



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning, Administration and Policy Division**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	February 17, 2022
<b>SUBJECT/REPORT NO:</b>	Discontinuation of Water Billing Services by Alectra Utilities Corporation (FCS21082(a)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	John Savoia (905) 546-2424 Ext. 7298
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATIONS**

- (a) That staff be authorized and directed to negotiate and enter into, on behalf of the City of Hamilton, a Transition Agreement with Alectra Utilities Corporation to facilitate the termination of water billing services from Alectra Utilities Corporation by December 31, 2024;
- (b) That the Mayor and City Clerk be authorized and directed to execute all necessary documentation to execute a Transition Agreement with Alectra Utilities Corporation with content acceptable to the General Manager of Finance and Corporate Services and in a form satisfactory to the City Solicitor;
- (c) That the Mayor and City Clerk be authorized and directed to execute all necessary documentation to execute a Collaboration Agreement between the City of Hamilton and any or all of the cities of Guelph, Markham and Vaughan, with content acceptable to the General Manager of Finance and Corporate Services and in a form satisfactory to the City Solicitor;
- (d) That the single source procurement of Kaihen Inc. as external consultants for the Water Billing Transition Project, pursuant to Procurement Policy #11 – Non-competitive Procurements be approved;

- (e) That the General Manager, Finance and Corporate Services, be authorized to negotiate, enter into and execute a contract and any ancillary documents required to procure Kaihen Inc. as the consultant to support the Water Billing Transition Project in a form satisfactory to the City Solicitor;
- (f) That the preliminary phase cost of the Water Billing Transition Project with an upset limit of \$200,000, be funded equally from the Waterworks Capital reserve (108015) and the Sanitary Sewer Capital reserve (108005).

## **EXECUTIVE SUMMARY**

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 (for details refer to Report FCS19095(a)). The budgeted cost of these services for 2022 is \$5.8 M.

On August 6, 2021, the City was advised that Alectra's Board of Directors, at its May 21<sup>st</sup> 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 the current contract expiry, being December 31, 2024 (for details refer to Report FCS21082). 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. These municipalities also received notice from Alectra of plans to discontinue billing services.

Alectra has advised it will 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

As recommended, a Transition Agreement between Alectra and the City will be developed that will outline the roles and responsibilities of both parties during the transition period ending in December 2024.

Staff has collaborated with Guelph, Markham and Vaughan with the intent to potentially engage in joint procurements with the expectation that there will be enhanced value for money by doing so. As such, staff is recommending that a Collaboration Agreement between the City and any or all of the cities of Guelph, Markham and Vaughan to facilitate Cooperative Procurement (Policy #12 under the City's Procurement Policy).

Collectively, the four municipalities recognize the need for a consultant resource to advise on the development of the Transition Agreement, conducting assessments of each municipality's current systems and processes, preparation and evaluation of procurements and project management of the Project culminating in the implementation of the final billing solution. Staff is recommending that for the Water Billing Transition Project (Project), Kaihen Inc. (Kaihen) be single sourced through Policy #11 of the City's Procurement Policy (By-law 21-215) to support and advise the collective municipalities. Kaihen is a Canadian consulting firm that helps water, electric and gas utilities, home services companies, energy retailers and municipalities prepare for the kinds of fundamental business changes that improve operations and customer service. Refer to the Analysis and Rationale for Recommendations section of Report FCS21082(a) for further details supporting the recommendation Kaihen.

It is recommended that the preliminary phase cost with an upset limit of \$200 K, be funded equally from the Waterworks Capital reserve (108015) and the Sanitary Sewer Capital reserve (108005).

**Alternatives for Consideration – Not Applicable**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** Subject to Council approval of the recommendations to Report FCS21082(a), staff will begin negotiations with Kaihen in order to obtain a reasonable and competitive rate. In-house staff expertise will also contribute to the compilation of the Project, which will require staff time.

It is estimated that Hamilton's share of the preliminary consultant engagement cost related to the Project will not exceed \$200 K recommended to be funded equally from the Waterworks Capital reserve (108015) and the Sanitary Sewer Capital reserve (108005).

**Staffing:** Staff from various areas of the City will form an internal Water Billing Stakeholder working group that will be required to participate in and provide information required for the Project.

**Legal:** There are no legal implications from the recommendations of Report FCS21082(a). Assistance will be required for the finalization and execution of any agreements and contracts.

## **HISTORICAL BACKGROUND**

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 2022 is \$5.8 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 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. These municipalities also received notice from Alectra of plans to discontinue billing services. Staff has collaborated with Guelph, Markham and Vaughan with the intent to potentially engage in joint procurements with the expectation that there will be enhanced value for money by doing so.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

By-law 21-215, Procurement Policy, Policy #11 Non-competitive Procurements and Policy #12 Cooperative Procurements would be utilized if the recommendations of Report FCS21082(a) are approved.

## **RELEVANT CONSULTATION**

Finance staff has engaged in ongoing discussions with staff from Guelph, Markham and Vaughan. It has been determined that a collaborative procurement, where possible, is the preferred method as it would provide opportunities for the realization of economies of scale through the use of same contract terms and conditions.

