



## REPORT FOR ACTION

## **Non-competitive Contract with Aclara Technologies LLC., for the supply of Proprietary Meter Reading Hardware, System Upgrade, and Annual Maintenance and Support**

**Date:** September 24, 2019

**To:** Infrastructure and Environment Committee

**From:** General Manager, Toronto Water, and Chief Purchasing Officer, Purchasing and Materials Management Division

**Wards:** All

### **SUMMARY**

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The purpose of this report is to request authority to negotiate and enter into a non-competitive contract with Aclara Technologies LLC for the supply of proprietary meter reading hardware, system upgrade, and annual maintenance and support for a period of up to five (5) years. The total amount of this procurement is not to exceed \$6,105,600.00 net of HST recoveries.

City Council approval is required in accordance with Municipal Code Chapter 195 Purchasing, where the current request exceeds the Chief Purchasing Official's authority of the cumulative five year commitment for each vendor, under Article 7, Section 7.3 (D) of the Purchasing By-Law, or exceeds the threshold of \$500,000 net of HST allowed under staff authority as per the Toronto Municipal Code, Chapter 71- Financial Control, Section 71-11A.

### **RECOMMENDATIONS**

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The General Manager Toronto Water and Chief Purchasing Officer, Purchasing and Materials Management Division recommend that:

1. City Council authorize the General Manager of Toronto Water to negotiate, enter into and execute on behalf of the City a non-competitive agreement or agreements with Aclara Technologies LLC to provide:
  - a. support and maintenance services, software licenses, and, where required, training services related to the automated meter reading system
  - b. the supply of meter transmitter units and other goods to maintain or upgrade the automated meter reading system;

c. the supply and installation of upgraded data collection units for the automated meter reading system;

at an aggregate cost not to exceed \$6,105,600 net of HST recoveries, for a period of up to five years, subject to the terms and conditions being acceptable to the General Manager and in a form acceptable to the City Solicitor.

## **FINANCIAL IMPACT**

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The cost to the City is not to exceed \$6,105,600.00 net of HST recoveries. Total project costs for this contract award are available in the 2019 Approved Capital Budget and 2020-2028 Capital Plan for Toronto Water. Annual cash flows will be adjusted in the 2020-2029 Capital Budget Submission for Toronto Water to reflect five year requirements as presented in the table below.

Table 1 - Cash Flows

Year	Cost Centre/WBS	Net of HST Recoveries
2020	CPW 532-02	\$1,221,120
2021	CPW 532-02	\$1,221,120
2022	CPW 532-02	\$1,221,120
2023	CPW 532-02	\$1,221,120
2024	CPW 532-02	\$1,221,120
Total including Net of HST Recoveries		\$6,105,600

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

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At its meeting on June 23 and 24, 2008, during consideration of report PW16.12 entitled "Request for Proposal (RFP) 0713-08-0001: Water Meter Replacement and Automated Meter Reading System", City Council authorized:

a. the General Manager of Toronto Water and the Treasurer to negotiate and enter into an agreement, in a form satisfactory to the City Solicitor, with Neptune Technology Group (Canada) Limited in the total amount of \$191,756,663.14, net of GST including provisional items for the project; and

b. An upset limit of funds required to finance the project be set at \$219 million (net of GST), including contingency, provisional item and inflationary indexing for labour and materials over the implementation period of six years.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2008.PW16.12>

At its meeting on November 12, 2015, during consideration of report PW9.6 entitled "Water Meter Program - Final Report", the Public Works and Infrastructure Committee adopted the report without amendment. The City's agreement with Neptune Technology Group (Canada) Limited ("Neptune") to deliver the project achieved substantial performance in March 2015, approximately nine months ahead of schedule and the total projected expenditures was forecasted to be \$168 million or 77% of the \$219 million upset limit. The financial benefits to the City were expected to be approximately \$32.8 million per year (i.e. \$27.8 million in revenue recovery and \$5 million in operating savings).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.PW9.6>

## COMMENTS

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Toronto Water's revenues from the sale of water of approximately 1.3 billion dollars are based on the readings provided by the 478,000 water meters installed in homes and businesses in the City of Toronto.

The Water Meter Replacement and Automated Meter Reading System that has been installed by Neptune uses proprietary hardware and software of Aclara Technologies LLC ("Aclara"). Aclara's proprietary system (the "Aclara System") includes the following hardware and software: NCC (Network Control Computers), DCU (data collection units) and MTUs (meter transmission units).

The proposed upgrade and maintenance of Aclara's System will support the ongoing use and reliability of the City's Water billing and reporting systems.

The City's agreement with Neptune (being Purchasing Order #6029899) provided for the replacement and installation of certain units of the Aclara System, as well as maintenance and training for a period of six (6) years ending on December 31, 2018. As the agreement has expired, Toronto Water is seeking to procure further maintenance and training services as well as Aclara System upgrades and unit replacements.

Neptune is no longer authorized as a supplier for Aclara's products and services. Aclara is the sole manufacturer, supplier and maintenance provider of its Aclara System.

Accordingly, this procurement would allow the City to negotiate with and obtain the goods and services directly from the proprietary owner and manufacturer of the Aclara System, without going through an intermediary. This will allow the City to negotiate a package that includes the supply of proprietary meter reading hardware, system upgrade, and annual hardware/software maintenance and support at the lowest possible price. Comparatively, unit prices for support and maintenance quoted by Aclara are less than the prices indicated in the previous contract with Neptune after adjustment to US Dollars.

Furthermore, the agreement will incorporate a clause that limits annual price adjustments to the CPI in Toronto up to a maximum of five percent over the previous year. This clause will control price escalation by the vendor during the term of the agreement.

This non-competitive procurement will provide necessary support for the maintenance and upgrade of the City's meter reading system.

There is an immediate need to upgrade the hardware and the system to allow for two-way communications between the water meters and the network control computer. This will extend the system life-cycle by 5 years, allow for more accurate time-stamping of meter readings, synchronous meter reading for all meters (thus enabling daily determination of system water losses), and on-demand readings.

Furthermore, Toronto Water continues to require regular maintenance and support services for the Aclara System. Without the upgrades, Aclara System software and DCUs will not be supported or maintained by factory-trained technicians. Additionally, there is a need to replace certain Aclara System MTUs, failing which manual meter readings would have to be undertaken resulting in an increased operating cost to the City of approximately \$ 5 Million.

The Aclara System life cycle will be reviewed in 2021 for future enhancements and maintenance.

The Fair Wage Office has reported that Aclara has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

## **CONTACT**

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## **SIGNATURE**

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Lou Di Gironimo  
General Manager, Toronto Water

Michael Pacholok  
Chief Purchasing Officer, Purchasing & Materials Management Division