

## **Bielarski, Edward J**

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**From:** Bielarski, Edward J  
**Sent:** Thursday, January 21, 2021 7:12 PM  
**To:** citycomm  
**Cc:** DL\_GRU\_ExecutiveTeam; DL\_GRU\_LeadershipTeam  
**Subject:** AMI presentation

Mayor and Commissioners,

I apologize for our failure to include the financial backup for the numbers we presented to the Commission tonite. I fully appreciate comments from the Commissioners and the public for that lack of transparency.

Rest assured that we have performed that analysis and will bring them back for a more lengthy discussion.

As a reminder, when GRU entered into the 2019 Transaction (debt restructuring) the purpose was to deliver cash reserves, while lowering debt service, which provided funding for the implementation of CIS and AMI. That's why the rate impact of the combination of CIS and AMI is somewhat limited.

There is no projected rate impact to the electric system, water or wastewater system for the AMI and CIS systems because of the work we did in 2019. The only system affected will be the GRU gas system with a 3% increase in FY2022 and 1% in FY2023.

That doesn't mean that GRU isn't seeing rate pressure from other sources, particularly after zero rate increases last fiscal year, while the utility has had to absorb underlying cost increases.

Bottom line, GRU planned for this with the 2019 Transaction and it's the primary reason the rate impact is minimal. again, I apologize for our failure to include all the detailed analysis.

Ed B

Sent from my iPad

## **Bielarski, Edward J**

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**From:** Bielarski, Edward J  
**Sent:** Friday, January 22, 2021 9:25 AM  
**To:** citycomm  
**Cc:** DL\_GRU\_ExecutiveTeam; DL\_GRU\_LeadershipTeam  
**Subject:** AMI Follow up  
**Attachments:** Copy of AMI by Segments TRB 11302020.xlsx; Copy of ONLY CIS AND AMI.xlsx

Mayor and Commissioners,

Please find the two items you requested at last evening's City Commission meeting, namely the 1) cost and saving calculation schedule for the AMI project and 2) the AMI and CIS rate impacts compared to the base rate projections from the FY2021 budget. We will include these items as backup for the continuation of the AMI presentation on the February 4<sup>th</sup> meeting. If there is anything else you would like to see, please let me know.

Ed B

## Bielarski, Edward J

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**From:** Bielarski, Edward J  
**Sent:** Friday, January 22, 2021 11:51 AM  
**To:** citycomm  
**Cc:** DL\_GRU\_ExecutiveTeam; DL\_GRU\_LeadershipTeam  
**Subject:** FW: AMI Follow up  
**Attachments:** Copy of AMI by Segments TRB 11302020.xlsx; Copy of ONLY CIS AND AMI.xlsx

Mayor and Commissioners,

I wanted to weigh in on a narrative that I heard being fostered during the Commission meeting, that neither CIS nor AMI are good investments based on a simplified return on investment (ROI) calculation (the percentage by which overall cost savings exceed total ownership costs over time). The basic challenge with that logic is that virtually no utility would ever invest in any infrastructure, including new power plants if that were the basis of decision-making. Of course, we know that's not true. Power plants need to be replaced because they reach their end of life, informational technology systems are no longer supported and must be upgraded and manual systems must be modernized to provide the level of service required. Specifically, related to GRU the problems with this narrative are as follows:

- The Customer Information System (CIS) is the cash collection mechanism, customer support, billing apparatus and overall GRU interface with its customers. It's performance is as essential as the power plants we operate. As such, the decision to implement an upgrade is not and should not be based on a simple ROI calculation. The decision, like building a new power plant is based on the least cost option with consideration for the value of benefits provided.
- The Advanced Metering Infrastructure (AMI) project is essentially the conversion of a largely manual meter recording and reading system into an integrated electronic system. That new system will allow GRU to avoid future capital expenditures for vehicles, replacement of meters as well as the costs of turn-on and turn-off's.
- AMI is essentially an add-on to GRU's overall CIS system and as such should not be judged on a pure ROI perspective. It substantially adds to GRU's safety, reliability and environmental stewardship by identifying issues in our electric distribution network, being able to identify exactly which customers are without power, isolating water leaks based on internal algorithms and reducing manual meter reads and vehicle usage throughout our territory.
- GRU's presentation of overall costs and cost savings for both CIS and AMI were presented to show that the net ownership costs of both these systems were very affordable. GRU showed AMI's total net ownership costs of the AMI system to be LESS THAN ZERO, over the term of the contract.

**Bottom line:** The purpose of GRU investing in the CIS upgrade and AMI implementation is to achieve higher safety, reliability and environmental benefits for the utility and its customers. It's not akin to investing in a mutual fund to achieve a return higher than 7%. Investments such as CIS and AMI are not measured by an ROI, but whether their implementation is capable of resulting in the delivery of the most customer/utility benefit at a cost with the lowest rate impact. To reiterate, CIS and AMI are projected to only increase base rates in the gas system during the implementation horizon. After that period, base rates in all systems should see negative rate pressure due to cost savings.

Ed B