Pipe In!

Join London's dialogue on the value of water.

Presentation to CWC

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london.ca/julian

CURRENT RATE STRUCTURE IS BROKEN

The price we currently pay for water does not cover its real cost and does not reflect its true value.

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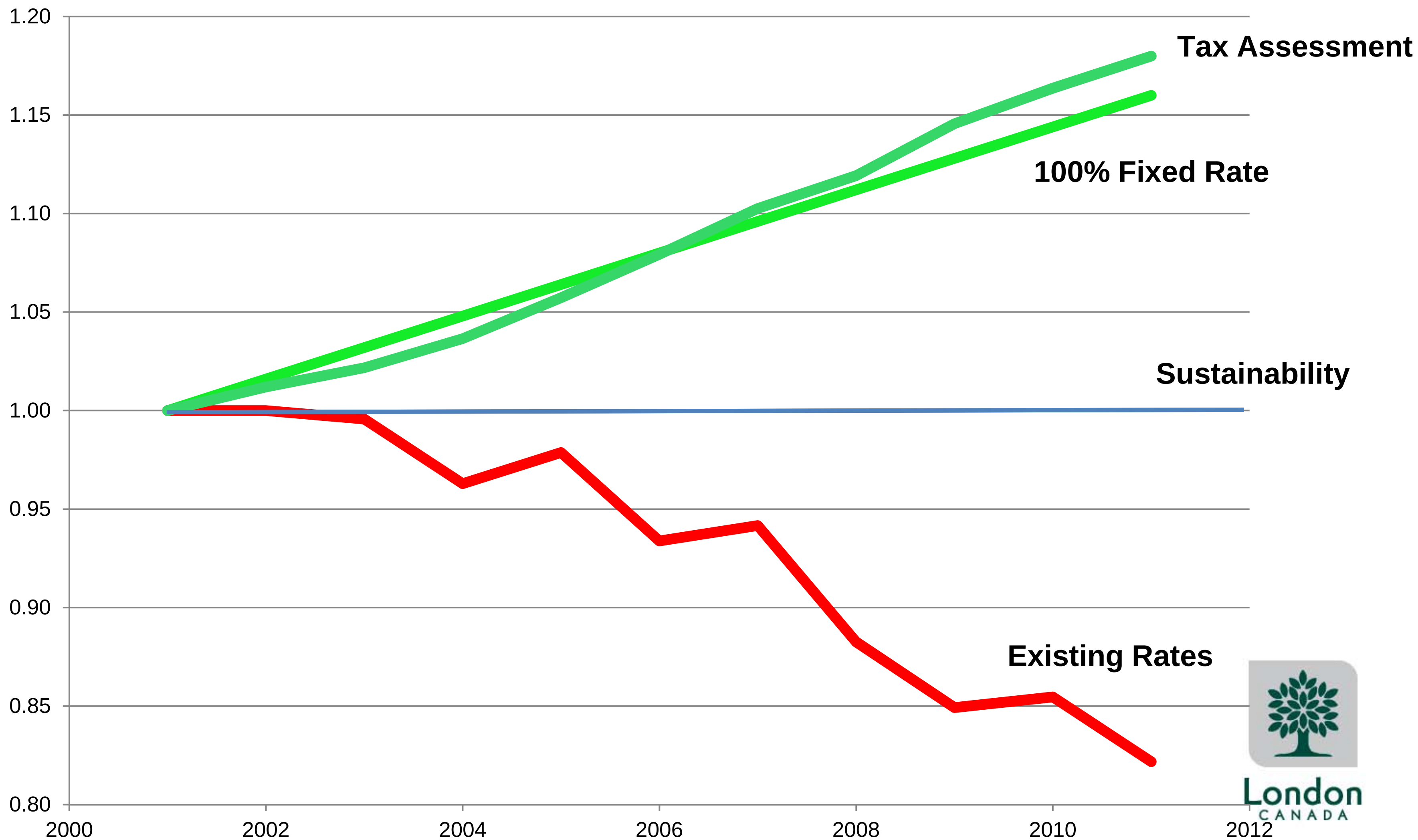
Current Model is Unsustainable



Goals and Objectives

- Financial stability and sustainability of our water and wastewater systems
- Protect our valued resources and promote conservation
- Encourage and support economic development and jobs retention
- Enhance Customer Communication

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PRINCIPLES

- Fairness and equity
- Sustainability
- Affordability
- Simplicity

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Current Model is UNFAIR

Water: Fire protection costs aren`t paid by all

Sanitary: Large customers not paying enough of infrastructure cost

Storm: Residential customers are subsidizing institutions and large commercial customers

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Main reasons to move forward

- Achieve fairness and equity among all 110,000 customers

- Operate like a business (not-for-profit)

- Get to sustainability **sooner**, **saving** customers money

Road to Sustainability

Year	Water		Sanitary and Storm	
	Current *	Proposed **	Current *	Proposed
2013	8.0%	8.0%	7.0%	7.0%
2014	8.0%	8.0%	7.0%	7.0%
2015	**8.0%**	**7.0%**	7.0%	7.0%
2016	**7.0%**	**3.0%**	**7.0%**	**5.0%**
2017	**6.5%**	**3.0%**	**4.0%**	**3.0%**
2018+	3.0%	3.0%	3.0%	3.0%
Annualized	**6.7%**	**5.9%****	**5.8%**	**5.3%**

Notes: * Rate increases identified in current 20 year financial plans
** New funding model for Water includes Fire Protection charge

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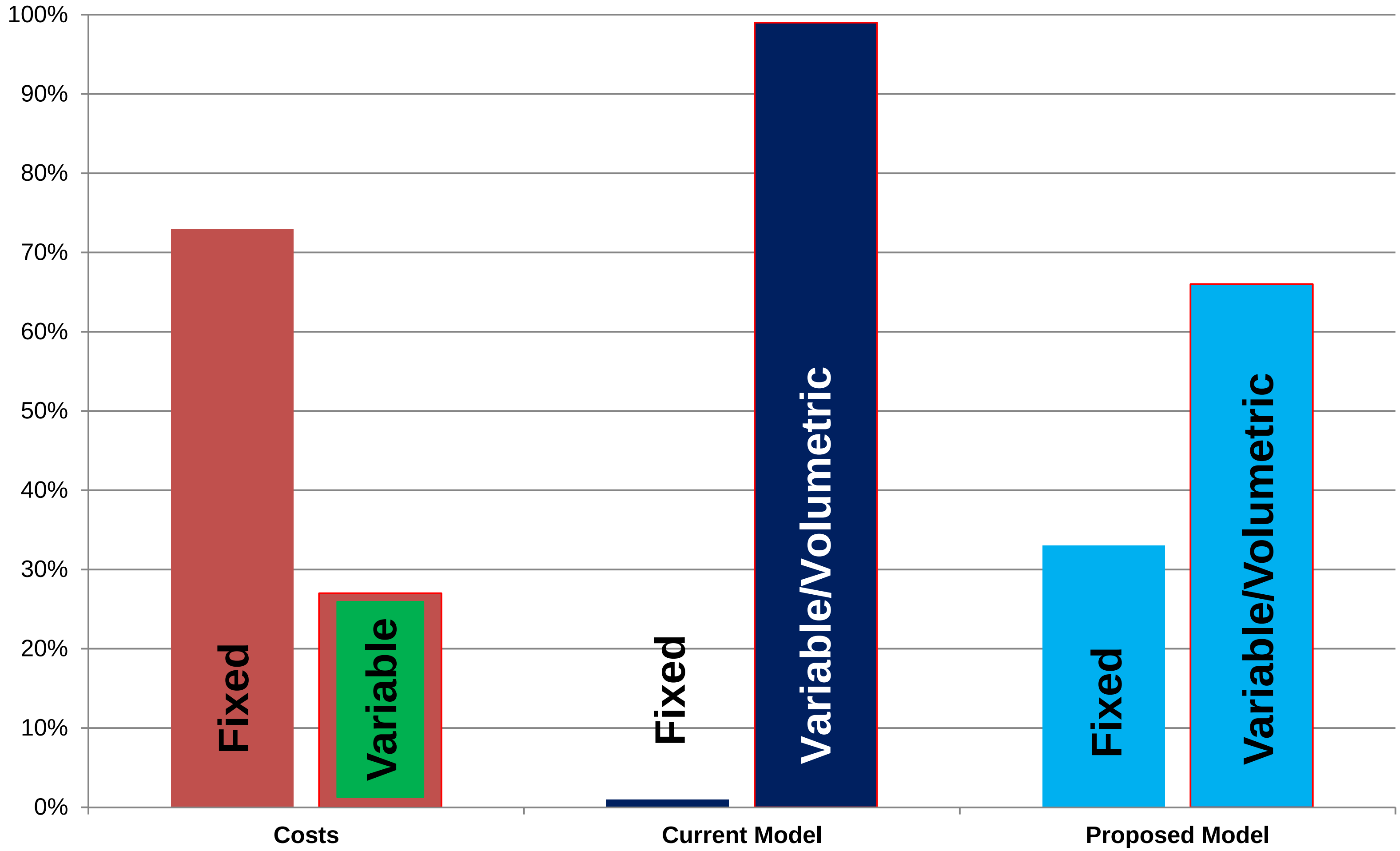
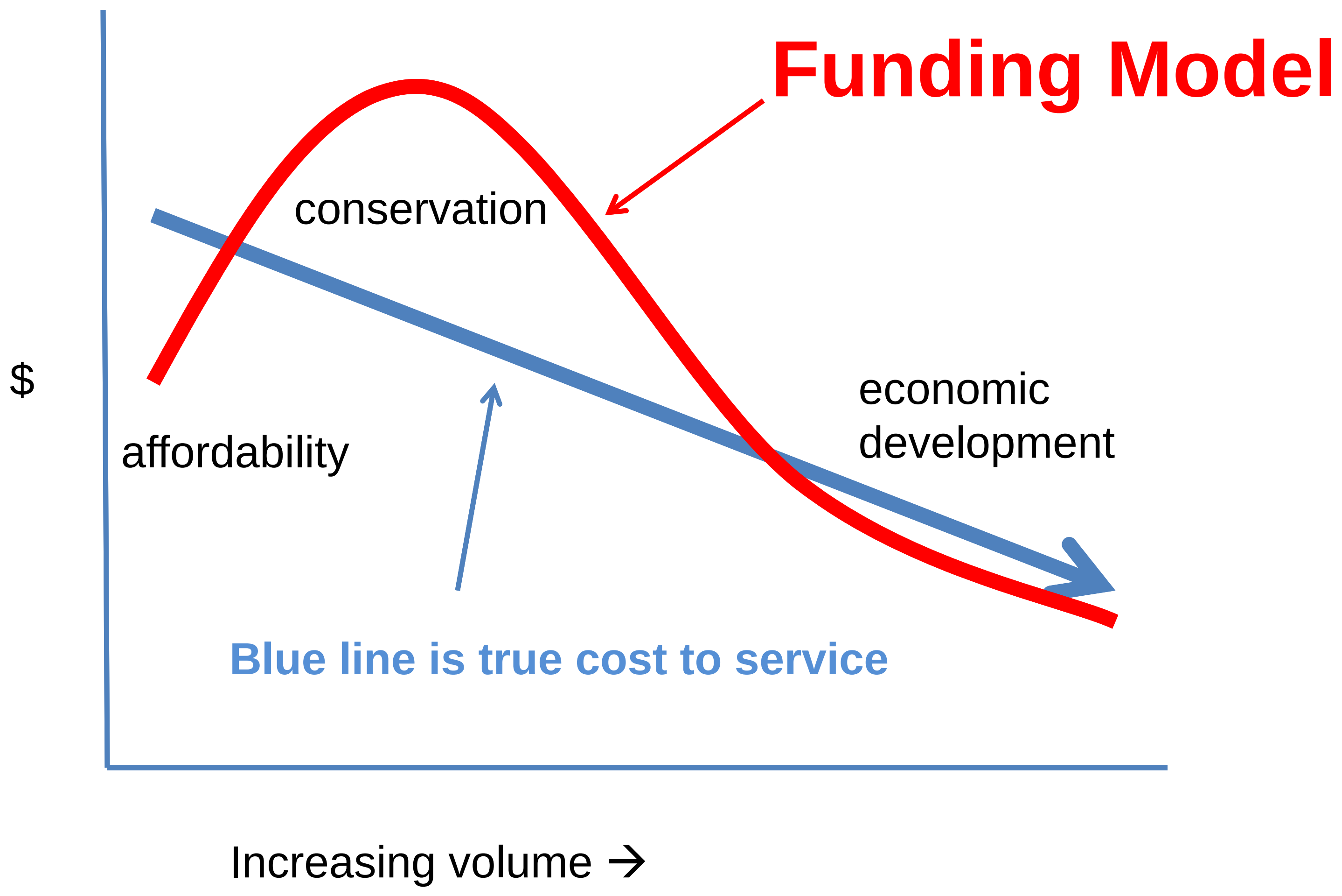
New Model


