

Committee of the Whole (2) Report

DATE: Tuesday, September 20, 2022

WARD(S): ALL

TITLE: UPDATE ON THE TRANSITION OF W-WW-SW BILLING
SERVICES FROM ALECTRA

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To provide an update on the transition of the City's water, wastewater and stormwater billing services, award the single source procurement of external services to Kaihen Inc. for the next two phases of the project - Selection and Evaluation phase and Implementation phase and request additional funding as a result.

Report Highlights

- On August 6, 2021, the City was advised that Alectra's Board of Directors, at its May 21st meeting, approved a recommendation by Alectra staff to discontinue water, wastewater and stormwater billing services by December 31, 2024..
- Alectra advised it will provide support to facilitate a smooth transition to a new billing system/supplier.
- A single source procurement of an external consultant will continue to assist with the project, pursuant to Section 3, Item 3.6 c) of the Corporate Procurement Policy (PS-003).
- City staff to continue working with the external consultant, Kaihen Inc. to review available options to determine if the transition should be to an out-sourced full-service provider, or if the City should purchase billing software and assume the role directly.
- The estimated value for phase 2 of the consulting services is expected to not exceed \$265,000 incl. tax and administrative fees, to be funded from additional funding requested under capital project FI-0089-22 – 'Water and Wastewater Billing System Discovery'.
- The estimated value for phase 3 of the consulting services is expected to be approximately \$265,000 incl. tax and administrative fees, to be funded from additional funding request under capital project FI-0089-22 – 'Water and Wastewater Billing System Discovery'.
- Staff will continue to work in collaboration with the cities of Hamilton, Guelph, and Markham, in order to leverage available synergies, reduce costs and benefit from the municipalities' collective experience.

Recommendations

1. That Council receive this report as the update of the City's water, wastewater and stormwater services transition from Alectra;
2. That the budget for capital project FI-0089-22 'Water and Wastewater Billing System Discovery' be increased to reflect Phase 2 and Phase 3 at an estimated \$530,000, funding: \$212,000 water reserve, \$291,500 wastewater reserve, \$26,500 stormwater reserve;
3. That Council authorize a single source procurement of consulting services to Kaihen Inc. to continue to assist with the Water, Wastewater and Stormwater Billing Project ("the Project"), pursuant to Section 3, Item 3.6 c) of the Corporate Procurement Policy (PS-003);
4. That the Director of Procurement Services be authorized to finalize and execute any necessary agreements in a form satisfactory to Legal Services;
5. That the Director of Procurement Services be authorized to execute agreements for the project, in a form satisfactory to Legal Services, subject to

budget approval for additional phases of the water, wastewater and stormwater billing project as applicable; and

6. That the inclusion of the matter on a Public Committee or Council agenda for the additional funding request for the Water and Wastewater Billing System Discovery is deemed sufficient notice pursuant to section 2(1) (c) of By-law 394-2002.

Background

Alectra Utilities Corporation ("Alectra"), formerly PowerStream, formerly Vaughan Hydro-Electric Commission, has been providing water, wastewater and stormwater (W/WW/SW) account management and billing services to the City of Vaughan ("City").

On August 6, 2021, the City was advised that Alectra's Board of Directors, at its May 21st meeting, approved a recommendation by Alectra staff to discontinue water billing services. Alectra then committed to extend the current service agreement for an additional 12 – 18 months to support the move to a new billing provider. The decision was made in order 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, Hamilton, and Markham, serving a total of approximately 410,000 water customers with combined electricity and water billing and related customer services.

Currently, the City has approximately 95,000 metered customers on a uniform rate structure for water and wastewater services, as well as a separate annual stormwater charge. The contract with Alectra, which ends on December 31, 2024, is for the provision of water meter reading, billing, payment, collections, and customer care services for W-WW-SW. The suite of services currently provided by Alectra to the City includes:

- Meter reading.
- Bill calculation, printing, mailing and electronic bill presentment options (paperless e-billing).
- 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.
- Payment processing.
- Account collections including the administration of payment arrangements.
- Customer web access to account information including account status and consumption information.
- Monthly and annual statistical reporting.

