



CITY OF ST. ALBERT ADMINISTRATIVE BACKGROUNDER

TITLE: MONTHLY UTILITY BILLING

On April 24, 2018 Mayor Heron provided notice in accordance with Section 23 of Procedure Bylaw 3/2018 that she intended to bring forward the proposed motion below.

In order for Council to debate the motion, the motion must be formally moved.

PROPOSED MOTION(S):

That the City of St. Albert commence monthly billing of utilities by July 1st 2019

That all new utility customers starting in September of 2018 are provided their utility bills via email. If a mailed paper copy is requested then the price of printing and postage be added to the bill.

BACKGROUND:

Please note that the two components of the motion are mutually exclusive meaning that Council could choose to implement either/or both components. As the revenue/cost impacts rely heavily on the uptake of e-billing related to the second part of the motion, there are too many possible scenarios to provide an in-depth financial analysis at this time. The backgrounder will address each component of the motion separately. Should Council choose to support both portions, there may be some relationships between the two programs that could impact the costs/revenues positively or negatively. It would not be appropriate to simply add the costs/revenues from the two components together and assume that that would be the impact if both were implemented as there may be economies of scale that emerge.

The current uptake for e-billing is approximately 18% or 3,836 accounts. With the implementation of AMI and the eventual access to consumption data through MyCity, it is anticipated that we will be able to increase the uptake on e-billing. All financial scenarios presented will assume differing levels of e-billing uptake including current – 18%, 50%, 90%.

1. Commencement of monthly billing (assume no fee)

With the implementation of Automated Meter Reading technology, the City would be in a position to begin a monthly billing process.

There are numerous positive outcomes supporting a move to monthly billing:

1. Easier for customers to manage their cash flow. Smaller bills every month instead of a large bill every 2 months.
2. Falls more in line with how other utility and household bills are handled (ie gas/electricity, cable, internet, insurance etc.)
3. Supports conservation. Even for customers who choose not to monitor their water consumption on the new online portal, receiving usage information monthly rather than bi-monthly allows for more timely decisions and actions.
4. Positive cash flows for the City (ie. We will receive our money sooner)
5. Less chance of delinquent accounts as monthly amounts owing are more manageable.

The main disadvantage to a monthly billing cycle is strictly linked to increased costs to the City leading to a marginal increase to utility rates. The estimated additional costs associated with monthly billing provided in the top section of the chart ("No fee for paper bill") provided at the end of the backgrounder.

Implementation of this type of program will also have some one time costs associated with programming of the tempest billing system.

Along with the additional direct costs related to paper, envelopes and postage, there would be additional capacity required within the Utilities billing area. Although the reads will now be automatic they still need to be loaded, processed and reviewed/audited by the Utility representatives before sending to customers. The move to monthly billing will increase this workload up to 2 times. There is also risk that the representatives will have to manage an increase in phone calls and emails which invariably come as soon as a utility bill is sent out.

2. **New** customers are charged a fee if they choose a paper bill (assume no change to current bi-monthly billing)

If this motion were to pass, there would be approximately 18,475 customers that would need to be grandfathered, for an indefinite time period, under a separate billing arrangement. Consideration would need to be given as to what circumstances warrant the ending of the grandfathered relationship. For example, does the exemption apply to the property itself, does it follow the resident, or does it only apply to a specific resident while they occupy that specific property at the time the bylaw changes are in force.

Maintaining two separate "programs" for an indefinite period of time creates significant inefficiencies due to the manual processes that would be required to maintain the separate billing lists as people move locations and as they switch on and off of e-billing. It may also be viewed as unfair for new customers to the City. Maintaining a program such as this would require additional resources, potentially significant.

Although moving to e-bills is positive for both the environment as well from a financial perspective related to the cost savings, Administration does suggest an alternative.

Council could consider a program where all customers who choose to continue the receipt of a paper bill are charged a fee. From a roll-out perspective, it would be fair and reasonable if we were to provide 6 months notice to all customers that this change will be coming and give them the opportunity to register for e-billing should they not wish to pay the fee. To ensure a smooth roll-out, a communications plan would be required to ensure customers are aware of their options and understand when the fee will be in effect.

Alternative Motion

That the City of St. Albert commence monthly billing of utilities by July 1st 2019

That on September 1, 2019, 6 months notice be provided to all utility customers that their utility bill will be provided by email starting March 1, 2019. If a mailed paper copy is requested then a fee of \$x will be added to the bill.

In terms of what fee to charge would be dependent on Council philosophy and direction. The three main options would be:

Cost Recovery – While this rate will mitigate the costs associated with any paper bills that are required, it may not provide enough incentive for customers to switch to an e-bill.

Industry Average – In 2013 the CRTC (Canadian Radio-television and Telecommunications Commission) released a report titled “Results of the fact-finding exercise on fees for paper bills” specific to communications companies. The results showed that for those charging for paper bills the fees ranged from \$1-\$4 or more per bill with most charging \$2/bill.

Punitive – Setting the fee high enough so that the majority of people will chose e-bills. This may be viewed negatively by customers.

Any fee that is in excess of cost recovery would provide an additional revenue to the utility program which ultimately reduces the rates. This revenue stream diminishes as we reach our goal of increasing the uptake on e-bills so should not be relied upon.

Council may also choose to offer exemptions for these fees for certain identifiable groups if desired. If directed, Administration would come back with a report on potential options and impacts for consideration.

Implementation of this type of program will have some one time costs associated with programming of the tempest billing system and may have some impact (Not

anticipated as significant) on staff resources dependent on how much automation we can implement related to customers moving on and off e-billing.

	Bi-Monthly Billing			Monthly Billing		
	Total Cost	Total Revenue	Net Revenue (Cost)	Total Cost	Total Revenue	Net Revenue (Cost)
Total Accounts - 21,607						
No fee for paper bill						
Current Enrollment - 18%	-113,067	-	-113,067	-226,134	-	-226,134
50% enrollment	-66,117	-	-66,117	-132,235	0	-132,235
90% enrollment	-13,223	-	-13,223	-26,447	0	-26,447
Cost Recovery - \$1.02 per bill						
Current Enrollment - 18%	-113,067	113,067	0	-226,134	226,134	0
50% enrollment	-66,117	66,117	0	-132,235	132,235	0
90% enrollment	-13,223	13,223	0	-26,447	26,447	0
Industry Average - \$2.00 per bill						
Current Enrollment - 18%	-113,067	221,700	108,633	-226,134	443,400	217,266
50% enrollment	-66,117	129,642	63,525	-132,235	259,284	127,049
90% enrollment	-13,223	25,928	12,705	-26,447	51,857	25,410

* Enrollment in e-billing at 50% and 90% is for illustrative purposes only. It is unknown what the actual uptake for e-billing will be under any of the scenarios presented.

With the early stages of implementation of the AMI meters, the potential for these 2 new approaches to billing, and an unknown quantity of how much and when we could see an increase in the uptake of e-billing, it is difficult at this time to quantify the impact on staff resources. Council should be aware that this may be a potential future impact.

Report Date: May 22, 2018
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