

TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON OCTOBER 22, 2019
FROM:	KELLY SCHERR, P. ENG., MBA, FEC MANAGING DIRECTOR, ENVIRONMENTAL AND ENGINEERING SERVICES AND CITY ENGINEER
SUBJECT:	SERVICE LEVEL AGREEMENT RENEWAL WITH LONDON HYDRO FOR WATER METER READING AND WATER AND SEWER BILLING

RECOMMENDATION

That, on the recommendation of the Managing Director, Environmental and Engineering Services and City Engineer, the following actions be taken with respect to the Service Level Agreement Renewal with London Hydro Inc:

- a) the proposed attached by-law (Appendix "A") **BE INTRODUCED** at the Municipal Council meeting to be held on October 29, 2019 to approve a Service Level Agreement between The Corporation of the City of London and London Hydro Inc., substantially in the form appended as Schedule "A" to the proposed by-law, for the management and operation of the meter reading, billing, collections and customer service for the City's water and sewer accounts by London Hydro Inc.;
- b) the City Engineer **BE DELEGATED** the authority to execute the Agreement approved in a), above; and,
- c) the Civic Administration **BE AUTHORIZED** to undertake all administrative acts that are necessary in connection with the Agreement approved in a) above, including any future related documents and/or agreement with London Hydro Inc. that are consistent with the requirement contained in the Agreement approved in a) above.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- Board of Control – June 23, 2004 - Water Meter Services Relationship with London Hydro
- Board of Control – December 10, 2009 - Service Level Agreement
- Board of Control – October 21, 2009 - Service Level Agreement with London Hydro for Water Meter Reading and Water and Sewer Billing
- Finance and Administration Committee – December 13, 2010 - Service Level Agreement Amendment with London Hydro for Water Meter Reading and Water and Sewer Billing
- Civic Works Committee – January 21, 2013 - Service Level Agreement Amendment with London Hydro for Water Meter Reading and Water and Sewer Billing
- Civic Works Committee – February 2, 2016 - Service Level Agreement Amendment with London Hydro for Water Meter Reading and Water and Sewer Billing

2015-2019 STRATEGIC PLAN

This report and its recommendations support the Strategic Plan in Leading in Public Service – Excellent Service Delivery, Proactive Financial Management and Collaborative Engaged Leadership. Through the established partnership with London Hydro many efficiencies are realized by utilizing London Hydro's existing technology, systems, and sharing of innovative solutions while providing a seamless service to residents with regards to collaborative customer service and combined billing.

BACKGROUND

Purpose

London Hydro Inc. provides water meter reading, billing, collection, and customer services for the City's water, wastewater and storm water accounts. This report seeks authorization for the City Engineer to execute a new five year Service Level Agreement between London Hydro Inc. and The Corporation of the City of London for the services noted above at a cost of \$3,998,000 per annum which is a 0.45% (\$18,000) increase from the previous agreement. The current four year Service Level Agreement expires on December 31, 2019.

Context

The City and London Hydro have a well-established partnership with a Service Level Agreement. The London Public Utilities Commission (PUC) included water, hydro, parks and recreation until January 1, 1993. When the PUC was dissolved and water, parks and recreation became departments of the City and London Hydro became a wholly-owned subsidiary of the City. The meter reading and billing services have remained with London Hydro since this time. Approaching the end of every Service Level Agreement cycle this arrangement is re-evaluated by a third party. It has been determined that that the current billing partnership remains the most advantageous and cost effective approach.

Several accomplishments and improvements have occurred since the approval of the last agreement which had a cost of \$3,980,000 per annum. London Hydro worked collaboratively with the City to deliver the following service enhancements, including:

- Hourly interval water data collection for all compatible water meters;
- Online access to Green Button standard interval water data;
- Access to energy and water reporting benchmarking data services mandated by the province for buildings 50,000 square feet and larger; and
- Detailed data visualization reports to better understand our customers.

In 2019, London Hydro and the City of London was presented, before utilities and municipalities from across Canada and the United States, the Innovation in Digital Customer Engagement award at CSWeek in Phoenix, Arizona, for the development of the Green Button standard interval water data portal.

DISCUSSION

City and London Hydro staff have reviewed the existing agreement to determine where enhancements are required. Certain services are no longer relevant, while new needs have also arisen. The new Agreement prioritizes the three key areas of customer service, financial performance, and information management.

Customer Service

A new rate structure was approved November 20, 2012 by Municipal Council with a desire for enhanced customer engagement strategies. The City is able to work with London Hydro, our billing partner, to enhance services in order to accommodate the increasing need for data and customer service. With improved technologies, evolving meter reading capabilities, increased automation and efficiency measures adopted in the private sector, many of the larger water users in the City have requested digital access to the water use information displayed on their bills. Recent City investments in new water meters and additional developmental work completed under the existing SLA have allowed London Hydro to collect hourly interval water meter data for approximately

70% of customers, which have been valuable in assisting residential customers with unexpectedly high water usage, industrial and commercial customers with monitoring their efficiency, and providing data that the City can use for more robust engineering models and demand projections.

Website and online services continue to improve with interval water data export capability, and the provision of energy and water reporting benchmarking (EWB) data to industrial, commercial, and institutional customers. Internally at the City and London Hydro there are regular checks run to ensure the quality of data in the system, along with reviews of processes and analysis to reduce potential errors.