100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Fixed
Variable
Fixed
Variable/Volumetric
Fixed
Variable/Volumetric
Costs
Current Model
Proposed Model

True Cost to Service



Summary

- Achieves Sustainability **sooner** and at a **lower cost** to customers
- Promotes economic development
- Encourages conservation
- Ensures affordability of valued and life saving services
- Simpler and more consistent
- Customers treated fairly and equitably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Accommodations

- Medium density bulk metered multi-family – divide building consumption by number of units to establish block rate
- Storm area reduction – based on Engineer's report with technical evaluation to reduce contributing area
- Aggregate large multiple meter accounts
- Irrigation Meters – eliminate sanitary charge
- Consider a phase-in period for "transitional" customers of 3 years for the storm charge

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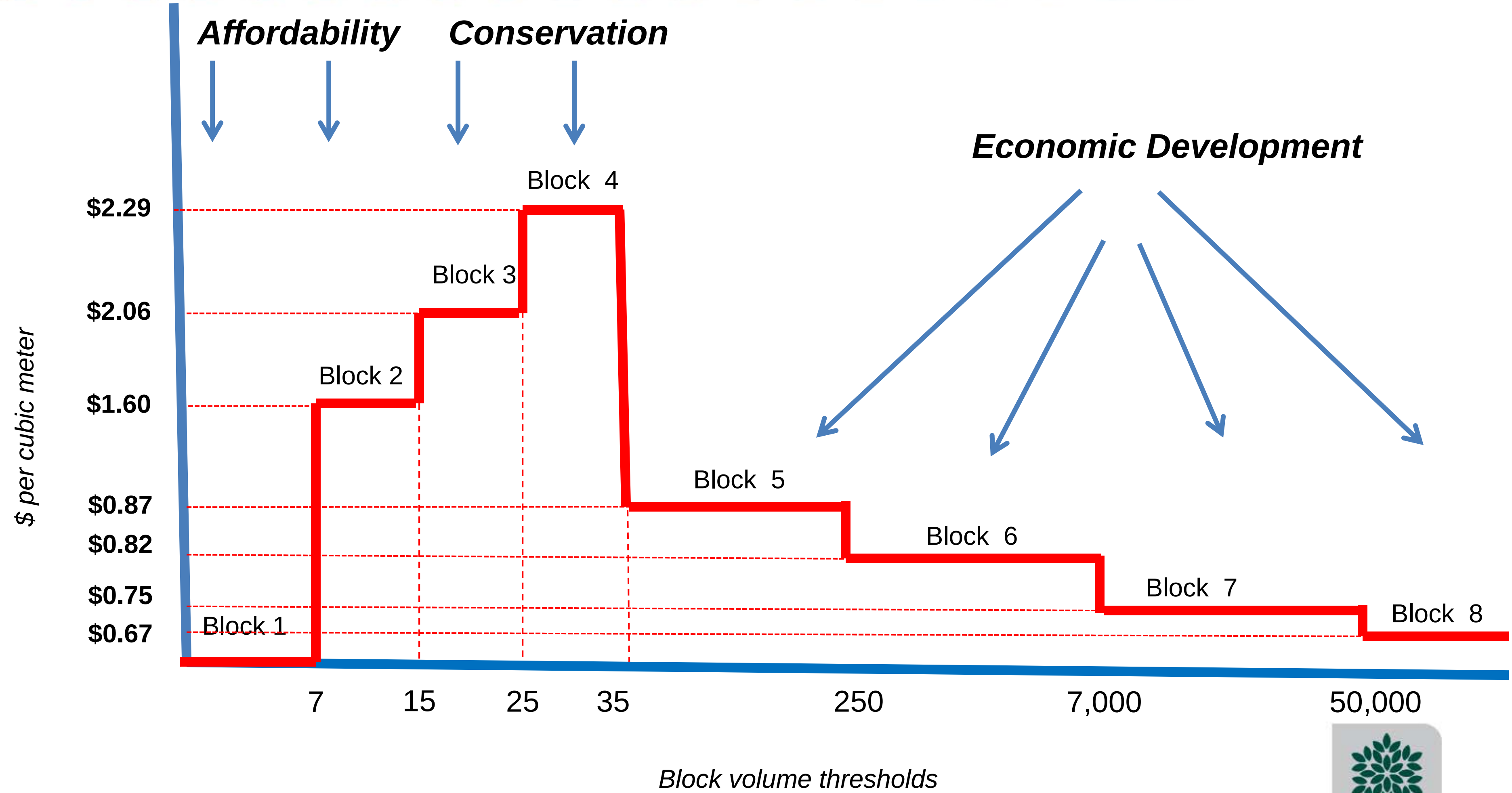
New Water Rate Structure



