

<b>TO:</b>	<b>CHAIR AND MEMBERS CIVIC WORKS COMMITTEE TUESDAY, MAY 9, 2017</b>
<b>FROM:</b>	<b>KELLY SCHERR, P. ENG, MBA, FEC MANAGING DIRECTOR, ENVIRONMENTAL &amp; ENGINEERING SERVICES &amp; CITY ENGINEER</b>
<b>SUBJECT:</b>	<b>INSTALLATION OF WATER METERS CONTRACT AWARD</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Environmental & Engineering Services & City Engineer, the following actions **BE TAKEN** in respect to award of a contract to EMCO Corporation Waterworks for the Installation of Water Meters:

- a) A contract with EMCO Corporation Waterworks **BE APPROVED** for the installation of water meters, at an estimated value of \$1,630,000.00, plus HST, it being noted that this proposal is the successful proponent of RFP 17-03;
- b) A purchase order with London Hydro **BE APPROVED** for the integration of data services between London Hydro's SAP Customer Information System and EMCO Corporations Work Order Management System, at an estimated value of \$150,000;
- c) The funding for these purchases **BE APPROVED** as set out in the Source of Finance Report attached hereto as Appendix "A";
- d) The Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with these contracts;
- e) The approval hereby given **BE CONDITIONAL** upon the Corporation entering into a formal contract or issuing purchase orders relating to the subject matter of this approval; and
- f) The Mayor and City Clerk **BE AUTHORIZED** to execute any contract or other documents, if required, to give effect to these recommendations.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- *Supply & Delivery of Water Meters and Electronic Radio Transmitters – Single Source Procurement*, presented to Civic Works Committee, September 7, 2016, Agenda Item #7:
- *Water Meter and Meter Reading Strategy 2008 Recommendation Report*, presented to ETC, December 8, 2008, Agenda Item #17

<b>2015-19 STRATEGIC PLAN</b>
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The following report supports the Council Strategic Plan through the strategic focus area of *Leading in Public Service*, by realizing substantial cost savings on operational expenses that are required on a continual annual basis, and providing enhanced customer service delivery.

## CONTEXT

The Water Meter Replacement Program, initiated in January 2009, has replaced approximately 60% of the backlogged water meters to date. About 20,000 water meters remain overdue for replacement resulting in approximately \$210,000 in lost revenue annually for the Water and Sewer Service Areas. An additional 11,000 water meters are nearing their replacement date, and will soon be replaced with new water meters and Encoder-Receiver-Transmitter (ERT) devices to function with the drive-by meter reading technology.

A formal Request for Proposal (RFP) was issued in January, 2017 to source qualified water meter installation services for the replacement of about 20,000 water meters in the City of London, tentatively commencing in May, 2017. The goal of this RFP was to select the Proponent that would be best able to meet the requirements in the most efficient and cost effective manner for the replacement of the meters scheduled for replacement.

Five (5) submissions were received, reviewed and assessed by an evaluation team from the Water Operations Division, with the assistance of Purchasing and Supply. The proposal submission from EMCO Corporation Waterworks was the overall highest-scoring proponent which:

- met the noted evaluation criteria;
- recognized all terms, conditions, specifications, and requirements;
- displayed an understanding of the work;
- possessed the technical expertise required; and,
- submitted the lowest cost proposal.

It is recommended that EMCO Corporation Waterworks be awarded this contract.

## BACKGROUND

### Discussion

The City of London has been installing Encoder-Receiver-Transmitters (ERT) for many years, as the equipment utilized for continued advancement of the drive-by meter reading technology. Itron, our chosen ERT manufacturer, provides preferred versatility for mounting on many different meter manufacturer's devices, and fully synchronizes with London Hydro's systems for water and sewer billings, undertaken on behalf of the City of London.

In March, EMCO Corporation Waterworks, combining with London Hydro as a subcontractor, submitted a bid in response to the City's competitive RFP for Installation of Water Meters. The combined effort put forth by EMCO Corporation Waterworks and London Hydro obtained the highest score rating, and additionally, was the lowest cost submitted of the five (5) submissions received.

The award of this RFP to EMCO Corporation Waterworks will enable the fast-track replacement of 20,000 of the remaining 31,000 water meters, including the ERT technology. The remainder of the replacements will be conducted through status quo replacements via in-house staff, over the same time period, fulfilling the Water Meter Replacement Program's objectives within the next 2 years. This action will:

- Minimize the unaccounted for water losses due to worn, inaccurate meters.
- Allow the City to fully convert to the drive-by meter reading system.
- Reduce annual operating costs for meter reading.

