CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT
Financial Planning and Policy Division

TO: Chair and Members
Audit and Administration Committee

WARD(S) AFFECTED: CITY WIDE

COMMITTEE DATE: March 3, 2010

SUBJECT/REPORT NO:
City of Hamilton/Horizon Utilities Corporation Metered Water Reading and Billing Contract Amending Agreement (FCS10014) (City Wide)

SUBMITTED BY:
Roberto Rossini
General Manager
Finance and Corporate Services

PREPARED BY:
John Savoia (905) 546-2424 Ext. 7298

RECOMMENDATION:

(a) That Appendix “A” respecting the Amending Agreement attached to Report FCS10014 between the City of Hamilton and Horizon Utilities Corporation be approved; and

(b) That the General Manager of Finance and Corporate Services and City Clerk be authorized and directed to execute, on behalf of the City of Hamilton, the Amending Agreement referred to in subsection (a) and all necessary associated documents, all in a form satisfactory to the City Solicitor.
EXECUTIVE SUMMARY

The purpose of this report is to seek authorization from Council to amend the Service Level Agreement (SLA) that has been in place between the City and Horizon Utilities Corporation (HUC) since 2001. The SLA provides the terms and conditions by which HUC provides the City a package of services that support the City's water customer information and billing operations including meter reading, bill calculation, call centre support and web access to water/wastewater customers.

In 2001, Council authorized staff to enter into a contract with Hamilton Hydro Inc. (refer to report FCS01021), for the provision of water meter reading, billing and collection services. That contract was for a three year term ending December 31, 2004. A successor agreement was approved by Council in 2005 (refer to FCS05033) that extended the provision of the services with HUC (following the merger of Hamilton Hydro with St. Catharines Hydro) for a five year term ending December 31, 2009.

The City’s objectives in maintaining the relationship with HUC via the recommended Amending Agreement (refer to Appendix “A” to report FCS10014) continue to be as follows:

- Minimize service costs;
- Improve control over the service quality to the customer and the City;
- Improve upon the availability of, as well as timeliness of, data sharing between the billing agents and the City;
- Investigate, and if feasible implement, the integration of data systems to improve upon efficiency of bill payments, as well as a tool towards improved energy management; and
- Ensure consistency of service.

Enhanced service quality and delivery are anticipated as an outcome of the proposed Amending Agreement.

The Amending Agreement maintains the pricing framework that has existed in previous agreements with changes that reflect largely inflationary adjustments (3% per year for 2011 to 2014, inclusive) and the higher associated cost impact of meter reading activities being phased out for electric service with the adoption of automated read electric meters resulting in an increase of 3.5% for 2010. For pricing details, refer to Schedule B of the Amending Agreement provided in Appendix “A” to report FCS10014). The Amending Agreement contains an expiration date of December 31, 2014.

Alternatives for Consideration – Not Applicable
FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: The continued use of a merged water/wastewater and electric billing system has the potential to further provide improved service to water/wastewater customers and reduce the overall costs to both the customer and the City. In addition, the City continues to benefit from ongoing dividends from its ownership position of HUC. The estimated annual cost of services provided by HUC under the Agreement is approximately $3.8M in 2010 rising to an estimated $4.75M in 2014.

Staffing: N/A

Legal: The City, by entering into the Amending Agreement, is committed to having HUC provide various services to support its water/wastewater customer operations subject to the various terms contained within the Amending Agreement.

HISTORICAL BACKGROUND (Chronology of events)

In 2001, Council authorized staff to enter into a contract with Hamilton Hydro Inc. (refer to report FCS01021), for the provision of water meter reading, billing and collection services. That contract was for a three year term ending December 31, 2004. A successor agreement was approved by Council in 2005 (refer to FCS05033) that extended the provision of the services with HUC (following the merger of Hamilton Hydro with St. Catharines Hydro) for a five year term ending December 31, 2009.

The City’s objectives in maintaining the relationship with HUC via the recommended Amending Agreement (refer to Appendix “A” to report FCS10014) continue to be focused on minimizing service costs and improving the customer service. The Amending Agreement contains an expiration date of December 31, 2014.

POLICY IMPLICATIONS

N/A

RELEVANT CONSULTATION

Corporate Services – Legal Services
Public Works – Environment and Sustainable Infrastructure Division

ANALYSIS / RATIONALE FOR RECOMMENDATION

Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.
Values: Honest, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
(include Performance Measurement/Benchmarking Data, if applicable)

N/A

**ALTERNATIVES FOR CONSIDERATION:**
(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

N/A

**CORPORATE STRATEGIC PLAN** (Linkage to Desired End Results)


**Financial Sustainability**
- Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

**APPENDICES / SCHEDULES**

Appendix “A” to Report FCS10014
AMENDING AGREEMENT

BETWEEN:

HORIZON UTILITIES CORPORATION
(hereinafter referred to as the "Corporation")

-and-

CITY OF HAMILTON
(hereinafter referred to as the "City")

WHEREAS the Corporation and the City entered into a service agreement dated as of the 16th day of May 2005 (the "Service Agreement");

AND WHEREAS by notice dated the 8th day of December 2009, the Corporation exercised its right to renew the Term of the Service Agreement and thereby renewed the Term for an additional five (5) years with an expiration date of December 31, 2014;

AND WHEREAS the parties have agreed to amend the Service Agreement in accordance with the terms and conditions hereinafter set forth;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The parties hereby confirm that the Term of the Service Agreement is renewed for the period (the " Renewal Term") of five (5) years from January 1, 2010 to December 31, 2014, unless terminated early in accordance with the terms of the Service Agreement, as amended herein.