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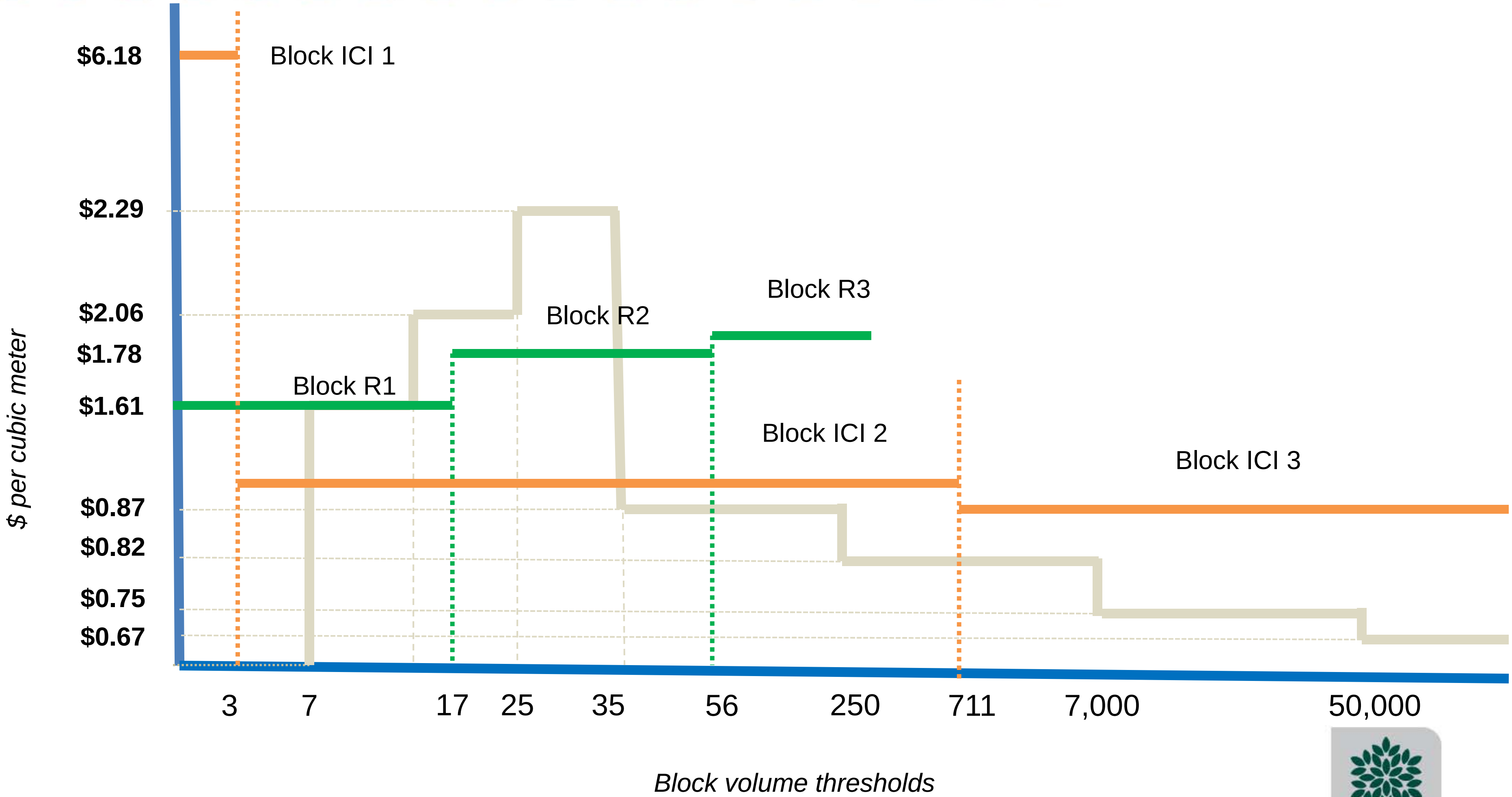
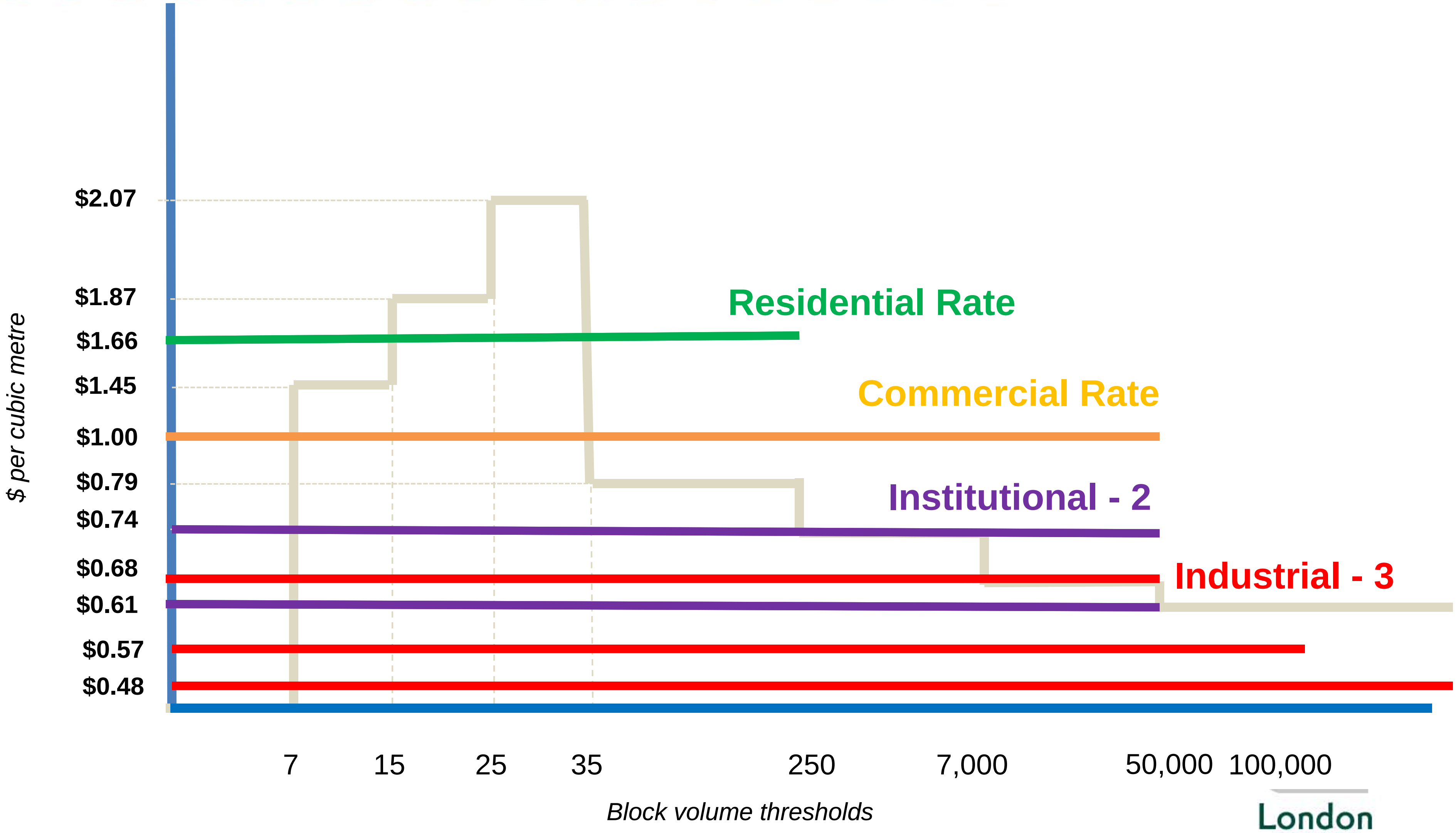
Existing Water Rate Structure



