SUBJECT: Water/Wastewater Consecutive Estimated Accounts Policy (FCS09046) (City Wide)

RECOMMENDATION:

a) That the Water and Wastewater Consecutive Estimated Accounts Policy as outlined in Appendix A of Report FCS09046 be approved;

b) That all necessary amendments be made to the following City of Hamilton By-laws to reflect the Policy referred to in recommendation (a):
   i) the City's Waterworks By-law R84-026, as amended; and
   ii) the City's Sanitary Surcharge and Wastewater Abatement By-law No. 03-272, as amended.

c) That the Service Agreement between the City of Hamilton and Horizon Utilities Corporation dated as of May 31, 2005, be amended, if necessary, to implement recommendations (a) and (b) above, with content satisfactory to the Acting General Manager of Finance and Corporate Services; and

d) That the Acting General Manager of Finance and Corporate Services be authorized and directed to execute any and all documents necessary to implement recommendations (a) to (c) above, in a form satisfactory to the City Solicitor

Antonio D. Tollis
Acting General Manager
Finance and Corporate Services
EXECUTIVE SUMMARY:

The City of Hamilton’s Waterworks By-law R84-026, as amended, stipulates billing for service is based upon the consumption registered on the water meter. In the uncommon event where no meter has been installed, billing is made on a non-metered or flat-rate basis (based on 1m³/day). Typically, in order for water meters to be read, there is the need for a remote reading device (“touchpad”) to be installed which requires access to be provided to the City or its authorized agents for this purpose.

As a result of various circumstances, utilities may be unable to obtain a water meter reading for billing purposes. The City and its water/wastewater billing agent, Horizon Utilities Corporation (HUC), exercise due diligence in the usual practice of water meter reading and as such, in circumstances where a water meter read is not obtained, an estimated reading is used to render a water/wastewater invoice. Typically, the consumption estimate is based on the prior historical average usage for the account reflecting a similar period of time of year. Where no historical consumption exists for the account, estimated readings may be made using consumption of metered properties of the same customer rate class.

The City and HUC undertake a number of actions to address the issue of consecutively estimated accounts. The attempts of the City and HUC to address consecutively estimated accounts have achieved a level of success. As Table 1 below illustrates, the efforts over the past year have reduced the number of consecutively estimated water accounts that are monitored monthly by approximately 170 accounts (about 1% of the total water accounts) representing a decrease of over 25%. However, despite ongoing efforts by the City and HUC, approximately 45% of the consecutively estimated accounts list remains unresolved. Typically, these accounts are residential in nature. Those consecutively estimated accounts between 1-2 years do represent a risk to the City’s water/wastewater revenues. The City’s practices regarding Water/Wastewater Utility Back-Bill Adjustments takes into consideration information that the City’s Legal Services Division provided related to the Limitations Act, 2002, which came into effect on January 1, 2004. The ability to collect two year’s worth of arrears can potentially be longer, depending on the facts of the situation.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Water Accounts with Consecutive Estimates &gt; 3 Billing Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mar-08</td>
</tr>
<tr>
<td>Estimates 3 - 6 Periods</td>
<td>294</td>
</tr>
<tr>
<td>Estimates &gt; 6 Periods</td>
<td>308</td>
</tr>
<tr>
<td>Total Estimate Accounts</td>
<td>602</td>
</tr>
</tbody>
</table>
Currently, where the City is unable to obtain actual water meter readings as a result of a property owner’s refusal, water bills for a property may be invoiced at two times the metered rate for the property based on estimated consumption, until such time as the access issues at the property are resolved. This “double-estimating” provision has not proven in all cases to be an effective incentive for customer cooperation to address access issues with respect to obtaining ongoing actual water meter readings.

Therefore, the purpose of this report is to recommend the proposed Policy (refer to Appendix A to report FCS09046) which seeks to treat properties in a similar manner to those properties where the customer has refused to install a water meter and utilize “double-flat rate” billing as a staged approach after three consecutive estimated billings, until such time as access is granted to ensure ongoing actual water meter reads and billings based on those actual reads.

