



INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	October 7, 2021
SUBJECT/REPORT NO:	Discontinuation of Water Billing Services by Alectra Utilities (FCS21082) (City Wide)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

COUNCIL DIRECTION

Not Applicable

INFORMATION

Alectra Utilities Corporation (Alectra) has been providing water and wastewater / storm account management and billing services to the City of Hamilton ("City") since December 2001 with a renewed service agreement executed in May 2020 extending terms to December 31, 2024 (for details refer to Report FCS19095(a)). The budgeted cost of these services for 2021 is \$5.6 M. This shared services delivery model is not unique in Ontario as many municipalities have partnered with local electric utilities to provide meter reading, billing and other customer services related to their water and wastewater / storm utilities.

On August 6, 2021, the City was advised that Alectra's Board of Directors at its May 21st meeting approved an Alectra staff recommendation to discontinue water billing services. Alectra has committed to upholding the Water Billing Services Agreement (Service Agreement) that is currently in place with a focus on winding-down providing water billing services to the City at the time of contract expiry, being December 31, 2024. This decision is to support Alectra's goals to enhance customer service, improve staff engagement and maintain financial sustainability.

Alectra noted that the increasing complexity of electricity billing across an 1,800 square kilometre service territory comprising 17 communities with approximately one million customers, the rapidly changing regulatory environment within which Alectra is operating, combined with managing an evolving customer relationship, has led it to reassess its strategic priorities, customer care processes and billing services, including water billing for the City. It should be noted that Alectra also provides water billing services to the municipalities of Guelph, Markham and Vaughan, serving a total of approximately 410,000 water customers with combined electricity and water billing and related customer services.

Alectra has determined that as electricity and water billing requirements have diverged, and it has become increasingly difficult to resolve service gaps. Alectra is focused on a customer centric approach through digitization of the customer relationship, automation and process optimization. Discontinuing the water billing services is seen as a necessary step by Alectra to focus on these critical strategic initiatives.

Historical Background

In March 2001, Council authorized staff to enter into a contract with Hamilton Hydro Inc. for the provision of water meter reading, billing, payment, collections and customer care services (refer to Report FCS01021). That contract was for a three-year term ending December 31, 2004. The City then billed approximately 85,000 metered customers on a uniform rate structure applicable to all customers for water and wastewater services in addition to 40,000 residential users that were non-metered and billed a flat rate charge for water and wastewater services on their quarterly property tax bill. At that time, for metered customers, the City determined a comprehensive billing system was required to undertake the meter reading, bill calculations, customer information and collection systems. Consequently, it was decided that the billing functions could be provided more efficiently and effectively by converging the electric and water billing functions. Consolidating the utility billing functions improved customer service and provided financial benefits to customers and the City. Hamilton Hydro assumed responsibility for 12 City employees in the former metered water billing and collection division. Additionally, two meter readers employed by the City were re-deployed within the City's workforce.

A successor agreement was approved by Council in 2005 that extended the provision of the services with Horizon Utilities (following the merger of Hamilton Hydro with St. Catharines Hydro) for a five-year term ending December 31, 2009 (refer to Report FCS05033). An amending agreement was approved by Council in 2010 that extended the provision of the services by Horizon Utilities under the 2005 successor agreement to December 31, 2014 (refer to Report FCS10014). A new agreement was approved by Council in 2015 extending the service term to December 31, 2019.

In 2017, Alectra assumed Horizon's Utilities' responsibilities to provide water meter reading, billing, payment, collections and customer care services on behalf of the City. As noted, Alectra provides similar services to three other shareholder municipalities (Guelph, Markham and Vaughan). In May 2020, a Renewal Agreement was executed by both parties that extended the contractual relationship with Alectra to December 31, 2024.

Hamilton Current Water and Wastewater Billing Services

Billing, payment and related customer services are provided by Alectra to Hamilton's approximately 156,000 metered water and wastewater / storm customers incorporating an inclining block rate structure for single residential and uniform rate for other customer types. There are over 32,000 customers that receive a stand-alone water / wastewater / storm invoice due to the customer premise being located within the City of Hamilton, but not within Alectra's electricity distribution service territory. Additionally, Alectra reads and bills metered water supplied to Haldimand County and Halton Region in accordance with water supply agreements that have been entered into by the City with each municipality.

As noted with the development of the initial 2005 successor agreement (refer to Report FCS05033), the City has continuously sought to transition further billing and customer relations services beyond the water meter reading, billing and collection services outsourced to Hamilton Hydro in 2002.

The suite of services currently provided by Alectra (refer to Report FCS20072 for details) to the City includes:

- Meter reading
- Bill calculation, printing, mailing and electronic bill presentment options (paperless e-billing)
- Payment processing
- Account collections including the administration of payment arrangements
- Customer web access to account information including account status and consumption information
- Customer notifications
- Full customer call support, responses to inquiries and liaison between the customer and the City for escalated concerns including high consumption inquiries related to seasonal usage
- Oversight and administration of City procedures and programs relating to water and wastewater / storm services such as the Leak Adjustment Policy (as of 2005) and the Consecutive Estimates Policy (as of 2009)
- Completion of work orders; issuing service orders to Hamilton Water
- Transfers of water and wastewater / stormwater arrears to the property tax roll
- Providing water and wastewater – storm account balances, when requested by law, firms / title companies

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- Billing, invoicing, payment processing and management of Sewer Discharge Permits (as of 2014)
- Managing Energy and Water Reporting and Benchmarking (EWRB) legislative reporting requirements for electric and water customers (as of 2018)
- Billing and collection of loans related to the City's Lead Water Service Line Replacement Loan Program (as of May 2019)
- Monthly and annual statistical reporting
- Prepare and present to Council an annual Water and Wastewater / Stormwater Services Activity Report (as of 2011)
- Ad-hoc reporting upon request

Alectra currently utilizes Oracle Utilities' Customer Care and Billing System ("CC&B") which supports billing for a range of fees and charges required by the City including metered rates, various non-metered rates and fixed charges based on meter size.

