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DATE: March 6, 2012

REPORT TITLE: **EXTENSION OF WATER METER SUPPLY CONTRACT**

FROM: Dan Labrecque, Commissioner of Public Works

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### RECOMMENDATION

That the contract (Document 2005-007P) with Neptune Technology Inc. for Water Meter Equipment and Services be extended for three additional years ending on December 31, 2015, in the estimated amount of \$3,568,818 annually (excluding applicable taxes), in accordance with Purchasing By-law 63-2008;

And further, that staff have the authority to increase the contract on an annual basis starting January 1, 2013 and subsequent periods based on satisfactory performance, price and approved budget, in accordance with the contract with Neptune Technology Inc.

### REPORT HIGHLIGHTS

- The Region of Peel has over 300,000 water meters which are accountable for recording water consumption, which results in over \$230 million in revenues per year.
- The meter reading technology, the type of meter, and the water billing application are closely integrated and will require significant modification if non-Neptune manufactured meters are introduced into the system.
- Currently, a separate process is underway to investigate the potential to upgrade the billing technology either through purchasing a new billing application or partnering with the area municipal hydros and/or other utility companies.
- Extending the current meter supply contract will avoid the potential need to modify meter reading technologies and interfaces until after a decision concerning the billing technology is made, thereby avoiding the risk of duplicated effort and costs.

### DISCUSSION

#### 1. Background

Peel's Water and Wastewater system costs are recovered through the utility rates. Costs related to York Region are recovered separately through wholesale rates. The utility rates generate an average of \$230 million of revenue necessary to operate the system.

In Peel, almost all accounts are metered and bills are based on actual water used. Water meters are expected to last approximately 15 years; however in Peel many meters are over

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20 years old and continue to record accurately (meters are tested on an ongoing basis). Due to the age of the meters many meters in Peel still utilize the old "pin" technology where a meter reading device is inserted onto a set of pins and a read is obtained. While this technology has served the Region well, it is quite dated and not supported by many companies other than Neptune. An annual change out program is underway which will result in the oldest style meters being replaced over the next five to ten years with the more up to date radio frequency technology.

In 2005, a Request for Proposal (RFP) for meter supply was issued and awarded to Neptune Technology Inc. The contract was for three years with four, one-year extensions. Neptune has been the long term supplier of meters in Peel and therefore by default almost the entire meter reading technology is tied to the Neptune hardware and software.

### 2. Rationale for Contract Extension

As Council is aware, a review of the utility rate structure has identified the need to upgrade the billing system. As directed by Council in October 2011, discussions are being held with the area municipal hydro companies and other utility companies to determine what potential partnerships may make sense.

The ability to change water meter vendors is limited due to the work on the utility rate structure, billing systems upgrade, and potential partnerships, which, in turn, will lead to major system changes and potential re-engineering of business practices. While a change could occur, it would likely entail system changes, which would then in turn need to be reworked once the final billing process is determined. The Region would like to avoid this duplication of work and would rather align the acquisition of new billing software with a new water meter supply contract.

It is possible to issue an RFP for meter services with the stipulation that the successful vendor would need to supply meter reading technology (both hardware and software) compatible with the current Neptune meters installed in the system. However, if a new vendor was successful then significant changes to the meter reading software and interface with the billing system would be required and this cost would be much greater than continuing with Neptune.

Given the mixture of technologies of meters in the field, if a new vendor was approved, there would still be a need to continue to contract with Neptune meters for parts and other specific items unique to the Neptune meters. As well, the meter reading technology for the older style meters would likely still need to be supplied by Neptune.

Neptune's meter accuracy rate has been exceptional, allowing meters to remain in the field for longer than expected, which has delayed the costs associated with changing out meters.

Neptune's locality is very important for the Region's business needs because service calls can be handled in a timely and efficient manner.

Neptune's fees have only increased by the rate of inflation since the initial contract and prices have even occasionally decreased due to lower material costs.

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**3. Proposed Direction**

Therefore, based on the fact that much of the current meter infrastructure utilizes dated technology as well as the ongoing work on the billing process, the recommended direction is to extend the current contract for a three year period, which will allow the billing system upgrade to be completed. The extension will also allow for more of the older technology meters to be retired, which would reduce the work required to switch to a different manufacturers product if a future competitive bid process led to that outcome.

**FINANCIAL IMPLICATIONS**

Sufficient funds for the annual 2013 portion of the contract are available in the approved capital projects (09-7910 and 11-7910) and 2012 operating budgets (cost centres FM42111 and FM42132). Funding for the remaining years of the contract will be requested via the 2013 budget process and are pending Council approval of the budget.



Dan Labrecque  
Commissioner of Public Works

**Approved for Submission:**



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D. Szwarc, Chief Administrative Officer

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