

City of Hamilton General Issues Committee Meeting November 17, 2021

Brian Bentz, President & CEO, Alectra Inc.
Norm Loberg, Board Chair, Alectra Inc.



Municipal Water Billing Background

- In the past, some of Alectra Utilities' predecessors have provided a combined billing service for both electricity and water utilities.
- The electricity and water billing businesses, as well as their rate structures, were simple when Alectra's predecessors began providing these services to their municipalities.
- However, with the increasingly complex requirements of the provincial government and OEB in the electricity bill structure, combined with the requirements of four unique municipal water billing services, it has become more difficult and expensive to maintain the legacy utility billing services business model.
- These conditions would be present irrespective of a merger or standalone scenario, however, there is added complexity in dealing with Alectra's multiple electricity rate zones.

Timeline

- **2018** – Water services negotiations commenced with the City of Hamilton
- **2019** – Alectra proposed multiple water services User Group Sessions with the Cities of Hamilton, Markham and Vaughan to consider common processes amongst the municipalities which align to electricity processes
- **2020** – Water services negotiations commenced with the Cities of Markham and Vaughan. They requested Hamilton and Guelph staff be included in its contract negotiations.
- **May 2020** – New water billing contract concluded with the city of Hamilton with a 5-year agreement.
- **October - December 2020** – Continued COV and COM contract negotiations inclusive of Hamilton.
- **March 2021** – Water Billing Business Case prepared by Alectra Staff and reviewed by senior leadership.
- **May 21, 2021** – Alectra's Board of Directors presented with review of Water Billing Business Case; approves the winding down and discontinuing of water billing.
- **June 10, 2021** – HUC meeting between Alectra and the City of Hamilton.
- **June 18, 2021**, – Confidential notification re: discontinuation provided to IBEW and PWU executives.
- **June / July, 2021** – Communications and Stakeholder Relations plan development and approval.
- **August 6, 2021** – Memo sent by Alectra to affected municipalities' CAOs/City Managers, Copying Mayors, advising of Alectra's decision to discontinue Water Billing.



Decision to Exit Water Billing

- Winding down municipal water billing services was a strategic decision, which provides value to customers, shareholders and Alectra.
- We undertook a comprehensive review of billing services examining multiple options. The review was validated by an independent 3rd party for completeness and accuracy.
- The review indicated that significant investments were required to meet evolving municipal needs while meeting Alectra's regulatory obligations as well as customer expectations. The economics of the required investments were unfavourable and would have hurt shareholder value.
- Benefits of exiting water billing:
 - Opportunity for municipalities to take control and customize water billing to best suit their citizens, including billing frequency, quality targets, tailored programs, simplified business processes and a dedicated customer engagement channel.
 - Opportunity for the utility to concentrate on core operational priorities and growth opportunities, foster a genuine customer-centric culture (consistent, simple and brand-enhancing) while meeting the needs of the rapidly evolving electricity utility business.
 - Eliminates growing confusion for water billing customers with respect to bill origin and the role of Alectra as the billing agent.



Alectra's Ongoing Commitment & Transition Agreement

- Alectra provided long lead times to municipalities to ensure the transition of water services would allow for the opportunity to investigate multiple service and partnership options.
- Services and contractual terms for the City of Hamilton will continue until the end of December 2024 and other municipal contracts will be extended as required.
- Alectra is committed to working with the City of Hamilton and post-2024 water billing provider to ensure a smooth transition for operations and customers.
- Joint workshops are planned for Alectra to share integration and vendor lessons learned with municipal staff.

Transition Agreement:

- Alectra will cooperatively develop Transition Agreements to clearly articulate roles and responsibilities for both Alectra and the Cities to facilitate the transition of water services at the conclusion of 2024 – the details of which will help inform the procurement requirements for the Cities.
- The Transition Agreements will outline timelines, milestone events, and commercial terms on assistance outside of the services outlined in the existing Agreement.

Alectra was built on the promise that a merged utility would mitigate rate increases and increase dividends. These promises have been kept;

- Distribution rate increases have been held at the rate of inflation, and are lower than non-merger scenario
- Dividends have been nearly \$10M higher for Hamilton than the non-merger scenario
- In 2019, HUC received a dividend payment over \$5M larger than the standalone scenario

Additionally, the merger promised that a larger utility would have the scale required to be successful through the imminent evolution of the sector

- As a merged entity, Alectra is better-equipped to manage and leverage the imminent trends of decarbonization, decentralization, digitization, democratization



Questions?