

Committee of the Whole (2) Report

DATE: Tuesday, December 7, 2021

WARD(S): ALL

**TITLE: DISCONTINUATION OF WATER, WASTEWATER AND
STORMWATER BILLING SERVICES BY ALECTRA UTILITIES**

FROM:

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

ACTION: DECISION

Purpose

This report is to provide information relating to the decision by Alectra Utilities to discontinue water, wastewater and stormwater billing services and to obtain Council's approval to execute an extended Shared Services with Alectra to continue services leading up to Transition; a Transition Agreement with Alectra; and a Collaboration Agreement with the other municipalities affected by Alectra's decision.

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.
- The current Shared Services contract with Alectra ends on December 31, 2021. A new contract will be negotiated with an expected end date of December 31, 2024.
- Alectra advised it will provide support to facilitate a smooth transition to a new billing system/supplier.
- City staff will 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.
- In reviewing options, staff will 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 this report be received;
2. That a By-law be enacted to authorize the Mayor and City Clerk to execute a Shared Services Agreement between The City of Vaughan and Alectra in a form satisfactory to the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer and the Deputy City Manager, Administrative Services and City Solicitor;
3. That a By-law be enacted to authorize the Mayor and City Clerk to execute a Transition Agreement between The City of Vaughan and Alectra in a form satisfactory to the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer and the Deputy City Manager, Administrative Services and City Solicitor; and
4. That a By-law be enacted to authorize the Mayor and City Clerk to execute a Collaboration Agreement between The City of Vaughan and any or all of the cities of Hamilton, Guelph and Markham in a form satisfactory to the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer and the Deputy City Manager, Administrative Services and City Solicitor.

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").

Recently, the current service agreement was extended to December 2021 in order to continue the service and to allow for more time to execute a new service contract. The contracted cost of W/WW services for 2021 is \$1.5M. This shared services delivery model is not unique in Ontario as many municipalities have partnered with their local electric utilities to provide meter reading, billing and other customer services related to their W/WW utilities. Further to the W/WW services contract, the City pays approximately \$90K per year to Alectra for SW billing and customer service.

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 noted that the increasing complexity of electricity billing across an 1,800 square kilometre service territory comprising of 17 communities with approximately one million customers, the rapidly changing regulatory environment within which Alectra is operating, combined with managing an evolving customer relationship, has led it to reassess its strategic priorities, customer care processes and billing services, including water billing for the City. 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.

Alectra determined that as electricity and water billing requirements have diverged, it has become increasingly difficult to resolve service gaps. Alectra is focused on a customer-centric approach through digitization of the customer relationship, automation, and process optimization. Discontinuing the water billing services is seen as a necessary step by Alectra to focus on these critical strategic initiatives.

Originally, it had been determined that there were synergies to be gained for both the City and the utility relating to billing, which could be provided more efficiently and effectively by converging the electric and W/WW billing functions. Consolidating these billing functions improved customer service and provided financial benefits to both electric and W/WW customers. As a result, the City has maintained a shared service relationship with the various iterations of the hydro company as it transformed over the years (Alectra Utilities Corporation, formerly PowerStream formerly Vaughan Hydro-Electric Commission).

Over the years, these shared services agreements included Alectra providing meter reading, billing, payment, collections and customer care for W/WW/SW, as well as payroll services for all City staff. Likewise, the City provided cashiering and information technology services to Alectra.

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, 2021, 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)

Alectra provides similar services to three other shareholder municipalities (Guelph, Hamilton and Markham).

- Dedicated Stormwater charge. 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.

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.

Alectra has utilized the services of numerous sub-contractors to provide the City the full scope of services outlined above.

Previous Reports/Authority

Shared Services Agreement – City of Vaughan and Alectra Utilities Corporation
Item 3, Report No. 61 of the Committee of the Whole, December 15, 2020

<https://pub-vaughan.escribemeetings.com/filestream.ashx?DocumentId=72202>

Analysis and Options **Environmental Scan**

A water billing survey was recently completed by the Regional Public Works Commissioners of Ontario (RPWCO) of the larger Ontario water utilities regarding the water billing service delivery models being utilized:

Model 1 - Utilize the local electric utility to provide water billing services (beyond Hamilton, Guelph, Markham and Vaughan): Halton, London, Sudbury and Windsor

Model 2 - Provide water billing services with own staff with some level of outsourcing (generally around meter reading, billing system, invoice print and mailing): Durham, Peel, Ottawa, Richmond Hill, Thunder Bay, Toronto and Windsor.