- Ad-hoc reporting upon request.
- Completion of work orders; issuing service orders to City of Vaughan.
- Transfers of water and wastewater / stormwater arrears to the property tax roll.
- Managing Energy & Water Reporting and Benchmarking (EWRB) legislative reporting requirements for electric and water customers (as of 2018).

In 2017, the City began charging an annual SW charge to all residents. Alectra acts as the billing and collection agent for this annual charge. This service is also expected to end December 31, 2024.

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.

Previous Reports/Authority

[DISCONTINUATION OF WATER, WASTEWATER AND STORMWATER BILLING SERVICES BY ALECTRA UTILITIES](#)

(Item 2, Report No. 58 of the Committee of the Whole, December 10, 2021).

[REQUEST FOR APPROVAL OF SINGLE SOURCE PROCUREMENT IN TRANSITION OF W/WW/SW BILLING SERVICES FROM ALECTRA](#)

(Item 3, Report No. 12 of the Committee of the Whole, March 22, 2022).

Analysis and Options

Billing Transition Plan

Alectra has agreed to support the City through the transition 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.

Council approved the execution of an extended Shared Services with Alectra to continue services up to transition, the execution of a Transition agreement as well as the execution of a Collaboration Agreement with the other municipalities affected by Alectra's decision as applicable.

Staff continue to engage in ongoing discussions with staff from Guelph, Markham and Hamilton. 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.

Kaihen Inc. has been selected by all four municipalities as the external consultant to support and advise the collective municipalities throughout the Project, including:

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

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.

In March 2022, Kaihen was contracted by the City to pursue the preliminary phase or "discovery" phase of the Project, which included high-level analysis of in-house and outsourced options for each municipality and a completion of research culminating the one or more procurements. The City's share of the preliminary consultant engagement related to the Project was \$130,000 inclusive of tax and administrative fees. Since then, Kaihen has facilitated a number of meetings with each municipality in the project to assess the current state and desired objectives for the billing solution both from the billing and operations perspective.

Kaihen has sent out a questionnaire to potential CIS and billing service/system providers to collect information to support the option evaluation and analysis.

The four municipalities, through coordination by Kaihen, will continue to work through the next step which includes the final evaluation of different options (in-house, out-source, hybrid combination of both) as well as continue working with Alectra to finalize the Transition Agreement.

Phase 2 of the project or the "Evaluation and Selection" phase will entail determining the best new billing option as well as evaluating and selecting the service provider through an RFP process. Phase 3 of the Project or the "Implementation" phase will include implementation of the approved option. Preliminary estimates indicate Vaughan's share of the costs will not exceed \$265,000 for Phase 2 and approximately \$265,000 for Phase 3, to be funded from the additional funding request under capital

project FI-0089-22 – ‘Water and Wastewater Billing System Discovery’. These costs are based on all four municipalities continuing to work together and collaborate on the Project. Staff will report back to Council in Q1 2023 with an update on the project.

Financial Impact

Transition Agreement

Costs related to a transition agreement will be included in a future capital request which will be brought forward for Council approval at the appropriate time.

New Billing Service Costs

Options and costs will be presented to Council once staff have completed their due diligence on available options.

Consultation Costs

Kaihen Inc. was hired for the preliminary or discovery phase of the project for \$130,000 incl. taxes and administrative fees. Phase 2 is estimated at \$265,000 and Phase 3 is estimated at \$265,000 including all four municipalities.

Broader Regional Impacts/Considerations

None

Conclusion

Staff will continue to work with Kaihen Inc., as the external consultant, and collaborate with Guelph, Hamilton and Markham to develop the Transition Agreement, determine if the City should use the services of a full-service provider or if the City should purchase billing software and assume the role itself as well as prepare and evaluate procurements for the new service provider (if any). Staff will report back to Council in Q1 2023 with a further update to the project.

For more information, please contact: Veronica Siu, Finance Manager, Water, Wastewater & Stormwater, Ext 8197.

Attachments

None

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