



## CITY OF HAMILTON

### **CORPORATE SERVICES DEPARTMENT** *Financial Planning and Policy Division*

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> January 18, 2012	
<b>SUBJECT/REPORT NO:</b> Proposed Water/Wastewater Consecutive Estimates Accounts Policy Amendments (FCS12012) (City Wide)	
<b>SUBMITTED BY:</b> Roberto Rossini General Manager Finance and Corporate Services	<b>PREPARED BY:</b> John Savoia (905) 546-2424 Ext. 7298
<b>SIGNATURE:</b>	

### RECOMMENDATION

That the proposed amendments to the Water and Wastewater Consecutive Estimates Policy, as outlined in Appendix A to Report FCS12012, be approved.

### EXECUTIVE SUMMARY

The City of Hamilton's Waterworks By-law R84-026, as amended, stipulates billing for service is based upon the consumption registered on the water meter. In the uncommon event where no meter has been installed, billing is made on a non-metered or flat-rate basis (based on 1m<sup>3</sup>/day or multiples, thereof). Typically, in order for water meters to be read, there is the need for a remote reading device ("touchpad") to be installed which requires access to be provided to the City or its authorized agents for this purpose.

In the case of metered accounts, as a result of various circumstances, utilities may be unable to obtain a water meter reading for billing purposes. The City and its water/wastewater billing agent, Horizon Utilities Corporation (HUC), exercise due diligence in the usual practice of water meter reading and as such, in circumstances where a water meter read is not obtained, an estimated reading is used to render a water/wastewater billing. Typically, the consumption estimate is based on the prior historical average usage for the account reflecting a similar period of time of year. Where no historical consumption exists for the account, estimated readings may be made using consumption of metered accounts of the same customer rate class.

The City and HUC undertake a number of actions to address the issue of consecutively estimated accounts. The attempts of the City and HUC to address consecutively estimated accounts have achieved a level of success, however, there continues to be a number of properties that consistently remain unresolved on the consecutively estimated accounts list notwithstanding efforts made by the City and HUC to resolve the issues.

Those consecutively estimated accounts between 1-2 years may represent a risk to the City's water/wastewater revenues. The City's practices regarding Water/Wastewater Utility Back-Bill Adjustments takes into consideration information that the City's Legal Services Division provided related to the *Limitations Act, 2002*, which came into effect on January 1, 2004. The ability to collect two year's worth of arrears can potentially be extended, depending on the facts of the situation.

Where the City is unable to obtain actual water meter readings as a result of a property owner's refusal, the current Water and Wastewater Consecutive Estimates Policy ("Policy") approved in May 2009, provides for the option of invoicing on a "double-flat rate" billing (2m<sup>3</sup>/day) basis as a staged approach after three consecutive estimated billings, until such time as access is granted to ensure ongoing actual water meter reads and billings based on those actual reads. Further, the sanitary surcharge is calculated to be 100% of the double water flat rate amount billed. This "double-flat" billing provision for many situations has proven effective to a certain degree as an incentive for customer cooperation to address access issues with respect to obtaining ongoing actual water meter readings.

The need to address consecutively estimated accounts has been identified in previous internal audits (refer to Report CM08011) where the auditor noted that the more consecutive times an account is billed the more likely there will be an over/under billing situation that creates billing adjustments with under billings often creating revenue collection issues. The audits noted that generally the underlying issue for the long term estimates has been the inability for the City to repair remote reading devices (touchpads) due to a lack of access to make such repairs.

The purpose of this report is to recommend some amendments to the Policy to address those situations where “double-flat” billing provision for some situations has not proven to be an effective in resolving consecutively estimated billings. Expanding the current phased approach to water billing where the City is unable to obtain actual water meter readings from a remote reading device (“touchpad”) is being proposed.

