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Region of Peel
Working for you

REPORT
Meeting Date: May 24, 2012
Regional Council

For Information

DATE: April 2, 2012

REPORT TITLE: **UPDATE ON 2011 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 performance for 2011 and an update on the Utility Rate Structure Review Project.

REPORT HIGHLIGHTS

- Peel Utility Billing has consistently operated at a high level of performance with minimal write offs in 2011.
- While growth in the account base of approximately 2 per cent (4,500 new accounts) did occur, billed water consumption for residential accounts was comparable to 2010 billed consumption.
- Based on Council feedback in October 2011, additional analysis regarding the Utility Rate Structure Review Project has been completed.
- Research found families with young children do not consume more water than other customers segments.
- Residential customers bottling water for resale is not a pervasive issue and other avenues such as by-law enforcement may be more effective to dissuade this type of practice.
- Results of modeling of various utility rate structures show that regardless of structure, there will be varying degrees of cost shift from commercial/industrial customers to residential customers.
- A more detailed report and presentation is planned for the June 28, 2012 Regional Council meeting.

DISCUSSION

1. Background

The utility rates, one for water and one for wastewater, recover the overall costs of operating and maintaining over both the short and long term Peel's Water and Wastewater system. The utility rates generate almost $250 million of revenue. Costs associated with York Region are recovered separately through a wholesale rate agreement.

The Operations Support division is responsible for metering and billing which facilitates the cost recovery process. The Meter Operations section installs, repairs and maintains water

meters enabling them to obtain accurate and timely meter reads. Meter reads are the basis for billing customers. The Billing section generates approximately 5,000 bills daily, manages all aspects of customer accounts, handles escalating customer telephone inquiries, processes payments, and ensures timely revenue collection.

2. Summary of Key Performance Indicators and Statistics

Table 1 provides an overview of measures and statistics in place to gauge the success as well as the effectiveness and efficiency of Meter Operations and Billing.

The Region of Peel continues to have virtually all accounts metered with remote reading devices located outside the building to support a very efficient and effective metering and billing process.

Growth in the account base for 2011 was greater than planned. In 2012, growth is expected to be comparable to 2010 and 2011 – it is not anticipated that the level of growth will return to the levels experienced during 2000 to 2004. While account growth has occurred, the actual amount of water billed for residential customers remained comparable to 2010. This is partly due to water conservation initiatives undertaken by Water Smart Peel as well as quantity and timing of precipitation (the weather).

The level of write offs continues to remain low as a result of diligent collection efforts including working with customers to come up with reasonable repayment plans. The ability to transfer arrears to the tax roll because arrears are associated with the property has also contributed to the long term success of collecting water and wastewater revenue.

The receivables balance outstanding greater than 39 days in December 2011 was higher than compared to December 2010. This was mainly due to an increase in repayment plans and fewer shut offs were done in December 2011 compared to December 2010. At the end of March 2012, the amount of arrears has decreased.

While the call answer percentage was lower than the target of 70 per cent, this was due to some temporary workload issues which have been resolved and at the end of March 2012 the percentage calls answered within 20 seconds is at 76 per cent.

Resolving customer concerns continues to be a top priority. When a verification representative visits a residential property to assist customers in determining where there may be leaks because higher than usual water consumption has occurred, a survey is left with the customer and positive feedback continued to be received in 2011. Staff shortages, temporary in nature, encountered during the latter part of 2011 had some impact on the number of face-to-face visits in 2011.

Water meter accuracy has continued to be high and the focus has shifted to ensuring the outside reading device is always connected to the meter inside the house – ensuring an actual meter reading (no estimated reads). Meters slow as they age so they will gradually record a lower amount of water than the actual amount of water that goes through the meter. If a meter fails, it generally stops completely or under records. To date, no cases of residential meters recording more water than the actual amount of water or recording more and then resuming typical readings have been experienced.

Targets for 2012 remain comparable to 2011 targets.

