City of Anaheim
PUBLIC UTILITIES DEPARTMENT

DATE: JUNE 10, 2008

FROM: PUBLIC UTILITIES GENERAL MANAGER

SUBJECT: CONSULTING SERVICES AGREEMENT WITH HURON CONSULTING SERVICES, LLC FOR PROFESSIONAL SERVICES FOR THE UTILITY BILLING PROCESS EVALUATION AND AUDIT PROJECT

ATTACHMENT (Y/N): YES ITEM # 36

RECOMMENDATION:

That the City Council, by Motion:

1. Approve an agreement between Huron Consulting Services, LLC (Huron) and the City to provide professional services for the Utilities Billing Process Evaluation and Audit Project in an amount not to exceed $194,350 (Agreement); and
2. Authorize the Public Utilities General Manager, on behalf of the City, to execute the Agreement, and any other related documents, and take such actions as are necessary or required to implement and administer the Agreement.

DISCUSSION:

Background
The Anaheim Public Utilities Department (Department) is proposing an external professional review and evaluation of the billing processes and practices from the initial request for utility service to the ultimate bill. The purpose is to determine if the existing process is efficient, accurate and timely. The scope of the project also includes an audit to verify that the appropriate billing determinants are applied for major electric and water accounts, as well as a random sampling of non-major accounts.

In the past few years, the utility has experienced several billing issues and has had internal management reviews and internal audits performed. Nevertheless, concerns still exist. The costs associated with this evaluation are expected to be more than recovered through efficiencies in the billing process and in the recovery of lost revenues. This audit is also a critical component of our risk mitigation program.

Although the Billing Process Evaluation is focused on internal processes to improve efficiencies and accuracy of the billing process, much of the work will complement the JD Powers customer service initiative. This will be accomplished by identifying enhancements and improvements to the customer’s role in the process with the intent of increasing customer satisfaction.
Consultant Selection for Utility Billing Process Evaluation and Audit Project

On December 31, 2007, the Department initiated a Request for Proposal (RFP) to solicit bids from qualified consultants to provide professional services to perform a billing process evaluation and audit of the Utility billing system.

The Department solicited proposals by posting the RFP to the Internet, and received bids in response to the RFP from four firms.

The Department evaluated the bids in compliance with Council Policy 4.0 and recommends the selection of Huron. The criteria used to evaluate the proposals included the following:

- ability to perform the tasks outlined in the RFP
- qualifications of individuals assigned to the project
- reasonableness of fees
- demonstrated record of success on similar projects

Of the four firms responding to the RFP, two had performed similar services for electric and water utilities. Of these two firms, one firm proposed additional services that were outside the scope of the RFP, and was considered non-responsive. Further consideration was given to the firm that met all the requirements, for which references were checked and balanced against reasonableness of fees.

References for Huron were strong, and their fee proposal is reasonable.

Consultant’s Role for the Proposed Agreement

Service Set-up Review and Evaluation

The Consultant will review and document information associated with both manual and automated meter installations (including, but not limited to):

1. Initial request for service or change of service aspect
2. Customer set-up in system
3. Service order processing
4. Meter shop – meter and size
5. Meter data entry into system (including multipliers or special settings)
6. Billing determinants set-up in system
7. Meter read
8. Meter read data into system
9. Bill calculation
10. Bill review
Billing Integrity Audit
The Consultant shall use meter and billing audit techniques and any other necessary procedures to conduct the following activities:

1. Conduct an in depth audit as to the accuracy in billing of meters through verification of the top 20 electric and water customers.
2. Audit the accuracy of billed data through the verification of random electric and water customers’ bills chosen using a statistical basis.
3. Assess the accuracy and integrity of the meter reading, bill calculation and rate application process.
4. Assess the reliability and accuracy of the system used to upload, store and download meter readings in the process of transferring data throughout the entire billing process-from meter to the customer bill.
5. Identify any systematic weaknesses and recommend improvements using industry best practices.

IMPACT ON BUDGET:

There is no impact on the General Fund. Adequate funds are available in the Department’s budget account number 500-521-6113 for Fiscal Year 2008.

Respectfully submitted,

Marcie L. Edwards
Public Utilities General Manager

Attachment:
1. Agreement with Huron Consulting Services, LLC for Professional Services