Staff are reviewing the adoption of an Automated Meter Reading (AMR) system and expect to report back to Council in early 2012 with a recommended approach for an AMR system for Hamilton that most likely would envision a full mandatory AMR system in place by 2015. In the interim, estimated billings will continue and the proposed Policy amendments outlined in Appendix A to Report FCS12012 should effectively manage the financial risk represented by long-term consecutively estimated water/wastewater billings.

***Alternatives for Consideration – Not applicable.***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** Water and wastewater revenue recovery related to unbilled consumption due to ongoing consecutive estimates may be enhanced with the proposed Policy amendments.

**Staffing:** No anticipated impact.

**Legal:** None.

**HISTORICAL BACKGROUND** (Chronology of events)

The City of Hamilton’s Waterworks By-law R84-026, as amended, stipulates billing for service is based upon the consumption registered on the water meter. In the uncommon event where no meter has been installed, billing is made on a non-metered or flat-rate basis (based on 1m<sup>3</sup>/day or multiples, thereof). Typically, in order for water meters to be read, there is the need for a remote reading device (“touchpad”) to be installed which requires access to be provided to the City or its authorized agents for this purpose.

Utilities in general, are often unable to obtain a water meter reading for billing purposes for a variety of reasons including:

- Touchpad missing/damage/not reading
- Site conditions such as snow/construction/mud impeding access to the touchpad
- Locked/frozen gates preventing access to touchpad
- Issues related to access keys utilized by meter readers

- Vacant properties with no access for meter readers
- Dog/animal posing a safety hazard for meter readers

The City and its water/wastewater billing agent, HUC, exercise due diligence in the usual practice of water meter reading and as such, in circumstances where a water meter read is not obtained, an estimated reading is used to render a water/wastewater invoice. Currently the sanitary surcharge is calculated to be 100% of the amount of the water bill.

The City and HUC undertake a number of actions to address the issue of consecutively estimated accounts primarily focused on communicating with account holders to obtain necessary cooperation for access to resolve the issue(s) that contribute to ongoing estimated billings.

Customer Communications:

- When unable to obtain a meter read, the meter readers leave a meter read request door hanger for the customer to call in/return read card with an actual consumption read from their water meter.
- HUC will issue letters to customers where access prevents the meter readers from obtaining meter reads.
- An invoice which is based on estimated consumption does indicate to the customer that the related consumption reading is based on an “Estimate.”
- HUC issues work orders to the City Meter Operations Section to resolve touchpad issues that results in Meter Operations staff contacting customers both by phone and mail to make arrangements for access to perform the necessary maintenance work to allow for ongoing actual meter reads.

The number of accounts estimated beyond two years may represent a risk to the City’s water/wastewater revenues as the City’s practices regarding Water/Wastewater Utility Back-Bill Adjustments take into consideration information that the City’s Legal Services Division provided related to the *Limitations Act, 2002*, which came into effect on January 1, 2004. Generally speaking, pursuant to that Act, the City is able to collect two years’ worth of arrears. That time period can potentially be extended, depending on the facts of the situation.

**POLICY IMPLICATIONS**

The Water/Wastewater Consecutive Estimates Accounts Policy will be amended as per Appendix “A” to Report FCS12012.

## **RELEVANT CONSULTATION**

Public Works – Environment and Sustainable Infrastructure Division has been consulted and supports the objectives and recommendations of this report.

Horizon Utilities Corporation (HUC) has been consulted and advised of potential implementation requirements that may arise from the adoption of this report's recommendations and HUC has indicated they can support the City with these initiatives.

## **ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

As part of the review of the City's current practices regarding Water/Wastewater Consecutive Estimated Accounts, staff conducted a literature review. The review found that the issue of consecutive estimated accounts is common for all utilities; however, there are different approaches to dealing with the issue.

