Pw-Ba-1



REPORT General Committee

For Information

DATE:

May 27, 2010

REPORT TITLE: UPDATE ON 2009 PEEL UTILITY BILLING AND UTILITY RATE REVIEW

PROJECT

FROM:

Dan Labrecque, Commissioner of Public Works

OBJECTIVE

To provide a summary of Peel's utility billing operation performance for 2009 and an update on the work currently underway to review the utility rate structure and determine the potential future direction.

REPORT HIGHLIGHTS

- The Region of Peel annually recovers the water and wastewater operation and maintenance costs by billing customers
- In 2009, the Billing and Meter Operations sections achieved a high level of performance including billing actual reads for 98 percent of accounts and writing off only .07 percent of billed revenue
- A review of utility rates including options for different rate structures is currently underway and will be presented to Regional Council for consideration in 2011
- Key future milestones will include potential replacement of the current billing application and the introduction of new metering technology. Both will be dependant upon the rate structures and processes adopted by Regional Council

DISCUSSION

1. Background

The Water and Wastewater system costs in the Region are recovered through the Utility Rates (not tax-supported). The utility rates include the charges for water and wastewater services and generate, on average, \$215 million in funds necessary to operate the system.

In 2007, the Billing and Meter Operations sections were transferred from the former Finance department to the Public Works department achieving better alignment with the Water and Wastewater operation. The sections are now part of the Operations Support division.

Meter Operations section is responsible for the installation, repair and maintenance of water meters (both residential and commercial) and the reading of the meters. Billing section manages customer accounts, issues bills (both monthly and quarterly), handles customer

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inquiries escalated from the Customer Contact Centre, ensures payments are processed and follows up on overdue accounts to ensure revenue is collected.

Included on the June 17, 2010 General Committee agenda is an update on Peel's Water Efficiency Program (Watersmart Peel), listed as Item PW-B1. As noted in that report Peel actively promotes practices that are intended to reduce water use including both education and tactics such as rebates for the replacement of inefficient toilets with efficient ones. While these strategies will reduce revenues on the operating side they also reduce the need for expensive infrastructure enhancements and more importantly help protect a scarce resource specifically clean water.

2. 2009 Performance and Key Statistics

Table 1 provides an overview of key activities related to Billing and Meter Operations.

Table 1

| Measure/Statistic | 2009 |
|---|---------------|
| Number of Accounts Managed | 289,985 |
| Percentage Metered | 99.9% |
| Percentage Flat Rate (unmetered) | 0.1% |
| Percentage Residential | 95% |
| Percentage Industrial | |
| Commercial Institutional (ICI) | 5% |
| Annual Growth in Account | |
| Base (2008 versus 2009) | 3,324 |
| Percentage Activated within 90 days | 100% |
| Resale Change of Ownership | 19,400 |
| Final Bills issued within 10 days of closing | 88% |
| Total Bills Produced | 1,197,395 |
| Percentage Billed with Estimated Read | 1.6% |
| Collections | |
| Total Revenue Billed | \$196 million |
| Percentage of Billed Revenue Written Off | .07% |
| Receivables balance throughout as a percentage of Water | |
| and Wastewater billed revenue | 13% |
| Tier 2 Call Centre Calls | |
| Inquiries Resolved | 57,679 |
| Percentage of Calls Answered within 20 seconds | 70% |
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| High Bill Assistance: Verification Representative contacts via face-to- face visits at property or resolved over telephone Percentage resolved within 10 days | 2,388 86% |
|---|--------------|
| Percentage of Actual Accounts Read | 99% |
| Percentage of Homes Metered Prior to Occupancy | 99.9% |
| Installers contacts visits at property (Repairs and Maintenance) in 2009 | 13,101 |
| Number of Cards Left to Access premises (Repairs and Maintenance) | 4500 |

In general, all of the performance indicators are positive and do not indicate any areas of concern.

At any one time approximately 13 percent of the bills owing are considered as a receivable (being past the due date). More importantly, the majority of that amount is ultimately collected with relatively few accounts requiring water shut-off in order to solicit payment. This level of success is achieved without the need to refer any residents or businesses to a credit service or primarily no other actions beyond reminder notices and late payment fees, are necessary.

It is also important to note that the Billings section regularly works with residents with overdue accounts to arrange reasonable payment arrangements and in some cases will work with the Human Services department if there is financial hardship. This balanced approach allows for an efficient collection process without the need to exert strong pressure on residents.

Some other key observations include:

- Almost 290,000 accounts are dealt with each year and the majority are metered, and residents are charged for their actual use versus an estimated usage.
- Approximately 98 percent of the bills issued were based on actual reads, an indication that very few meter reads have been missed, allowing residents to have predictability in their bills.
- Less than one percent of the bills issued were deemed as uncollectable, a low rate by industry standards.
- When a high bill is noted a representative calls and may visit the customer's property to assist in identifying possible water leaks. Assistance was provided 85 percent of the time within 10 days, helping to prevent ongoing high bills and promoting water conservation.

Despite these positive results, efforts continue to improve processes and minimize opportunities for error throughout the operation. As well, continued testing of the metering equipment and a proactive approach to situations where problems have been identified have helped to increase the trust and confidence of the residents in the billings operation as demonstrated in the latest satisfaction surveys.

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3. Status of Rate Review

Review of the model for developing the utility rates is underway. This review includes the rate structure, the billing application, and metering requirements assuming that a change is made to the rate structure.

The current rate structure has been in place for many years and is based on water meter consumption which makes revenue completely variable while the cost structure is approximately 85 percent fixed. This situation increases the risk of shortfalls in low consumption years as seen in 2009.

Currently, a review of rate structures in the industry is underway and alternatives for Regional Council to consider are being developed. It is anticipated that the work will be completed in winter of 2010/2011 and will be presented to Regional Council in the spring of 2011 for potential implementation by the end of 2012, depending on billing application requirements.

4. Potential Impact on Water Meters and Future Program

Almost all residences and businesses in Peel are metered. This is an unusually high percentage for a municipality and provides for a very efficient and properly distributed billing allocation across all residents.

The metering recording and reading system has remained static over the past 25 years with some changes around remote reading through radio frequency when warranted by a business need. For example, use of radio frequency (RF) technology at the airport eliminates meter reader access to the restricted areas in the airport.

Meters last over 20 years on average and based on yearly random testing still maintain their integrity well beyond their life expectancy. Depending on the rate structure recommended and if a time of day usage fee is incorporated into the rates, meter systems may need to change.

Currently the City of Toronto is changing their technology (RF Fixed Area Network) and is phasing in a fully remote reading which also allows for customer access over the internet and many other features. Toronto has a large amount of flat rate customers. The Region of Peel's business case is not as strong for such a drastic meter technology change given the majority of accounts are metered and outstanding revenues are well managed. However, options will be considered as part of the rate review once rate structures are known and recommendations will be developed.

CONCLUSION

In 2009 the Billing and Meter Operations continued a high level of performance. Even so, efforts continue to ensure a reliable and effective metering and billing operation.

A review of utility rates, along with options for different rate structures, is being prepared and will be presented to Regional Council for consideration in the spring of 2011.

Key future milestones will include potential replacement of the current billing application and introduction of new metering technology depending on the rate structure and processes adopted by Regional Council.

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May 27, 2010

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Commissioner of Public Works

Approved for Submission:

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