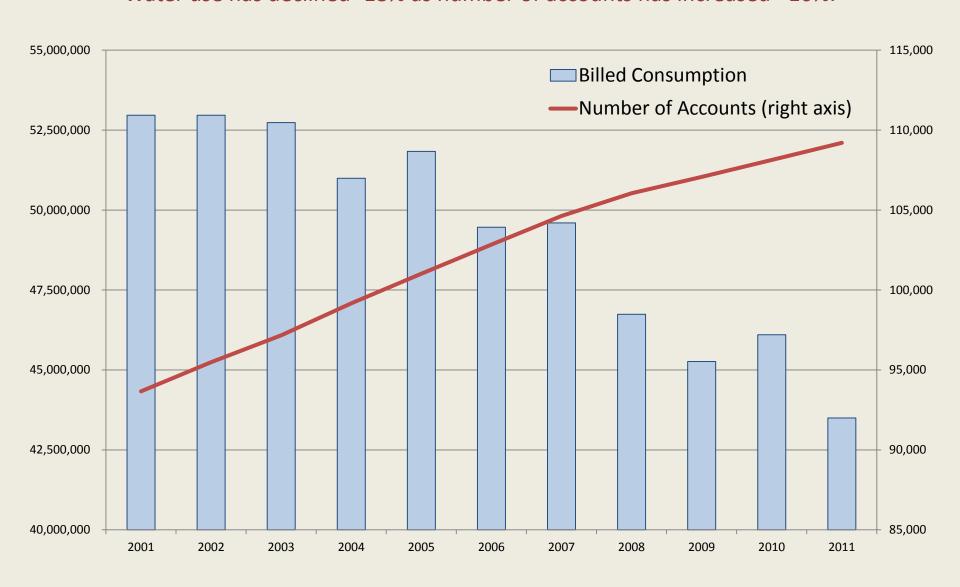
London's Population and Water Use

Total annual water use is equivalent to 1982 or 1983 levels with almost 100,000 additional people



Water Use and Growth

Water use has declined -18% as number of accounts has increased +16%.



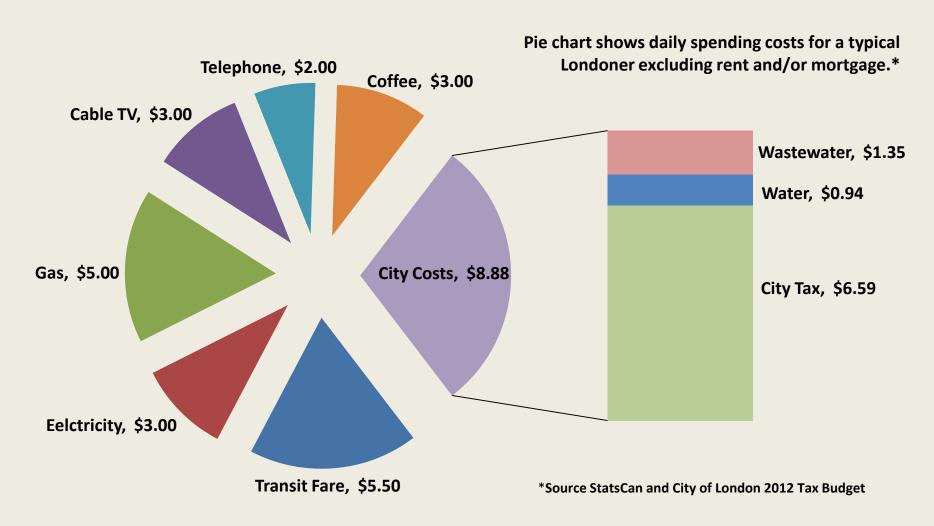
Budget Projections and Actual Billed

Budget consumption targets are set 18 months ahead of time.