Likewise, managed within CC&B are more complex billing scenarios such as:

- private water hauler accounts (unique water billing rate as of 2002)
- master / satellites accounts (exclusive to Hamilton whereby the City owns and bills water submeters commonly referred to as satellites)
- seasonal meters (City owned properties such as parks where there is a non-standard location of the water meter such that the meters are manually read semi-annually by Hamilton Water staff with reads provided to Alectra)
- compound meters (meters that have two measuring elements – one for low flows and one for high flows) so that two readings are obtained for each billing cycle
- approximately 650 electronic read water meters are read by the City's water meter contractor (Neptune Technologies) with readings electronically provided to Alectra on a monthly basis
- approximately 675 water meters being read electronically via Alectra's data collectors (these Alectra owned collectors are primarily utilized to read electric meters)
- invoicing of the City's Wastewater Abatement Program (as of 2003)
- invoicing of Private Fire Line user fees (as of July 2012)
- invoicing of raw water supplied and related fees to ArcelorMittal Long Products Canada (AMLPC) in accordance with the supply agreement the City has entered into with AMLPC (as of November 2019)
- flat rate invoicing related with the City's New Development Water Customer Attachment Billing Policy (effective May 2020)
- invoicing of ad hoc back-billings and various Hamilton Water service user fees

Alectra has utilized the services of approximately two dozen sub-contractors to provide the City the full scope of services outlined above.

Amending On-bill User Fees

From time to time, reviews of the City's water, wastewater and storm pricing rate structure may occur and Council approved changes may require changes to on-bill user fees (for example, fixed and variable water and wastewater fees).

Staff would need to consult with Alectra regarding their willingness and ability to implement rate structure changes that may be considered during the transition period until a new water billing solution is complete.

Environmental Scan

A water billing survey was recently completed by the Regional Public Works Commissioners of Ontario (RPWCO) of the larger Ontario water utilities regarding the water billing service delivery models being utilized:

Model 1 – Utilize the local electric utility to provide water billing services (beyond Hamilton, Guelph, Markham and Vaughan): Halton, London, Sudbury and Windsor

Model 2 – Provide water billing services with own staff with some level of outsourcing (generally around meter reading, billing system, invoice print and mailing): Durham, Peel, Ottawa, Thunder Bay and Toronto

Furthermore, staff has undertaken an online literature review and has identified a few smaller Ontario municipalities (Haldimand, Norfolk and Oxford Counties) have outsourced water billing services to a full-service provider. It is unclear if any larger water utility (with at least 50,000 active accounts) utilizes a full-service provider other than the local electric utility.

Under Model 1, there exists diverse levels of service provided by the local electric utility for each municipality including amongst Hamilton, Guelph, Markham and Vaughan.

Generally, there are three core water billing services that are provided to each:

- Meter reading (typically subcontracted if manual reads)
- Billing
- Print and mailing of invoices (often subcontracted)

Beyond the core services, divergence in service delivery emerges:

- Customer Service – in some cases, only “first-tier” customer service (initial support level responsible for basic customer issues) is provided by the electric utility. More in-depth customer support may be handled by the municipality.

- Collections – Similar to customer service, collection services provided by the electric utility may be limited to payment collection and remittance. Collection activity may be handled by the municipality up to the point in time whereby water arrears are transferred to the property tax roll and / or service disconnection occurs (depending upon the arrears policy of the municipality).
- Reporting – The level of reporting and access to water billing information provided by the electric utility varies widely.
- Data analytics and service order processing – In some cases, analysis of meter readings and billed consumption data is the responsibility of the electric utility. Such analysis may trigger issuing meter related inspection / maintenance work orders to the municipality. For example, should meter readings suddenly reflect zero consumption for an account, a service work order may be issued to inspect the meter that may be stopped, tampered with or, if so equipped, may have a bypass valve that has been opened.

Relatively speaking, the level and scope of services provided by Alectra to Hamilton is at the highest end of the service spectrum.

Preliminary Billing Transition Plan

Alectra has advised it will provide support the City to facilitate a smooth transition to a new billing supplier by:

- providing support through established joint working teams to assist with the transition of services and related municipal data to a new billing provider
- working closely with the City on joint communications, through multiple communication channels, to help water billing customers manage the related change with the transition to a new billing provider

The City needs to determine whether there is a viable full service provider that could assume the responsibilities presently undertaken by Alectra. It is proposed that staff develops and implements a Request for Information (RFI) process to identify potential qualified third-party providers to assume the full scope of services provided by Alectra.

Staff will continue to collaborate with Guelph, Markham and Vaughan with the intent to potentially engage in joint procurements including the issuance of the RFI with the expectation that there may be enhanced value for money by doing so.

APPENDICES AND SCHEDULES ATTACHED

Not Applicable.

JS/dt