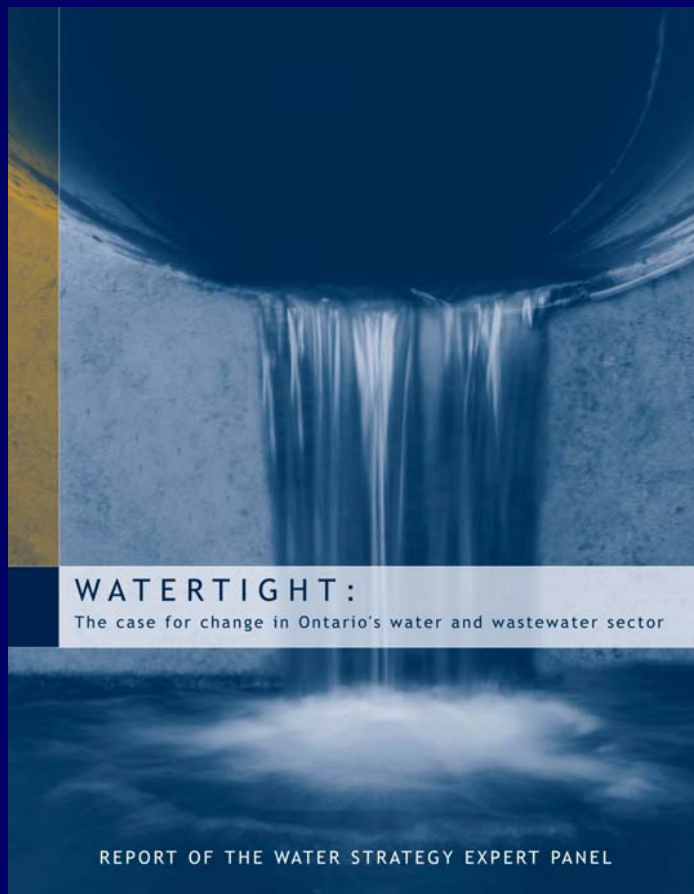


Watertight:



The Case for Change in Ontario's Water and Wastewater Sector

Presented by:

Alan Stephen, General Manager of
Infrastructure & Emergency Services

- and -

Nick Benkovich,
Director of Water & Wastewater Services

Introduction

- The Walkerton Tragedy in May 2000, demonstrated the importance of properly designed, operated, and maintained water and wastewater systems in protecting public health.
- A provincial inquiry headed by Justice O'Connor produced 121 recommendations aimed at preventing another such incident.





- Justice O'Connor's recommendations prompted the Province to introduce a comprehensive legislative agenda to address each recommendation identified by Walkerton Inquiry.

Ontario Water Resources Act	1990	O. Reg	Amendments
Drinking Water Protection Regulation		459/00	
Approval Exemptions		525/98	174/03, 272/03
Licensing of Municipal Sewage Works Operators		129/04	
Water Taking & Transfer		387/04	
Wells	903		128/03
Safe Drinking Water Act	2002	O. Reg	Amendments
Certification of Drinking Water System Operators		128/04	256/05
Compliance & Enforcement		242/05	
Definitions		172/03	20/04, 257/05
Definitions		171/03	270/03, 19/04
Drinking Water Systems		170/03	249/03, 269/03, 18/04, 126/04, 165/04, 408/04, 253/05
Drinking Water Testing Services		248/03	127/04, 254/05
Non-Residential / Non-Municipal Residential Systems		252/05	405/05
Ontario Drinking Water Standards		169/03	268/03, 17/04, 255/05
Schools, Private Schools, Daycares		173/03	21/04
Sustainable Sewer & Water Systems Act	2002		
Clean Water Act			

- Compliance with these new regulations is mandatory – backed by provincial water inspectors with a zero tolerance inspection and enforcement policy.
- Increasing operating and capital costs dramatically across the province – to date in Sudbury the new regulations have added \$24.2 Million of new upgrades and requirements.



- The Expert Panel's work was really a continuation of the Walkerton Inquiry with a forward strategic focus.
- The Panel traveled extensively soliciting the views of many stakeholders across the province with a focus on the following long term issues:
 - Organizational
 - Investment
 - Revenue



Existing Challenges



- Each Ontario community has their own unique circumstances which challenges the efficient delivery of W/WW services: size, location, population, climate, geography, etc.
- W/WW assets are wearing out and most communities are not replacing them quickly enough as a result of lack of investment.



Deteriorating cast-iron water pipes -- similar to those still in use in some Ontario municipalities.

Organizational Issues



- There are currently too many small systems which make professional management and financial sustainability difficult.
- Data indicates smaller systems have higher costs per person as well as increased risk.

Investment Issues

- W/WW infrastructure is wearing out faster than it is being replaced in many communities creating an ever increasing infrastructure deficit growing with time.
- Investment needs:
 - Province Wide estimated to be 30-40 billion \$ over the next 15 years
 - City of Greater Sudbury's 2006 – 2016 Water/Wastewater Needs/ Funding Gap has been identified at \$41.71M.



