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TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE WEDNESDAY, SEPTEMBER 9, 2015
FROM:	JOHN BRAAM, P. ENG MANAGING DIRECTOR, ENVIRONMENTAL & ENGINEERING SERVICES & CITY ENGINEER
SUBJECT:	EMCO CORPORATION WATERWORKS SUPPLY & DELIVERY OF ITRON® ELECTRONIC RADIO TRANSMITTERS SINGLE SOURCE PROCUREMENT (SS15-18)

RECOMMENDATION

That, on the recommendation of the Managing Director, Environmental & Engineering Services & City Engineer, the following actions **BE TAKEN** in respect to the supply of Itron® Electronic Radio Transmitters:

- a) A Single Source contract with EMCO Corporation Waterworks, 944 Leathorne Street, London, ON, N5Z 3M5 **BE APPROVED** for the supply and delivery of Itron® Electronic Radio Transmitters, at an estimated annual value of \$880,000.00, HST for a one (1) year period with four (4) option years, it being noted that this will be a single source contract in accordance with Section 14.4 (d) of the Procurement of Goods and Services Policy;
- b) The funding for this purchase **BE APPROVED** as set out in the Source of Finance Report attached hereto as Appendix "A".
- c) That Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this contract; and
- d) The approval hereby given **BE CONDITIONAL** upon the Corporation entering into a formal contract or issuing purchase orders or contract record relating to the subject matter of this approval.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- *Water Meter and Meter Reading Strategy 2008 Recommendation Report*, presented to ETC, December 8, 2008, Agenda Item #17
- *Administrative Approval of Tender Acceptance/Contract Award*, T15-63 Supply & Delivery of Positive Displacement Cold Water Meters, July 27, 2015

BACKGROUND

History

The *Water Meter and Meter Reading Strategy 2008 Recommendation Report* concluded that approximately 10,000 residential water meters needed to be replaced annually over a ten-year period to eliminate a backlog of water meters which have degraded reading accuracy. The report indicated that there were potential revenue losses of approximately \$630,000 annually for

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the Water and Sewer Service Areas. The program has progressed steadily, with approximately 49% replaced to date, leaving about 26,000 water meters awaiting replacement.

Purchasing Process

Last year (2014), the supply of positive displacement cold water meters with attached Itron® Electronic Radio Transmitters (ERT's) was set up as a single source contract with EMCO Corporation Waterworks (EMCO), as an extension to their previous contract with the City. For this year's supply, it was decided to test the marketplace to determine if any additional suppliers had entered the market. Four (4) bids were received as a result of this tender. Each bidder proposed a water meter from a different manufacturer. The submissions were reviewed by staff from Water Operations to ensure compliance with our specifications. EMCO submitted the only bid for positive displacement cold water meters which included the attached Itron® ERT.

EMCO is currently registered as the City of London's direct account distributor until December 31, 2015, as detailed in a letter from Itron®, attached as Appendix 'B'. The other three bidders were unable to provide pricing on the Itron® product because Itron has established the City of London as a direct account, and has registered the City of London with EMCO. Thus, competitors to EMCO are excluded from purchasing Itron® components for resale to the City of London.

The direct account provides additional pricing discounts to the City of London that would not be available through the open market. Recognizing this benefit, the original tender was cancelled and a new tender (T15-63) for the supply of positive displacement cold water meters only was competitively bid, giving all bidders equal opportunity to supply the City with water meters. Among four (4) bidders again, the contract has been awarded to EMCO through that process.

Discussion

In accordance with the recommendations of the *Water Meter and Meter Reading Strategy* report, the City of London's Water Operations Division has increased the number of meter replacements to eliminate the backlog of under-registering meters, working towards sustainability. Utilizing the Itron® ERT also allows for continued implementation of radio-based meter reading technologies. Benefits of this strategy has resulted in lowering long term meter reading costs, while decreasing the annual lost revenue gap due to the backlog of water meters that have surpassed their optimal life expectancy.

The benefit of utilizing the Itron® ERT enables the City to migrate, over the course of multiple years, from walk-by and call-in meter reading systems to a drive-by meter reading system, while maintaining the flexibility of being able to read meters from numerous manufacturers. Many radio-read systems on the market lock in the utility to utilizing only one specific meter manufacturer. The Itron® ERT provides the City with the opportunity to use many different water meter manufacturers, and ensures the City retains its financial accountability by enabling an ongoing competitive bid process for water meters.

Financial Impact

Funding for this expenditure is provided for in the annual capital budget, EW1627-14. A source of financing is attached as Appendix "A".

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Acknowledgements

This report was prepared by with input from Scott Koshowski, Environmental Service Engineer, Stephen Irwin, Water Meter Operations Supervisor, Tim Romard, Manager, Water Operations and Steve Mollon, CSCMP, Procurement Specialist, Purchasing and Supply.