**BACKGROUND:**

The City of Hamilton’s Waterworks By-law R84-026, as amended, stipulates billing for service is based upon the consumption registered on the water meter. Where no meter has been installed, billing is made on non-metered or flat-rate basis. Typically, in order for water meters to be read, there is the need for a touchpad to be installed which requires access to be provided to the City or its authorized agents for this purpose.

Utilities in general, are often unable to obtain a water meter reading for billing purposes for a variety of reasons including:

- Touchpad missing/damage/not reading
- Site conditions such as snow/construction/mud impeding access to the touchpad
- Locked/frozen gates preventing access to touchpad
- Issues related to access keys utilized by meter readers
- Vacant properties with no access for meter readers
- Dog/animal posing a safety hazard for meter readers

The City and its water/wastewater billing agent, HUC, exercise due diligence in the usual practice of water meter reading and as such, in circumstances where a water meter read is not obtained, an estimated reading is used to render a water/wastewater invoice. Currently under the City’s Sanitary Surcharge and Wastewater Abatement By-law, the sanitary surcharge is calculated to be 100% of the amount of the water bill.

The City and HUC undertake a number of actions to address the issue of consecutively estimated accounts that include:

**Customer Communications:**

- When unable to obtain a meter read, the meter readers leave a meter read request door hanger for the customer to call in/return read card with an actual consumption read from their water meter.
HUC will issue letters to customers where access prevents the meter readers from obtaining meter reads.

An invoice which is based on estimated consumption does indicate to the customer that the related consumption reading is based on an “Estimate.”

HUC issues work orders to the City Meter Operations Section to resolve touchpad issues that results in Meter Operations staff contacting customers both by phone and mail to make arrangements for access to perform the necessary maintenance work to allow for ongoing actual meter reads.

The number of accounts estimated beyond two years does represent a risk to the City’s water/wastewater revenues as the City’s practices regarding Water/Wastewater Utility Back-Bill Adjustments take into consideration information that the City’s Legal Services Division provided related to the *Limitations Act, 2002*, which came into effect on January 1, 2004. Generally speaking, pursuant to that Act, the City is able to collect two years’ worth of arrears. That time period can potentially be longer, depending on the facts of the situation.

**ANALYSIS/RATIONALE:**

As part of the review of the City’s current practices regarding Water/Wastewater Consecutive Estimated Accounts, staff conducted a literature review. The review found that the issue of consecutive estimated accounts is common for all utilities; however, there are different approaches to dealing with the issue.

For some Canadian water utilities (Prince Edward Island and Nova Scotia) and several utilities under the oversight of state Public Service Commissions (PSC) that regulate water, gas, electric and telecommunication utilities in the United States, they are required by their respective regulatory bodies, to not utilize estimated reading for more than two (2) consecutive billing periods. If an estimated bill is rendered for two consecutive billing periods, the utility is required to notify the customer that arrangements must be made for the utility to obtain a meter reading and/or perform related maintenance work to allow for ongoing readings, and failing such arrangements, the utility may suspend service until such arrangements are made.

In lieu of service disconnection, another approach taken by some utilities is to change the basis of estimated consumption from estimated metered consumption to a flat rate basis. For example, Halton Region, where after a third consecutive estimate, a letter is issued to the customer so that when compliance is not obtained, the account’s estimated consumption is moved to a flat rate basis that is based on the Region’s average residential consumption usage.

In addition to a literature review, staff considered the measures utilized by the City in its efforts to have all properties that are connected to the City’s water system to have a water meter installed. The City’s Waterworks By-law permits in the event of a customer refusal to install a water meter to have future water bills for the property to be invoiced at two times the non-metered or “flat rate” for the property. Currently, there exists a process of customer contact (letters and phone calls) to request property owners to
install a meter and in the event of refusal; the account is moved to “double-flat rate” billing. This By-law provision has proven to be an effective financial incentive to obtain customer cooperation towards the City’s goal to have every property connected to its water system to be metered.

Based on above, the recommended Policy recognizes the strengths/value of the measures that exist to obtain the required cooperation of customers to have their properties metered. As double-estimating has not proven to be an effective measure to obtain customer compliance, the proposed Policy seeks to treat such properties in a similar manner to those properties where the customer has refused to install a water meter and utilize “double-flat rate” billing as a staged approach after three consecutive estimated billings, until such time as access is granted to ensure ongoing actual water meter reads and billings based on those actual reads. Further, the sanitary surcharge will be calculated to be 100% of the double flat rate amount billed.

