



MEMORANDUM

TO: Mayor and Council Members
Marc Ott, City Manager

FROM: Roger Duncan, General Manager

DATE: February 28, 2008

SUBJECT: Critical Business Need for Meter purchase

ACTION:


As detailed below, and in accordance with City Council-approved purchasing procedures, I am designating as a Critical Business Need, the purchase of 88,000 2-way automated meters (AMI or "Smart Meters") to support the conversion to automated electric metering. This is a purchase for 88,000 of the total 290,000 meters needed to support the conversion and ensure AE has adequate supply on hand to maintain the project schedule without incurring additional demobilization and remobilization costs from its installation contractor. The cost is expected to be approximately \$3,973,000.

The remaining 202,000 meters will have delivery dates that will allow them to be competitively bid and follow the normal purchasing processes. The expedited purchase process is due to AE conducting an evaluation of the 2-way network technology before ordering these meters.

BACKGROUND:

In 2002, 123,000 meters were converted to automated meter reading (AMR), primarily in centrally located apartment complexes. Since then the number of installed AMR meters has increased to 127,000. In December 2006, AE committed to expand the use of AMR to all electric meters by December 31, 2008. In the same contract addendum, our service provider agreed to upgrade their network from a 1-way to a 2-way system enabling AE to take advantage of Automated Metering Infrastructure (AMI) and expand the services available from that network internally as well as to customers. Technology advances over the past year have opened the opportunity for conversion to 2-way meters on the remaining meters rather than purchasing additional 1-way meters. The AMI will introduce operational advantages for AE and to customers including remote disconnect and Time of Use (TOU) capability in metering and automation of distribution devices in the field.

AE plans to bring this item forward for ratification by the City Council in the next several weeks. Please let me know if you have questions. I can be reached at 322-6157.



Roger Duncan
General Manager