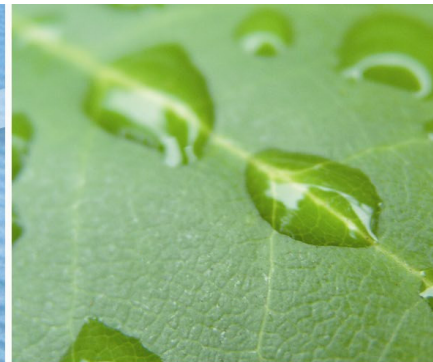


TORONTO

Water



Proposed 2006 Budget & Rate Impacts

December 8, 2005



Toronto Water Strategic Direction

- Multi-Year Toronto Water Business Plan was approved by Council February 1, 2005
 - The strategic directions for 2006 and beyond are:
 - Deliver excellence in environmental stewardship
 - Achieve ongoing financial vitality and sustainability
 - Enhance service delivery
 - Address renewal needs of our infrastructure
 - Increase total system capacity to meet population increases
 - Be recognized as an employer of choice in the water services industry

2006 Issues / Opportunities

- Aging infrastructure requiring significant long-term investment
- Continued Development of Asset Management Strategies
- Compliance with new Safe Drinking Water Act and related MOE regulations: which includes legal obligations/liabilities for Council and Staff
- Increased capacity to service future growth
- Implementation of forthcoming Biosolids & Residuals Master Plan
- Inadequate Reserve Balance

Toronto Water Capital Budget

Inventory of Assets

Replacement Value of \$26.6 Billion

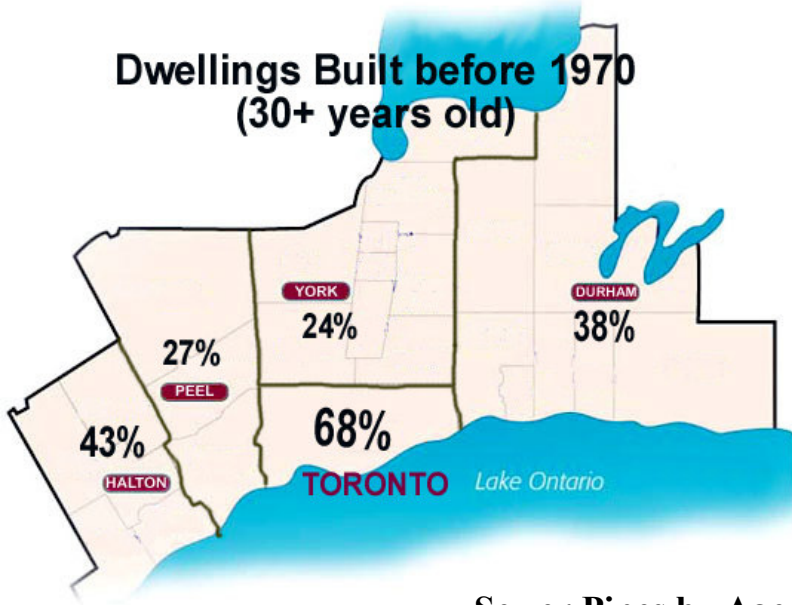
WATER - \$8.7 Billion

- 4 water filtration plants
- 10 reservoirs and 4 elevated storage tanks
- 5,015km of distribution watermains and 510km of trunk watermains
- 52,900 valves and 40,460 hydrants
- 470,202 water service connections, plus York Region (population served 400,000)
- 18 water pumping stations

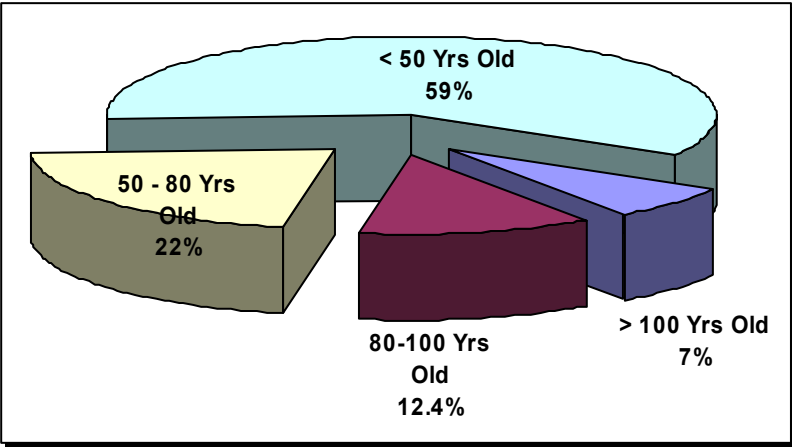
WASTEWATER - \$17.9 Billion

- 4 wastewater treatment plants
- 5 storage and detention tanks
- 4,397km of sanitary, 1,301km of combined and 358km of trunk sewer
- 4,305 km of storm sewers and 546km of roadside ditches
- 463,300 sewer service connections
- 82 wastewater pumping stations
- 371km of watercourses, 43 stormwater management ponds
- 2,300 outfalls & 122,500 catchbasins

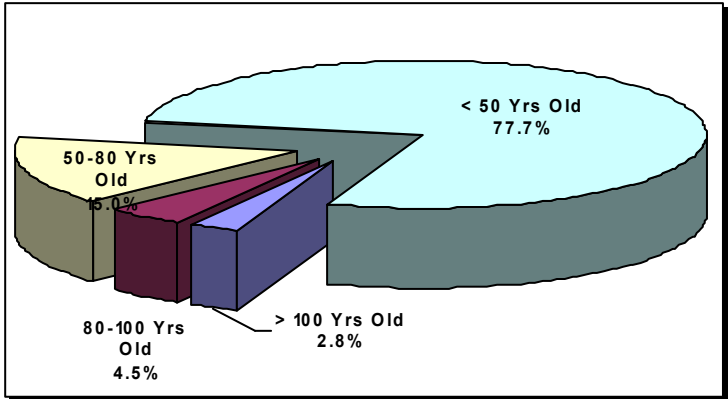
Toronto Water's Infrastructure is Aging



Watermains by Age (based on total length)

