

For Information

DATE: August 17, 2012

REPORT TITLE: **WATER BILLING PROCESS FOR MANAGING CUSTOMER CONCERNS ABOUT LARGE WATER AND WASTEWATER BILLS**

FROM: Dan Labrecque, Commissioner of Public Works

OBJECTIVE

The purpose of this report is to provide an update regarding Peel's process for managing customer concerns about large water and wastewater bills as well as how Peel's process aligns with recommendations made to the City of Toronto in an April 2012 Office of the Ombudsman Report.

REPORT HIGHLIGHTS

- Improvements were made in 2008 to how customer concerns about large water and wastewater bills are handled.
- In October 2011, an internal audit review of the Region's processes confirmed that they were well managed and considered efficient and effective.
- In April 2012, a report was issued by the Office of the Ombudsman for the City of Toronto because of ongoing complaints from Toronto residents about excessive bills for sudden, inexplicable water consumption.
- Several recommendations were made by the Office of the Ombudsman.
- Peel's reading, billing, and customer service processes are aligned with these recommendations.
- Other than the normal on going process improvements, no further changes to Peel's processes are currently planned.

DISCUSSION**1. Background**

The Region of Peel reads and issues close to 1.2 million water bills per year and manages revenues in excess of \$250 million. Part of the billings process is to deal with the infrequent occurrence of a high water bill. While processes have always been in place, in March 2008, improvements to the process were made based on a report regarding strategies for managing customer concerns about large water and wastewater bills which was received by Regional Council (Resolution 2008-396). The report may be found in Appendix I of this report.

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The March 2008 report outlined process improvements to better assist customers in preventing high water and wastewater bills and in identifying leaks at their properties. Since May 2008, the process was improved by having Verification Representatives in Water Billing contact customers by telephone when a reasonably higher than usual meter reading is obtained (typically if the reading is 100 m³ higher than the previous bill or the bill from the same period in the last year). The Representatives let customers know about the meter reading and discuss for example whether there have been any leaks, an underground sprinkler system installed, or changes in the number of people living at the property. As well, a home visit is offered by the Representative to assist the homeowner in finding possible sources of the water usage. Customers may also contact the Region directly concerned about a high bills and a service request is made to have the Verification Representatives contact the customer and arrange a visit to the property to assist the homeowner. On average, approximately 2,500 visits to residential properties occur annually as a result of both the Verification Representatives contacting customers and customers contacting Water Billing.

In 2011, the Region's internal audit team reviewed the water reading and billing process and confirmed that the process was both efficient and effective and recommended only a minor process improvement related to new accounts which were implemented.

In April 2012, the Office of the Ombudsman for the City of Toronto issued a report based on its investigation into receiving ongoing complaints from Toronto residents about excessive bills for sudden, inexplicable water consumption. Several recommendations were made in the report including:

- a) Develop criteria by which exceptional cases may be identified and addressed;
- b) Amend the Municipal Code so there is discretion, based on a set of criteria and on a case-by-case basis, to adjust the account of a customer who has experienced a sudden large increase in water consumption not explained by a meter test or leak check;
- c) Implement a standard by which customers are notified of consumption spikes and dips;
- d) Determine whether there has been area water main relining work and inform the customer of those facts; and
- e) Write to the customer after three consecutive bills based on estimates to request a reading.

In order to inform Council and the public this report compares Peel's process to the City of Toronto recommendations, many of which have already been implemented by the Region of Peel.

2. How Peel's Current Process aligns with Recommendations from Office of the Ombudsman

The Region of Peel's current processes and policies are aligned with the recommendations made by the Office of the Ombudsman and are described in detail below.

- a) As part of implementing process improvements in 2008, criteria were developed to assess if a meter reading is higher than past consumption and contact from a

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Verification Representative is done prior to the bill being issued. Typically when the reading is 100 m³ higher than either the last bill or the bill from the same period the year prior, the customer is contacted. This can vary depending on the time of year, typically in the summer the criteria can result in more need for contacts than can be reasonably managed, as the criteria may need to be adjusted.