Existing Sanitary Rate Structure



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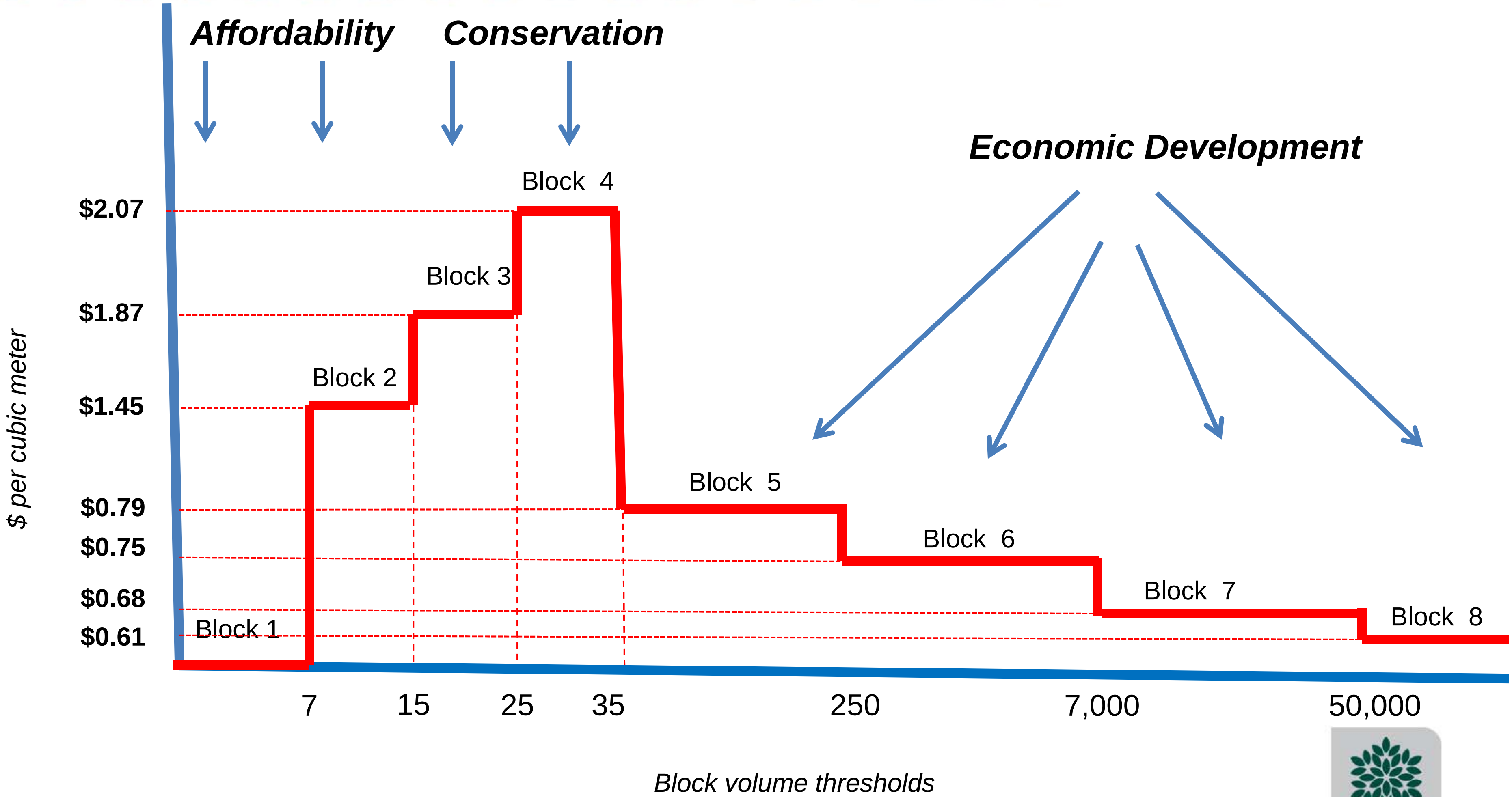
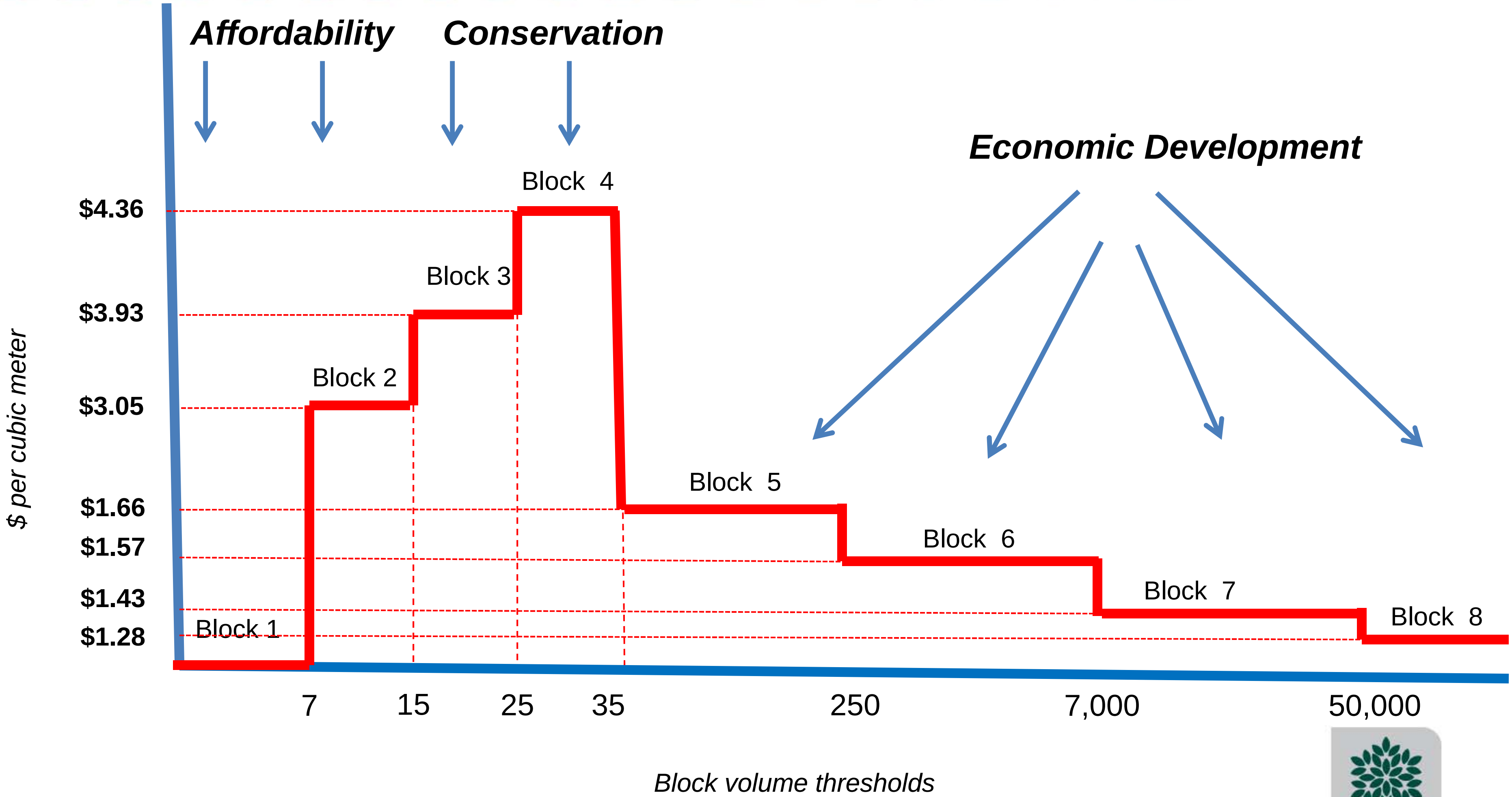
New Sanitary Rate Structure



New Structures Combined



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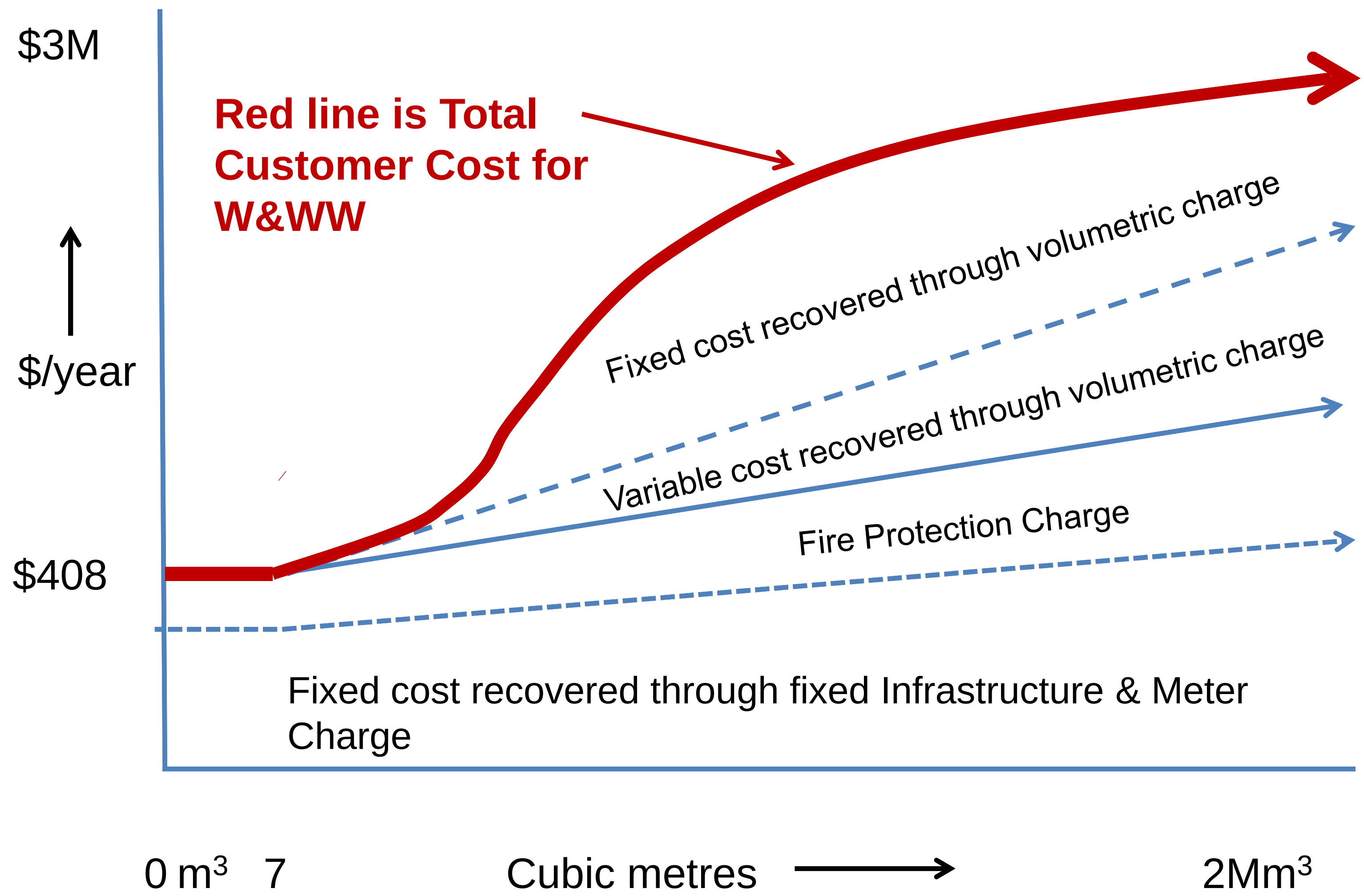
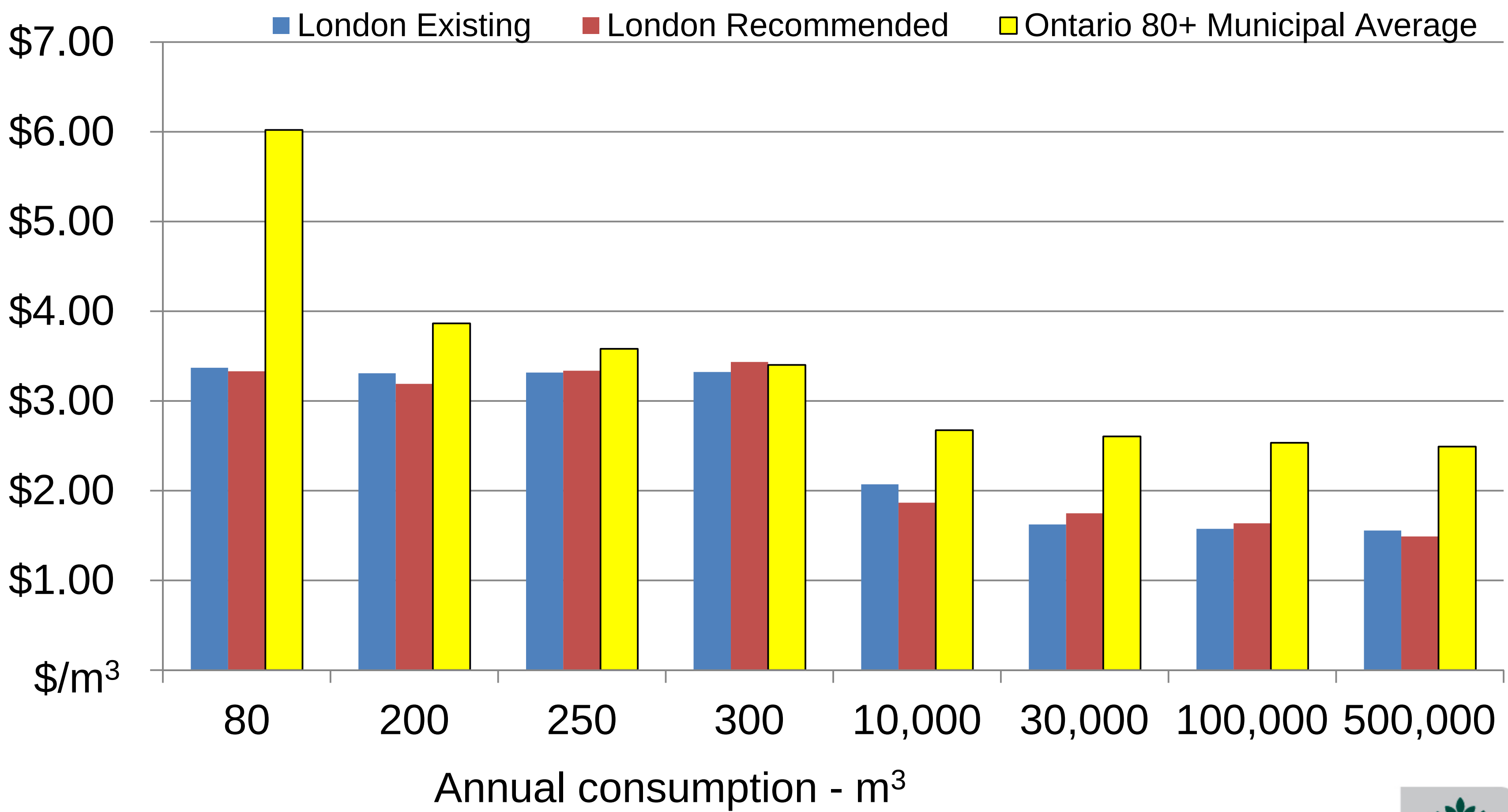
Total Annual Charges



