



Corporate Report

NO: R052

COUNCIL DATE: March 27, 2006

REGULAR COUNCIL

TO: Mayor & Council DATE: March 16, 2006
FROM: General Manager, Engineering FILE: 1200-241
SUBJECT: Extension of Contract for Installation of Water Meters

RECOMMENDATION

That Council approve an additional expenditure authority of \$850,000 to Contract M.S. 1200-241 to allow Terasen to install water meters for volunteers until the new Voluntary Metering Contract is awarded.

INTENT

To seek Council approval to extend the existing contract with Terasen for metering of existing homes until the new Voluntary Metering Contract is awarded.

BACKGROUND

In June 2002, Council approved the agreement with Sher-Dan Holdings Ltd., which subsequently restructured and re-named to Terasen Utility Services Inc., for the delivery of the City's Voluntary Metering Program for existing residential properties. A total contract of \$9.63 million was approved. Two-thirds of the funding of this Program, \$6 million, was received from the Canada/B.C. Infrastructure Grant Program. The remaining one-third, \$3 million, was funded by Water Utility.

This Program is intended to attract water consumers who want to only pay for the water they use by volunteering for a water meter. The demand for meters started strongly in 2003 at approximately 7,500 meters, gradually decreased to 5,400 and 4,800 meters in 2004 and 2005 respectively. This decreasing trend reflects that most of the low consumption customers have already volunteered and the flat rate was not fully adjusted to reflect the new average use. To date, a total of 18,000 meters have been installed under this contract so far. The program has been a success in the fact that 3 years after its inception, we now have over 42% of our residential customers on water meters. We have also benefited fully from our \$6 million grant from the Federal and Provincial Governments.

The existing contract expires on March 31, 2006. Tendering for a replacement Voluntary Metering Contract is underway, and will be submitted to Council for approval in late April/early May.

DISCUSSION

The concern that the City's free metering program might expire with the end of the Federal/Provincial grant, and the sending out of the 2006 Utility bill that has the new flat rate that reflects the new average flat rate consumption, has triggered a large increase in requests for meter installation. By March 8, this unexpected increase in meter installations resulted in Terasen installing more meters than anticipated. In order to consider Terasen's latest invoice, we will need Council authority to increase the expenditure authority.

It is expected that residents will continue to request meter installations. There are two options to address these requests:

1. Advise the residents to wait for the new Voluntary Metering Contract, which is expected to be submitted to Council for approval in April. This will mean some residents may have to wait 3 to 4 months for their meter.
2. Authorize additional funding and request Terasen to install meters until the new Voluntary Metering Contract is awarded in April.

Requesting residents to wait for an extended period of time for meter installation could generate dissatisfaction with the program and is not recommended. Also, Terasen is very interested in continuing the metering installation until the next contract is awarded, and proposes to reduce their current price schedule by 10%.

It is anticipated that another 600 to 700 meter installations will be needed before the new Voluntary Metering Contract is awarded, at an estimated cost of up to \$450,000. This would bring the total expenditure authority to \$850,000.

CONCLUSION

To bridge the gap between the existing and the new contract, and continue to fulfill the need of residents for metering, it is recommended that an additional funding of \$850,000 be authorized so that Terasen can install meters for volunteers until the new Voluntary Metering Contract is awarded. Sufficient funding is available in 2006 Water budget.

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