- b) Peel's meter installation and reading process is not entirely comparable to the City of Toronto. For Peel, virtually all properties are metered and have outside reading devices installed. Peel has a rigorous meter change out program which includes random testing to provide assurance meters are operating appropriately. The Verification Representatives in Water Billing contact the customer about the reading prior to the bill being issued to more proactively resolve customer concerns. Due to these processes, the occurrence of excessive bills that cannot be explained is minimal. As the majority of residential meters are read and billed once every three months, leaks that may have occurred and been fixed or are intermittent during the three month cycle cannot necessarily always be detected by the Region nor can customers necessarily recall if anything occurred at the property.
- c) There is currently a process in place at Peel to notify customers if a reading is higher than usual based on a set of criteria. Seasonality of consumption, such as increased outdoor water usage during summer months, combined with sales of homes and changing or unknown information about the occupants of the home and limited telephone contact information limit the ability to contact customers about decreases in consumption.
- d) While a great deal of water main relining is not undertaken in Peel, in cases when the method is used no substantiated link between water meters over-registering and water mains being relined has been found. When water mains are relined, dirt and particles in the water can clog a meter and cause it to stop registering. In these cases, the meters would record less consumption than was actually used – as it will no longer register but would not prevent water use. When water mains are being relined, notice is provided to customers in the affected area and appropriate inspection processes are in place to minimize any impact on the water services.
- e) Water Billing's current process is to contact a customer by telephone (if possible) and by mail once an account has estimated more than three consecutive times. The reason a reading cannot be obtained is typically that the outside reading device cannot be accessed, as a gate may be locked or a dog prevails, or cannot be repaired so a meter replacement is required and access to the inside of the house is required. Regardless, the vast majority of accounts are billed based on an actual reading (99%) and the occurrence of multiple estimates at a property are extremely low (less than 100 properties at any given time).

3. Possible Improvements

At this point in time, there are no plans to implement significant changes to the current process beyond that of the normal ongoing non substantial improvements. Out of the 300,000 accounts that are billed for water and/or wastewater, with 60,000 escalated phone calls received annually in Water Billing and 2,500 visits to properties to assist homeowners, the Water Billing group manages the process well and inexplicably high water bills occur very infrequently. The predominant drivers of large residential water and wastewater bills continue to be toilet leaks (may be silent or sporadic), underground sprinkler systems, and

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how a homeowner operates a water filtration system. Water meter testing continues to show meters are not over-registering.

A review of financial hardship due to large water and wastewater bills, for example greater than \$1,000 bill during a quarterly billing cycle, could be undertaken to examine whether writing off part of the bill is warranted. However, there are currently supports available including working with Ontario Works staff to assist customers who qualify with financial aid to pay their bills, spreading out payments of bills over a more manageable timeframes, and waiving service charges such as late payment and turn on/off charges.

If Council wanted to go beyond these supports then additional administration costs and financial impact should be considered. A review could be undertaken if this is a direction Council would like explored. As mentioned in the 2008 report, such a program including the write off and administrative costs may reach close to \$1,000,000 annually and would not necessarily be aligned with the user pay principle endorsed by Regional Council.

While the Region's website has been enhanced to include more educational materials regarding leaks, water conservation, and clarification of responsibilities, providing more information and education for customers to proactively prevent water loss and help detect leaks is a continuous process. This work has been incorporated into the work plans of the Education Programs and Services section in the Operations Support Division.

CONCLUSION

Overall, the utility reading and billing process continues to be effectively managed and the process enhancements made in 2008 have effectively managed the occasional high bills experienced by customers. Therefore, no significant process changes are being considered other than the normal on going process improvements undertaken as part of the business practices.

In reference to the City of Toronto report on high bills, the Region of Peel has already implemented many of the suggested changes with the exception of writing off high bills which while not recommended at this time could be considered if Council so wishes as part of a future budget process.