2012 Water and Sanitary - Imputed Rates



Note : Imputed Rate = volumetric and fixed charge for water and sanitary for various annual consumptions divided by consumption

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Largest impacts where we have inequities today

- Large institutional and commercial storm will go up – but water and sanitary will mitigate for high volume users
- Lower volume ICI will be impacted by conservation rate – seeing some increases of $50 per month – these include warehouses

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What is Pipe Value?

Comparison of Residential and Industrial Pipe Distribution

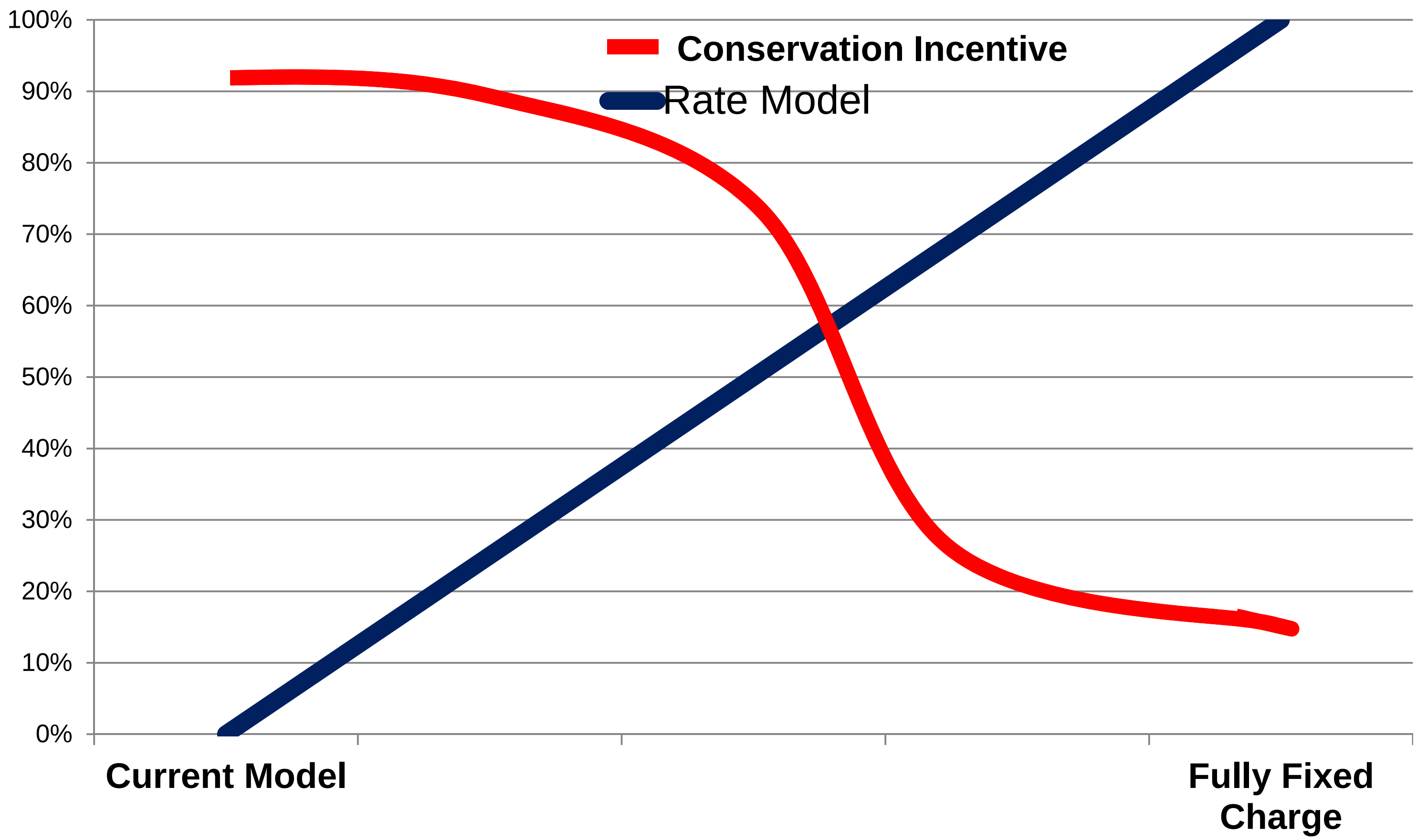
$85,000 per hectare

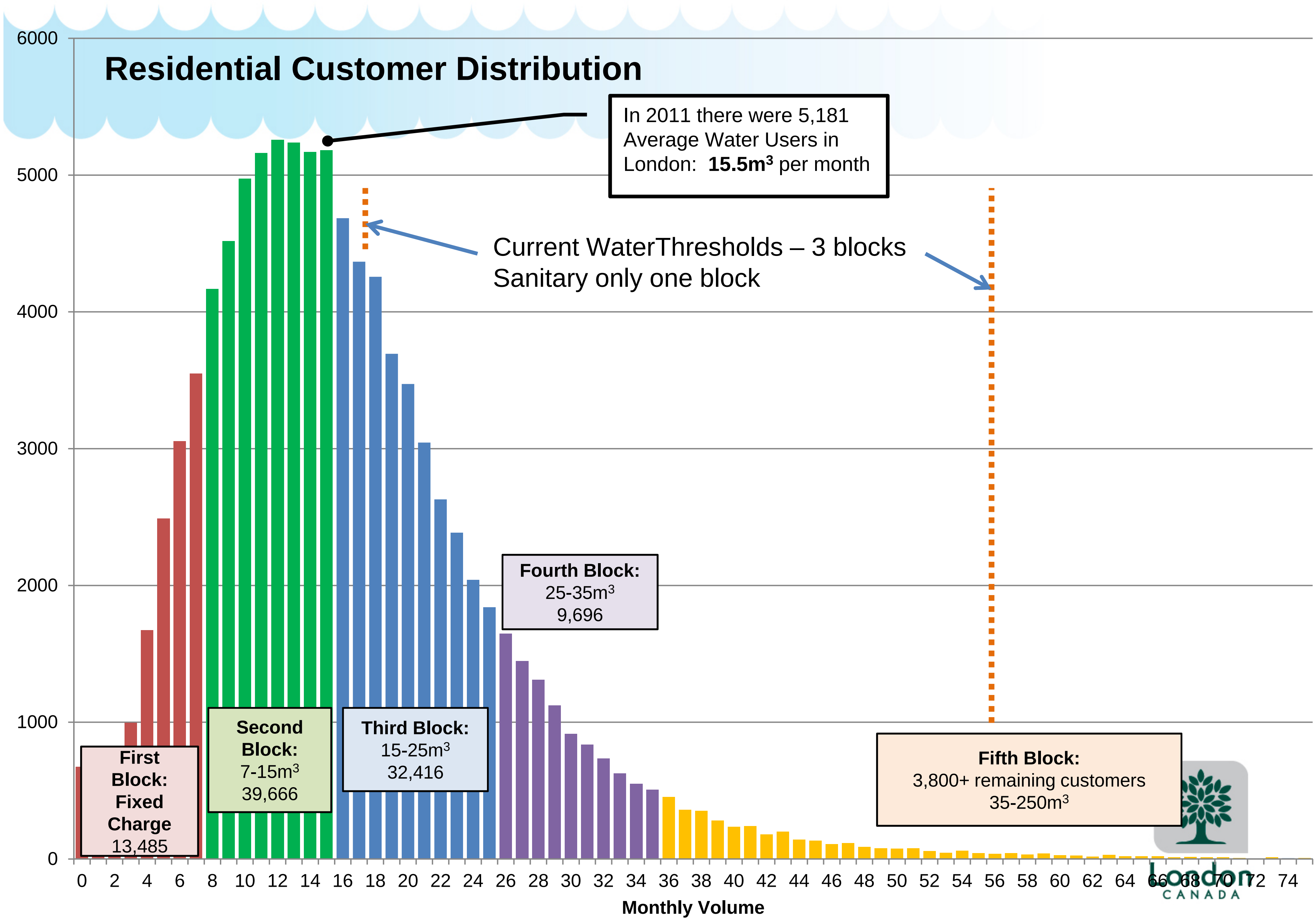
STORM SEWERS
SANITARY SEWERS
WATERMAINS

$28,000 per hectare

Pipe Value= diameter x length x unit cost (based on average depth)

