

Committee of the Whole (2) Report

DATE: Tuesday, March 8, 2022

WARD(S): ALL

**TITLE: REQUEST FOR APPROVAL OF SINGLE SOURCE
PROCUREMENT IN 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 award the single source procurement of external consulting services to Kaihen Inc. in support of the decision by Alectra Utilities to discontinue water, wastewater and stormwater billing services for the City.

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.
- City staff continue 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.
- A single source procurement of an external consultant will assist with the project, pursuant to Section 3, Item 3.6 c) of the Corporate Procurement Policy (PS-003).

Report Highlights continued

- The estimated value for the consulting services is not expected to exceed \$200,000 incl. taxes and administrative fees, to be funded from capital project FI-0089-22 – ‘Water and Wastewater Billing System Discovery’
- Staff 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 authorize a single source procurement of consulting services to Kaihen Inc. 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);
2. That the Director of Procurement Services be authorized to finalize and execute any necessary agreements in a form satisfactory to Legal Services; and
3. 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.

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.

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, 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)

Analysis and Options

Billing Transition Plan

Alectra originally 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

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.

Staff continue to engage 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.

Staff is recommending that Kaihen Inc. 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 with Alectra
- conducting assessments of each municipality's current systems and processes
- preparation and evaluation of procurements
- providing project management of the Project

Under Section 3, Item 3.6 c) of the Corporate Procurement Policy (PS-003): City Council shall approve the award of contracts where: *c) the award is for a Single Source contract and the total cost of the contract exceeds \$100,000.* 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, Vaughan's share of the preliminary consultant engagement related to the Project is not expected to exceed \$200,000. However, as the project progresses to the implementation phase of the Project, staff will report back to Council on additional costs once determined and applicable.

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.

Kaihen Inc. will also assist staff in reviewing options to 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.

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.

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 continues to 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.

Consultation Costs

A single source procurement of an external consultant is estimated to not exceed \$200,000 incl. taxes and administrative fees.

Broader Regional Impacts/Considerations

None

Conclusion

Given the competitive procurement process can take approximately four to six months to complete, this will significantly delay the project rollout and implementation deadlines, staff are requesting the approval of a single source to Kaihen Inc.

Kaihen Inc., as the external consultant, will provide support and advice to the City throughout the Project, including but not limited to, the development of the Transition Agreement, conducting assessments of the City's current systems and processes, preparation and evaluation of procurements, and providing project management of the Project. Kaihen Inc. will also assist staff in reviewing options to 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.

For more information, please contact: Maureen Zabiuk, Acting Director of Financial Services, Ext 8268.

Attachments

None

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