As Council is aware, the process of implementing a replacement billing application is underway and may provide opportunities to enhance or automate some of the process. Water Billing processes currently in place will be reviewed in conjunction with replacement of the billing application.

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Approved for Submission:



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c. Legislative Services



REPORT
General Committee

For Information

DATE: March 25, 2008

SUBJECT: **STRATEGIES FOR MANAGING CUSTOMER CONCERNS ABOUT LARGE WATER AND WASTEWATER BILLS**

FROM: M.D. Zamojc, P. Eng., Commissioner of Environment, Transportation and Planning Services

OBJECTIVE

The purpose of this report is to update Regional Council on planned process changes in Revenue Management to better assist customers in preventing high water and wastewater bills and in identifying leaks at their property.

REPORT HIGHLIGHTS

- Customers with high bills are increasingly expecting the Region to either reduce the charge or explain how they have consumed the water that the Region supplies.
- In accordance with the Water By-law 9-73, as amended, the Region is responsible for the supply of water which is measured by the water meter that embodies Council's foundational principles of user pay and conservation.
- The Region has a process for ensuring the billing is accurate and to assist customers when they do not know how the water supplied was consumed.
- To assist customers in preventing high bills, the Region will be providing more information on leak prevention and detection.
- As a courtesy in assisting customers in identifying sources of high bills, the Region will be dedicating more resources to visits by our verification representatives.

DISCUSSION

1. Background

Council has long endorsed two foundational principles regarding our supply of water, namely:

1. User pay, and
2. Conservation

Since the Water By-law was first passed in 1973, these principles have been embodied in its requirements that all services have a water meter and that the register of the water meter is the prima facie evidence of the quantity of water supplied by the Region to the property.

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Council's long held position has received significant technical support over the years including that of The Expert Panel on Water and Wastewater Strategy, who in their 2005 report entitled, "*WATERTIGHT: The Case for Change in Ontario's Water and Wastewater Sector*," recommended that "metering should be mandatory in all sustainable water systems".

For the Revenue Management division of the Environment, Transportation and Planning Services (ETPS) department, the incorporation of these two foundational principles in the water meter are the bases for the management of what is referred to in the utility industry as the Meter-to-Cash process.

To that end, the division has two main goals which are:

1. To efficiently issue a timely and accurate bill for the water supplied and wastewater collected; and
2. To efficiently collect payment for those bills.

While the division actively monitors several processes to ensure these goals are achieved, this report highlights Revenue Management's work in regard to residential customer concerns regarding water and wastewater bills that are considerably higher than previous bills.

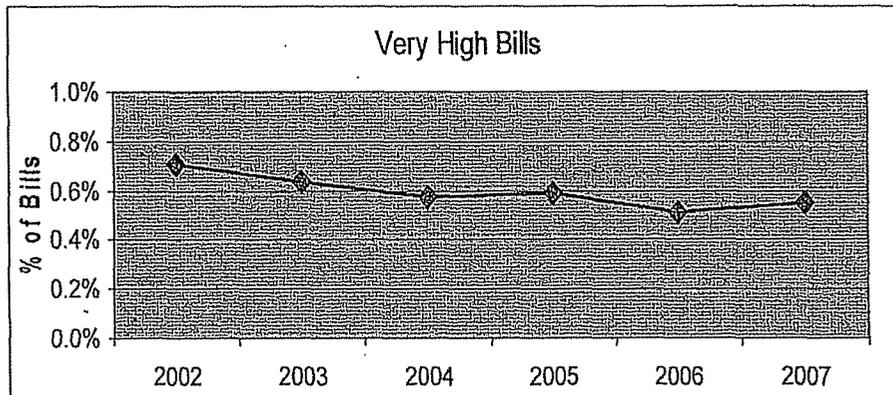
The main reasons for high bill questions are:

- a plumbing problem has occurred, has been repaired and an adjustment to the bill is sought by the customer;
- summer usage has occurred and the customer would like an adjustment beyond the 15 per cent reduction for the wastewater portion based on the water not being returned to the wastewater (sanitary sewer) system;
- the property is a tenanted property where high water use has occurred and the landlord is seeking a write-off or write-down because the tenant has not paid the bill; and
- customer has reviewed plumbing, indicates there has not been a problem and therefore believes the meter must be over-registering.

