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Telecom, IT Will Enable "The Next Generation Utility"

Washington, D.C. – Good news for consumers – many energy and water companies, both in the United States and abroad, are taking steps now to move toward next-generation operations, implementing information and communications systems that will make them more efficient, more responsive to consumers and more friendly to the environment. The Utilities Telecom Council (UTC) and The Shpigler Group have once again teamed up to produce a new report, "Next Steps to the Next Generation Utility," to provide an overview of these developments. The 180-page report will help guide energy and water utility managers through the critical investment cycle, and the immense financial ramifications, that will dominate at least the next two decades.

"The aging utility infrastructure needs upgrading, and regulatory, market, and societal pressures can no longer be ignored," says William R. Moroney, UTC's president and CEO. "This study is an important first look at the communications and information technologies that utilities will rely on to get them to the next generation."

The dramatic change in the business environment offers tremendous opportunity for utilities, but the task is large and the risks great. Many energy and water companies are not clear where to begin on this massive undertaking.

"Utilities need long-term planning that accounts for each utility's unique qualities, is built on the back of sound business cases, and takes into account all stakeholders involved," says David Shpigler, president of Pearl River, New York-based The Shpigler Group, the strategic planning consulting firm that authored the report.

This ambitious report discusses the trends, technologies, risks and opportunities that will shape future utility investments. Executives and managers with utilities – including investor-owned utilities (IOUs), municipals and cooperatives - can learn from the successful case studies presented in the report, as well as from the complete analysis of channel technologies and a comprehensive listing of key technology vendors by application. Industry analysts, investment professionals and regulators involved in the utility sector will find the framework presented in the "Next Steps to the Next Generation Utility" useful for understanding the unprecedented Utility upgrade cycle that is beginning to unfold.

Key findings of “Next Steps to the Next Generation Utility” report include:

- The opportunity for utilities to explore automation deployment is greater than ever given the drive to address consumer demand, and environmental and energy supply concerns.
- Each utility must be mindful of its unique circumstances as it designs a technology roadmap. Most utilities will begin with the implementation of an advanced communications network followed by AMR/AMI, supply automation, and supply control and optimization.
- A gradual approach to automation helps ensure that acquisition of systems or technologies do not limit future opportunities or create “stranded investments” that become tomorrow’s failed legacy systems. Systems implemented must be upgradeable, scalable and interoperable with one another.
- Differing utility scenarios have resulted in varying specific applications. Increasing customer satisfaction is often cited as a reason to embark on automation, but each utility must consider its own priorities as it designs a system.
- Building a sound business case for next-generation upgrades is critical. Each utility is different and must take those differences into account in performing economic due diligence. An illustration shown in this report shows one example—a utility with one million electric and gas meters that embarks on an automation program that yields a Net Present Value (NPV) of \$184 million, an Internal Rate of Return (IRR) of 32%, and a monthly operational savings of \$2.70 per meter, with a peak investment of \$100 million.
- State commissions are seeking to implement advanced metering rules in the wake of the passage of the Energy Policy Act 2005 (EPAAct 2005). Utilities that take the initiative by offering proposals to state commissions will likely fare much better than utilities that wait for rules to be imposed upon them.

For more information on the report, or for a copy of the Executive Summary, contact research@utc.org or call 202.872.0030.

Utilities Telecom Council

The Utilities Telecom Council (UTC) is a global trade association dedicated to creating a favorable business, regulatory, and technological environment for entities that own, manage, or provide critical telecommunications systems in support of their core services. Founded in 1948, UTC has evolved into a dynamic organization that represents the broad communications interests of electric, gas, and water utilities; natural gas pipelines; other critical infrastructure entities; and other industry stakeholders. Visit www.utc.org for more information.

The Shpigler Group

The Shpigler Group offers services to a variety of clients across different industries. Their varied experience allows The Shpigler Group to provide an array of divergent strategic plans, ranging from basic research and design to complex game theory analysis. For more information, please visit www.shpigler.com.

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