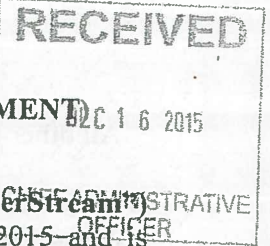


**AMENDING AGREEMENT NO. 1 TO
SHARED SERVICES AGREEMENT (JOINT SERVICES AGREEMENT)**



This Amending Agreement No. 1 is made between PowerStream Inc. ("PowerStream") and The Corporation of the City of Markham ("City") on October 13, 2015 and is effective as of January 1, 2016 (the "Amending Agreement Effective Date").

- A. PowerStream and the City entered into a Shared Services Agreement (Joint Services Agreement) (the "Agreement") on January 1, 2014.
- B. The Parties acknowledge they will meet in the first quarter of 2016 to discuss the implications of monthly billing as it affects water & wastewater billing and to discuss the introduction of Storm Water billing; as to the different billing options available to the City in PowerStream's provision of the Services all of which may require a change in Fees. Any change in Fees would only pertain to those components that have an incremental change related to the billing option chosen by the City. It is anticipated that the Fee components that may be affected would include but not limited to, meter reading, postage and any set up fees required within the CIS system due to a specific request from the City as part of the implementation option. The Parties will work cooperatively on the identification and agreement of any additional Fees.
- C. PowerStream and the City wish to amend the Agreement in the manner set out below.

For good and valuable consideration, the Agreement is amended as of the Amending Agreement Effective Date as follows:

1. Section 2.4.2 of the Agreement is hereby deleted.
2. Notwithstanding what is set out in Section 4 of the Agreement, the Agreement is extended for an additional three (3) years beginning from the Amending Agreement Effective Date and terminating on December 31, 2018.
3. The reference to three (3) years in Section 4.3 of the Agreement is deleted and replaced with two (2) years.
4. Schedule A (City Services Cashier Services at Markham City Hall) Annual Pricing is hereby revised to include pricing for 2016 to 2018 and is attached hereto at Appendix A.
5. Schedule B (PowerStream Services Water Meter Reading And Billing) Remittance & Pricing is hereby revised to include pricing for 2016 to 2018 and is attached hereto at Appendix B.


Capitalized terms used in this Amending Agreement No. 1 which are not defined, shall have the meaning ascribed to such term in the Agreement.

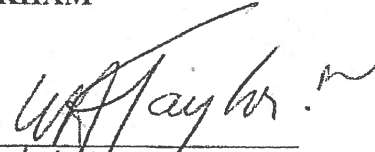
All other terms and conditions of the Agreement remain in effect.

Executed by the duly authorized representative of the parties on the Amending Agreement Effective Date.

POWERSTREAM INC.

**THE CORPORATION OF THE CITY
OF MARKHAM**

By: 
Name: DENNIS NOLAN
Title: EUP CORPORATE
SERVICES & SECRETARY

By: 
Name: W. ASHLEY TAYLOR
Title: CAO



APPENDIX A

SCHEDULE "A"

CITY SERVICES

CASHIER SERVICES AT MARKHAM CITY HALL

Annual Pricing

	2016	2017	2018
Cashier Services Pricing	\$100,763	\$103,786	\$106,899

APPENDIX B

SCHEDULE "B"

POWERSTREAM SERVICES

WATER METER READING AND BILLING

REMITTANCE & PRICING

- 2016: \$1,317,038
- 2017: \$1,356,549
- 2018: \$1,397,246



EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD ON Oct 29, 2013
REPORT NO. 44 - GENERAL COMMITTEE (October 28, 2013)

(2) CONTRACT EXTENSIONS FOR WATER METER READING & BILLING SERVICE AND CASHIERING SERVICES (7.12)

Report

- 1) That the report entitled "Contract Extensions for Water Meter Reading & Billing Service and Cashiering Services" be received; and,
- 2) That the contract for Water Meter Reading & Billing Services be extended for an additional two (2) years (January 1, 2014 to December 31, 2015) with PowerStream in the amount of \$1,241,435 for 2013, with 3% annual escalation per year; and,
- 3) That subject to Council approval of the City's 2014 Operating Budget, funds be provided from account #760-998-5390 Water Billing/Administration; and,
- 4) That the contract for the Hydro Cashiering Services reimbursement to the City be extended for an additional two (2) years (January 1, 2014 to December 31, 2015) with PowerStream in the amount of \$94,979 for 2014, with 3% annual escalation per year; and,
- 5) That subject to Council approval of the City's 2014 Operating Budget, the Hydro Cashiering Services reimbursement be allocated to accounts #890-890-8399 and #410-440-3621; and,
- 6) That the tender process be waived in accordance with Purchasing By-Law 2004-341 Part II, Section 7(1) C which states "when the extension of an existing contract would prove more cost effective or beneficial"; and,
- 7) That the Mayor and City Clerk be authorized to execute the extension of the agreement with PowerStream in a form satisfactory to the City Solicitor; and,
- 8) That the CAO be authorized to extend the contract, with the same terms and conditions, for up to three (3) additional years at any point during the term of the contract; and further,
- 9) That staff be authorized and directed to do all things necessary to give effect to this resolution.