Conservation incentive




Residential Customer Distribution
In 2011 there were 5,181 Average Water Users in London: 15.5m3 per month
Current WaterThresholds – 3 blocks
Sanitary only one block
First Block: Fixed Charge
13,485
Second Block:
7-15m3
39,666
Third Block:
15-25m3
32,416
Fourth Block:
25-35m3
9,696
Fifth Block:
3,800+ remaining customers
35-250m3
Monthly Volume
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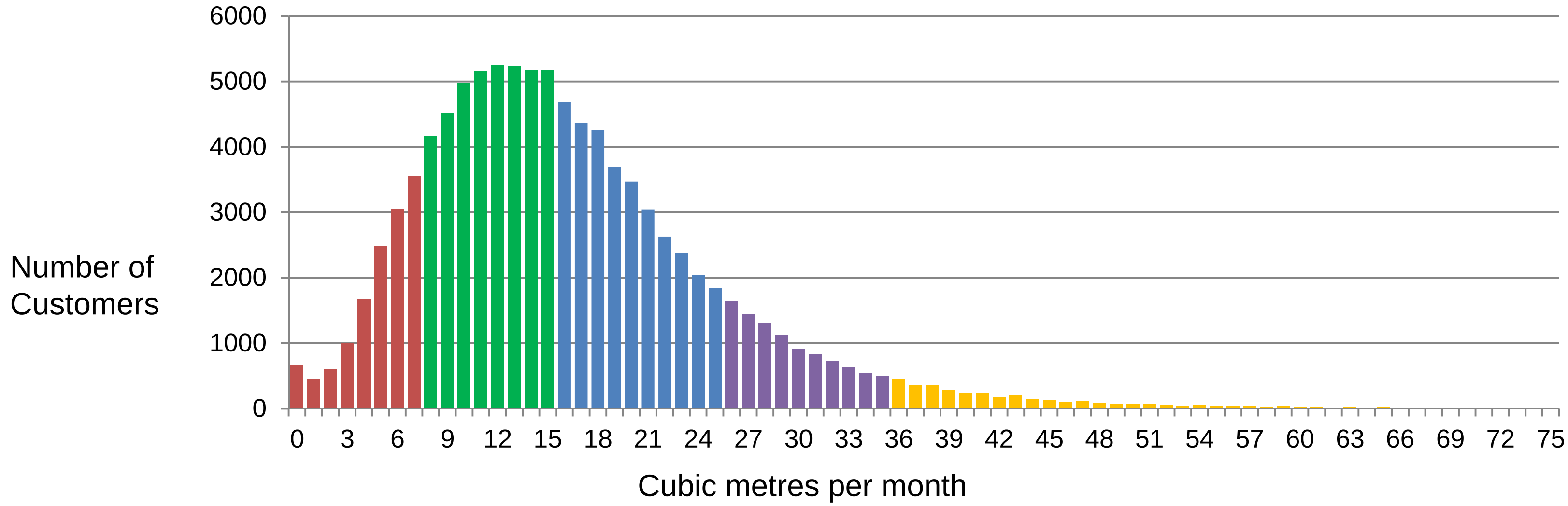
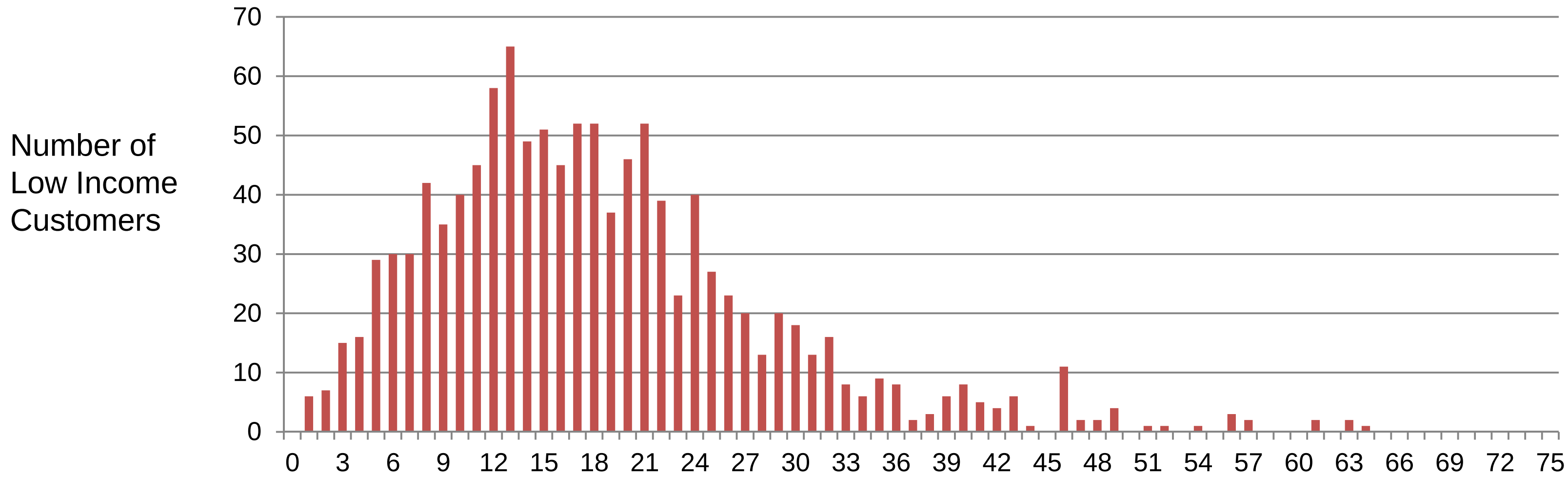
Residential Customers – Consumption Patterns





