



Governance and Priorities Committee Report

For the Meeting of June 26, 2014

To: Governance and Priorities Committee **Date:** June 12, 2014
From: Susanne Thompson, Acting Director of Finance
Subject: Utility Billing Retroactive Adjustments

Executive Summary

The purpose of this report is to seek direction from Council regarding retroactive billing adjustments for incorrectly billed utility accounts. In some rare occurrences, utility accounts have been erroneously overcharged or undercharged. Factors in each case can vary significantly so each case is given unique consideration. In general, however, the City will back charge a customer for no more than the current year plus one previous year. Similarly, the City will generally only refund an overcharged customer the current year and one previous year. These adjustments are currently applied by administrative policy. However, incorporating these adjustments in applicable bylaws will provide better clarity and greater certainty.

The City conducted a survey of 38 municipalities. Approximately 60% of municipalities surveyed had a policy of refunding no more than three years of overbilled accounts. Approximately 30% of municipalities surveyed had a policy of refunding overbilled accounts back to the last date of error or ownership change, whichever is less.

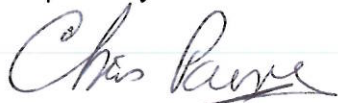
Approximately 70% of municipalities surveyed had a policy of retroactively billing under billed accounts for no more than one year. In fact approximately 30% had a policy of not retroactively billing whatsoever.

The City is making efforts to ensure that departments work together to serve the customer from beginning to end. Consequently processes have been reviewed to improve utility billing accuracy. In order to implement changes that will improve accuracy, a meter turn on/off fee in the amount of \$40 is recommended for new connections. A turn on/off process for new connections will ensure customers are properly connected and City infrastructure is protected from illegal connection and damage. Additionally a turn on/off fee in the amount of \$40 for existing connections is recommended to recover the cost of providing this service.

Recommendations

1. That Council instruct the City Solicitor to bring forward necessary bylaw amendments to allow the City to refund over billed utility customers back to the date of error, last ownership change or 5 years, whichever is less.
2. That Council instruct the City Solicitor to bring forward necessary bylaw amendments to allow the City to charge a \$40 water meter turn on/off fee for new water connections.
3. That Council instruct the City Solicitor to bring forward necessary bylaw amendments to allow the City to charge a \$40 water meter turn on/off fee for existing water connections.

Respectfully submitted



Christopher Paine
Manager-Revenue



Susanne Thompson
Acting Director of Finance



Dwayne Kalynchuk
Director of Engineering & Public Works

Report accepted and recommended by the City Manager:



Date:

June 17, 2014

Purpose

The purpose of this report is to seek direction from Council regarding retroactive billing adjustments for incorrectly billed utility account, and to apply a turn on/off fee for the connection and disconnection from a water service.

Background

The City levies its utilities in accordance with the following bylaws: (1) Waterworks Bylaw 07-030, (2) Sewer User Charge Bylaw 91-234 (3) Solid Waste Bylaw 12-086 and (4) Utility Fees Penalty Bylaw 05-66. In some rare occurrences, utility accounts have been erroneously overcharged or undercharged. This error is most common on new multi-family dwellings where there are numerous water services nearby. Often customers connect to a service assigned to an adjacent lot. Consequently neighbours are billed for each other's consumption.

Factors in each case can vary significantly so each case is given unique consideration. In general, however, the City will retroactively bill a customer no more than the current year plus one previous year. Some factors will include: (1) when a customer complaint was received, (2) when the last ownership change took place, (3) tenancy changes and (4) water leaks. Similarly, the City will generally only refund an overcharged customer the current year and one previous year. These adjustments are currently applied by administrative policy. However, incorporating these adjustments in applicable bylaws will provide better clarity and greater certainty.

Solutions to avoid billing errors are explored below. One solution would be to have Public Works supervise all connections or disconnections from water services. Annually, Public works responds to nearly 200 connection/disconnection requests. There is currently no fee for this service.

Issues & Analysis

The City may consider a number of factors when formalizing a policy for retroactive adjustments. Some factors may include: (1) customer service, (2) fault and due diligence, and (3) financial considerations.

A retroactive billing or refund will likely have a significant impact on the individual ratepayers who have experienced erroneous billings. Conversely, retroactive adjustments have an equal and opposite impact on the general pool of ratepayers. The water and sewer utilities are full cost recovery utilities and thus refunds impact utility rates. Extended refund terms and restricted retroactive billing terms have an impact on ratepayers. Consequently, Council may consider the financial and customer service impact that an adjustment provision in the bylaw would have in both cases.