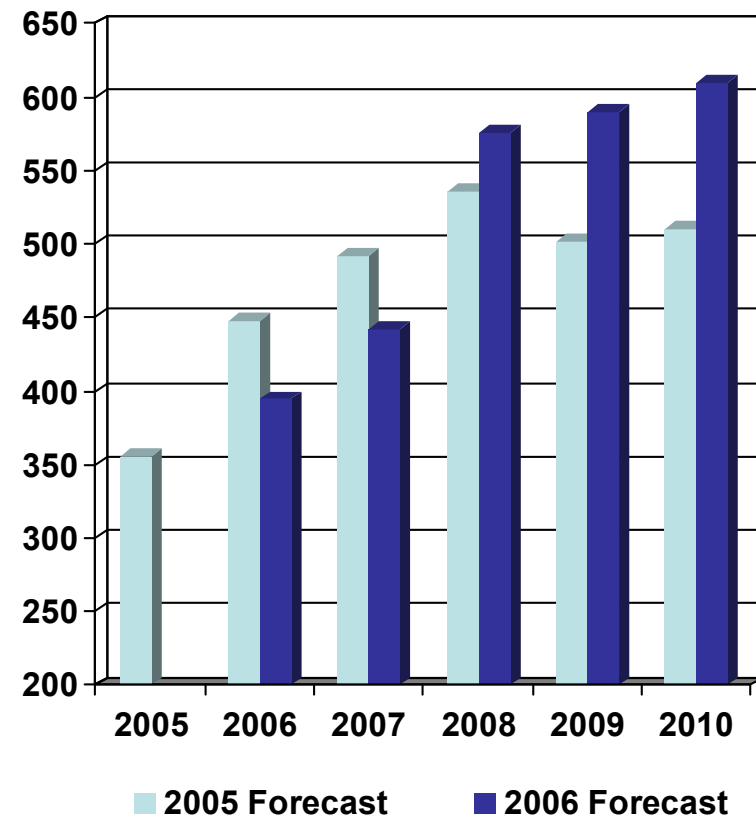


Sewer Pipes by Age (based on total length)

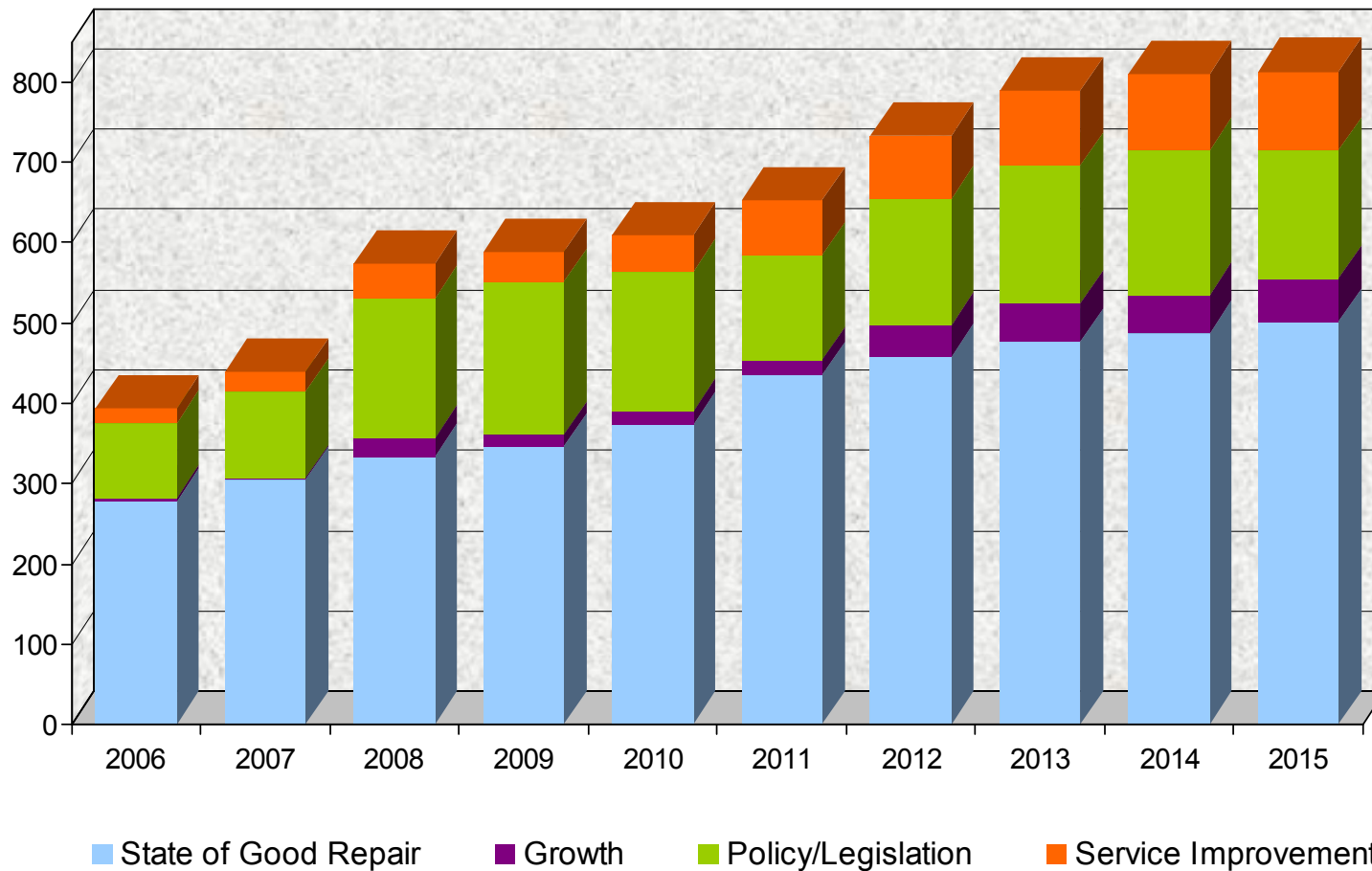


Capital Budget (\$Millions)