For the most part, high bill questions related to the first three items are resolved at the first point of contact. However, some questions are escalated to the Manager, Director, Commissioner or even the customer's Regional Councillor. The circumstances regarding the escalation usually relate to the fourth item when a customer, having no explanation for where the water went, believes that the water meter is over-registering.

Typically the number of high bill questions directly corresponds to seasonal use (summer consumption) and precipitation (dry versus wet). In other words, if it is a summer with little precipitation, there will be a greater number of high bill questions compared to a summer with a lot of precipitation. For instance, in 2005 which was a dry summer, we received approximately 3,700 high bill calls compared to 2006, a wet summer, where we received approximately 2,650 high bill calls.

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STRATEGIES FOR MANAGING CUSTOMER CONCERNS ABOUT LARGE WATER AND WASTEWATER BILLS**Graph 1**

As noted in the graph above (Graph 1) the relative number of high bills continues to decline. However as the utility rates continue to increase, it is anticipated more and more customers will have questions about high bills. Customers are also increasingly expecting the Region to prove where the water was used in order to believe the billing to be correct.

The purpose of this report is to update Council regarding improvements for addressing some of the high bill questions. These changes will enhance the Region's customer service, customer satisfaction, and the trust and confidence the public has in the Region's water and wastewater billing processes. The changes will not however resolve all instances to the customer's complete satisfaction particularly due to the intermittent nature of some leaks and our adherence to Council's foundational principles of user pay and conservation.

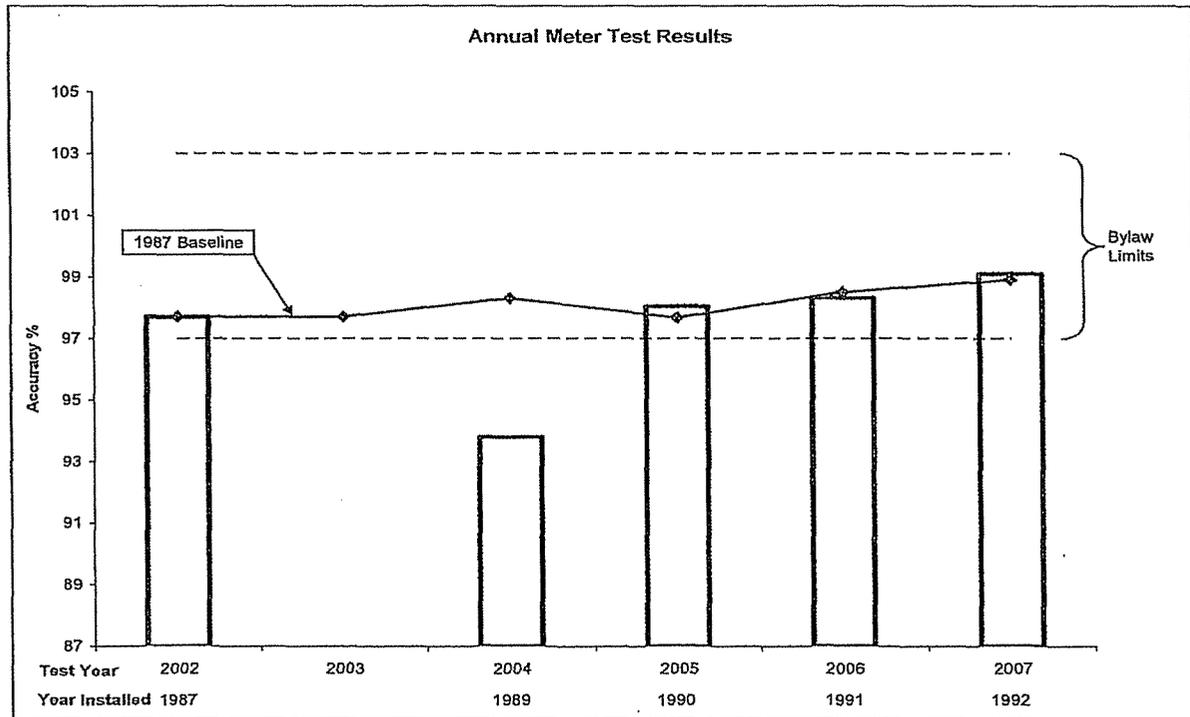
a) Current Process**Metering and meter accuracy**

