



MLGW

SERVING YOU IS
WHAT WE DO

MLGW Committee Cost Savings & Projects Report

February 4, 2020



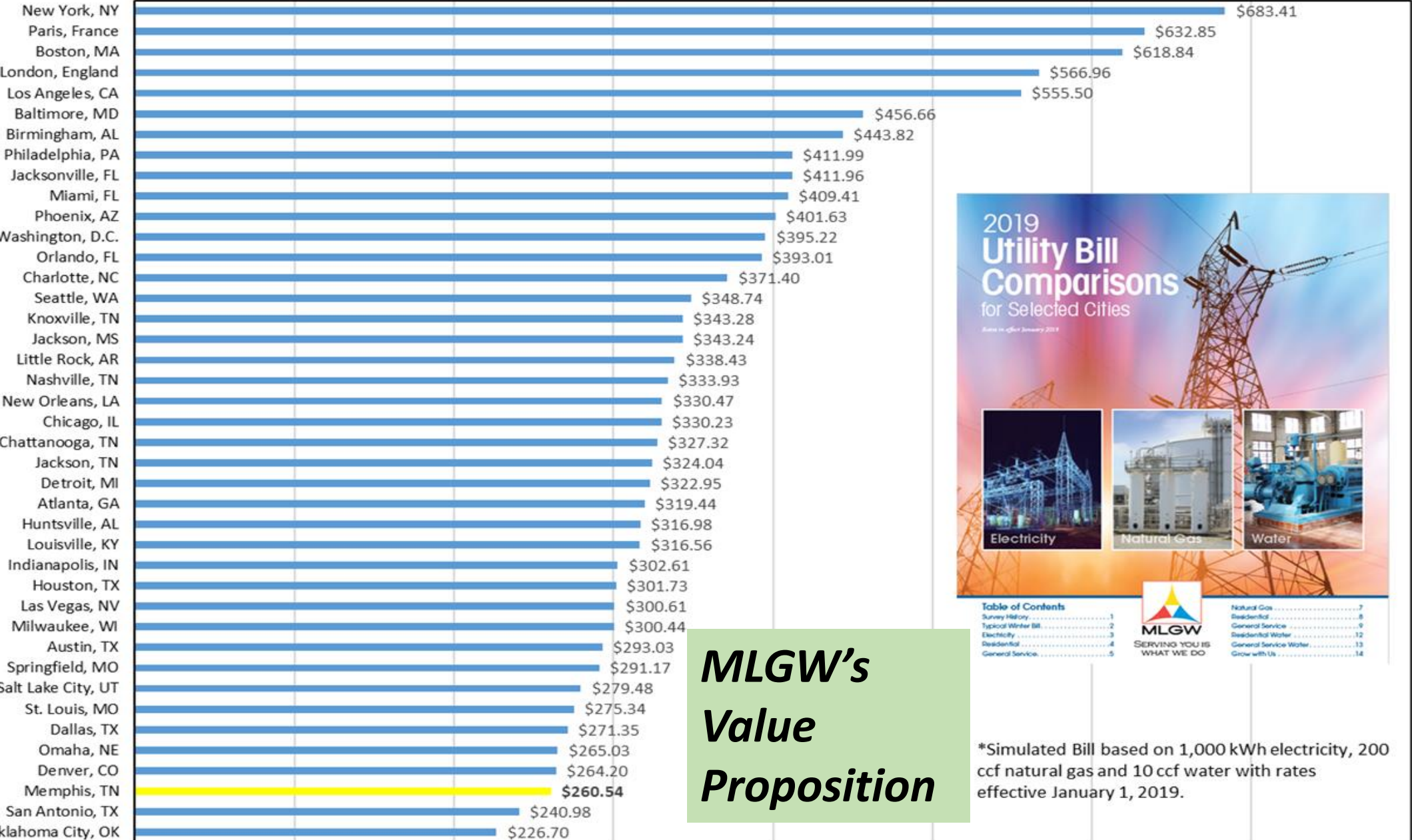
MLGW

SERVING YOU IS
WHAT WE DO

Cost Savings Report

February 4, 2020

National Residential Combined Bill Comparison*



**MLGW's
Value
Proposition**

2019 Utility Bill Comparisons
for Selected Cities
Data is as of January 2019

Electricity Natural Gas Water

Table of Contents

Survey History	1	Natural Gas	7
Typical Winter Bill	2	Residential	8
Electricity	3	General Service	9
Residential	4	Residential Water	12
General Service	5	General Service Water	13
		Grow with Us	14

MLGW
SERVING YOU IS WHAT WE DO

*Simulated Bill based on 1,000 kWh electricity, 200 ccf natural gas and 10 ccf water with rates effective January 1, 2019.

Some Historical Cost Savings and Efficiencies

- TVA pre-pay cumulative savings of \$225 million since 2004.
- Natural gas prepay savings \$112.9 million since 2006.
- Pension cumulative savings of \$139.2 million since 2010.
- Medical cumulative savings of \$88.1 million since 2006.
- Cumulative sales revenue of Liquefied Natural Gas (LNG) of \$36.7 million since 2012.
- 2019 Budget included additional OPEB funding reduction of \$13 million due in part to medical plan changes made in 2018.
- Total cumulative impacts of **\$614.9 million.**

BT Cost Savings - FTE Reductions

- Largest portion of Baker Tilly savings is related to FTE reductions (almost 80%).
- Authorized FTEs of 2895.5 or 2,997 positions (FT+PT).
- Target is to reduce FTE by 375 over the next five-year period.
- This amounts to a 13% reduction.
- Attrition (retirements, quit, terminated) equates to approximately 200 positions per year.
- The 2020 plan initially included a reduction of 20 toward the 375 total over the five-year period.
- We are tracking ahead of our goal at this point in pursuit of savings for 2020.