For some Canadian water utilities (Prince Edward Island and Nova Scotia) and several utilities under the oversight of state Public Service Commissions (PSC) that regulate water, gas, electric and telecommunication utilities in the United States, they are required by their respective regulatory bodies, to not utilize estimated reading for more than two (2) consecutive billing periods. If an estimated bill is rendered for two consecutive billing periods, the utility is required to notify the customer that arrangements must be made for the utility to obtain a meter reading and/or perform related maintenance work to allow for ongoing readings, and failing such arrangements, the utility may suspend service until such arrangements are made.

In lieu of service disconnection, another approach taken by some utilities is to change the basis of estimated consumption from estimated metered consumption to a flat rate basis. For example, Halton Region, where after a third consecutive estimate, a letter is issued to the customer so that when compliance is not obtained, the account's estimated consumption is moved to a flat rate basis that is based on the Region's average residential consumption usage of 1m<sup>3</sup>/day.

The City's current Water/Wastewater Consecutive Estimates Accounts Policy was approved in May 2009 and incorporates a similar approach as adopted by Halton Region. "Double-flat rate" billing based on 2m<sup>3</sup>/day has been utilized as a staged approach after three consecutive estimated billings, until such time as access is granted to ensure ongoing actual water meter reads and billings based on those actual reads. Further, the sanitary surcharge has continued to be calculated at 100% of the double flat water rate amount billed.

While, the Double-flat rate billing has generally been an effective incentive to resolve consecutive estimated billings, some situations which are described below warrant a review of the Policy and consideration of amendments to enhance compliance.

Single Residential – For the most part, the current “Double-flat rate” billing has been successful in resolving ongoing estimates with single residential customers. Notwithstanding the improvements observed over the last couple of years, there still remains a number of single residential customers where ongoing 2m<sup>3</sup>/day billings has not provided a sufficient incentive to provide the necessary access to the City to restore actual metered billings. It is proposed to amend the current Policy for single residential accounts so that the staged approach would occur as follows:

- If no compliance by the 4th consecutive estimated billing period, utilize 2m<sup>3</sup>/day billing (this provision exists within the current Policy)
- If no compliance by the 6th consecutive estimated billing period, utilize 3m<sup>3</sup>/day billing (proposed amendment to the Policy)
- If no compliance by the 10th consecutive estimated billing period, utilize 3m<sup>3</sup>/day billing, water service may be disconnected by City with minimum of 24 hours notice (proposed amendment to the Policy)

It should be noted that given the typical bi-monthly billing cycle for single residential accounts, the 10<sup>th</sup> consecutively estimated billing period would represent approximately 600 days of service provision. Therefore, permitting estimated billings much longer may represent a risk to the City’s water/wastewater revenues as the City’s practices regarding Water/Wastewater Utility Back-Bill Adjustments takes into consideration the *Limitations Act, 2002*, where generally speaking, pursuant to that Act, the City is able to collect two years’ worth of arrears. The proposed service disconnection would represent a last resort option that would only be pursued after nearly two years of communication with the account holder (and property owner if not the same) to gain access to resolve the issues resulting in ongoing estimated billings.

Multi-Residential and Industrial/Commercial/Institutional (ICI) – For the most part, utilizing 2m<sup>3</sup>/day billings where ongoing estimates have occurred has not provided a sufficient incentive for these customers as their typical water usage may well exceed 2m<sup>3</sup>/day by a large margin. As such, it is proposed to amend the current Policy for Multi-Residential and Industrial/Commercial/Institutional (ICI) accounts so that the staged approach would occur as follows:

- If no compliance by the 4th consecutive estimated billing period, billed consumption would be based on double (2x) actual historical billings of the customer and if no historical billings are available, utilize 2x the actual consumption of similar customers (proposed amendment to the Policy)
- If no compliance by the 7th consecutive estimated billing period, billed consumption to be based on triple (3x) actual historical billings of the customer

and if no historical billings are available, utilize 3x the actual consumption of similar customers (proposed amendment to the Policy)

The above staged approach takes into account the typical monthly billing cycle for multi-residential and ICI accounts and as such, given the relatively quicker stepped-up increased billings, this approach as anticipated to prove effective to resolve situations of ongoing estimated billings for these customers. Service disconnection for these customers would be very problematic given that quite often tenants would be impacted when the required access may not be obtained by them but by the property owner (landlord). Additionally, for some ICI customers there may be further implications to their operations should water service be disrupted that could create financial hardships.