Furthermore, staff have undertaken an online literature review and have identified a few smaller Ontario municipalities (Haldimand, Norfolk and Oxford Counties) have outsourced water billing services to a full-service provider. It is still unclear if any larger water utility (with at least 50,000 active accounts) utilizes a full-service provider other than the local electric utility.

Under Model 1, there exists diverse levels of service provided by the local electric utility for each municipality including amongst Hamilton, Guelph, Markham and Vaughan.

Generally, there are three core water billing services that are provided to each:

- Meter reading (typically subcontracted if manual reads)

- Billing
- Print and mailing of invoices (often subcontracted)

Beyond the core services, divergence in service delivery emerges:

- Customer Service – in some cases, only “first-tier” customer service (initial support level responsible for basic customer issues) is provided by the electric utility. More in-depth customer support may be handled by the municipality.
- Collections – similar to customer service, collection services provided by the electric utility may be limited to payment collection and remittance. Collection activity may be handled by the municipality up to the point in time whereby water arrears are transferred to the property tax roll and/or service disconnection occurs (depending upon the arrears policy of the municipality).
- Reporting – the level of reporting and access to water billing information provided by the electric utility varies widely.
- Data analytics and service order processing – in some cases, analysis of meter readings and billed consumption data is the responsibility of the electric utility. Such analysis may trigger issuing meter related inspection / maintenance work orders to the municipality. For example, should meter readings suddenly reflect zero consumption for an account, a service work order may be issued to inspect the meter that may be stopped, tampered with or, if so equipped, may have a bypass valve that has been opened.

Preliminary Billing Transition Plan

Initially, Alectra advised it will provide support to the City for 12 – 18 months to facilitate a smooth transition to a new billing system/supplier. After discussion with City staff, Alectra has agreed to work with staff on a more appropriate timeline as the 12 – 18 months is too short of a timeline for the City to complete the analysis required and subsequent transition.

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

City staff will evaluate options, seek Council approval, complete the various procurements required, implement the approved solution, transition Leak Forgiveness plans/processes and transition customer data, payment plans and account balances. Changes to current processes may also be required during this transition or should be

considered during the transition, such as owner/tenant billing. Operational concerns must also be addressed concerning new account set-up, meter changes, work orders and meter inventory. Processes will also have to be established for meter reads regarding high use, estimates and exceptions. Aside from these examples, the City must also determine how the SW billing will be completed and which system can be used.

Staff will review options available to determine if it should use the services of a full-service provider or if the City should purchase billing software and assume the role itself. Throughout the process options for decisioning will be presented to the Senior Management Executive team with report reports taken to City of Vaughan Council as required.

Staff will continue to collaborate with Guelph, Hamilton and Markham with the intent to potentially engage in joint procurements, where possible, with the expectation that there may be enhanced value for money by doing so.

Financial Impact

Shared Services Agreement

The recoveries and costs associated with the proposed shared services agreement were taken into consideration during the 2022 Operating budget process. Preliminary discussions with Alectra indicate that the impacts will be limited to contractual term adjustments tied to a flat fee increase of 3% for each year of the contract. The expectation is that contract term will end on December 31, 2024.

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.

Collaboration Agreement

The 2022 budget includes funds for initial expenses related to preliminary work related to the review of billings options.

New Billing Service Costs

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

Broader Regional Impacts/Considerations

None

Conclusion

The Shared Services Agreement between Alectra and the City of Vaughan is reflective of services currently required. The agreement complies with the transfer pricing and standards of conduct set out in the Ontario Energy Board's Affiliate Relationship Code.

Staff will review available options to determine if the City should use the services of an out-sourced full-service provider or if the City should purchase billing software and assume the role directly. A transition agreement and a review of billing service options will be conducted jointly with the cities of Hamilton, Guelph and Markham in order to leverage available synergies, reduce costs and benefit from the municipalities' collective experience. As such a Collaboration Agreement between the cities will be entered into as necessary to achieve savings. Options for decisioning will be presented to the City of Vaughan Council once staff have completed their due diligence.

For more information, please contact: Dean Ferraro, Director of Financial Services/Deputy Treasurer, Ext 8272.

Attachments

None

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Approved by



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