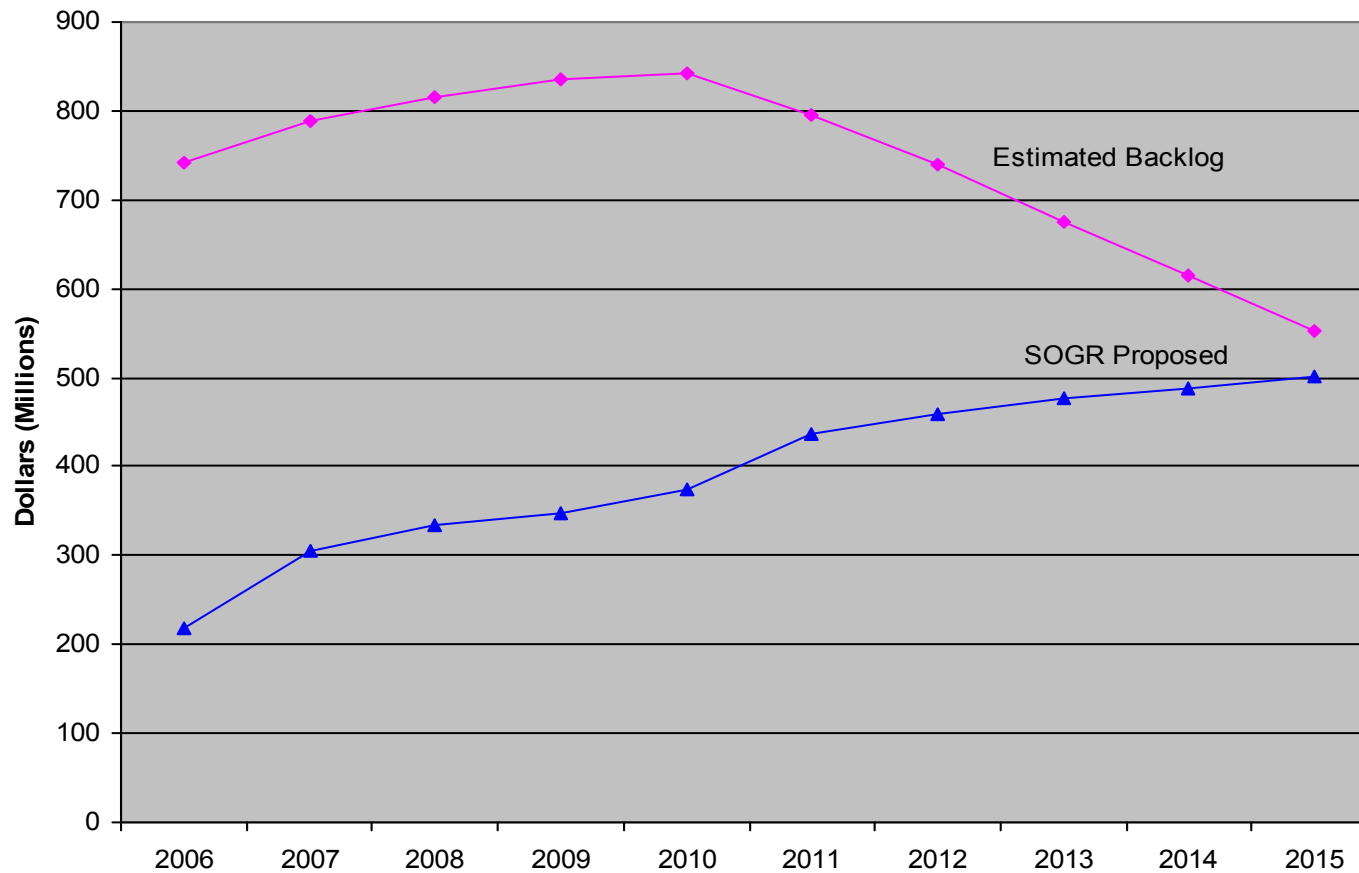
- 2006 Forecast Reflects Updated Needs
- 2006 Request is proposed to increase \$45 million over 2005
- 2006 & 2007 requests below 2005 forecast
- 2006 Five-year forecast has increased \$123 million compared to 2005 forecast



2006-2015 Toronto Water Capital Plan By Category / Project (\$M)