SUBMITTED BY:	REVIEWED & CONCURRED BY:
JOHN SIMON, P.ENG., DIVISION MANAGER, WATER OPERATIONS	ANNA LISA BARBON, DIRECTOR, FINANCIALSERVICES
REVIEWED & CONCURRED BY:	RECOMMENDED BY:
JOHN LUCAS, P.ENG., DIRECTOR, WATER and WASTEWATER	JOHN BRAAM, P.ENG., MANAGING DIRECTOR, ENVIRONMENTAL & ENGINEERING SERVICES AND CITY ENGINEER

August 21, 2015

c John Freeman, Manager, Purchasing & Supply

Attach: Appendix "A" – Source of Financing
 Appendix "B" – Letter from Itron re. Itron Direct Account List

APPENDIX 'A'

#15123

Chair and Members
Civic Works Committee

August 28, 2015
(Award Contract)

**RE: Supply & Delivery of Itron® Electronic Radio Transmitters
Single Source Procurement
Capital Project EW1627-14 - 2014 Meter Replacement Program
Subledger WT150004
EMCO Corporation Waterworks - \$880,000 (excluding H.S.T.)**

FINANCE & CORPORATE SERVICES REPORT ON THE SOURCE OF FINANCING:

Finance & Corporate Services confirms that the cost of this project can be accommodated within the financing available for it in the Capital Works Budget and that, subject to the adoption of the recommendations of the Managing Director, Environmental & Engineering Services & City Engineer, the detailed source of financing for this project is:

<u>ESTIMATED EXPENDITURES</u>	<u>Approved Budget</u>	<u>Committed to Date</u>	<u>This Submission</u>	<u>Balance for Future Work</u>
Replace Vehicles & Equipment	\$4,829,755	\$2,574,269	\$895,488	\$1,359,998
NET ESTIMATED EXPENDITURES	<u>\$4,829,755</u>	<u>\$2,574,269</u>	<u>\$895,488</u> 1)	<u>\$1,359,998</u>
<u>SOURCE OF FINANCING:</u>				
Drawdown from Capital Water Reserve Fund	\$4,829,755	\$2,574,269	\$895,488	\$1,359,998
TOTAL FINANCING	<u>\$4,829,755</u>	<u>\$2,574,269</u>	<u>\$895,488</u>	<u>\$1,359,998</u>

Financial Note

1) Contract Price	\$880,000
Add: HST @13%	114,400
Total Contract Price Including Taxes	994,400
Less: HST Rebate	98,912
Net Contract Price	<u>\$895,488</u>

EH

Alan Dunbar
Manager of Financial Planning & Policy



Knowledge to Shape Your Future

February 13, 2015

Sean Kelly
EMCO Corporation
420 North Service Road East
Suite 300
Oakville ON L6H 5R2

Dear Sean Kelly:

Please find attached the revised Itron Direct Account List. In accordance with your Itron Distributor Agreement, this list of accounts is restricted to Itron Direct sales representation. Itron may permit Distributors to sell Itron products to accounts named on this list on a case by case basis. This process is managed via written authorization letter to you defining the name of the account and the specific products you are authorized to sell to this specified Direct Account.

We are sending you this letter with the Direct Accounts that Itron currently has registered to EMCO Corporation. Itron reserves the right to change the list of registered accounts and/or the products and services or withdraw this authorization at any time upon written notice. This authorization will expire December 31, 2015, at which time we will evaluate the status of your sales of these products to these accounts to determine whether to continue registration and/or the products authorized.

Please work directly with the assigned Itron Account Executive for support and sales strategies at each of these accounts indicated on Exhibit A at the end of this letter. When placing orders for these accounts, the end user/customer name must be clearly indicated on your Purchase Order to Itron.

We appreciate your continued sales efforts.

Best Regards,

A handwritten signature in black ink that reads "Sheila Kee". The signature is written in a cursive style with a horizontal line underneath the name.

Sheila Kee
Senior Product Manager
Water - Canada

cc: Paul Doucet, Itron
Mark Champagne, Itron

2624 Dunwin Drive, Unit 4 tel 905-593-1702
Mississauga, ON L5L 3T5 fax 905-812-5028
www.itron.com



Knowledge to Shape Your Future

Exhibit A

Itron Direct Accounts Registered to EMCO Corporation

<u>Account Name</u>	<u>Product Type</u>	<u>Account Executive</u>
City of London, ON	ChoiceConnect Mobile & Handheld systems, Endpoints and Software	Paul Doucet

DIRECT ACCOUNT LIST

The following Water Utilities:

Customer	City	Province
City of Abbotsford	Abbotsford	British Columbia
City of Vancouver	Vancouver	British Columbia
City of Calgary	Calgary	Alberta
Epcor Water and its subsidiaries	Edmonton	Alberta
City of Regina	Regina	Saskatchewan
City of Swift Current	Swift Current	Saskatchewan
City of Portage La Prairie	Portage La Prairie	Manitoba
City of Winnipeg	Winnipeg	Manitoba
City of Belleville	Belleville	Ontario
City of Cambridge	Cambridge	Ontario
City of Hamilton	Hamilton	Ontario
City of Kingston	Kingston	Ontario
City of London	London	Ontario
City of Markham	Markham	Ontario
City of Ottawa	Ottawa	Ontario
City of Toronto	Toronto	Ontario
Regional Municipality of Durham	Whitby	Ontario
Windsor Utilities Commission	Windsor	Ontario
Halton Region	Oakville	Ontario
City of Montreal	Montreal	Quebec
City of Quebec	Quebec City	Quebec
Halifax Water Commission	Halifax	Nova Scotia
City of Charlottetown	Charlottetown	Prince Edward Island
City of St. John's	St. John's	Newfoundland and Labrador

All combination Utilities in Canada

All Electric Utilities in Canada

All Gas Utilities in Canada