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Table 1

Measure/Statistic	*2010 Actual*	*2011 Target*	*2011 Actual*
Number of Accounts Managed	293,516	297,000	298,049
Percentage Metered	99.9%	99.9%	99.9%
Percentage Residential (balance Industrial/Commercial/Institutional)	95%	95%	95%
Annual Growth in Account Base	3,531	3,500	4,533
Percentage Activated within 90 days	100%	100%	100%
Resale Change of Ownership	21,196	19,700	20,779
Final Bills issued within 10 days of closing	90%	80%	86%
Total Bills Produced	1,208,445	1,220,000	1,226,975
Percentage Billed with Estimated Read	1%	1%	1%
Collections			
Total Peel Water and Wastewater Revenue	$207 million	$234 million	$227 million
Percentage of Revenue Written Off	.09%	.08%	.07%
Percentage of Receivables balance in arrears (more than 39 days as at December 31)	12.7%	15%	13.8%
Escalated (Tier 2) Call Centre Calls Inquiries Resolved	60,984	60,000	54,675
Percentage of Calls Answered within 20 seconds	78%	70%	66%
High Bill Assistance: Verification Representative contacts via face-to- face visits at property or resolved over telephone	2,423	2,400	1,494
Percentage resolved within 10 days	90%	85%	97%
Percentage of Actual Accounts Read	99%	99%	99%
Percentage of Homes Metered Prior to Occupancy	99.6%	99%	99.4%
Installers contacts visits at property (Repairs and Maintenance)	10,273	10,000	10,200
Number of Cards Left to Access premises (Repairs and Maintenance)	4,410	3,600	3,895

3. Upcoming Initiatives

Plans are underway to rollout another option for customers to receive water and wastewater bills electronically. Currently, customers may sign up via Epost to receive a bill electronically

rather than sending a paper bill, in the mail, which is much more costly. Customers will have the option of signing up using a process managed by the Water Billing group at the Region. More details will be communicated to customers and implementation is expected by the end of 2012.

As well, movement to mailing one past due notice rather than two will occur in the second half of 2012. A letter will continue to be sent prior to possible disconnection of the water service, due to arrears. What is commonly referred to as the green past due notice, sent approximately 12 days after the bill has been issued, will be discontinued. Analysis has shown this notice is not overly effective in prompting payment and eliminating this notice will result in some modest cost savings.

As part of the utility rate review, Council adopted the recommendation that a time of use rate structure not be considered in the foreseeable future as due to the low value of the water bill as compared to other utilities, time of use had minimal conservation benefit and due to the cost structure for water and wastewater having a large fixed component, minimal savings from time of use would be achieved. As a result of this decision, the regular replacement of water meters has now shifted to the use of Radio Frequency meters (which have been used for some commercial properties for a number of years in Peel) which will increase meter reading efficiency and minimize the need to enter properties to acquire reads. As the average age of the water meters increase in Peel, the annual replacement program will be increasing. As part of the 2013 budget process, a review of the various methodologies to replace the meters will be undertaken.

4. Utility Rate Structure Review Update

Based on the feedback received from Regional Council at the October 13, 2012 meeting, staff reviewed several utility rate structure options.

Options included:

- Inclining block rates for residential and the current uniform rate for commercial /industrial classifications
- Inclining block rates for all customers
- Utility rates for residential that are different from commercial/industrial classifications (no inclining blocks – same rate regardless of amount of water)

In addition, research was done to determine if customers with young families have higher than the average water consumption and some investigation into residential customers bottling water for resale was completed.

Based on all of the options, the end result, in each case, shows residential customers will pay more than under the current rate structure.

Research concluded that customers with young families do not experience higher water consumption than customers with no children or with teenagers. As well, the details on individual customer profiles are not readily available and it would be complicated and costly to maintain such a database of information – so implementing a rate structure like this would be extremely difficult.

Residential customers bottling water from their residences for resale does not appear to be a significant issue. There may be more effective ways to manage these situations as they arise, such as by-law enforcement.

In addition, discussions are in progress with area hydro-electric providers (Hydro One Brampton, Hydro One Networks, Enersource) and Enbridge regarding the feasibility of water billing partnerships to improve efficiency and effectiveness and to provide service flexibility.

A detailed report is planned for the June 28, 2012, Regional Council meeting. An accompanying presentation will be provided as well.

CONCLUSION

Overall, 2011 was another productive and successful year for Utility Billing. Several initiatives are underway and details on the Utility Rate Structure Review Project work will be presented to Regional Council in the near future.

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Commissioner of Public Works

Approved for Submission:

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