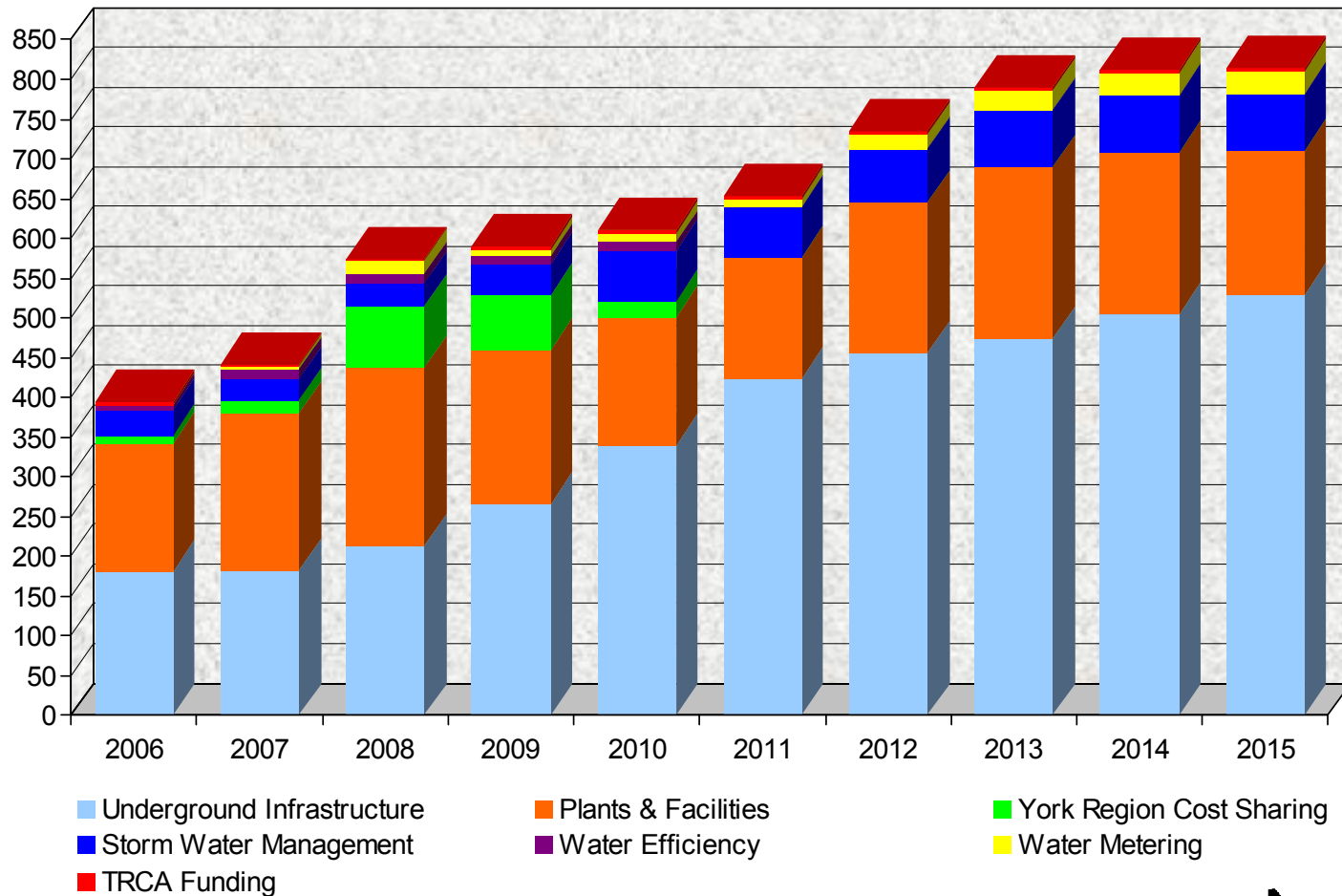


Addressing State of Good Repairs 10 Year Capital Plan



2006-2015 Capital Forecast

(Amounts in \$ Millions)



What does this Budget provide?

- **Increased capital investment of \$45 million over 2005**
- **Repair of Aging & Deteriorating Infrastructure**
 - Cleaning & Relining of 114,000 m of watermain
 - Replacement of 34,700 m of watermain
 - Design of rehabilitation of Raw Sewage Pumping Stations at Ashbridges Bay WWTP
 - Aeration tank rehabilitation and pump motor replacement at Humber WWTP
 - Continuation of repairs to digesters at Ashbridges Bay and Humber Wastewater Treatment Plants
 - Building Repair at all Water Filtration Plants

What does this Budget provide?

- **Increasing Capacity**

- Horgan Water Treatment Plant & water transmission system
- Distribution System Loss Reduction Program

- **Stewardship of the Environment**

- Construction of Emery Creek Storm Water Pond & Ellis Avenue & Colborne Lodge Drive Stormwater Treatment Facilities
- Residue management facilities at RL Clark and RC Harris Filtration Plants
- Environmental Assessments (WWFMMP)

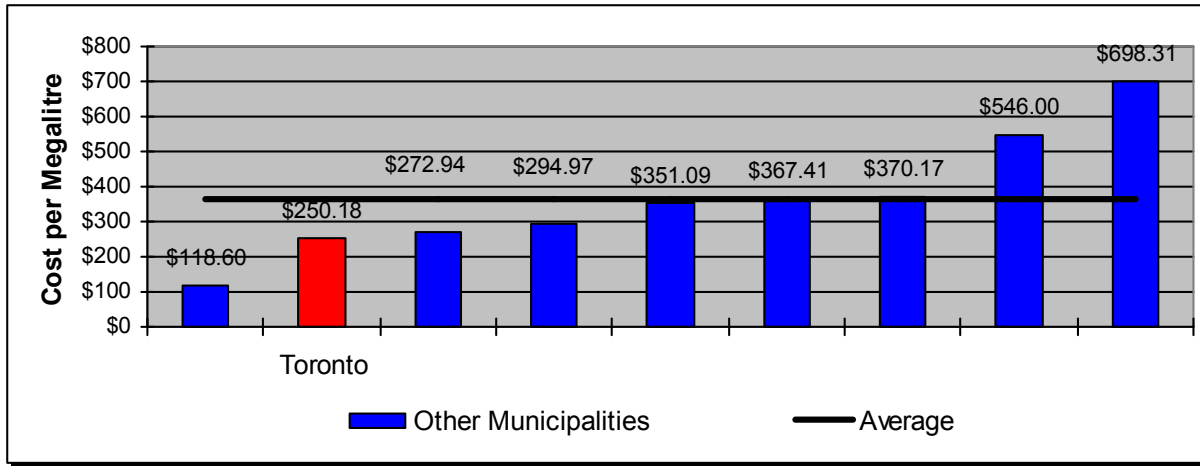
- **Continuous Improvement**

- Pilot program to investigate automated water metering
- Steam heating conversion project at Ashbridges Bay Treatment Plant

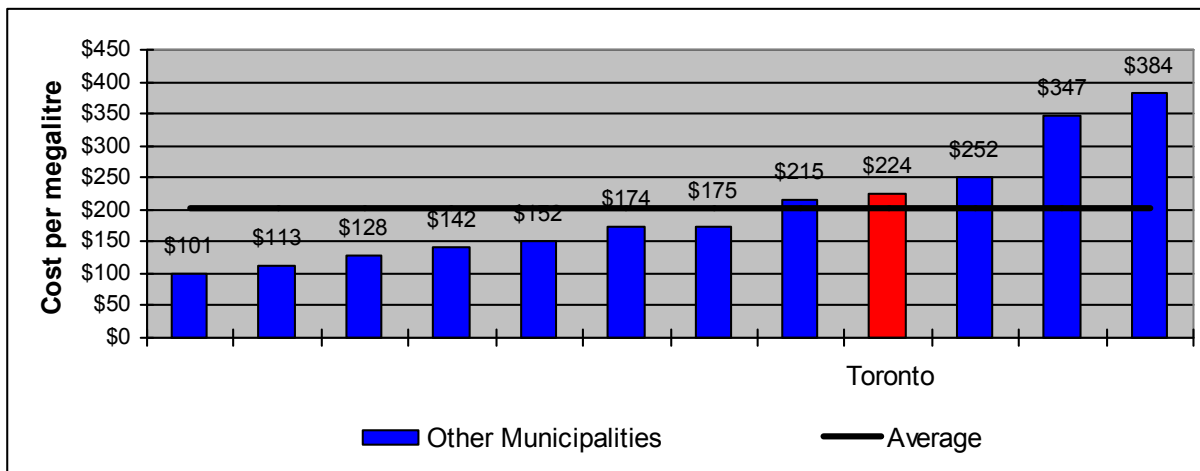
Toronto Water Operating Budget

Performance Measures

Ontario Municipal Benchmarking (2003 Results)