The recommended Policy amendments should significantly reduce the risk to the City's water/wastewater revenues of long-term consecutively estimated accounts as it is expected that much fewer accounts will be consecutively estimated beyond two years in the future under the recommended Policy.

#### **ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

N/A.

#### **CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

#### ***Financial Sustainability***

- ◆ Financially Sustainable City by 2020
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

#### ***Environmental Stewardship***

- ◆ Natural resources are protected and enhanced

#### **APPENDICES / SCHEDULES**

Appendix "A" to Report FCS12012 – City of Hamilton Water/Wastewater Consecutive Estimates Accounts Policy



**POLICY TITLE: Water and Wastewater Consecutive Estimated Accounts Policy**

POLICY NO: PP-0009

LAST REVISION DATE: May 13, 2009

EFFECTIVE DATE: January 25, 2012

MANAGER REVIEWED: Mike Zegarac

TO BE REVIEWED: 1/1/2017

MAINTENANCE RESPONSIBILITY: Senior Policy Advisor, Financial Planning & Policy Section

**I GENERAL**

The Water and Wastewater Consecutive Estimated Accounts Policy details the protocols that are to be followed by the City of Hamilton (“City”) and its water/wastewater billing agent, Horizon Utilities Corporation (“HUC”) for those water accounts that have consecutively estimated meter readings that typically require access to be provided to the City’s Meter Operations staff (or its authorized agents) to allow for ongoing actual meter readings.

**II BACKGROUND**

The City of Hamilton’s Waterworks By-law R84-026, as amended, (“The City of Hamilton Waterworks by-law”) stipulates billing for service is based upon the consumption registered on the water meter. Where no meter has been installed, billing is made on a non-metered or flat-rate basis. Typically, in order for water meters to be read, there is the need for a remote reading device (“touchpad”) to be installed which requires access to be provided to the City or its authorized agents for this purpose.

For ongoing water/wastewater billings to be made on actual water meter readings, the Water and Wastewater Consecutive Estimated Accounts Policy was adopted.

**III POLICY**

The Water and Wastewater Consecutive Estimated Accounts Policy is effective where there is a failure of a customer to make arrangements regarding access issues that have resulted in consecutively estimated accounts, with the future water bills for the property will be invoiced as prescribed in the protocol tables below until such time as the meter related problems are completed by the City. The Sanitary Surcharge continues to be calculated as a percentage of the amount of the invoiced water bill.

Water and Wastewater Consecutive Estimated Accounts Policy protocols are outlined on the following pages.