- Realize consistent and accurate monthly meter readings (eliminating problems associated with prolonged estimated readings).

Additional factors that aided in the selection of the EMCO Corporation Waterworks/London Hydro bid, that were not apparent in the RFP scoring, are the ancillary benefits associated with the teaming of London Hydro, specifically:

- London Hydro has provided Customer Service, Billing and Meter Reading for the City since the PUC was disbanded in 1993. Every Water customer in the City is familiar with them.
- London Hydro owns and maintains the Water Customer database, which will provide for the greatest ease of transition, and most up-to-date data for the appointment booking, which will be performed by London Hydro.
- London Hydro has a vested interest in maintaining an up-to-date and accurate customer information system, so they will ensure high levels of QA/QC for the work order information transfer.
- London Hydro currently supplements the City's Water Meter Replacement program appointment booking, and this will be a simple expansion of those current services.

As part of the meter replacement program, the RFP required some data integration services between the successful proponent and the SAP system. Given the synergies of London Hydro working with the successful proponent, and the City's imminent implementation of Cityworks (a computerized maintenance management system (CMMS)), it is recommended that the data integration services provided by London Hydro incorporate more than just the work required for the water meter replacement project. Implementation of Cityworks in the Water Service Area is estimated to start in September. Therefore, the City will see a financial benefit of utilizing data integration work for the Water Meter Replacement Project and combining that with data integration work required for Cityworks integration. The data integration services provided by London Hydro will set up SAP in such a way that a simple table-to-table interface with external software systems will be readily prepared with minimal future work requirements.

### **Financial Impact**

Funding for this contract is provided for in the annual Water Capital budgets EW162717 and EW3527. A source of financing is attached as Appendix "A".

Fast-tracking of the Water Meter Replacement Program will enable the transition to a full drive-by meter read system within the next 2 years. Once the drive-by transition is complete (assuming end of 2019), expected annual operational and capital cost savings are estimated to be \$1,450,000, detailed as shown:

- 70% - 75% reduction in meter reading costs (~\$400,000);
- Reduced unaccounted for water loss, by increased meter accuracy (~\$50,000);
- Reduced water meter replacement frequency (~\$800,000 to \$1,000,000);
- Increased revenue of ~\$210,000 for the Water and Sewer Service Areas.

<b>CONCLUSION</b>
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The recommendations in this report to award the Water Meter Replacement Project to EMCO Corporation Waterworks, and to have London Hydro provide data integration services, will result in substantial long term cost savings to the City and will complete the Water Meter Replacement Program as originally intended.

Other benefits would include:

- Minimizing the unaccounted for water losses due to worn, inaccurate meters;
- Full conversion to the drive-by meter reading system, reducing annual operating costs for meter reading;
- Eliminating the meter replacement backlog while attaining sustainable levels for future meter replacements;
- Automated monthly meter readings, eliminating problems associated with estimated readings;
- Customer's gain improved, highly accurate billing information as frequent estimated water meter readings will be eliminated; and
- allowing the *MyLondonHydro* web portal – Water Usage Tool to be fully utilized.

**Acknowledgements**

This report was prepared by with input from Scott Koshowski, Environmental Services Engineer, and Chris Ginty, Procurement Officer.

<b>SUBMITTED BY:</b>	<b>REVIEWED &amp; CONCURRED BY:</b>
<b>JOHN SIMON, P. ENG., DIVISION MANAGER, WATER OPERATIONS</b>	<b>JOHN LUCAS, P. ENG., DIRECTOR, WATER and WASTEWATER</b>
<b>RECOMMENDED BY:</b>	
<b>KELLY SCHERR, P. ENG. MBA, FEC, MANAGING DIRECTOR, ENVIRONMENTAL &amp; ENGINEERING SERVICES AND CITY ENGINEER</b>	

Appendix A – Sources of Financing

- cc. Chris Ginty, Procurement Officer, Purchasing & Supply  
 John Freeman, Manager, Purchasing & Supply  
 EMCO Corporation Waterworks (London)  
 Paul Kilbourne, London Hydro  
 Steve Irwin, Supervisor – Meter Shop, Water Operations  
 Scott Mathers – Division Manager, Water Engineering