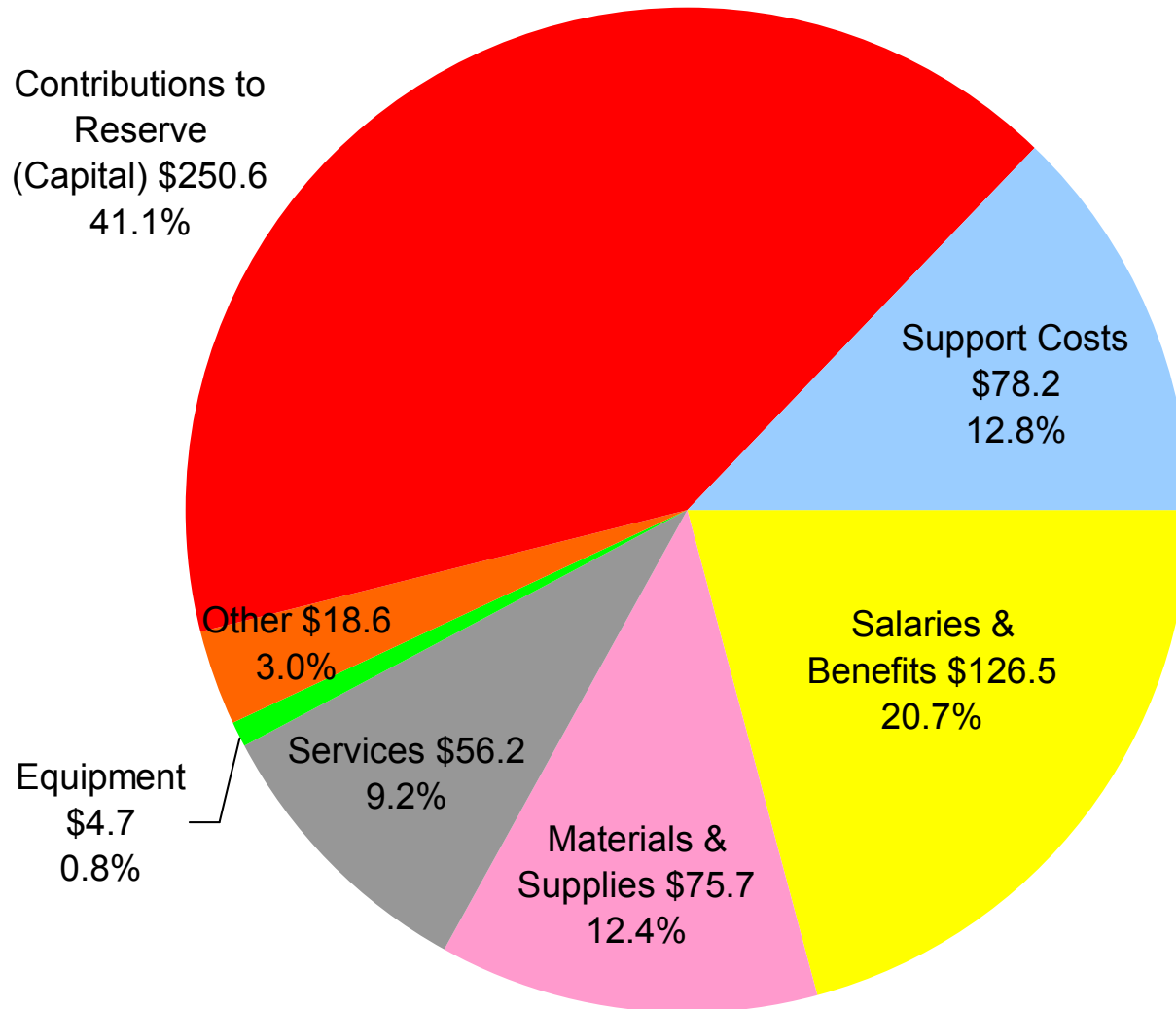
Cost of Treatment & Distribution of Drinking Water Per Megalitre



Cost of Wastewater Treatment & Disposal Per Megalitre

Proposed Gross Operating Expenditure

\$610.5 Million (Gross)



2006 Operating Budget Funding Needs

- **Expenditure pressures (\$12.6 Million)**
 - Base Budget (\$5.6 Million or 1.10% Rate Impact)
 - Pelletizer & Co-Gen (\$5.0 Million or 1.0% Rate Impact)
 - New Services/Enhancements (\$2.0 Million or 0.40% Rate Impact)
- **Contribution to Capital (\$11.8 million)**
 - Increase in needed to support the 2006 Capital Budget Request