Consecutive Estimated Water Account Protocol 1 – Single Residential

Consecutive Estimated Billing	Communication/Activities		Bill Estimate Calculation
	Horizon	City Water	
1 - 3	<ul style="list-style-type: none"> <li>- Meter reader leaves meter read request door hanger for customer</li> </ul>	<ul style="list-style-type: none"> <li>- None required</li> </ul>	<ul style="list-style-type: none"> <li>- consumption estimate based on the prior 12-month historical average usage for the account</li> <li>- if no history or &lt; 2 billing periods, use 1m<sup>3</sup>/day</li> </ul>
4	<ul style="list-style-type: none"> <li>- Meter reader leaves meter read request door hanger for customer</li> </ul>	<ul style="list-style-type: none"> <li>- Letter issued to account holder (and property owner if different from account holder) informing of access issue and notification provided that if not rectified within 30 days that City will exercise authority to double flat rate billing</li> </ul>	<ul style="list-style-type: none"> <li>- consumption estimate based on double flat rate billing (2m<sup>3</sup>/day)</li> </ul>
5	<ul style="list-style-type: none"> <li>- Meter reader leaves meter read request door hanger for customer</li> </ul>	<ul style="list-style-type: none"> <li>- None required</li> </ul>	<ul style="list-style-type: none"> <li>- consumption estimate based on double flat rate billing (2m<sup>3</sup>/day)</li> </ul>
6	<ul style="list-style-type: none"> <li>- Meter reader leaves meter read request door hanger for customer</li> </ul>	<ul style="list-style-type: none"> <li>- Letter issued to account holder (and property owner if different from account holder) informing of access issue and notification provided that if not rectified within 30 days that City will exercise authority to triple flat rate billing</li> </ul>	<ul style="list-style-type: none"> <li>- consumption estimate based on triple flat rate billing (3m<sup>3</sup>/day)</li> </ul>
7 - 9	<ul style="list-style-type: none"> <li>- Meter reader leaves meter read request door hanger for customer</li> </ul>	<ul style="list-style-type: none"> <li>- None required</li> </ul>	<ul style="list-style-type: none"> <li>- consumption estimate based on triple flat rate billing (3m<sup>3</sup>/day)</li> </ul>
10	<ul style="list-style-type: none"> <li>- Meter reader leaves meter read request door hanger for customer</li> </ul>	<ul style="list-style-type: none"> <li>- Letter issued to account holder (and property owner if different from account holder) informing of access issue and notification provided that if not rectified within 30 days that City will shut water service with minimum of 24 hours notice</li> </ul>	<ul style="list-style-type: none"> <li>- consumption based on triple flat rate billing (3m<sup>3</sup>/day) until service is shut and minimum fixed charge once service is shut until such time as the meter issues have been resolved to the City's satisfaction, the water has been turned back on and metered billings are restored with actual readings enabled</li> </ul>

Consecutive Estimated Water Account Protocol 2 – Multi-Residential & ICI

Consecutive Estimated Billing	Communication/Activities		Bill Estimate Calculation
	Horizon	City Water	
1 - 3	- Meter reader leaves meter read request door hanger for customer	- None required	- consumption estimate based on the prior 12-month historical average usage for the account  - if no history or < 2 billing periods, use average consumption of similar customers
4	- Meter reader leaves meter read request door hanger for customer	- Letter issued to account holder (and property owner if different from account holder) informing of access issue and notification provided that if not rectified within 30 days that City will exercise authority to double actual historical billings (if no historical available bill or if it is suspected that the historical usage is not accurate, use 2x actual consumption of similar customers)	- consumption based on double actual historical billings (if no historical available or if it is suspected that the historical usage is not accurate, bill 2x actual consumption of similar customers)
5	- Meter reader leaves meter read request door hanger for customer	- None required	- consumption based on double actual historical billings (if no historical available or if it is suspected that the historical usage is not accurate, bill 2x actual consumption of similar customers)
6	- Meter reader leaves meter read request door hanger for customer	- Letter issued to account holder (and property owner if different from account holder) informing of access issue and notification provided that if not rectified within 30 days that City will exercise authority to triple actual historical billings (if no historical available bill or if it is suspected that the historical usage is not accurate, use 3x actual consumption of similar customers)	- consumption based on double actual historical billings (if no historical available or if it is suspected that the historical usage is not accurate, bill 2x actual consumption of similar customers)
7	- Meter reader leaves meter read request door hanger for customer	- None required	- consumption based on triple actual historical billings (if no historical available or if it is suspected that the historical usage is not accurate, bill 3x actual consumption of similar customers)

Consecutive Estimated Billing	Communication/Activities		Bill Estimate Calculation
	Horizon	City Water	
8 and thereafter	- Meter reader leaves meter read request door hanger for customer	- None required	- consumption based on triple actual historical billings (if no historical available or if it is suspected that the historical usage is not accurate, bill 3x actual consumption of similar customers) until such time as the meter issues have resolved to the City's satisfaction and metered billings are restored with actual readings enabled