



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	January 19, 2023
SUBJECT/REPORT NO:	Utility Billing Transition Project Procurement Plan (FCS21082(d)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	John Savoia (905) 546-2424 Ext. 7298
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the single source procurement with Olameter Inc. to provide manual water meter reading services for the City of Hamilton, pursuant to Procurement Policy #11 – Non-competitive Procurements, be approved;
- (b) That the General Manager, Public Works, be authorized to negotiate, enter into and execute a contract and any ancillary documents required to give effect thereto to provide manual water meter reading services for the City of Hamilton for a term of two years with a one-year term extension at the City's sole option, commencing from when the City assumes responsibility for utility billing from Alectra Utilities, in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

On August 6, 2021, the City was advised that Alectra's Board of Directors, at its meeting of May 21, 2021, approved an Alectra staff recommendation to discontinue water billing services by the time of the current contract expiry, being December 31, 2024 (for details refer to Report FCS21082). It should be noted that Alectra similarly provided notice of termination to the municipalities of Guelph, Markham and Vaughan.

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Collectively, the four municipalities engaged Kaihen Inc. (Kaihen) as a consultant resource to support each municipality's transition to a new utility billing solution. Kaihen conducted assessments of each municipality's current systems and processes during an initial Discovery Phase (Phase 1) of the Water Billing Transition Project (Project) and completed an analysis of utility billing service delivery models both on a collective group and individual municipality basis (refer to Report FCS21082(a) for details).

Each municipality is moving forward with a Hybrid Billing Model which would entail each municipality acquiring a billing software solution referred to as a Customer Information System (CIS). Once the CIS is selected, staff will proceed to procure Contact Centre, Customer Portal, Bill Print and Meter Reading services and establish an in-house Back Office unit (refer to Report FCS21082(b) for details).

Phase 2 of the Project is the Procurement and Evaluation Phase, which commenced in November 2022 and is expected to be completed by August 2023. This Phase will involve a series of procurements:

CIS: The municipalities will be leveraging a combined procurement process to acquire a CIS whereby each municipality can select its own vendor solution. The CIS procurement has commenced with the expectation of releasing the Request for Proposals (RFP) in January 2023.

Contact Centre: A Request for Proposals (RFP) will be issued that will permit an in-house bid to be submitted and considered with external proposals. In accordance with Procurement Policy #22, Council approval has been obtained prior to the preparation and submission of the in-house bid (refer to Report FCS21082(c) for details). The Contact Centre procurement is expected to commence in January 2023 and be completed by July 2023.

Customer Portal: The Customer Portal procurement is expected to commence in January 2023 and be completed by July 2023. A customer portal is a personalized website offering customers a single point of access to relevant customer billing information and self-service options.

Bill Print: The Bill Print procurement is expected to commence in April 2023 and be completed by August 2023.

Meter Reading: Staff is recommending that, for manual water meter reading services, staff be authorized to negotiate a contract with Olameter Inc. (Olameter) for it to continue to provide manual water meter reading services for a period of two years with a one-year term extension at the City's sole option, (commencing when the City assumes utility billing responsibilities from Alectra). Olameter is the incumbent meter reading vendor contracted by Alectra and is an industry leader providing meter reading services for electric, gas and water utilities located across North America.

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The rationale to continue with Olameter is based on the expectation of a smoother transition and avoid the risks associated with changing meter reading vendors while transitioning to a new CIS. The proposed 2-year term with an optional one year term extension, will provide staff with the necessary time to evaluate the program needs first hand and the service provided by Olameter, while an RFP is prepared to procure future water meter reading services in advance of the expiration of the contract with Olameter. Meter reading vendor management will transition from Alectra to Hamilton Water with staffing requirements to be determined and brought forward in the appropriate budget year for consideration.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The 2023 budgeted cost for water billing services currently being provided by Alectra is approximately \$6 M. The estimated cost of meter reading is approximately \$2.3 M annually.

The total operating costs associated with the future utility billing model once implemented are unknown at present. However, it is estimated that the cost will likely be 15-25% higher than the current billing model for a number of reasons:

- Significant inflation over 2022 cost levels particularly with bill print and meter reading services.
- The loss of a multi-utility invoice (current water and electric) will result in having to absorb the full cost of postage and bill print for all hard copy invoices (approximately 1.27 million invoices annually given approximately one-third of customers are on e-billing).
- The loss of economy of scale that Alectra with over one million customers obtains when it procures goods and services.

Staffing: Subject to Council approval of the recommendations to Report FCS21082(d), staff, in conjunction with Kaihen, will negotiate a contract with Olameter. Staffing requirements to support future vendor management will be determined and brought forward in the appropriate budget year for consideration.

Legal: There are no legal implications from the recommendation of Report FCS21082(d). Assistance from Legal Services 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 2023 is \$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.

Alectra also provides utility billing services to the municipalities of Guelph, Markham and Vaughan, serving a total of approximately 400,000 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

The recommendations set out in Report FCS21082(d) are in accordance with By-law 20-205, as amended, Procurement Policy, Policy #11 Non-competitive Procurements.

RELEVANT CONSULTATION

Finance staff has engaged in ongoing discussions with staff from Guelph, Markham and Vaughan with the support of Kaihen.

Corporate Services – Procurement has been consulted regarding the recommendations of Report FCS21082(d).

Public Works – Hamilton Water has been consulted regarding the recommendations of Report FCS21082(d) as it will assume management of this contracted service once the City assumes responsibility for utility billing from Alectra.

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

Phase 2 of the Project is the Procurement and Evaluation Phase, which commenced in November 2022 and is expected to be completed by August 2023. This will involve a series of procurements:

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The rationale to continue with Olameter is based on the expectation of a smoother transition and avoid the risks associated with changing meter reading vendors while transitioning to a new CIS. The proposed 2-year term with an optional one year term extension, will provide staff with the necessary time to evaluate the program needs first hand and the service provided by Olameter, while an RFP is prepared to procure future water meter reading services in advance of the expiration of the contract with Olameter. Meter reading vendor management will transition from Alectra to Hamilton Water with staffing requirements to be determined and brought forward in the appropriate budget year for consideration.

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

N/A

JS/dt