

MEMORANDUM

DATE: October 1, 2020

TO: Ted Corrigan, CEO and General Manager

FROM: Amy Kahler, Director of Customer Service & Marketing

SUBJECT: HomeServe Agreement Proposal

Background

Des Moines Water Works (DMWW) has collaborated with HomeServe USA to provide optional coverage for water service line protection. In Des Moines and the areas served by DMWW, customers own the water service line and are responsible for the maintenance and repair of their line. A water service line protection program was pursued because issues with service lines are expensive to repair, and we heard from hundreds of customers each year that they could not afford to make the necessary repairs to their service lines. Warranty companies, including HomeServe and their competitors, were already soliciting customers in the Des Moines market, but were offering coverage not well-suited to the customer's needs. For example, inoperable stopboxes are the most common issue with service lines in Des Moines, and the coverage being marketed (without DMWW's involvement) *excluded* stopboxes.

A Request for Proposal was issued in 2012, and three companies responded: HomeServe USA, Utility Service Partners, and American Water Resources. HomeServe stood out from the other respondents on price and benefits.

A Program Agreement was initially signed with HomeServe USA in 2012 to provide optional water service line protection to DMWW customers. This agreement was for a 3-year term, with the possibility of two 1-year extensions. DMWW extended the contract both years. In November 2016, DMWW and HomeServe signed a First Amendment to the program agreement. This amendment contained the following:

- Extended the agreement to December 31, 2020
- Added coverage for frozen service lines
- Increased the premium paid by customers by \$0.50 every two years, ending with a monthly premium of \$5.99 effective October 1, 2020.

The current renewal term expires 12/31/2020, followed by successive one-year terms unless either party provides 90 days notice of non-renewal. HomeServe has proposed an amendment as follows:

- Upcoming renewal period extended five years, from 1/1/2021 through 12/31/2025
- The five-year period will include two price modifications:
 - 2022: \$6.49/month
 - 2024: \$6.99/month
- HomeServe will make an annual contribution of \$15k to DMWW's Project H2O to assist low-income households with the payment of their water bills.
- Remaining terms of the Agreement will remain in place.

Staff and customers alike have been pleased with the HomeServe program, and staff supports the Amendment as proposed by HomeServe. Staff will share a more detailed overview of the program and program statistics at the October 6, 2020 Finance & Audit Committee meeting.