

Projected Smart Grid 20-Year Financials (\$000)
Gorzell vs. Coalition -- S. J. Mitchell, February 22, 2017

	a	b	Difference, (a - b)	
			Favorable, - Unfavor.	
	Gorzell	Coalition		Explore Column a Errors and Omissions with Mr. Gorzell --
Capital Expenditures				
Electric Meters, Network, Installation	157,445	157,445		
Gas Meters, Network, Installation	33,568	33,568		
IT Integration and Software	22,460	22,460		
Replacements	omission	322,687	-322,687	Why no replacements? What basis for estimated 15-year life?
Total Capital Expenditures	213,473	536,160	-322,687	
Operating & Maintenance (O&M) Expense	109,834	109,834		
Stranded Costs	omission	22,308	-22,308	Write off net book value of equipment displaced by Smart Grid.
More power required to operate Smart Grid	omission	16,844	-16,844	Smart Grid requires more power to operate, an added cost, right?
Total O&M	109,834	148,986	-39,152	
Benefits				
Customer Service, Electric	260,123	260,123		
Customer Service, Gas	76,239	76,239		
Meter reader savings overstated, Electric	error	-137,597	-137,597	Gorzell extended manning reduction benefits through 20 years in error;
Meter reader savings overstated, Gas	error	-61,443	-61,443	meter installations, the basis for the benefit, completed in first 4 years.
Excess vehicle savings overstated	error	-28,256	-28,256	This benefit should end when meter installation completed in year 4.
Distribution Operations	67,341	67,341		
Revenue Enhancement (Model addition error)	29,580	57,959	28,379	CPS admits Smart Meters capture more usage than analog meters?
Avoided Capital	35,146	35,146		
Total Benefits	468,428	269,511	-198,917	
Cash Flow Sub-Total	145,122	-415,634	-560,756	
Cost of Capital Employed	omission	-522,813	-522,813	\$850 million City Bonds to incur \$456 million interest costs; no cost of money for Smart Grid? [(Capital Expend. + negative Cash Flow) x 5%]
Total 20-Year Ratepayer Burden	145,122	-938,447	-1,083,569	

The unfavorable unreconciled differences above ignore the impact of Smart Grid's unintended consequences on ratepayers (see next page).

Projected 20-Year Unintended Consequences of Smart Grid (\$000)

	a	b	Difference, (a - b)	
	Gorzell	Coalition	Favorable, - Unfavor.	Examine Column b Costs with Mr. Gorzell's help --
Project-Related Ratepayer Burdens Which CPS Will Not Acknowledge				
Increased Electric Meter Accuracy	omission	-589,029	-589,029	Texas PUC: Smart Meters capture 1.62% more usage than analogs.
“Time-of-use” billing (placeholder)	omission	-404,952	-404,952	Programming to increase CPS revenue/customer billing by how much?
Battery Plant (placeholder)	omission	-400,000	-400,000	And CPS doesn’t know the economics of its Fort Sam battery plant?
Abandoned 40,000 meter test (placeholder)	omission	-20,980	-20,980	What residual net book value of replaced meters must be written off?
Consultant Fees (placeholder)	omission	-8,233	-8,233	Black & Veatch, Landis+Gyr, Silver Spring Networks for just \$8 million?
Total Ratepayer Burden	145,122	-2,361,641	-2,506,763	Total 20-year Unreconciled Difference

The elements of a fraud: (1) that a material representation was made; (2) the representation was false; (3) when the representation was made, the speaker knew it was false or made it recklessly without any knowledge of the truth and as a positive assertion; (4) the speaker made the representation with the intent that the other party should act on it; (5) the party acted in reliance on the representation; and (6) the party thereby suffered injury.

“Of all forms of government, those administered by bureaus are about the least satisfactory to an enlightened and progressive people. Being irresponsible, they become autocratic, and being autocratic they resist all development. Unless bureaucracy is constantly resisted it breaks down representative government and overwhelms democracy. It is the one element in our institutions that sets up the pretense of having authority over everybody and being responsible to nobody.” President Calvin Coolidge, 1926