2. Effective as of the day this agreement is executed by the parties, the parties agree that Schedule "A" to the Service Agreement is amended as follows:

(a) Meter Reading, Item 2, is amended by adding the following at the end of the provision: "The Corporation will provide notification to the City prior to any meter reading cycle changes."

(b) Billing, Item 8, is amended by deleting the last sentence and replacing it with the following:

"In the case of a billing adjustment as per Section 12, the City will be notified via email of all adjustments in excess of $5,000, but no greater than $50,000, within three (3) working days of the billing adjustment, a record of the adjustment with supporting notes and documents will be included in the email to the City; and where the adjustment is in excess of $50,000, the same procedure will apply and in addition, the City’s approval to the billing adjustment will be required."

3. Effective as of the first day of the Renewal Term, the parties agree that Schedule "B" to the Service Agreement is deleted and replaced with Schedule "B" attached
hereto, and accordingly, Section 4.2 of the Service Agreement is deleted and replaced with the following:

"4.2. Adjustment of Fees. The Fees specified in Schedule B shall be increased by 3.5% for year 1 of the Renewal Term and by 3.0% for each of years 2, 3, 4 and 5 of the Renewal Term."

4. Effective as of the day this agreement is executed by the parties, the parties agree that Schedule "C" to the Service Agreement is deleted and replaced with Schedule "C" attached hereto, and accordingly, Section 1.4 of the Service Agreement is amended by deleting reference to "Schedule "C" – Meter Installation Procedures" and replacing it with "Schedule "C" – Additional Items Request".

5. Effective as of the day this agreement is executed by the parties, the parties agree that Article V of the Service Agreement (entitled Covenants) is amended by adding new sections after section 5.3 as follows:

"5.4. Joint Meter Reading. Upon request by the City and at no additional cost to the City, the Corporation will initiate discussions with its subcontractor, namely Olameter Inc., together with the City, to investigate the potential for joint meter reading with Union Gas and will assist the City to pursue a cost-sharing arrangement. Should the results of these discussions lead to a recommendation to implement joint meter reading with Union Gas, a project plan will be developed and implementation costs and ongoing meter reading costs will require the approval of both the Corporation and the City prior to implementation. Should meter reading costs increase or decrease during the Renewal Term, Schedule "B" will be amended accordingly."

"5.5. Advanced Metering Infrastructure. The Corporation will commit to providing thirty-five (35) hours of assistance to the City, at no additional cost to the City, to develop the City's business case for Advanced Metering Infrastructure (AMI). Should meter reading costs increase or decrease during the Renewal Term, Schedule "B" will be amended accordingly."

"5.6. Key Performance Indicators. The Corporation will commit to providing thirty-five (35) hours of assistance to the City, at no additional cost to the City, to develop reporting requirements and identify reporting needs and the development of Key Performance Indicators (KPIs) in 2010. Schedule "C" identifies the additional requirements as requested by the City and the timelines for completion as mutually agreed to between the City and the Corporation. Any implementation and additional programming costs will require the City's written approval prior to implementation. As well, the Corporation will investigate, the potential of implementing an electronic work-order management system for all meter movement activities in 2011. Implementation and programming costs for reporting requirements and/or an electronic work-order management system will require the City's written approval prior to implementation.
6. In the event that the City requires access to Horizon's customer water account information and in order to protect the personal information of Horizon Customers (the "Personal Information"), the parties agree as follows:
   
a. The City shall make reasonable efforts in order to protect the Personal Information, and

b. To the extent possible from time to time, limit the access of the Personal Information to data only related to the water accounts.

7. This agreement shall be read together with the Service Agreement and the parties confirm that, except as modified herein, all covenants and conditions in the Service Agreement remain unchanged, unmodified and in full force and effect, including the option to further renew the Term for an additional five (5) years beyond the Renewal Term, and the provisions of Section 3.2 will apply, mutatis mutandis.

8. Any capitalized word or term not otherwise defined herein shall have the meaning given thereto in the Service Agreement.

9. A reference to any act, by-law, rule or regulation or to a provision thereof shall be deemed to include a reference to any act, by-law, rule or regulation or provision enacted in substitution therefor or amendment thereof.

10. The parties agree to do or cause to be done, from time to time, all such things, and shall execute and deliver all such documents, agreements and instruments reasonably requested by another party, as may be necessary or desirable to carry out the provisions and intention of this agreement.