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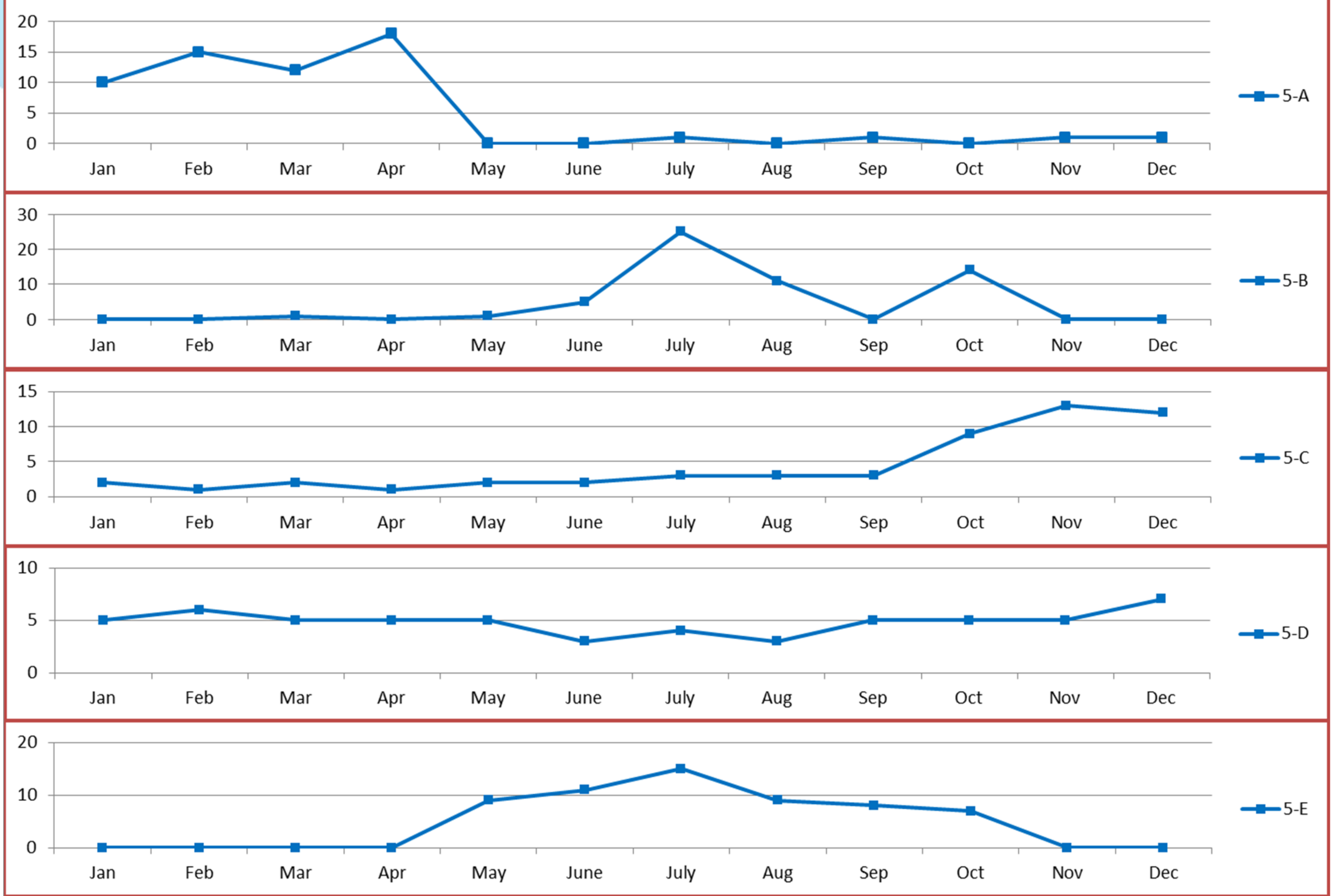
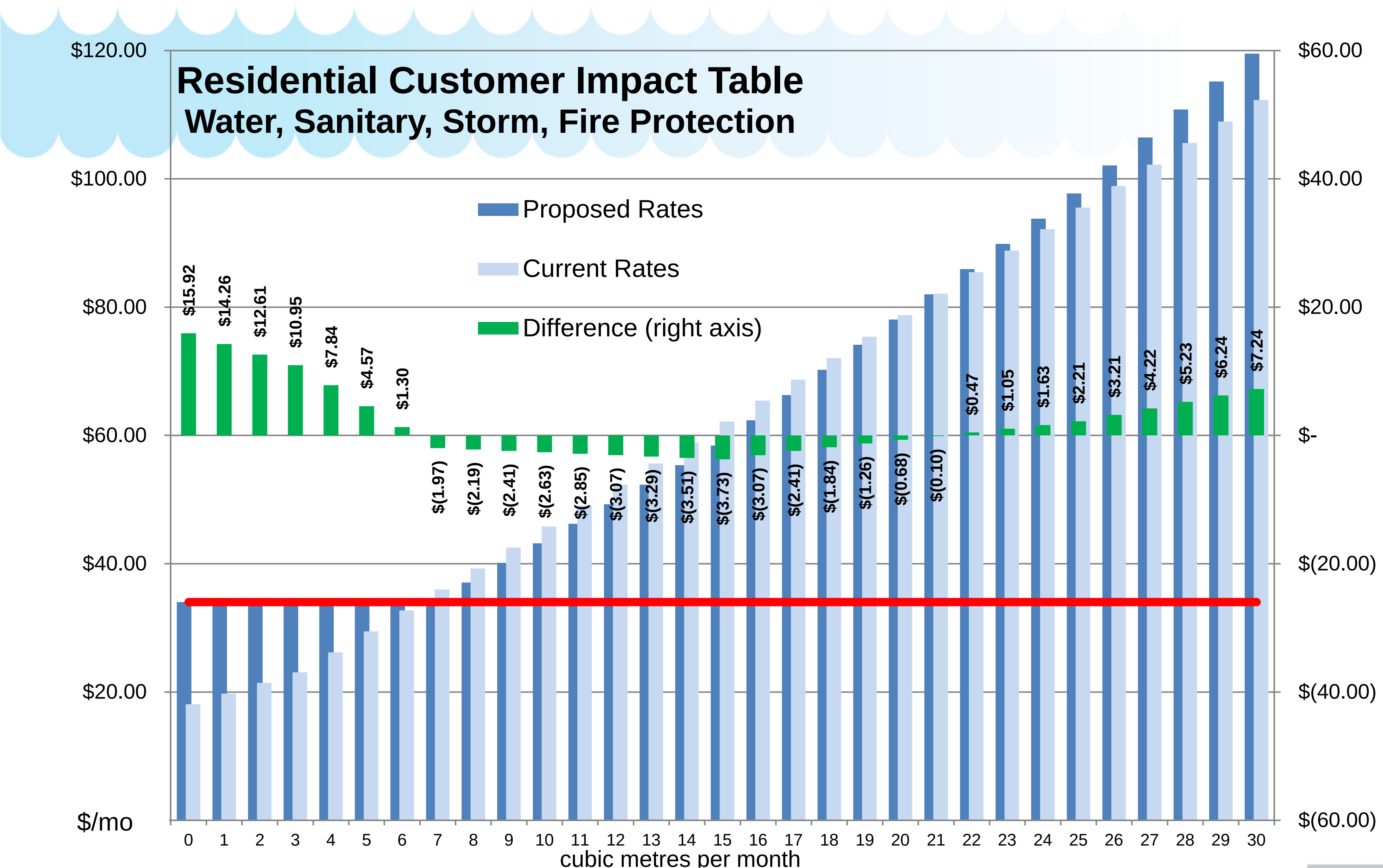
Averaged Monthly Consumption @ 4-5 m³





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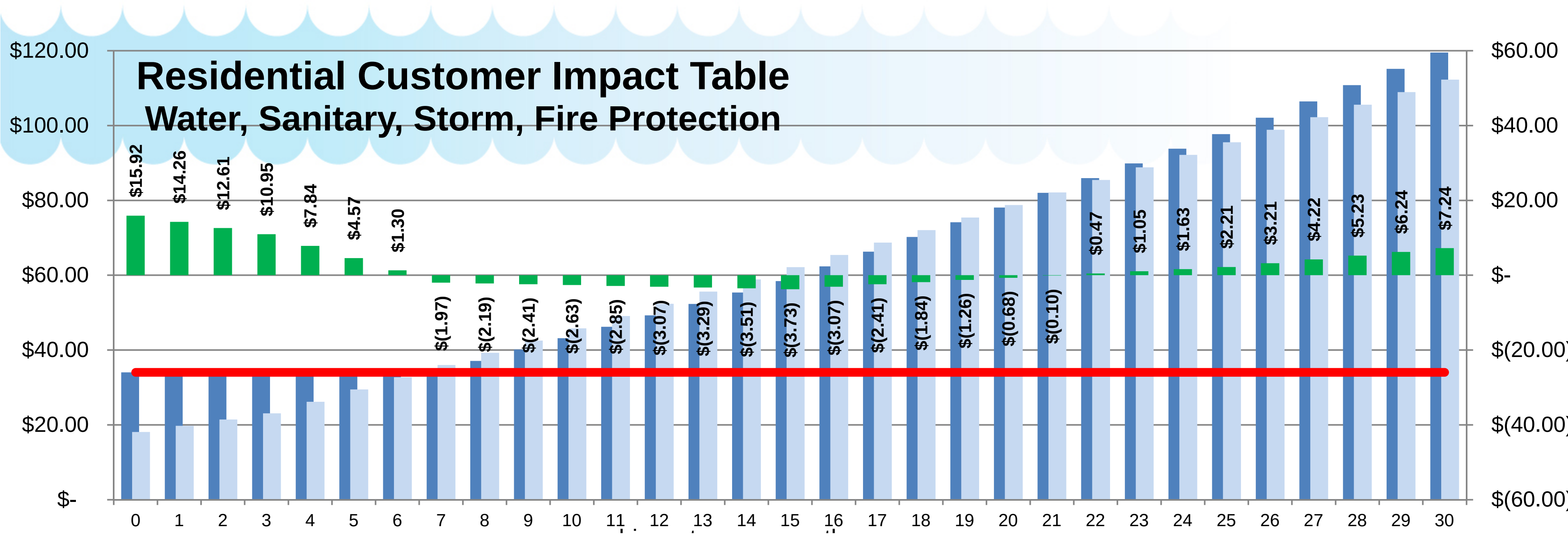
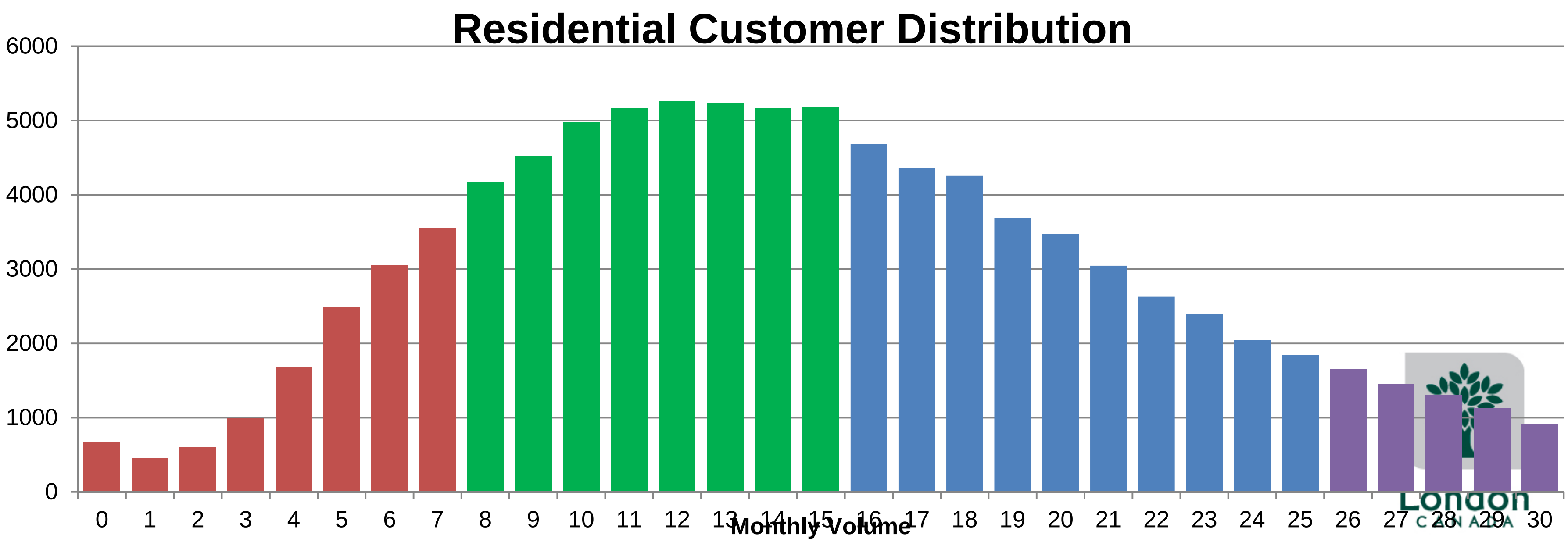