Revenue / Pricing Issues

- Canadian water rates are 2nd lowest in the world and Ontario rates are 5th lowest in Canada.
- Current pricing is too low to meet investment needs leaving a gap of 1.2 billion \$/year.
- Rates will need to rise to cover the full cost of providing the service, promote sustainability, and moderate demand - yet still remain affordable.



Needed Reforms

- The scale and capacity of systems must increase.
- Governance must be strong and effective.
- Systems must look to their customers for financial sustainability.
- Innovation should be used to reduce cost.
- Regulation should be results based and light handed as is compatible with the goal of safe, affordable water services.

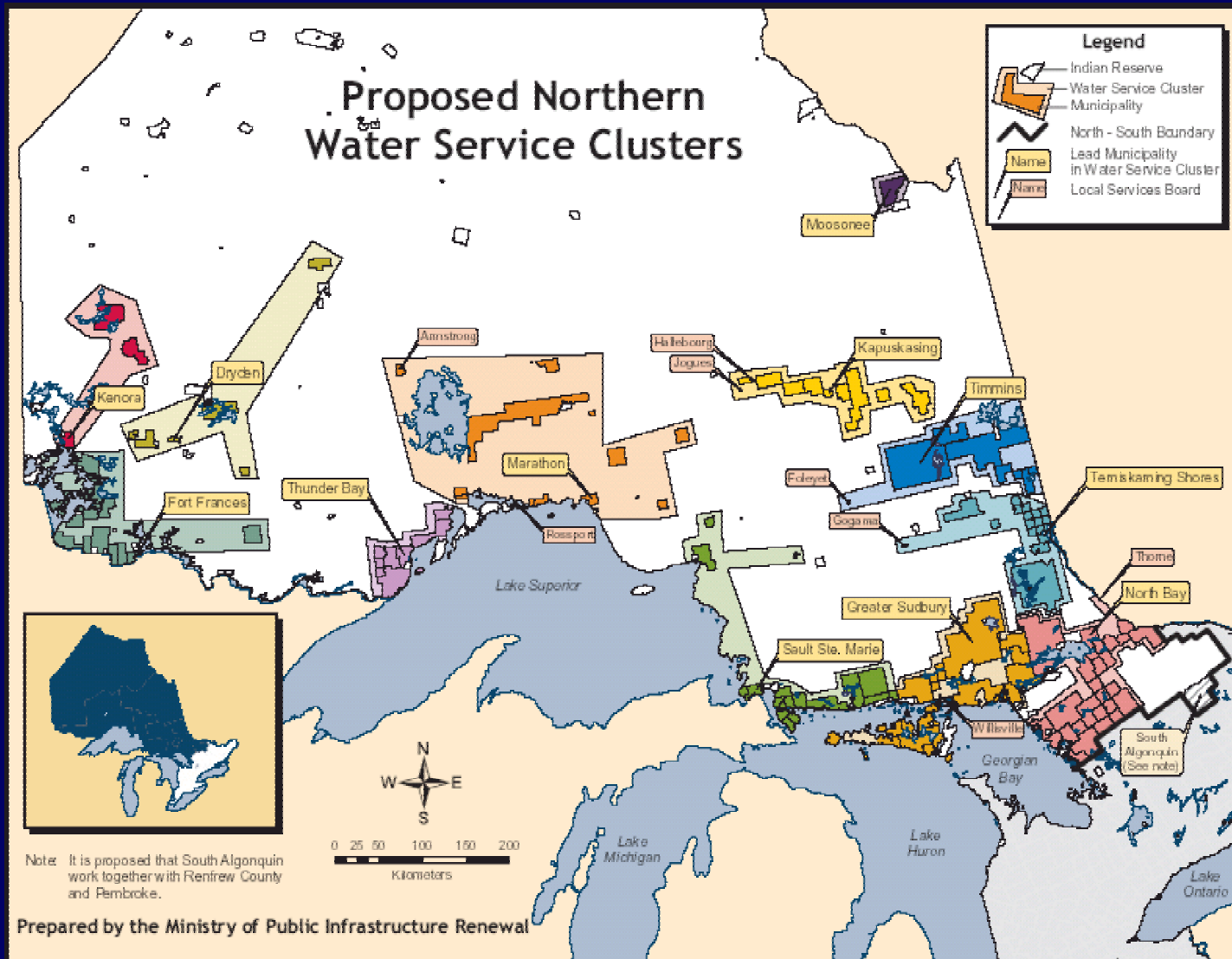




Key Recommendations

The Panel made 51 recommendations in several key areas:

- New Organization through a bottom up municipally-led business planning process
- New Municipal Water Utilities
- Economic Regulator
- New Financing & Pricing Approaches



Recommended Time Lines

- The provincial government direction & response to the report will be given in a 'white paper' expected early in 2006.
- The Panel recommended an ambitious time line for implementation which will require full cost pricing for all communities by the end of 2012.
- Business plans from councils to be submitted by June 2007 with decisions from OWB by June 2008



Potential Implications/Issues

- Cross Subsidization within Cluster group
- Ontario Water Board
- Potential Works Coordination Issues
- Inspection Funding
- Reduced Control of Development



Questions



Dr. Harry Swain, Chair of the Water Strategy Expert Panel, announces details of the Panel's recent report.