Procedures to support the recommended Policy would mimic the practices utilized for water/wastewater non-metered or flat rate billed accounts and details of the protocols to be used going forward are found in Appendix A to FCS09046.

The recommended Policy should significantly reduce the risk to the City’s water/wastewater revenues of long-term consecutively estimated accounts as it is expected that much fewer accounts will be consecutively estimated beyond two years in the future under the recommended Policy.

## ALTERNATIVES FOR CONSIDERATION:

The following section looks at different options that could be considered to address those instances where, despite repeated contact attempts by the City and/or HUC, a property owner has not permitted the necessary access to allow for ongoing actual water meter readings:

1) **Service Disconnection** – certainly many utilities have the option of service disconnection to deal with the issues of access related to consecutively estimated accounts. Given the essential nature of water/wastewater services to the City’s customers and the anticipated difficulties with disconnecting/restoring service, this option is not recommended.

2) **Maintain Current Policy** – the current provision with the City’s Waterworks By-law of permitting the use of “double-estimating” consumption for consecutively read accounts has not proven effective in encouraging the necessary customer cooperation in granting access to allow for ongoing actual water meter reads. In turn, long-term consecutively estimated accounts represent a risk to the City’s water/wastewater revenues due to considerations re the Limitations Act, 2002, which came into effect on January 1, 2004. This option is not recommended.
FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial: Water and wastewater revenue recovery related to a significant underbilled consumption due to ongoing consecutive estimates is enhanced.

Staffing: N/A

Legal: If the Consecutive Estimates Policy attached to this report is approved, amendments to both the City’s Waterworks By-law and The Sanitary Surcharge and Wastewater Abatement By-law will be required. Further, amendments to the City’s existing Service Agreement with HUC may be required.

POLICIES AFFECTING PROPOSAL:

N/A

RELEVANT CONSULTATION:

Manager, Meter Communications & Technology - Horizon Utilities Corporation
Billing Supervisor - Horizon Utilities Corporation
Senior Solicitor - Legal Services
Manager, Customer Service & Community Outreach - Public Works, Water and Wastewater Division

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☐ Yes ☑ No

Environmental Well-Being is enhanced. ☑ Yes ☐ No
Water leaks are identified in a timely manner with actual water meter readings allowing for more timely identification and repair to avoid costly water leakage.

Economic Well-Being is enhanced. ☑ Yes ☐ No
Risk to the City’s water/wastewater revenues is reduced with revised Policy.

Does the option you are recommending create value across all three bottom lines? ☐ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes ☐ No
POLICY TITLE: Water and Wastewater Consecutive Estimated Accounts Policy

POSITION RESPONSIBLE FOR TASK: Senior Financial Analyst, Policy and Projects

POLICY NO: PP-0009 LAST REVISION DATE: May 13, 2009
EFFECTIVE DATE: May 13, 2009 MANAGER REVIEWED: Mike Zegarac
TO BE REVIEWED: 1/1/2014
MAINTENANCE RESPONSIBILITY: Senior Financial Analyst, Policy and Projects Section

I GENERAL

The Water and Wastewater Consecutive Estimated Accounts Policy details the protocols that are to be followed by the City of Hamilton (“City”) and its water/wastewater billing agent, Horizon Utilities Corporation (“HUC”) for those water accounts that have consecutively estimated meter readings that typically require access to be provided to the City’s Meter Operations staff (or its authorized agents) to allow for ongoing actual meter readings.

II BACKGROUND

The City of Hamilton’s Waterworks By-law R84-026, as amended, (“The City of Hamilton Waterworks by-law”) stipulates billing for service is based upon the consumption registered on the water meter. Where no meter has been installed, billing is made on a non-metered or flat-rate basis. Typically, in order for water meters to be read, there is the need for a remote reading device (“touchpad”) to be installed which requires access to be provided to the City or its authorized agents for this purpose.

For ongoing water/wastewater billings to be made on actual water meter readings, the Water and Wastewater Consecutive Estimated Accounts Policy was adopted.