Residential Customer Impact Table
Water, Sanitary, Storm, Fire Protection
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$-
$60.00
$40.00
$20.00
$-
$(20.00)
$(40.00)
$(60.00)
$15.92
$14.26
$12.61
$10.95
$7.84
$4.57
$1.30
$(1.97)
$(2.19)
$(2.41)
$(2.63)
$(2.85)
$(3.07)
$(3.29)
$(3.51)
$(3.73)
$(3.07)
$(2.41)
$(1.84)
$(1.26)
$(0.68)
$(0.10)
$0.47
$1.05
$1.63
$2.21
$3.21
$4.22
$5.23
$6.24
$7.24
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30



Residential Customer Distribution
6000
5000
4000
3000
2000
1000
0
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
Monthly Volume
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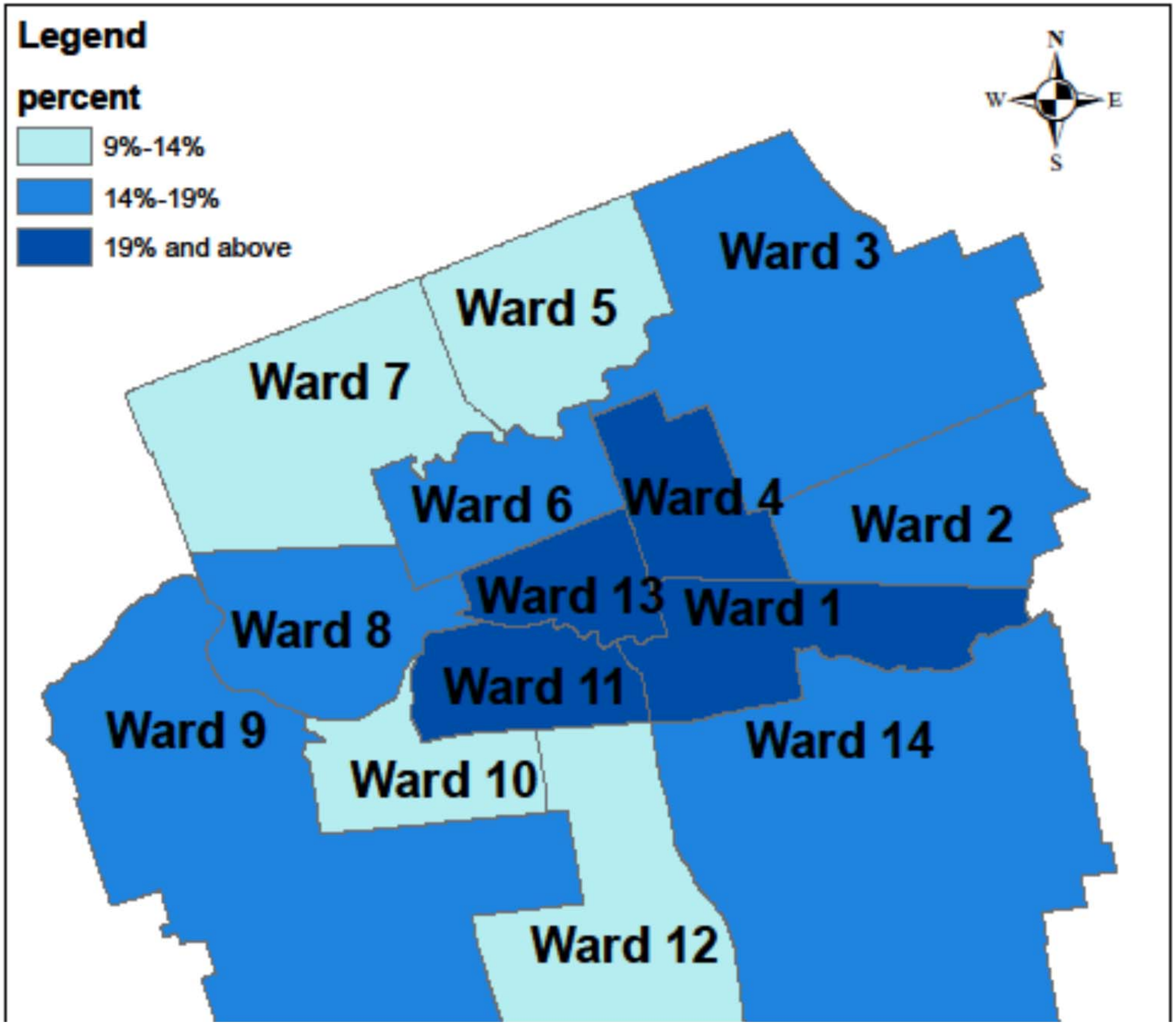
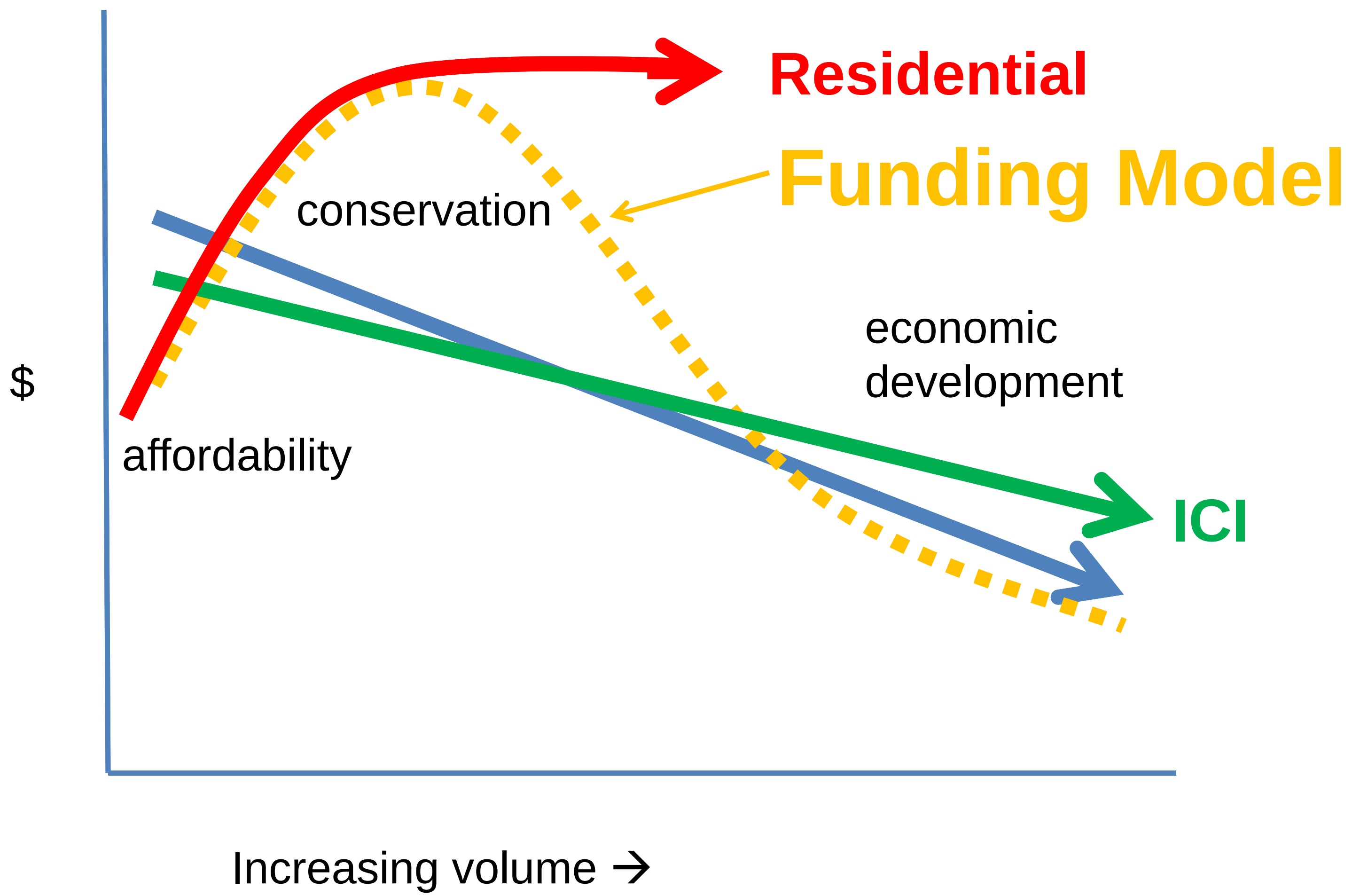
Average of 7m3 of water or less a month for residental users in each Ward.



True Cost to Service



Customers between 300 and 420 m3 per year

Classification	Number between 300 to 420 m3 per year	Total number of customers	Number without multiple accounts
Commercial	383	4526	383 (8%)
Industrial	9	192	7 (4%)
Institutional	13	514	9 (2%)
High Rise	12	717	12 (2%)
Total ICI	417	5949	411 (7%)
Residential	8638	103,722	8638 (8%)

Re-Balancing – Not a big change