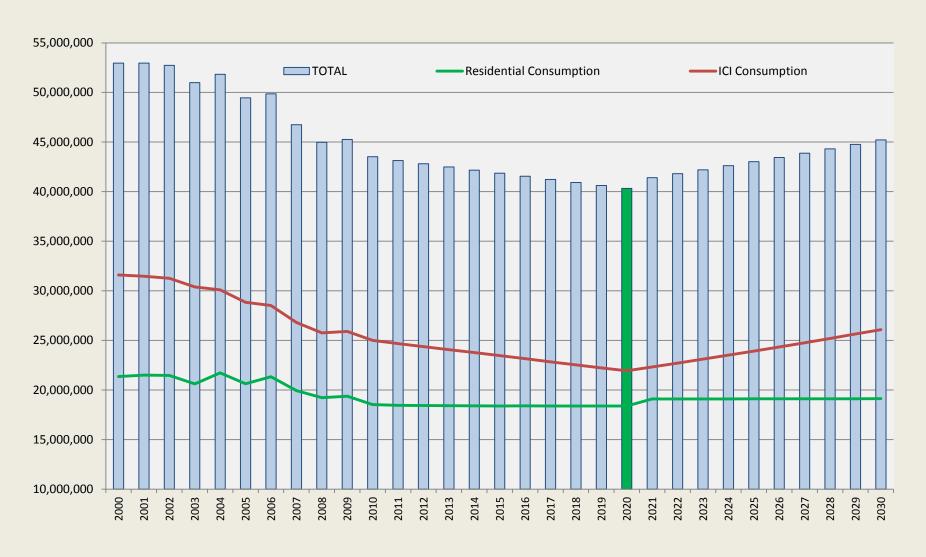


Daily Household Expenses

Water, heating, and electricity make up 3.3% of total average annual Ontario household expenses with water and sewer charges accounting for less than 1%.*

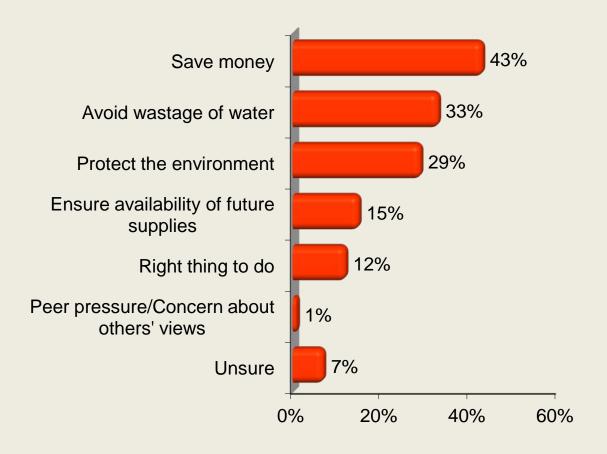


Where is the Bottom?



Why do Londoners Conserve?

Sourced from 2011 City of London Water and Wastewater Customer Service Survey



- Rates are the most efficient conservation tool
- Current rate structure does not protect the City's need for funding
- Need to find balance

^{*} Sourced from 2011 City of London Water and Wastewater Customer Service Survey

Price Signals and Balance

- Volumetric rates encourage conservation but reduce revenue and increase the affect of weather
- High fixed charges stabilize revenue but hinder conservation
- Efficient rates balance both fixed and volumetric costs and reward conservation
- Proposed fixed charges are REVENUE NEUTRAL

Phase 1 Revenue Stability

- Fixed Charge to provide 30% of expenditure for water and sanitary (infrastructure renewal)
 - Uses current rate block structure and be REVENUE
 NEUTRAL
 - Blend in current meter charge
 - Eliminate minimum bill charge
 - Residential water first 5m³ at no charge
 - Residential water first rate \$0.50 lower
 - ICI water second rate \$0.15 lower

Phase 2 Rate Structure Changes

- Higher fixed charge with new volume thresholds that will meet future demands
- Consistency between water and sanitary rate structure
- Changes to sanitary rebate calculation for Industrial customers
- Review of high strength charges
- Resolve storm drainage charge inequities

Future Opportunities

- Residential budget billing based on individual customer's water use
- Optional leak insurance to deal with unexpected billing issues
- Water service and PDC replacement insurance

Pricewaterhouse Coopers Audit suggestions:

- Fire protection charge
- Construction water charge