III POLICY

The Water and Wastewater Consecutive Estimated Accounts Policy reflects the City’s Waterworks By-law so that where there is a failure of a customer to make arrangements regarding access issues that have resulted in consecutively estimated accounts, the future water bills for the property will be invoiced at two
times the non-metered water rate for the property ("double flat rate"), until such time as the meter related problems are completed by the City.

The Sanitary Surcharge imposed under the City’s Sanitary Surcharge and Wastewater Abatement By-law No. 03-272, as amended, will be calculated as a percentage of the amount of the invoiced water bill.

Procedures supporting the Water and Wastewater Consecutive Estimated Accounts Policy are reflected in the following two protocol outlines:

**Consecutive Estimated Water Account Protocol 1 – Access Reasons for Estimates**

*(Gate locked or frozen/Dog/Meter blocked/Vacant/Key Problem Issues)*

<table>
<thead>
<tr>
<th>Consecutive Estimated Billing</th>
<th>Communication/Activities</th>
<th>Bill Estimate Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>1</em></td>
<td>- Meter reader leaves meter read request door hanger for customer - None required</td>
<td>- consumption estimate based on the prior 12-month historical average usage for the account - if no history or &lt; 2 billing periods, use average consumption of metered properties of same rate class</td>
</tr>
<tr>
<td><em>2</em></td>
<td>- Meter reader leaves meter read request door hanger for customer</td>
<td>- None required</td>
</tr>
<tr>
<td><em>3</em></td>
<td>- Meter reader leaves meter read request door hanger for customer - Letter (Protocol 1 Letter 1) issued to property owner informing of access issue and notification provided that if not rectified within 30 days that City will exercise authority to double flat rate billing</td>
<td>- None required</td>
</tr>
<tr>
<td><em>4 &amp; thereafter</em></td>
<td>- Meter reader leaves meter read request door hanger for customer - Letter (Protocol 1 Letter 2) issued to property owner as reminder of double flat rate billing on account</td>
<td>- None required</td>
</tr>
</tbody>
</table>
## Consecutive Estimated Water Account Protocol 2 - Technical Reasons for Estimates (Meter/Remote Reading Device or Touchpad Issues)

<table>
<thead>
<tr>
<th>Consecutive Estimated Billing</th>
<th>Communication/Activities</th>
<th>Bill Estimate Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>- Meter reader leaves meter read request door hanger for customer &lt;br&gt;- HUC issues service order to City Water including account &amp; property owner contact info</td>
<td>- log HUC service order and track follow-up &lt;br&gt;- consumption estimate based on the prior 12-month historical average usage for the account &lt;br&gt;- if no history or &lt; 2 billing periods, use average consumption of metered properties of same rate class</td>
</tr>
<tr>
<td>2</td>
<td>- Meter reader leaves meter read request door hanger for customer</td>
<td>- in cases, where the property owner refuses access to address issues causing ongoing estimated readings, request HUC to issue letter informing that estimate will be based on a double flat rate billing &lt;br&gt;- consumption estimate based on the prior 12-month historical average usage for the account &lt;br&gt;- if no history or &lt; 2 billing periods, use average consumption of metered properties of same rate class</td>
</tr>
<tr>
<td>3</td>
<td>- Meter reader leaves meter read request door hanger for customer &lt;br&gt;- HUC issues letter (Protocol 2 Letter 1) requesting access with notification that if not access issue is not rectified that City will exercise authority to invoice at a double flat rate</td>
<td>- issue request to HUC to begin consumption estimate based on double flat rate billing &lt;br&gt;- consumption estimate based on the prior 12-month historical average usage for the account &lt;br&gt;- consumption estimate based on double flat rate billing until such time as an actual read is made</td>
</tr>
<tr>
<td>4 &amp; thereafter</td>
<td>- Meter reader leaves meter read request door hanger for customer &lt;br&gt;- Letter is (Protocol 2 Letter 2) issued to property owner as reminder of double flat rate billing on account</td>
<td>- None required &lt;br&gt;- consumption estimate based on double flat rate billing until such time as an actual read is made</td>
</tr>
</tbody>
</table>