11. This agreement shall enure to the benefit of and be binding upon the parties and their successors and permitted assigns, as the case may be.

IN WITNESS WHEREOF the parties hereto have executed this agreement.

HORIZON UTILITIES CORPORATION

Per: ____________________________ Per: ____________________________

Max Cananzi                      John G. Basilio
President and CEO                Senior Vice President and
                                  Chief Financial Officer

(We have authority to bind the Corporation) (We have authority to bind the Corporation)

____________________________   ______________________________
Date                             Date
CITY OF HAMILTON

Per:

Roberto Rossini
General Manager of
Finance and Corporate Services

Date

Per:

Kevin Christenson
City Clerk
SCHEDULE “B”

1. In the case of Non-Conforming Meters: such price per meter as the Parties may agree to in writing with respect to each Non-Conforming Meter which price shall be no less than the fair market value of the service in accordance with the provisions of the Affiliate Relationships Code if applicable at the time.

2. City bank account for remittance by Corporation:

Bank ID 003 Transit 01822 Account# 000 002 6

3. Email address of General Manager of Finance and Corporate Services for the City as required by Section 4.6: Rob Rossini: rob.rossini@hamilton.ca

The Parties agree that the bank accounts and email addresses in this Schedule B may be amended by the applicable Party upon ten (10) Business Days prior written notice to the other Party.

Water Billing Rates

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* Meter reading costs are based on negotiated to April 30, 2012. Any changes in future meter reading rates beyond April 30, 2011 will be reflected in meter reading costs.

**All future increases are subject to correction per the postage increase clause (Article IV Fees and Payments 4.3), and the approved percent increase as laid out in Schedule B in the renewed Service Level Agreement dated May 16, 2005.
Schedule "C"

Additional Items Request

1. Notification to Purchaser's Lawyer – current notification does not indicate if property is non-metered or whether a metered property reading is from an estimate.
   - Horizon target delivery date of February 28, 2010
   - City of Hamilton target sign-off date March 14, 2010
   - Estimated implementation Date: March 31, 2010

2. Estimated Water Meter Reading Automated Messaging – using Horizon Utilities’ IVR system to provide customers with estimated water meter readings with an automated call informing the customer that their latest billing was based on an estimated reads. This process was implemented however; IVR customer notification was stopped at the request of City Staff. Process requires re-evaluation and messaging enhanced to enable customers and staff to confirm addresses as required. Implementation of this project is subject to legal review of the PIPEDA regulations.

3. Access Communications for Landlord/Tenant Accounts – amend current communication protocols so that both Landlord and Tenant are both provided with notification when access is required for meter reads.
   - Horizon target delivery date estimate & specification: March 14, 2010
   - City of Hamilton target sign-off date March 28, 2010
   - Estimate implementation date: April 12, 2010

4. Meter Pad Relocation Work-Orders: Report on issuance of meter pad relocation work-orders to City staff to resolve estimated reads caused by locked gates/dogs, etc.
   - Horizon target delivery date of estimate & specification: February 28, 2010
   - City of Hamilton target sign-off date March 14, 2010
   - Estimate implementation date: April 30, 2010

5. Automation for Account and Meter Activation of New Residential Construction:
   - Horizon availability to draft initial specification commences December 28, 2010
   - City of Hamilton target sign-off of specification date January 28, 2011
   - Target date for delivery of programming: July 1, 2011
   - Target Implementation date of September 30, 2011
   - Completion of project and timeline is dependent on a mutually agreed to project plan and estimate cost acceptance complete with resource availability from both Horizon and the City of Hamilton.
6. Review of water billing invoice: Review if Minimum Charge portion could be broken out from the total charges.
   - Horizon recommends that further discussion be held prior to the implementation of this project as it may increase call centre labour costs as a result of increased in customer calls. NOTE: Any additional labour costs experienced by the implementation of this change will be transferred to the City of Hamilton for payment.

7. Account information to be added to data provided to City of Hamilton on monthly basis. There is one Horizon account number for both the water and electric accounts. Often customers will call in with their account number as a reference. The City currently does not have access to that information. Implementation of this project is subject to legal review of the PIPEDA regulations.
   - Horizon target delivery date of estimate & specification: March 31st, 2010
   - City of Hamilton target sign-off date April 14, 2010
   - Estimate implementation date: April 30, 2010

8. Storm Water Rate Fee: Specification to be developed by the City of Hamilton for new proposed Storm Water Rate Fee.
   - Horizon availability to draft initial specification commences on July 1, 2010
   - City of Hamilton target sign-off of specification date August 1, 2010
   - Target date for delivery of programming: November 1, 2010 (estimated)
   - Target testing & implementation into Production date: December 31, 2010

9. Monthly Billing: Should Horizon elect or be obligated by regulation to provide customers with monthly billing, Horizon and the City of Hamilton will investigate potential opportunities to minimize potential cost increases to the City of Hamilton

NOTE: Delivery and completion of projects within the identified timelines are subject to; mutually agreed to project plans and acceptance of estimated cost, complete/with resource availability from both Horizon and the City of Hamilton.