Corporate Services – Procurement has been consulted with respect to the engagement of a consultant for the Project.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATIONS**

Recommendations (a) and (b) to Report FCS21082(a) are required in order for the City to enter into negotiations with Alectra to develop and enter into a Transition Agreement. This Agreement will facilitate the termination of water billing services from Alectra by December 31, 2024 and will ensure that all necessary roles and responsibilities of both parties and deadlines will not be interrupted during the transition.

Staff has engaged in ongoing discussions with staff from Guelph, Markham and Vaughan. It has been determined that a collaborative procurement, where possible, is the preferred method as it would provide opportunities for the realization of economies of scale through the use of same contract terms and conditions. As such, a Collaboration Agreement is recommended between the cities to be entered into as necessary to achieve savings.

Staff is recommending that for the Project, Kaihen be hired as the external consultant to support and advise the collective municipalities throughout the Project, including:

- advising with the development of the Transition Agreement
- conducting assessments of each municipality's current systems and processes
- preparation and evaluation of procurements
- providing project management of the Project

Per City of Hamilton By-law 21-215, Procurement Policy #11 - "Non-competitive Procurements", staff must obtain Council approval for single source requests greater than \$250 K. The preliminary phase of the Project will entail the development of transition agreements for each municipality and the completion of research culminating the one or more procurements. As previously noted, Hamilton's share of the preliminary consultant engagement cost related to the Project is not expected to exceed \$200 K. However, as the project progresses to the implementation phase of the Project, staff will report back to Council on additional costs once determined.

Kaihen is a Canadian consulting firm that helps water, electric and gas utilities, home services companies, energy retailers and municipalities prepare for the kinds of fundamental business changes that improve operations and customer service including evaluating the selection of Customer Information System (CIS) solutions.

A CIS is one of the most important applications within a water utility. Its ability to obtain enormous amounts of information and enable back-office and field activities from a single, unified place means that a CIS not only makes the processes within the utility more efficient, it also acts as a dependable system that customer service reps, billing clerks, collection staff / agencies, meter shop staff, financial analysts and management can also rely on to do their jobs.

Kaihen has deep CIS credentials, working with many water, electric and gas utilities across a varied list of CIS system vendors.

#### Client Experience

- Region of Durham – CIS selection and Implementation (Advisory, Change Management, Conversion, Business Analysis, Technical Analysis)
- Region of Peel – CIS implementation (Integration, Business Processes, Testing)
- Toronto Hydro – SI RFP development and Blueprinting readiness
- Metergy – CIS Upgrade (selection and advisory for Design, selection for implementation)
- Elexicon – CIS Merger (project management, business process design, testing, cutover)
- EPCOR – CIS Implementation (Data Conversion, User Training, Change Management)
- ATCO – CIS Implementation (Business Process design, User Training, Market Transaction design)

#### CIS Vendor Experience

- Oracle CC&B / CCS
- SAP CRB/S4HANA
- Harris NorthStar
- Harris Cogsdale
- SunGard HTE
- Daffron
- Peace Software
- Banner

As a result, Kaihen provides a unique combination of specialized skills and utility industry experience. Kaihen's wide vendor experience reflects that it is "vendor agnostic" as it does not resell vendor solutions, nor does it have formal alliances with product vendors. The recommendations made are based entirely on Kaihen's assessment of what will deliver the best results to their client.

In April 2020, the Region of Durham (Durham) was recognized by CS Week for the Best Customer Information System (CIS) Implementation (Mid-Size). CS Week is the premier annual educational and customer service conference serving electric, gas and water / wastewater utility professionals across North America and around the world. The award salutes major implementations of customer information systems based on budget and schedule adherence, operational efficiency after go-live, innovative solutions and improved service levels.

In October 2019, Durham replaced its 30+ year old legacy water billing application with a state-of-the-art Oracle Customer Care and Billing (CC&B) system to better serve its customers. Kaihen was engaged directly by Durham for client-side services to first assist the Region with the evaluation and selection of the product and system integrator and continuing through the implementation project. Kaihen's CC&B knowledge was instrumental in advising the Region on its approach to configuring and deploying the system. Kaihen led the data conversion on the Region's side, resulting in a very smooth go-live migration. Kaihen also led the change management resulting in effective communication, especially to the customers and in readying the business for adopting the new system and processes.

References from both Durham and Peel have been provided that further support engaging Kaihen. Kaihen has extensive knowledge and the experience to support the collective municipalities with the Project.

The preliminary phase of the Project, that involves the discovery phase leading to the preparation of a Request for Proposals (RFP) for an external water billing provider, is expected to take up to six months to complete. Therefore, it is recommended to commence the preliminary phase as soon as Kaihen can be engaged given that the implementation phase of a final water billing solution is expected to take up to 24 months to complete and the December 31, 2024 Alectra contract expiry date.

## **ALTERNATIVES FOR CONSIDERATION**

N/A

## **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

### **Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

## **APPENDICES AND SCHEDULES ATTACHED**

Not applicable.

JS/dt