The City conducted a survey of similar municipalities. Survey results are summarized below. Please see Appendices A & B for full survey results. While most municipalities had general guidelines (formal or informal), discretion was often applied to vary adjustment terms. Additionally, responses were submitted with the assumption that the adjustments were a result of a municipal error. In the cases where a customer was clearly at fault, refund and back billing terms were normally less favourable. Most billing errors would be assumed to be the City's fault unless it can be clearly demonstrated that a customer is at fault.

Refunds

Approximately 60% of municipalities surveyed had a policy of refunding no more than three years of overbilled accounts. Many of these policies were implemented to reduce the impact on the

general pool of ratepayers. Quite often, however, municipalities would exercise discretion and expand these terms.

Approximately 30% of municipalities surveyed had a policy of refunding overbilled accounts back to the date of error or last ownership change, whichever is less.

Retroactive billing

Approximately 70% of surveyed municipalities had a policy of retroactively billing for under billed accounts for no more than one year. In fact approximately 30% had a policy of not retroactively billing whatsoever.

Turn on/off – New Connections

Most recently discovered billing errors have been the result of cross connected meters. Cross connections can occur when a customer connects to the incorrect water meter. On some multi-family properties, it can sometimes be unclear which water service is for which residential unit. Some water connections have occurred without the City's supervision.

To mitigate the risk of error, it is recommended that Public Works supervise the connection to City water meters on new connections (approximately 70 per year). This practice will also serve to protect City infrastructure from illegal or unsafe connection. All new meters are outfitted with a locking mechanism which can be used to ensure unsupervised connections do not occur. This practice would ensure that the new meter and thus correct consumption is assigned to the correct billing account.

A turn on/off fee is proposed to recover the costs of water connection supervision. The connection supervision would include verification that the connection has been made to the correct meter. The cost of the supervision is estimated to be \$40 per connection. Engineering is currently undertaking a development servicing rate review. The \$40 fee would be integrated into the new water service fee.

The City is making efforts to ensure that departments work together as one City to serve the customer from beginning to end. This is one process change suggested that will improve cohesiveness between departments.

Turn on/off – Existing Connections

In 2013, the Public Works staff were called out to turn on/off existing water connections approximately 130 times. This service has an associated cost. It is recommended that the City introduce a \$40 turn on/off fee to recover the cost of this service.

Public works will receive turn on/off requests for existing connections for a variety of reasons. Some reasons may include: (1) a residential customer is having plumbing work done, (2) in progress developments need a temporary service, (3) a water line has been hit and needs to be shut off, or (4) fire protection work is being conducted.

Options & Impacts

Refunds

Option 1 (recommended): In the case of City error, refund over billed utility customers back to the date of error, last ownership change or 5 years, whichever is shorter.

Impact: This policy would be more favourable to individually impacted ratepayers than approximately 60% of municipalities surveyed. Ratepayers may have to fund larger refunds compared to the current administrative policy of current year + one year. It is difficult to predict the financial impact of this change but in the last two years there were nine refunds issued totalling \$6,600 approximately. This represents less than 0.04% of total budgeted sewer and water utility revenues.

Option 2: In the case of City error only, refund over billed utility customers back to the current year plus one additional year.

Impact: This policy would be more favourable to individually impacted ratepayers than approximately 25% of municipalities surveyed. This option would not expand utility ratepayer's financial exposure to refunds. Where the overbilling occurred due to a customer error or error by a third party, the customer would not receive a refund from the City and would have to seek a remedy elsewhere.

Retroactive Billing

Option 1 (recommended): In the case of City error, do not retroactively bill utility customers.

Impact: This policy would be more favourable to individually impacted ratepayers than approximately 70% of municipalities surveyed. It is difficult to predict the financial impact of this change but in the last two years there were six retroactive billings in the amount of \$1,500 approximately. This represents approximately 0.01% of total budgeted sewer and water utility revenues. It can be difficult for a customer to recognize consumption errors and thus this option appears to be the fairest.

Option 2: In the case of City error, retroactively bill under billed utility customers back to the current year plus one additional year.

Impact: This policy will help mitigate the cost of refunds for cross connected meters and other errors. The City has been following this policy for many years. In 2013, the City recuperated approximately \$1,500 in retroactive billings. It can be difficult for customers to recognize these errors and thus they often feel the policy is unfair.

