



## City Council

### Approval of Contract for Automated Water Meters

**Agenda Date:** 4/23/2013  
**Agenda Item Number:** 6.A  
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**Type:** contract   **Version:** 1   **Status:** Passed

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**Agenda Item:**

Approval of Contract for Automated Water Meters

**Issue:**

Whether to award a contract for automated water meters to Itron in the amount of \$4,445,311.50.

**Committee Recommendation:**

Utility Advisory Committee review and recommendation of support occurred at the time the project was added to the CPF in 2009.

**City Manager's Recommendation:**

Move to award and authorize the City Manager to sign the contract with Itron in the amount of \$4,445,311.50.

**Staff Contact:**

Meliss Maxfield, Drinking Water Quality Program and Planning Supervisor, Public Works Water Resources, 360.753.8202.

**Presenter(s):**

Meliss Maxfield, Drinking Water Quality Program and Planning Supervisor, Public Works Water Resources

**Background and Analysis:**

The City has approximately 20,000 water meters, with over 70 percent of these being 10 years and older. The typical life cycle for a meter is 10 years or 1 million gallons. Aging meters require a higher level of maintenance, generally under-count usage and continue to worsen as they age, affecting revenue recovery and customer equity. The Drinking Water Utility's need to replace a majority of old meters creates a significant opportunity to also transition to automated water meter reading (AMR) technology. Many utilities, including Lacey and Tumwater, have transitioned to AMR technology as a more efficient business operation.

The City began its evaluation and development of a *Water Service Meter Strategic Plan* in 2006. Recognizing the need for replacing aging meters, staff assessed which meter reading technology to pursue, explored different billing frequencies, and identified potential staffing impacts. After extensive analysis, a

recommended water meter replacement and automated meter reading project was included in the Council-approved 2009 - 2014 Water System Plan and the Capital Facilities Plan. At that time, both the Utility Advisory Committee and Olympia Planning Commission endorsed the meter replacement strategy and project.

The City's Request of Proposal (RFP) process for an AMR vendor included a three week side-by-side, field demonstration of the AMR technologies. The outcome of the Request for Proposal process identified Itron as the successful respondent. (see Itron brochure - Attachment 4). Additional background on AMR and the City's process for selecting a vendor is found in Attachment 3 (April 2012 memo to the Utility Advisory Committee).

The resulting project with Itron includes the following:

- Replacement of all meters 10 years or older (approx. 14,000 meters) and addition of AMR capability
- Retrofit of all meters less than 10 years old (approx. 6,000 meters) with AMR capability
- Hybrid AMR system - approximately 85 percent of system covered with fixed AMR network and 15 percent with mobile (drive-by) AMR network

Per the contract with Itron (see Attachment 1), project deployment will occur over a one-year period in two phases. Phase 1 will involve installation of equipment, meters, and software at 500 service meter locations. Successful receipt and processing of meter reads must be demonstrated by Itron and accepted by the City before full system deployment will commence (Phase 2).

### **Neighborhood/Community Interests (if known):**

If approved:

- Provides customer equity by ensuring customers are paying for water they are using. Some customers may see their bills increase.
- Identifies and resolves water leaks sooner, saving costs for customers.
- Encourages water conservation and continues the City's progress on sustainability goals through reduction in fuel consumption.
- Automated meter reading technology creates the opportunity to more cost-effectively move to monthly billing, if desired in the future.
- The City will communicate with citizens and other stakeholders about the schedule and potential impacts through media releases, signage, utility insert, door hangers, website, flyers, etc.

### **Options:**

1. Award and authorize the City Mayor to sign the Automated Water Meter Reading System contract with Itron in the amount of \$4,445,311.50.
2. Reject awarding the Automated Water Meter Reading System contract with Itron and re-scope services based on council feedback.

### **Financial Impact:**

The Automated Reading System project is budgeted in the Drinking Water Utility Capital Fund, and the necessary appropriations have already been approved by the City Council. In accordance with the financial strategy in the 2009-2014 Water System Plan, the project will be financed through a revenue bond with a 10-year term. Total project costs are detailed in Attachment 5.

Annual debt service costs of approximately \$600,000 will be partially offset through operational savings associated with AMR (approximately \$200,000 annually). In addition, due to the age of the current water meter portfolio and meter inaccuracy issues, staff expects some recovery of potential revenue from under-

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billed water usage of approximately \$250,000 per year.

One-time scrap metal revenue from the meters being replaced is estimated between \$200,000 and \$280,000.