

**CITY COUNCIL REGULAR SESSION**

Resolution authorizing execution of an agreement with Itron, Inc., for equipment and services in the deployment of an Advanced Metering Infrastructure (AMI) system or “Smart Water System,” (currently in substantial form) in an amount not to exceed \$20.2 million, plus all applicable taxes, for a 20-year term.

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*Utilities Department*

**EXECUTIVE SUMMARY**

Utilities requests Council approval of the proposed contract with Itron, Inc. to procure and maintain an AMI System for the purpose of providing smart water meters.

**RECOMMENDATION**

Move to adopt Resolution No. 9511.

If approved, effective date: 12/10/2018

**BACKGROUND/ANALYSIS****Council Authorization**

On December 5, 2016, the City Council approved the Utilities proposed 2017-18 budget, which included \$23.089 million in capital funding for an AMI or “Smart Water Meter” system. Council approved the budget for the smart water meter system for the following reasons:

- Smart meters provide key customer-focused benefits, such as early leak detection, which will help our customers avoid the hardship of large water bills, and provide customers the ability to proactively monitor their usage to control their water bills;
- Smart metering technology supports the City’s overarching Bellevue Smart plan; and
- Smart meter technology is more cost effective than continuing with the current manual-read program.

**AMI Vendor Procurement**

In May 2017, Utilities issued a request-for-proposal (RFP) for a competitive process in search of vendors that could provide, deploy and support AMI equipment and services. The process produced several qualified bids, and one prevailing vendor, Itron, Inc.

Itron is a 40-year-old, Washington-based firm, whose sole business is smart technologies for utilities. As a company that serves water, gas, and electric utilities, Itron’s market share in the water sector is 30 percent and it has deployed more than 20 million water meter communications devices worldwide.

Itron’s technology can be found throughout the country (and the world), and particularly in Washington where the cities of Olympia and Spokane are Itron customers. For more information on Itron, Inc., see

## Attachment A.

Under the proposed contract, Itron will deploy an AMI system that replaces existing meters with new meters that have more functionality and the ability to communicate wirelessly and securely over a City-owned network. The AMI system will process consumption data and other information for billing, conservation and operational purposes. The City-owned communications network will have the ability to support future non-metering devices across the City's service area in case the City decides to leverage the network for other smart city functions.

The proposed contract with Itron meets all of the City's requirements from the original RFP and will result in the following customer service and process improvements:

1. Shifts from manual (once every two months) to hourly automated meter reading;
2. Expedites leak detection and resolution;
3. Assists in faster resolution of customer issues;
4. Allows on-demand remote reads for move-ins and move-outs;
5. Improves water system modeling;
6. Provides distribution system monitoring using zone metering and systems alarms; and
7. Potential to support for future smart city systems.

The proposed contract would provide the City with a state-of-the-art AMI system and simultaneously offer long-term protections for the City and its rate-payers. Key contract provisions include:

- 20-year contract term;
- Safeguards against technology obsolescence;
- Best-in-class data security and privacy; and
- Industry standard equipment warranties.

### **Update Since 10/1/18 Council Meeting**

Since Utilities provided a briefing and summary of the AMI proposed contract at the October 1 Study Session, there has been one substantial change in the proposed contract. Previously, the contract included scope for implementation of the customer web portal through a software company, WaterSmart. Approximately six weeks ago, the City made the decision to contract separately with WaterSmart, as opposed to having WaterSmart as a subcontractor to Itron. WaterSmart along with other vendors had responded to the original RFP process to provide the customer portal. As a result, the City can contract directly with WaterSmart without another procurement process.

Contracting independently with WaterSmart enables the City to have better control over the implementation of the customer web portal, which will be the primary interface between the City and the public following the AMI deployment. Separating out the scope of work for the customer portal will not have an impact on the overall cost of implementing the AMI project. Council can expect to see a separate contract with WaterSmart for implementation of the customer portal solution during Q1/ Q2 2019.

## **Data Security and Privacy**

Utilities recognizes that there are public concerns over the security and privacy of personal information and how that information is protected, shared, and used. The proposed AMI contract has stringent requirements to ensure that the privacy and security of the data is protected.

There will be no personally identifiable information stored on the AMI meter or transmitted wirelessly through the secured communications network. The proposed AMI contract requires that water usage information that is transmitted wirelessly be encrypted. Data collection devices are being provided by Cisco Systems, a global leader in communications technology and data security. Access to the communications network as well as the data carried in the network will have multiple, best-in-class protections.

Personally-identifiable information will continue to be stored in the Utilities billing system, which will remain behind the City's firewalls.