Detailed data analysis and visualization has greatly increased the speed at which errors in customer data or non-conforming trends are observed, investigated, and responded to. It has allowed the City to better understand the usage profile of water customers and develop programming that is more suitable; such as the Growing Naturally home water use audit program.

London Hydro administers on the City's behalf the Crisis Prevention and Customer Assistance Programs. The programs provide funding to proactively replace toilets in low income housing, and to help those who seek relief for a substantial leak resulting from a plumbing failure. In many cases London Hydro's team has assisted residents unfamiliar with City procedures and electronic forms to complete their applications; which has greatly decreased barriers to access these programs. The City is monitoring recent provincial changes to how efficiency programs are offered through electrical utilities, and will redirect the crisis prevention program if London Hydro is unable to continue with its administration.

Incremental improvements to existing features and services have been negotiated and the new agreement adds the following service requirements:

1. Workforce Management Interface
Provide a means to integrate City workflow software and London Hydro software so that service requests can be updated electronically in both directions. This is expected to lower the risk of missed work orders, save staff time, and increase communication with the customer.
2. Water Meter Alert & Alarm Management
Automated water meter reports will flag when a meter is in need of battery replacement, detects reverse flow, or has been tampered with. This is expected to help with revenue recovery.
3. Technical Support for Interval Water Portal
As usage of the Interval Water Portal is anticipated to increase, and this is a recently developed feature, London Hydro will provide continued support to ensure adequate performance.
4. Ad-hoc Wastewater Regulatory Billing
Support the currently manual issuance of ad-hoc wastewater bills generated through by-law WM-28 processes. This includes customers who contribute more water into the sanitary system than they purchase, and those who are on special billing arrangements requiring manual intervention of billed wastewater volumes.

The following updates to operational processes have also been agreed upon by London Hydro, and did not necessitate scope changes to the existing Service Level Agreement:

1. Improved Wastewater Data Reporting
Existing data reports will include billed wastewater volumes to permit the tracking of accounts receiving ad-hoc, manual, or otherwise special considerations. This provides a more visible means of tracking and auditing accounts for wastewater billing purposes.
2. Special Physical Water Meter Reads

Even with investments in remote meter reading technology, there is anticipated to be a small number of accounts that will require physical water meter reading services; either due to a reluctance to update their water meters, or technical limitations of the remote read meters. London Hydro will conduct one read per year, in compliance with City by-law W-8, without additional fees.

3. Improved Contact Centre Case Tracking and Reporting

The existing reporting process is adequate, but falls short of detailed breakdown of interaction specifics, such as the number of first call resolutions and statistical values based on key performance indicators. London Hydro agreed with the value of improved reports, and will be making investments to provide detailed customer interaction tracking and resolution records. It will include tracking the number and content of customer complaints and compliments. This will allow the City to create programs and resources that improve the customer experience, and do so more efficiently.

Financial Performance

The efficiencies gained by shared meter reading, customer service, information technology and infrastructure between the two utilities has been reviewed by a third party, BMA Management Consulting Inc. The City hired BMA Consulting to look at the overall cost of service for London Hydro to continue providing meter reading and billing services to the City which was completed in May 2019. This exercise was also done for the past two updates to the SLA.

BMA has found that the new fee for service is within what they would expect for the suite of services provided. For context, other similar sized municipalities in Ontario have costs for these services that range between \$2.78 per bill to \$3.42 per bill. The City of London will pay an equivalent of \$2.82 per bill under the new agreement. The City of London receives services, such as the interval water data portal, that the other comparable cities do not offer.

The new agreement commences on January 1st, 2020 and terminates on December 31st, 2024. City and London Hydro staff have negotiated a cost of \$3,998,000 per annum, with no escalation, to cover the costs of water and sewer meter reading, billing, customer service, and collections. This fee for service is based on the results of the consultant analyses and London Hydro's compliance requirements under Ontario Energy Board.

Information Management

London Hydro provides monthly and annual reports to the city with regards to billing, customer service, and customer assistance programs. There are also monthly update meetings.

The City has the ability to audit London Hydro with written notice to verify compliance of service level agreement.

Administrative Changes

Administrative changes were made to the agreement to better reflect the City and London Hydro's changing needs. They include minor scope reductions and agreement clarifications with the most significant change as the extension of the agreement period from four years to five years. This allows London Hydro to submit their rates with the Ontario Energy Board, where a guaranteed income for the five year period is looked upon favourably. There are no anticipated issues to the City's budgeting process.

CONCLUSIONS

The Civic Administration is seeking approval of the attached proposed by-law and

Service Level Agreement (Appendix “A”) between London Hydro Inc. and the Corporation of the City of London for the management and operation of the meter reading, billing, collections and customer service for the City’s water and sewer accounts for a period of five years. The new Agreement prioritizes the three key areas of customer service, financial performance, and information management. The new fee for service has been deemed to be good value for money by a third party consultant and the rate is in line with comparable municipalities.

SUBMITTED BY:	REVIEWED & CONCURRED BY:
AARON ROZENTALS, P.ENG. DIVISION MANAGER, WATER ENGINEERING	SCOTT MATHERS, MPA, P. ENG. DIRECTOR WATER & WASTEWATER
RECOMMENDED BY:	
KELLY SCHERR, P.ENG., MBA, FEC MANAGING DIRECTOR ENVIRONMENTAL & ENGINEERING SERVICES AND CITY ENGINEER	

October 22, 2019