Turn on/off – New Connections

Option 1 (recommended): Introduce a \$40 water meter turn on/off fee for new connections.

Impact: Public works staff will verify new connections approximately 70 times per year. City meter infrastructure will be better protected from illegal, dangerous or unauthorized connections on new services.

Option 2: Do not require a fee for new water service turn on/off. The cost associated with annual turn on/off for new connections will continue to be funded through existing user fees.

Turn on/off – Existing Connections

Option 1 (recommended): Introduce a \$40 water meter turn on/off fee for existing connections.

Impact: The City will recover the costs associated with approximately 130 turn on/off requests per year.

Option 2: Do not require a fee for new water service turn on/off for existing connections. The cost associated with annual turn on/off for existing connections will continue to be funded through existing user fees.

Recommendations

1. That Council instruct the City Solicitor to bring forward necessary bylaw amendments to allow the City to refund over billed utility customers back to the date of error, last ownership change or 5 years, whichever is less.
 2. That Council instruct the City Solicitor to bring forward necessary bylaw amendments to allow the City to charge a \$40 water meter turn on/off fee for new water connections.
 3. That Council instruct the City Solicitor to bring forward necessary bylaw amendments to allow the City to charge a \$40 water meter turn on/off fee for existing water connections.
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Appendix A: Survey Results

MUNICIPALITY	Policy Type	Refund Policy	Retro Bill Policy
Abbotsford	Formal	Current + 2	Current + 2
Campbell River	Informal	1 Year	1 Year
Central Saanich	Informal	Ownership or 5	No Retro Billing
Chilliwack	Informal	1 Year	1 Year
Comox Valley			
Regional District	Informal	Current	Current
Coquitlam	Informal	Current + 1	Current
Cowichan Valley			
Regional District	Informal	1 Year	1 Year
Cranbrook	Informal	1 Year	1 Year
Delta	Informal	Current + 2	No Retro Billing
Duncan	Council Policy	Current + 1	Current + 1
Kamloops	Informal	Current	No Retro Billing
Kelowna	Informal	Error/Ownership	Current
Ladysmith	Informal	Current	Current
Lake Cowichan	Informal	Current + 1	Current + 1
Langley (City)	Informal	Current + 1	No Retro Billing
Langley (Township)	Informal	Error/Ownership	No Retro Billing
Maple Ridge	Informal	Current + 7	No Retro Billing
Merritt	Informal	Current + 1	Current + 1
Nanaimo	Formal - in bylaw	10 Years	1 Year
Nelson	Formal - in bylaw	Error/Ownership	Current + 1
New Westminster	Informal	Error/Ownership	1 Year
North Saanich	Informal	Current + 2	1 Year
North Vancouver (City)	Informal	Error/Ownership	1 Year
North Vancouver (District)	Informal	Error/Ownership	Varies
Osoyoos	Informal	Current + 1	Current + 1
Parksville	Informal	1 Year	1 Year
Penticton	Informal	Error/Ownership	No Retro Billing
Port Alberni	Formal - in bylaw	1 Year	1 Year
Port Coquitlam	Council Policy	Current + 2	Current + 2
Port Moody	Informal	Error/Ownership	1 Year
Powell River	Informal	Current + 1	Current + 1
Prince George	Informal	Varies	Varies
Regional District of			
North Okanagan	Informal	Error/Ownership	No Retro Billing
Richmond	Council Policy	Current + 3	No Retro Billing
Saanich	Informal	Error/Ownership	Varies
Sidney	Informal	1 Year	No Retro Billing
Surrey	Informal	Current + 2	Current + 2
Vancouver	Formal - in bylaw	Current + 2	1 Year

Appendix B: Survey Summary

Refund Term Summary

Terms	Count	Percentage
Current	3	7.89%
1 Year	7	18.42%
Current + 1	7	18.42%
Current + 2	6	15.79%
Current + 3	1	2.63%
Current + 7	1	2.63%
10 Years	1	2.63%
Ownership or 5	1	2.63%
Error/Ownership	10	26.32%
Varies	1	2.63%
Total	38	100.00%

Retroactive Billing Summary

Terms	Count	Percentage
Current	4	10.53%
1 Year	12	31.58%
Current + 1	6	15.79%
Current + 2	3	7.89%
No Retro Billing	10	26.32%
Varies	3	7.89%
Total	38	100.00%