CARRIED



Report to: General Committee

Date: October 28, 2013

SUBJECT: Contract Extensions for Water Meter Reading & Billing Service and Cashiering Services

PREPARED BY: Mark Visser, Senior Manager, Financial Strategy & Investments

RECOMMENDATION:

1. THAT the report entitled "Contract Extensions for Water Meter Reading & Billing Service and Cashiering Services" be received;
2. THAT the contract for Water Meter Reading & Billing Services be extended for an additional two (2) years (January 1, 2014 to December 31, 2015) with PowerStream in the amount of \$1,241,435 for 2013, with 3% annual escalation per year;
3. THAT subject to Council approval of the City's 2014 Operating Budget, funds be provided from account #760-998-5390 Water Billing/Administration;
4. THAT the contract for the Hydro Cashiering Services reimbursement to the City be extended for an additional two (2) years (January 1, 2014 to December 31, 2014) with PowerStream in the amount of \$94,979 for 2014, with 3% annual escalation per year;
5. THAT subject to Council approval of the City's 2014 Operating Budget, the Hydro Cashiering Services reimbursement be allocated to accounts #890-890-8399 and #410-440-3621;
6. THAT the tender process be waived in accordance with Purchasing By-Law 2004-341 Part II, Section 7(1) C which states "when the extension of an existing contract would prove more cost effective or beneficial";
7. THAT the Mayor and City Clerk be authorized to execute the extension of the agreement with PowerStream in a form satisfactory to the City Solicitor;
8. THAT the CAO be authorized to extend the contract, with the same terms and conditions, for up to three (3) additional years at any point during the term of the contract;
9. THAT staff be authorized and directed to do all things necessary to give effect to this resolution;

PURPOSE:

The purpose of the report is to obtain Council approval to extend the Water Meter Reading & Billing Services and Hydro Cashiering Services portions of the Shared Services contract with PowerStream for two (2) years at the negotiated pricing. The Street Light Maintenance portion of the Shared Services Agreement expires at the end of 2014 will be addressed in a separate report later in 2014.

BACKGROUND:Water Meter Reading & Billing Services

The main responsibilities of this contract are:

- o All water meter reading
- o Billing of all water/sewer services
- o Customer Account Management (initial customer service point of contact)
- o Monthly Reporting

In April 1996, Council approved an agreement between the City of Markham and the Markham Hydro Electric Commission, whereby the City's water meter reading & billing services, previously performed by City staff, were taken over by Hydro. The City has provided compensation to PowerStream for acting as the billing and collection agent on behalf of the City of Markham. Over the course of this arrangement, Markham Hydro became part of the PowerStream Inc., a company that the City of Markham, through Markham Enterprises Corporation, owns 34.185%.

As part of the Hydro deregulation process, the Province of Ontario created an "Affiliate Relationships Code for Electricity Distributors and Transmitters". The purpose of the Affiliate Relationships Code is to set out the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies. One section of the code addresses the "Transfer Pricing", which states "Where a utility provides a service, resource or product to an affiliate, the utility shall ensure that the sale price is no less than the fair market value of the service, resource or product".

The City has contracted out the Water Meter Reading & Billing Services to PowerStream since 2005. The contract was most recently extended in 2011 for a period of three (3) years and is set to expire at the end of 2013. The 2011 contract was at \$1,136,862 with a 3% cost escalation factor per year. The 2013 cost was \$1,205,277. This contract is paid entirely through the Waterworks Operating Budget (and correspondingly through the Water Rate) and does not impact the tax rate.

Hydro Cashiering Services

PowerStream reimburses the City for providing cashiering services for PowerStream customers. The cost to PowerStream for 2013 was \$92,213, which relates to salary costs and benefits, direct telephone hotline from Markham to PowerStream, three Interac lines, and courier costs for pick up between the City and PowerStream.

OPTIONS/ DISCUSSION:

Water Meter Reading & Billing Services

During the 2011 contract extension process, City staff worked with PowerStream to review their pricing methodology for these services, which is based on cost recovery and fair market value of the service. At that time, the two parties were able to reduce the cost to Markham by 22%. PowerStream and City staff have meet earlier this year to discuss a contract extension for these services and have agreed, in principle, to extend the existing contract for two (2) more years at the 2013 rate plus 3% cost escalation per year (same as the 2011 contract). The 3% escalation factor is reasonable as it takes into account inflation (which has averaged 2%/year over the term of the current contract) as well as growth in number of accounts (which also has averaged approximately 2%/year). The 2014 cost would be \$1,241,435, while the 2015 cost would be \$1,278,678.

PowerStream and the City are also investigating the possibility of extending the contract beyond 2015 at the same pricing, subject to the requirements and strategic direction of the Waterworks Department. If it is deemed advantageous to the City to extend the contract past 2015, it is recommended that the CAO be authorized to extend the contract, with the same terms and conditions, for up to three (3) additional years at any point during the term of the contract.

Hydro Cashiering Services

The recommended two (2) year extension has the cost recovery increasing by 3% per annum over the existing 2013 contract rate. The estimated cost to be billed to PowerStream is \$94,979 in 2014 and \$97,828 in 2015.

FINANCIAL CONSIDERATIONS AND TEMPLATE:

The award is subject to approval of 2014 operating budget. Funding for the Water Billing (\$1,241,435) will be contained in the 2014 Water Department's Operating Budget. Recovery for the Hydro Cashiering Services (\$94,979) will be allocated to the 2014 Finance Department's Operating Budget and the Corporate Items Budget.

RECOMMENDED

BY:

18/10/2013

18/10/2013

X 

Joel Lustig
Treasurer

X 

Trinela Cane
Commissioner, Corporate Services