



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	December 7, 2023
SUBJECT/REPORT NO:	Compound Water Meter Billing Issues (FCS23110) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Katie Black (905) 546-2424 Ext. 6415 John Savoia (905) 546-2424 Ext. 7298
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the General Manager, Finance and Corporate Services, be authorized to enter into a deferred payment arrangement with a 24-month repayment period commencing in December 2023, pertaining to water and wastewater / storm charges for a total amount of \$135,167 regarding Alectra Utilities (Alectra) account number 3901671300 and service address of 265 Melvin Avenue, Hamilton; and
- (b) That the General Manager, Finance and Corporate Services, be authorized to enter into a deferred payment arrangement with a 24-month repayment period commencing in December 2023, pertaining to water and wastewater / storm charges for a total amount of \$132,137.82 regarding Alectra account number 788081300 and service address of 121 Hunter Street West, Hamilton.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

EXECUTIVE SUMMARY

The City utilizes a variety of water meter types to accurately measure customers' water consumption for the purposes of billing for water and wastewater / storm services. "Compound" meters are often installed for customers that use large quantities of water and have wide variations in water use: hospitals, golf courses, large public buildings, apartment buildings and industries. There may be times during a day when water demand in such facilities is high and other times when there is little or no use. The meters used in these conditions must be accurate at low and high flow rates. The City currently has approximately 680 compound meters in service.

A compound meter is designed to accurately measure high and low flow rates and, as such, has two measuring elements (one for low flows and one for high flows) so that two "odometer" readings are obtained for each billing cycle and commonly referred to as the "high" and "low" sides of the compound meter.

Nearly all the water meters employed by the City measure water flow by mechanical means, and thus, are subject to wear. As meters age, they eventually lose the ability to correctly measure and record flow. In some cases, the meter will actually stop and no longer measure and record flow. When meter reads are obtained that reflect zero consumption, Alectra flags such circumstances and issues a service order to Hamilton Water to have the meter replaced. Until the meter is replaced, Alectra is to continue to bill based on estimated consumption.

In the case of compound meters, readings for the "high" and "low" sides are obtained with the combined consumption used for billing purposes. Recently, it has been discovered that Alectra's billing system has not been identifying circumstances where one side of a compound meter is stopped. Consequently, service orders may not have been issued in a timely fashion (or not at all) and most significantly, the ongoing billings were based on zero usage as the estimated consumption was not occurring and, in effect, grossly underbilling the account.

The City's Water and Wastewater / Storm Back-billing Policy (Back Billing Policy) provides staff the authority to back-bill charges not previously billed for related to service that was delivered to the customer during a period before the current billing cycle where the original billings are discovered to be too low (under-billed). Accounts found to have been under-billed will be back-billed for the correct amount for the period of the under-billing but not to exceed 24 months.

Five significant billing adjustments associated with stopped "low side" of compound meters have recently been identified amounting to approximately \$442 K in debit adjustments (refer to the Historical Background section of Report FCS23110 for details).

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In March 2017, Council approved the Water and Wastewater / Storm Billing Payment Arrangement Policy which requires that all water and / or wastewater / storm deferred payment arrangements exceeding \$100 K be referred to the Audit, Finance and Administration Committee for approval (for details refer to Report FCS17029).

As such, Report FCS23110 is provided for the recommended authorization of a deferred payment arrangement with a 24-month repayment period for:

- Alectra account number 3901671300 regarding 265 Melvin Avenue, Hamilton. The water and wastewater / storm bills are charged to Argyle Apartments which is a multi-residential complex. The low side of the compound meter had stopped in April 2019. A back bill (limited to 24 months) for the October 2021 to October 2023 for unbilled water consumption amounted to \$135,167, a significant amount that would represent an undue financial hardship for the property owner if payment is required in its entirety immediately.
- Alectra account number 788081300 regarding 121 Hunter Street West, Hamilton. The water and wastewater / storm bills are charged to Effort Trust which is a multi-residential complex. The low side of the compound meter had stopped in July 2020. A back bill (limited to 24 months) for the October 2021 to October 2023 for unbilled water consumption amounted to \$132,137.82, a significant amount that would represent an undue financial hardship for the property owner if payment is required in its entirety immediately.