## **Outreach**

Utilities has developed and begun implementing a communications outreach plan to help prepare customers for the changes associated with shifting to the new AMI system. To inform development of the outreach plan, Utilities conducted baseline awareness research. This preliminary outreach showed that most customers are supportive of the technology upgrade because of the associated benefits (billing accuracy, early leak detection, access to current consumption data, etc.). Customers' greatest concerns about the project included whether there would be significant service interruptions, additional out-of-pocket costs to fund the project, and data privacy and security. Utilities plans to address these concerns proactively through its customer outreach efforts.

Over the course of the two-year AMI implementation from 2019-20, Utilities has planned a significant customer outreach effort that is designed to:

- Notify customers that the technology upgrade is coming and what benefits they can expect;
- Inform customers about planned upgrade launch dates and when they can expect new meters;
- Be prepared to address questions and concerns that might arise (e.g., how the technology works, installation questions, data privacy/ security); and
- Engage actively with the diverse communities where customers live and work.

Highlighted features and approaches of the communications plan include:

- Developing videos and other material with translations for better accessibility for the diverse population (e.g., traditional Chinese, Korean, Spanish, Vietnamese);
- Phasing the outreach so that communications to our customers occurs throughout the implementation lifecycle;
- Reaching customers using a range of methods such as print and electronic formats as well as in-person events;
- Creating and updating FAQs and related material to address common questions or concerns; and

- Scheduling time with community-based organizations to provide briefings or demonstrations.

Staff has already begun outreach activities. Announcement of the project has appeared in the Water Quality report and billing inserts. There is a project-specific webpage on the [bellevuewa.gov](http://bellevuewa.gov) website that includes Frequently Asked Questions. At the April 2018 Neighborhoods Conference, staff provided an overview of the technology and project plans to registrants.

In Q1 2019, staff will begin early project communications through the development of multi-language materials and articles that will inform Utilities customers about the project, technology, benefits and timing. Utilities will also actively seek customers who would like to participate in the technology pilot phase of the project. Communications activity will build during the second quarter and an instructional video will be produced and published, again in multiple languages, as a part of the outreach. The height of the communications activities will be in Q3 and Q4 of 2019 after the pilot phase is completed. It will include direct mail to customers, active use of social media, outreach in communities and Mini-City Hall, and informational “door-hangers,” after AMI has been installed at individual premises.

### **Next Steps**

Following execution of the contract, Utilities will be working with Itron to kick off the project in January 2019. There will be a six-month pilot phase of the back-office systems, a new communications network and the installation of 500 to 1,000 AMI meters during late Spring 2019. Following completion of a successful pilot, the project will begin installing hundreds of meters a week starting in the Fall of 2019. The project is scheduled to conclude in late Fall 2020.

Utilities also will be seeking Council approval on a contract with WaterSmart for the implementation and on-going support of a customer portal at a future meeting in 2019.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

#### Bellevue City Code

BCC 4.28 provides for the fair and equitable treatment of all persons involved in the purchasing process. Council approval is required to award the purchase contract where the cost exceeds \$90,000.

#### State Code

RCW 39.04.270 – The legislature established a state policy that governmental agencies publicly announce requirements for data processing and telecommunications systems and negotiate contracts for data processing and telecommunications systems on the basis of demonstrated competence and qualification for the type of professional services required and at fair and reasonable prices. City staff publicly announced the Request for Proposal through the Public Purchase procurement portal.

### **City Council Vision Priorities 2018-20**

3-Year Priorities: Identify and implement technologies that improve customer service with the City of Bellevue.

Council's vision for 2018-20 includes high performance government. The AMI project supports this vision that seeks in part to provide a direct link between high-quality customer service and the investment in tax dollars. Here, the AMI project exemplifies doing business with cutting-edge technology to support the delivery of high-quality customer service.

### **Fiscal Impact**

The proposed contract with Itron is for a total cost of \$20.2 million, plus all applicable taxes. The contract includes one-time capital costs of \$15.6 million to cover the cost of equipment purchase, installation services, and software configuration and integration. The contract also includes on-going operational costs of \$4.4 million, or approximately \$250,000 per year from 2021-2038. These operational costs include payments for the on-going software-as-a-service (SaaS) and network management costs.

Funding for the project comes from the availability of Extraordinary Operating Reserves of \$6 million and Replacement Reserves of \$17.1 million. As result of this funding mechanism no rate increase to customers is required.

### **OPTIONS**

1. Adopt the Resolution authorizing execution of an agreement with Itron, Inc., for equipment and services in the deployment of an Advanced Metering Infrastructure (AMI) system or "Smart Water System," (currently in substantial form) in an amount not to exceed \$20.2 million, plus all applicable taxes, for a 20-year term.
2. Do not adopt the Resolution and provide alternative direction to staff.

### **ATTACHMENTS & AVAILABLE DOCUMENTS**

- A. Itron Corporate Fact Sheet  
Proposed Resolution No. 9511

### **AVAILABLE IN COUNCIL LIBRARY**

Draft Proposed AMI Contract