Cumulative By Year	2020	2021	2022	2023	2024	5 Year Cumulative Total
Cumulative Total	\$1,600	\$7,925	\$17,450	\$24,725	\$40,000	\$91,700

Operational (Preliminary)

- A “first look” at our proposed scorecard

Operational Items	Metric	Baseline (as of Dec 2019)	2020 YTD Actual	2020 Target	Cumulative Five Year Actual	2024 Cumulative Target	% of Annual Target	% of Cumulative Target
Labor reductions	FTE's	0	8	20	8	375	40.0%	2.1%
Savings	Dollars in Thousands	\$0	\$948	\$1,600	\$948	\$91,700	59.3%	1.0%
Refill rate	% of requests to fill and filled	100%	41.2%	62.5%	41.2%	62.5%	65.9%	65.9%
Procurement	Contract approval timeline	<i>Development in Progress</i>						
Procurement	Inventory efficiency	<i>Development in Progress</i>						
Procurement	Bids/RFP	<i>Development in Progress</i>						
Fleet Management	Fleet Reduction	0	0	200	0	300	0.0%	0.0%
Other Internal Efficiencies	Miscellaneous	<i>Development in Progress</i>						

*** Initial Position Inactivations list:**

- Financial Analyst 3
- Supplier Diversity Coordinator
- Executive Secretary
- VP Strategic Planning Innovation Analytics
- Section Supervisor Customer Care Center
- Accounting Rep 4
- Accounting Rep 4
- Accountant 2



MLGW

SERVING YOU IS
WHAT WE DO

Projects Report

February 4, 2020

HDR Items (Preliminary)

HDR Study Items	Metric	Baseline (as of Dec 2019)	2020 YTD Actual	2020 Target	Cumulative Five Year Actual	2024 Cumulative Target	% of Annual Target	% of Cumulative Target
Electric Division								
Tree trimming	Miles trimmed	800	69.9	1373	69.9	6865	5.1%	1.0%
Wood poles replaced	# of Poles	300		500		2600	0.0%	0.0%
Distribution Automation deployment	# of units installed (designed/installed)	24		67		1100	0.0%	0.0%
Substation Breaker replacements	# of units installed	5		12		60	0.0%	0.0%
Substation Transformer replacements	# of units installed	2		4		20	0.0%	0.0%
Underground cable replacements	Feet of cable (designed/installed)	25,000		41,800		392,400	0.0%	0.0%
Gas Division								
Cast iron retrofit	Miles completed	1.5		2.5		7	0.0%	0.0%
Steel tap replacements	# of units R/P	57		147		2050	0.0%	0.0%
Gas Transmission & Extra HP Pipelines	Miles completed	0		0.55		5	0.0%	0.0%
Regulator Stations	# of Stations	1		3		12	0.0%	0.0%
Water Division								
Production Wells	# of new wells	0		3		15	0.0%	0.0%
Station rehabilitation	% progress	<i>Development of Milestones in Progress</i>						
Lead service line replacements/removals	# of services installed	363	57	1000	57	5000	5.7%	1.1%
Digital Process Control Systems	# of units installed	0		2		7	0.0%	0.0%

HDR Items (Preliminary)

HDR Study Items	Metric	Baseline (as of Dec 2019)	2020 YTD Actual	2020 Target	Cumulative Five Year Actual	2024 Cumulative Target	% of Annual Target	% of Cumulative Target
Electric Division								
Tree trimming	Dollars (in thousands)	\$13,377	\$317	\$18,548	\$317	\$98,474	1.7%	0.3%
Wood poles replaced	Dollars (in thousands)	\$1,500		\$3,000		\$15,000	0.0%	0.0%
Distribution Automation deployment	Dollars (in thousands)	\$2,100		\$6,000		\$130,000	0.0%	0.0%
Substation Breaker replacements	Dollars (in thousands)	\$1,129		\$2,600		\$15,700	0.0%	0.0%
Substation Transformer replacements	Dollars (in thousands)	\$2,803		\$8,500		\$39,000	0.0%	0.0%
Underground cable replacements	Dollars (in thousands)	\$2,386		\$6,800		\$54,000	0.0%	0.0%
Gas Division								
Cast iron retrofit	Dollars (in thousands)	\$4,013		\$4,000		\$7,000	0.0%	0.0%
Steel tap replacements	Dollars (in thousands)	\$74		\$400		\$17,000	0.0%	0.0%
Gas Transmission & Extra HP Pipelines	Dollars (in thousands)	\$117		\$2,500		\$21,018	0.0%	0.0%
Regulator Stations	Dollars (in thousands)	\$154		\$1,000		\$5,400	0.0%	0.0%
Water Division								
Production Wells	Dollars (in thousands)	\$0		\$4,323		\$28,603	0.0%	0.0%
Station rehabilitation	Dollars (in thousands)	\$0		\$1,650		\$59,350	0.0%	0.0%
Lead service line replacements	Dollars (in thousands)	\$496		\$2,500		\$12,500	0.0%	0.0%
Digital Process Control Systems	Dollars (in thousands)	\$0		\$950		\$4,755	0.0%	0.0%



MLGW

SERVING YOU IS
WHAT WE DO

Questions?