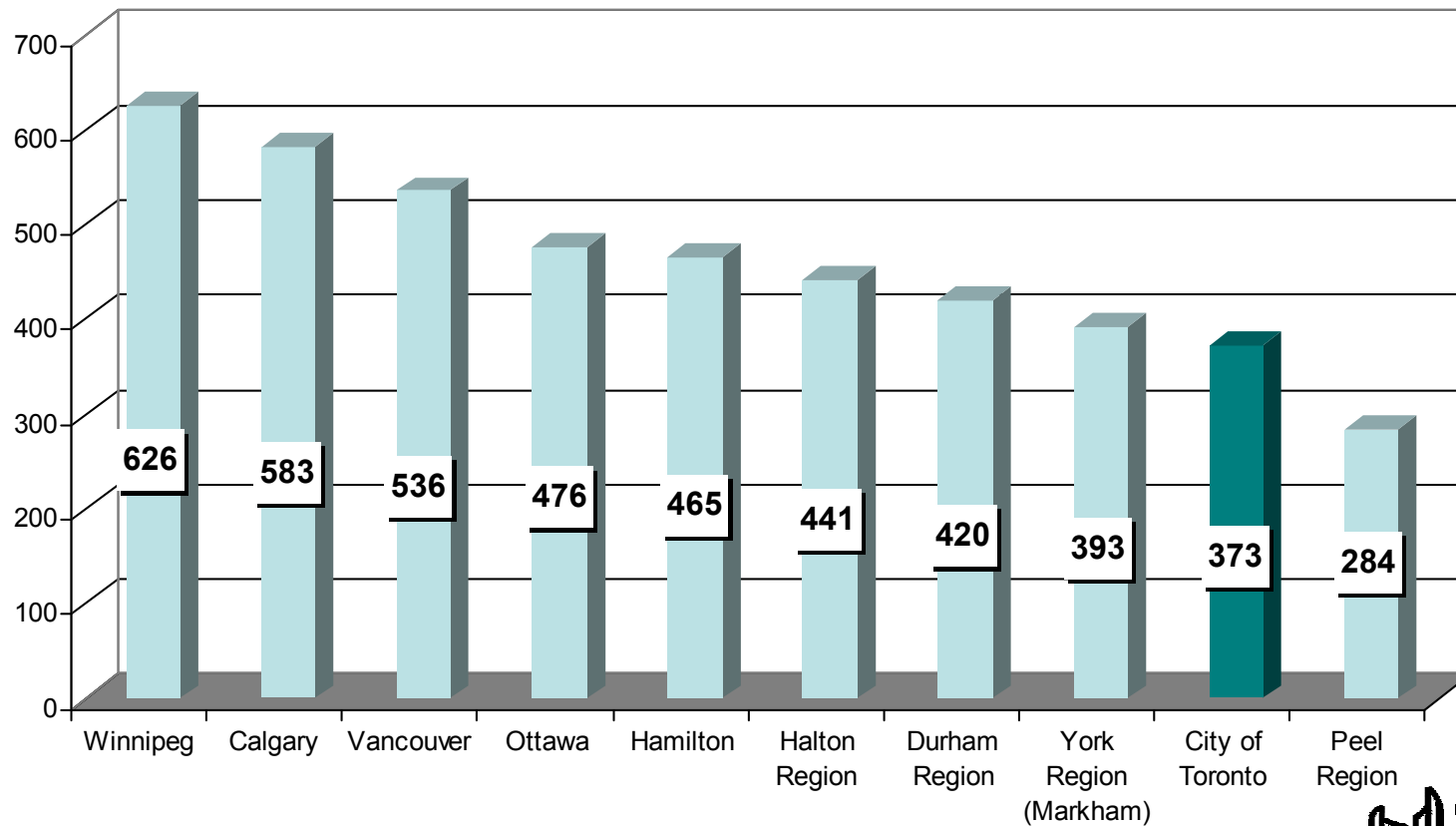
2006 Operating Budget Funding Needs

- **Revenue Impact (\$21.0 million)**
 - Consumer Conservation & Water Efficiency Initiatives
 - Projected Declining Persons Per Household (as per Official Plan)
 - Potential Loss of High Volume Customers
 - The above contributing factors have been incorporated into the rate model to reflect the lower forecasted water consumption

2006 Recommended Rate

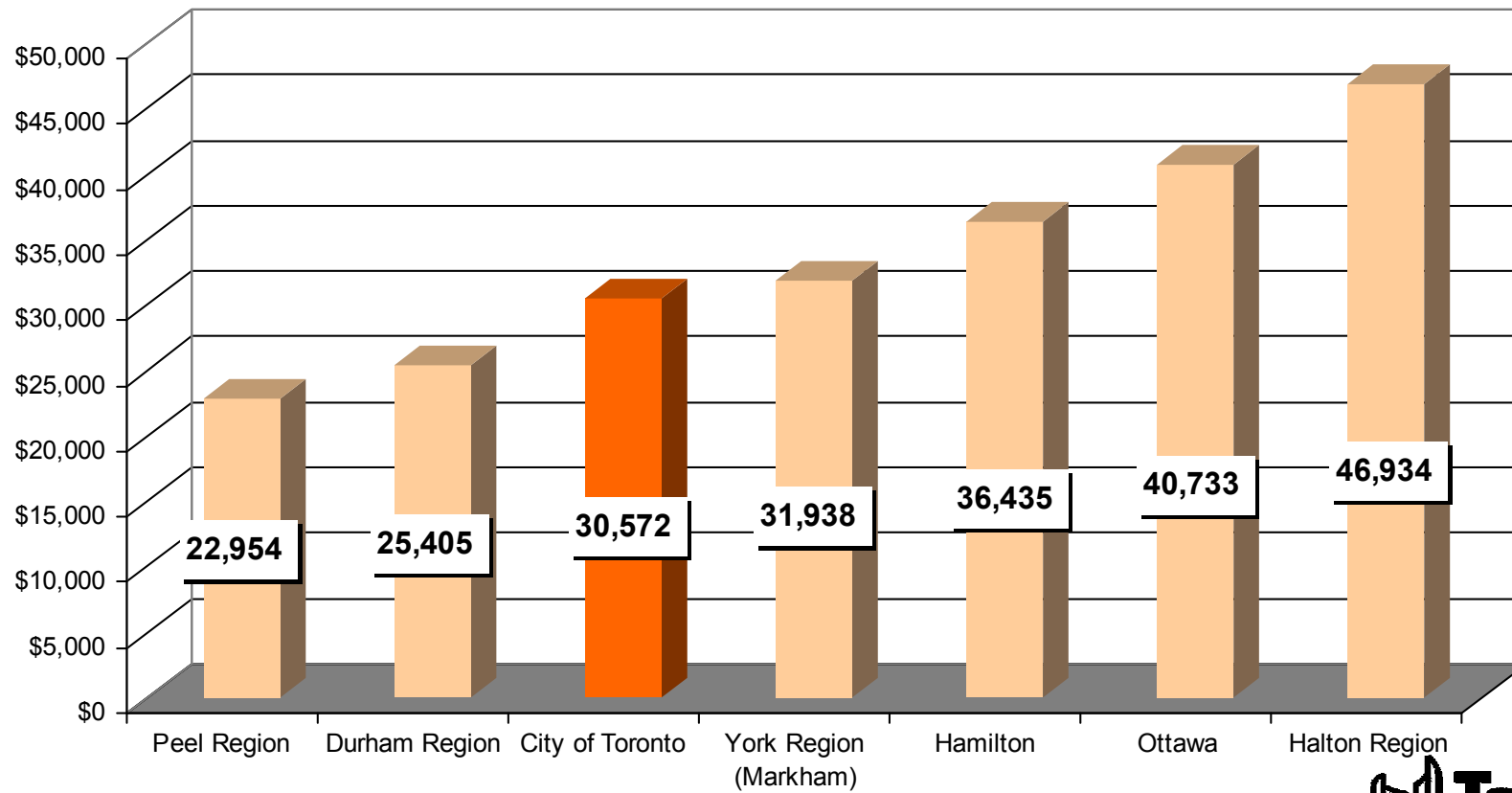
Average 2005 Household Cost

Water & Wastewater Services (280 Cubic Metres Per Year)