The Payment Arrangement Policy allows for customers to request to enter into an optional payment arrangement to address water and / or wastewater / storm billings.

As the property owners were not at fault for the unbilled consumption, staff supports payment arrangements on an interest-free basis as permitted by the Policy.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Water and wastewater / storm revenue recovery related to significant underbilled consumption amounting to approximately \$442 K will be realized in a reasonable timeframe. Due to the two-year limitation on back billing, foregone revenue amounted to almost \$295 K associated with three accounts.

Staffing: N/A

Legal: The City's ability to recover water and wastewater / storm revenue is not impaired by entering into a deferred payment arrangement with the customer. In the event a deferred payment instalment becomes delinquent, the outstanding balance would be immediately transferred to the property tax roll. In such circumstances, the fees and charges added to the tax roll will have priority lien status as described under Section 1 of the *Municipal Act, 2001*.

HISTORICAL BACKGROUND

The City utilizes a variety of water meter types to accurately measure customers' water consumption for the purposes of billing for water and wastewater / storm services. "Compound" meters are often installed for customers that use large quantities of water and have wide variations in water use: hospitals, golf courses, large public buildings, apartment buildings and industries. There may be times during a day when water demand in such facilities is high and other times when there is little or no use. The meters used in these conditions must be accurate at low and high flow rates. The City currently has approximately 680 compound meters in service.

A compound meter is designed to accurately measure high and low flow rates and as such, has two measuring elements (one for low flows and one for high flows) so that two "odometer" readings are obtained for each billing cycle and commonly referred to as the "high" and "low" sides of the compound meter.

Nearly all the water meters employed by the City measure water flow by mechanical means, and thus, are subject to wear. As meters age they eventually lose the ability to correctly measure and record flow. In some cases, the meter will actually stop and no longer measure and record flow. When meter reads are obtained that reflect zero consumption, Alectra flags such circumstances and issues a service order to Hamilton Water to have the meter replaced. Until the meter is replaced, Alectra is to continue to bill based on estimated consumption.

In the case of compound meters, readings for the "high" and "low" sides are obtained with the combined consumption used for billing purposes. Recently, it has been discovered that Alectra's billing system has not been identifying circumstances where one side of a compound meter is stopped. Consequently, service orders may not have been issued in a timely fashion (or not at all) and most significantly, the ongoing billings were based on zero usage as the estimated consumption was not occurring in effect grossly underbilling the account.

Alectra has advised that a report providing accounts billed out at zero consumption is being developed which is to include zero usage on either side of a compound meter.

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The new monthly report will be reviewed so that the zero consumption accounts would be estimated and a service order would be sent to Hamilton Water to address a stopped meter.

The City's Back Billing Policy provides staff the authority to back-bill charges not previously billed for related to service that was delivered to the customer during a period before the current billing cycle where the original billings are discovered to be too low (under-billed).

In accordance with the City's Water and Wastewater / Storm Back-billing Policy:

- Any utility account found to be under-billed or over-billed shall be corrected immediately.
- Accounts found to have been under-billed will be back-billed for the correct amount for the period of the under-billing but not to exceed 24 months.

Hamilton Water initiated a thorough examination of consumption data for both the high and low sides of all compound meters in service. The purpose of this endeavor is to proactively address and prevent any future reoccurrence of such an issue. A new monthly verification report has been developed that will flag compound meters which are reading zero on the low or high end. This report serves as a valuable tool for identifying potential anomalies and trigger investigations into any stopped meters.