The Meter-to-Cash process starts with ensuring meters are installed on all services as quickly as possible. In support of the user pay principle, to effectively and efficiently recover the costs of the Water and Wastewater programs, virtually all residential accounts have a water meter installed.

The Meter Operations section annually tests the accuracy of a statistical sample of our water meters against both the Water By-law accuracy standards and the guidelines from the American Water Works Association (AWWA). As the graph below (Graph 2) highlights, while these tests consistently indicate our meters are not over-registering relative to the parameters, water meters gradually slow down as they age or 'under register', the tests do determine when replacement of a specific class (e.g. year of installation) is required in order to ensure we maintain accuracy.

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Graph 2

Meter read and billing accuracy

In order to ensure meter readings are as accurate as possible, several measures are in place to obtain an actual read and minimize estimates and phone-in or card reads.

In addition, once the reading is received by the billing application, AquaPeel, it is compared to consumption parameters set based on the average daily consumption for the account to determine if the reading is higher or lower than usual. Any accounts which fall outside of these parameters appear on a report which is reviewed daily. On any given day, this report may contain 150 – 300 accounts of the approximately 5,000 accounts billed. Each account on the report is reviewed and where it appears to be warranted and staff are available, a verification representative will contact the customer to arrange a courtesy appointment to visit the property and assist the homeowner.

When a residential customer contacts the Region in regards to a high water bill, the Region performs a number of tasks.

While on the phone, the customer is first asked to obtain a reading directly from the water meter to verify our reading.

Once the reading is confirmed, the Customer Service Representative (CSR) consults with the property owner about the possibility of leaks which can include the flapper in the toilet is not sealing properly or the flapper periodically is stuck open, the water level in the toilet tank is too high so the water is going into the drain from the overflow tube, and the outside tap froze in the winter because the shut off inside the house for the tap was not shut off.

The CSR also provides information on how the meter measures water and about the above noted annual testing of meters.

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A courtesy appointment with a verification representative from the Region may be arranged though, since the majority of residential customers are billed every three months, any leaks that may have occurred and been fixed before the most recent meter reading can not be detected.

Customers may also be encouraged to engage the services of a certified plumber as some leaks are difficult to detect such as an underground sprinkler system leak.

Finally, if the customer believes there are no leaks and the meter is over-registering, upon request by the customer, the meter will be removed from the property and sent to a third party for independent testing. There is a fee for the testing, payable in advance of the test as per Regional By-law 9-73, as amended. The Region is currently piloting adding the testing fee onto the water bill upon completion of the testing if the meter is not over-registering. If the meter is over-registering, there is no charge for testing and any advance payment would be reimbursed and the bill adjusted.

High Bill mitigation

For those with high bills, our support options include:

- working with Ontario Works staff to assist those low income customers who qualify with financial aid to pay their bills;
- making suitable payment arrangements to spread the bill out over a more manageable timeframe; and
- waiving additional fees such as late payment and turn on/off charges.

2. Program Improvements

The foundational principles set out by Council for user pay and conservation were the lens through which improvements to addressing customer concerns about large water and wastewater bills, were reviewed.