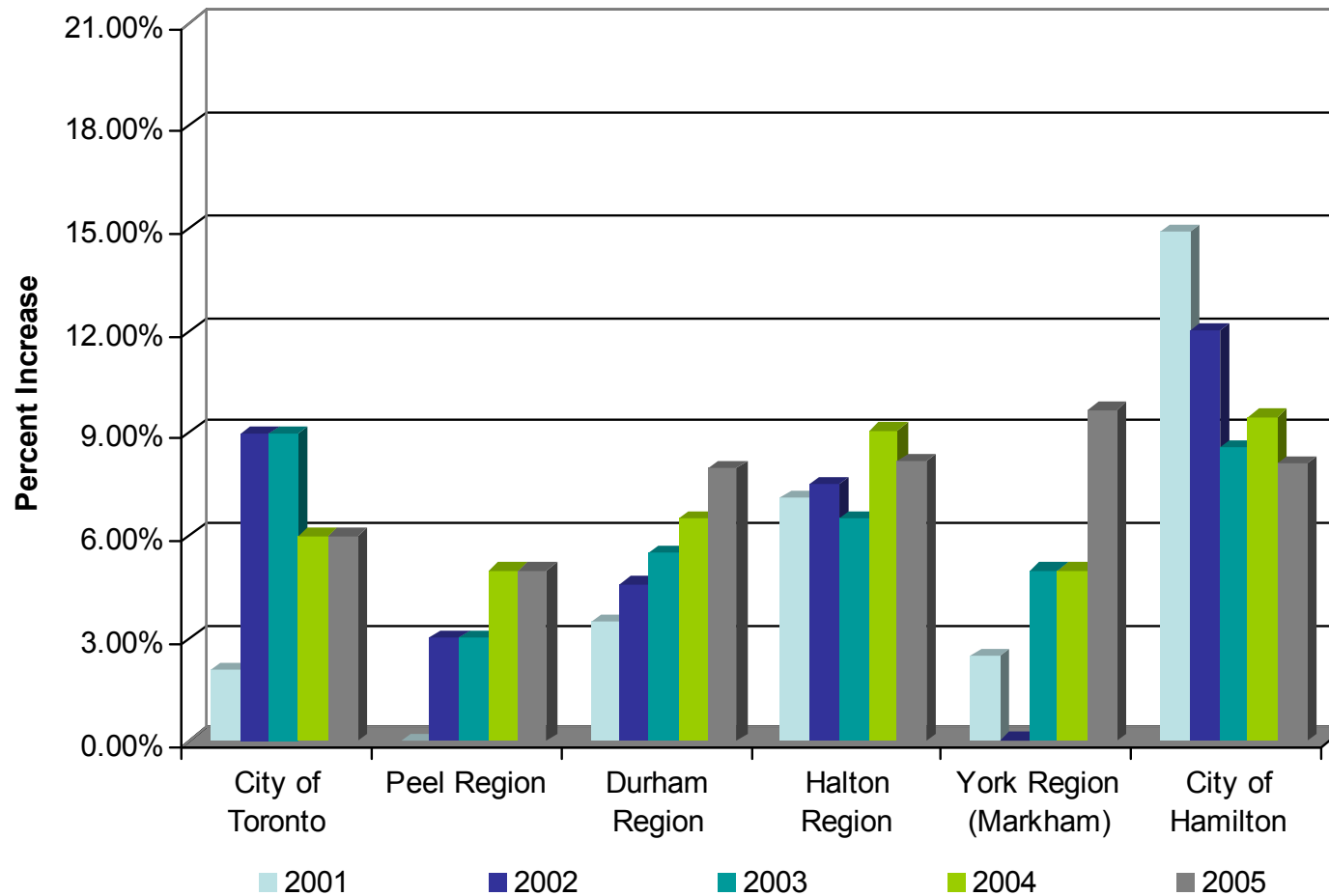


2005 Commercial Cost – Ontario Survey

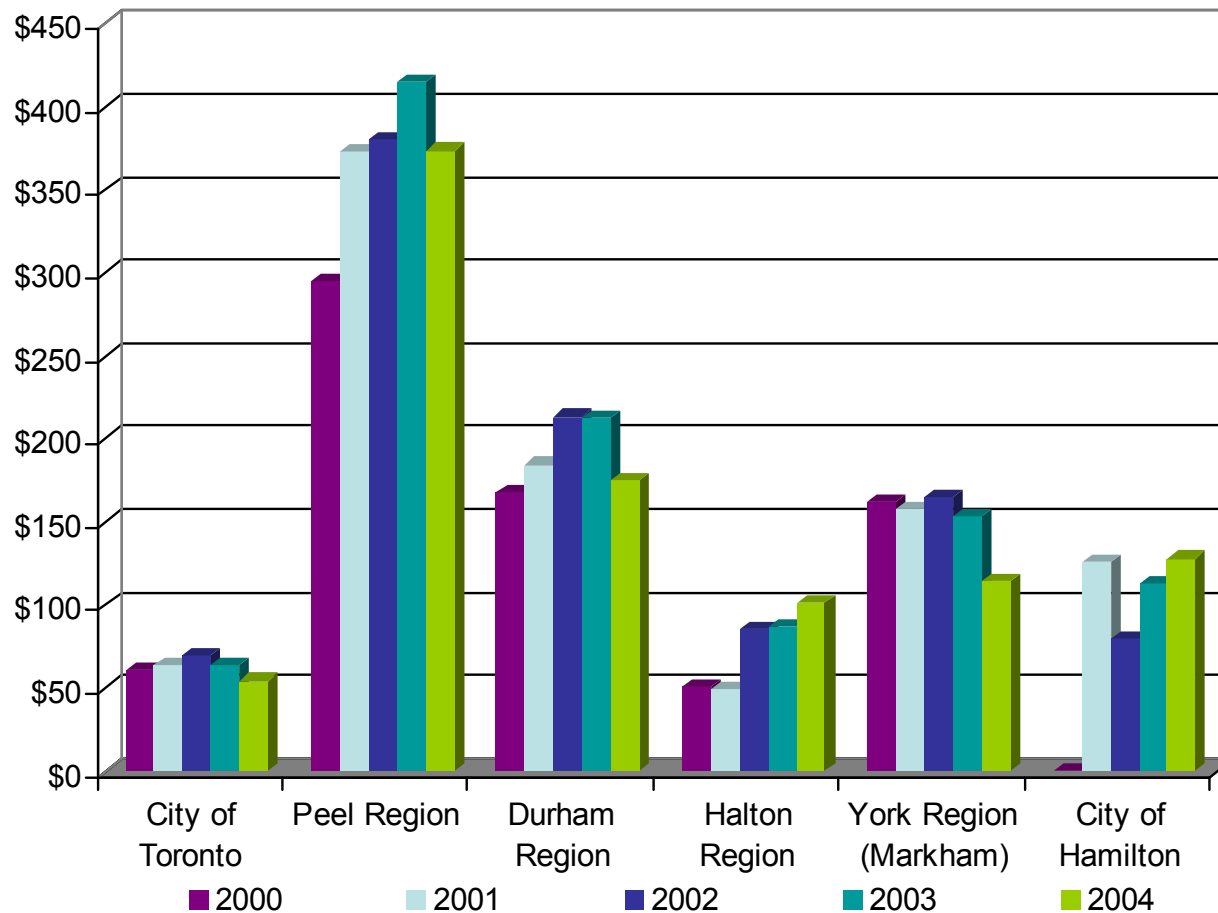
Water & Wastewater Services (22,727 Cubic Metres Per Year)



Increasing Trend in Water Rates (2001 – 2005)



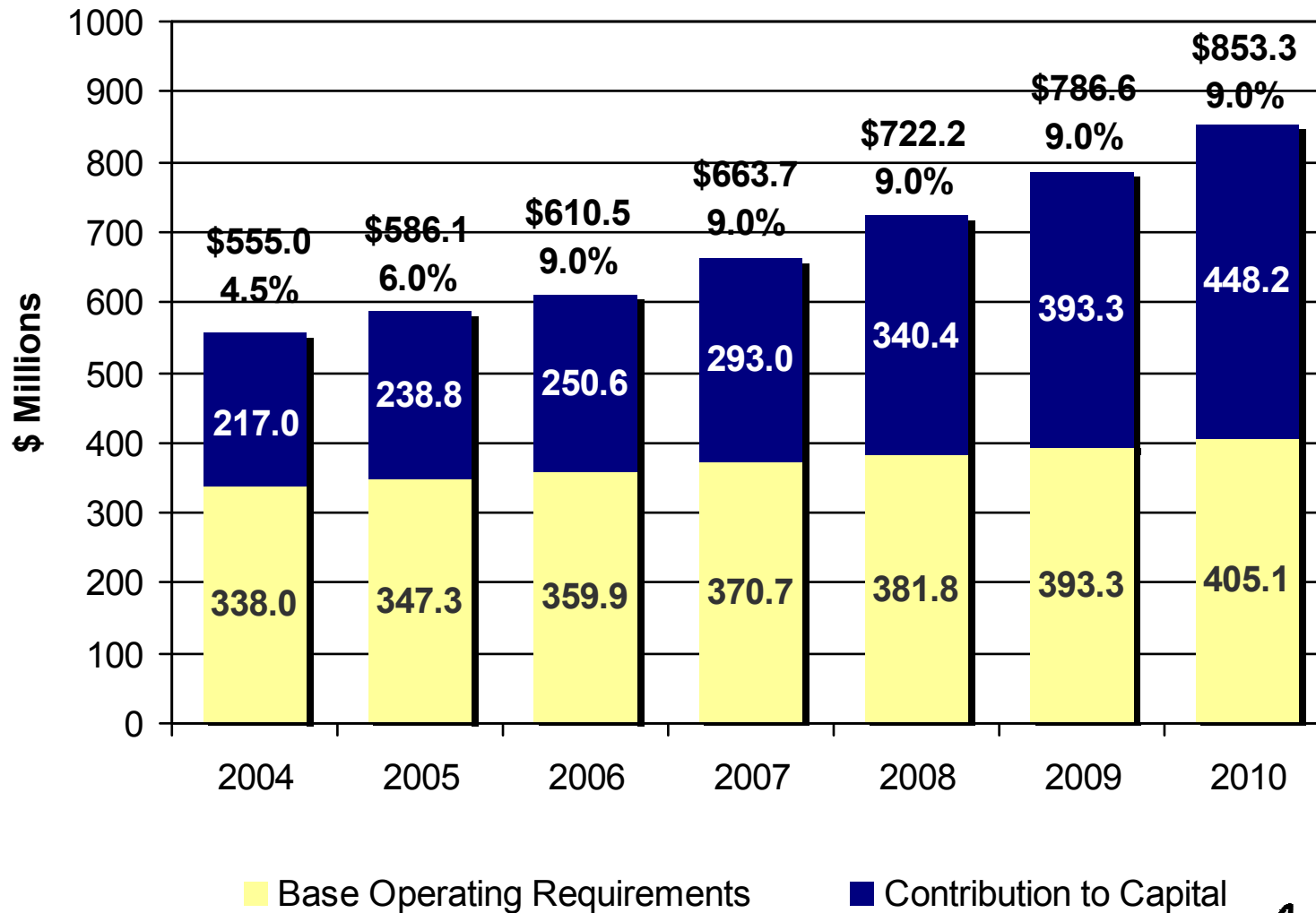
Water & Wastewater Reserve Balances per Capita Comparison



2006 Rate Recommendation

- Recommendation of 9.0% rate increase
- A 9.0% increase translates into a \$33 increase per year for the average household
- Average annual charge per household in 2006 is \$406

What is driving the rate increase?



TORONTO

Water



Proposed 2006 Budget & Rate Impacts

December 8, 2005