Consequently, five significant billing adjustments associated with stopped "low side" of compound meters have recently been identified amounting to approximately \$442 K in debit adjustments:

- 265 Melvin Avenue, Hamilton (Account 3901671300). Argyle Apartments is the account holder. The low side of the compound meter had stopped in April 2019 resulting in a back bill (limited to 24 months) for October 2021 to October 2023 for a total debit adjustment of \$135,167. The customer has requested a payment arrangement with a twenty-four month repayment term. Foregone revenue for April 2019 to October 2021 amounted to approximately \$156 K.
- 121 Hunter Street West, Hamilton (Account 788081300). Effort Trust is the account holder. The low side of the compound meter had stopped in July 2020 resulting in a back bill (limited to 24 months) for October 2021 to October 2023 for a total debit adjustment of \$132,137.82. The customer has requested a payment arrangement with a twenty-four month repayment term. Foregone revenue for July 2020 to October 2021 amounted to approximately \$72 K.

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- 175 Longwood Road South, Hamilton (Account 9765281300). McMaster Innovation Park is the account holder. The low side of the compound meter had stopped in February 2020 resulting in a back bill (limited to 24 months) for October 2021 to October 2023 for a total debit adjustment of \$83,472.08. Foregone revenue for February 2020 to October 2021 amounted to approximately \$66 K.
- 525 Glover Road, Hamilton (Account 8721991300). Fibracast is the account holder. The low side of the compound meter had stopped in November 2022 resulting in a back bill for November 2022 to October 2023 for a total debit adjustment of \$59,566.40.
- 187 Park Street South, Hamilton (Account 7643011111). Homestead Land Holdings Ltd. is the account holder. The low side of the compound meter had stopped in July 2023 resulting in a back bill for July to October 2023 for a total debit adjustment of \$30,805.87. Customer has paid full amount.

In March 2017, Council approved the Water and Wastewater / Storm Billing Payment Arrangement Policy which requires that all water and / or wastewater / storm deferred payment arrangements exceeding \$100 K be referred to the Audit, Finance and Administration Committee for approval (for details refer to Report FCS17029).

As such, Report FCS23110 is provided for the recommended authorization of a deferred payment arrangement with a 24-month repayment period for:

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- Alectra account number 788081300 regarding 121 Hunter Street West, Hamilton. The water and wastewater / storm bills are charged to Effort Trust which is a multi-residential complex. The low side of the compound meter had stopped in July 2020. A back bill (limited to 24 months) for the October 2021 to October 2023 for unbilled water consumption amounted to \$132,137.82, a significant amount that would represent an undue financial hardship for the property owner if payment is required in its entirety immediately.

The Payment Arrangement Policy allows for customers to request to enter into an optional payment arrangement to address water and / or wastewater / storm billings.

As the property owners were not at fault for the unbilled consumption, staff supports the payment arrangements on an interest-free basis as permitted by the Policy.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

As the amounts proposed for deferred payment arrangements exceeds \$100 K, the City's Water and Wastewater / Storm Billing Payment Arrangement Policy is applicable.

RELEVANT CONSULTATION

Alectra Utilities has provided detailed water billing information related to the water accounts associated with stopped compound meters. Alectra will have customers formally enter into payment arrangements upon approval of the Recommendations of Report FCS23110.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

There have been several significant catch-up or back billed water and / or wastewater / storm billings in the past particularly with large-use customers where deferred payment arrangements have been requested by customers. However, there have only been five circumstances since 2008 where staff has required Council approval for an arrangement exceeding \$100 K. Deferred interest-free payment arrangements are a reasonable measure to ensure the City recovers water and wastewater revenue without creating undue hardship for customers.

The Policy allows for customers to request to enter into an optional payment arrangement to address water and / or wastewater / storm billings.

As the property owners with stopped compound meters were not at fault for the unbilled consumption, staff supports payment arrangements on an interest-free basis as permitted by the Policy.

ALTERNATIVES FOR CONSIDERATION

N/A

APPENDICES AND SCHEDULES ATTACHED

N/A

JS/KB/dt