For that reason, options like a one-time write off of water and wastewater charges are not being proposed. Aside from rebate and administration costs (estimated to reach close to \$1,000,000 each year depending on the parameters chosen), such a program neither makes the user pay nor encourages water conservation. In fact it sends the opposite message because customers who ignore plumbing issues (like a running toilet for up to three months) would be allowed to waste water and not pay.

Similarly, while an option of a leak rebate program (that would adjust a bill upon completion of an application form with receipts for repairing the leak) would support the conservation principle after the original leak occurred, it would still violate the user pay principle and incur significant write-off and administrative costs that could be more efficiently applied to proactive conservation efforts like the toilet rebate program.

a) Enhanced Education Program

From staff discussion and past surveys of customers, support for education was evident. As an extension of the water conservation efforts already being undertaken by the Region of Peel, the program would be geared to proactively providing customers with information to prevent water loss, help detect and repair leaks and clarify who is responsible for what regarding our respective roles.

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The program would include:

- more information on water conservation, and the main sources of leaks such as the toilet;
- better education of customers how water metering works including how to read the meter, use it to monitor if there is a leak and the Region's efforts to ensure accuracy of our meters; and,
- definition of the roles and responsibilities of the Region as the supplier of water and the customers as consumers of the water including clarification that the Region is not required to prove where the water was consumed to justify the bill.

The program would be multi-faceted and use electronic channels like the web as well as print media.

The Region of Peel launched a Water Bills section on the Region's external website: www.peelregion.ca/waterbills earlier this year. The basic information for Water Bills is currently on the site and staff will continue to enhance the information. In the near future, there will be an interactive house available, similar to www.watersmartpeel.ca, to better show customers who is responsible for what and where the main causes of leaks are within the home.

Print documents could include providing valuable information packages to customers who have recently purchased a home (brand new or resale) in the Region of Peel. This information may include the how to locate, operate, read and utilize a meter. The information package would also clarify the customer's roles and responsibilities and what to do to maintain the plumbing in and around the home to proactively ward off a leak.

Also, information sessions could be made available throughout the community, by partnering with other community groups and Water Smart Peel (WSP) and providing the same type of information as the new home packages and basic information about the water meter during water audits to enhance education on water conservation and programs.

b) Redefine Verification Representative Process

Currently, verification representatives perform both the final readings for change of ownerships and courtesy calls to customers in order to assist in determining where the water usage occurred.

Approximately 25,000 final readings are done annually so bills accurately reflect the water supplied to the person selling the house and the portion related to the person buying the house. The number of final readings increases during the summer months. This is also the same time period when high bill questions increase. Because final readings are a priority, we cannot react as quickly to readings that appear quite high (signaling a potential leak at the property).

To allow verification representatives to dedicate more time to meet face-to-face with customers, responsibility for final reads will be transferred to the Meter Operations section.

In addition to centralizing all aspects of meter reading, enhancement of personal verification representative visits are often preferred to telephone support, more effective with adult learners and identifying continuous silent leaks that the California Urban Water

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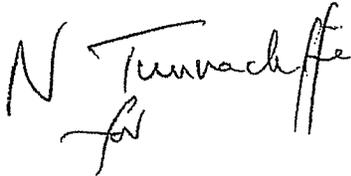
STRATEGIES FOR MANAGING CUSTOMER CONCERNS ABOUT LARGE WATER AND WASTEWATER BILLS

Conservation Council website on water usage (www.H2Ouse.org) notes "will waste from 30 to 500 gallons [US] of water per day".

One specific drawback is the increased visits may reinforce an incorrect expectation that customers increasingly have that the Region is responsible for finding the source of the water usage in order to support the billing.

CONCLUSION

The Region will increase the availability of information on leak prevention and repair in the home and re-align resources to increase the availability of staff to provide courtesy visits to assist the homeowner in finding leaks.



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c. Legislative Services