

Division 2-1 (Electric)  
Damage/Failure

Request:

The Damage/Failure category includes \$9,772,000. Considering the expenditure of \$4,863,261 for what we presume is mostly Hurricane Irene damage, how has this been factored into the reduced need for damaged or failed equipment since a great deal of problem areas and equipment were obviously addressed as part of the Hurricane Irene repairs?

Response:

The FY13-17 Damage/Failure plan was not adjusted for Hurricane Irene. The Company believes the impact the storm will have on FY2013 Damage/Failure related items is unknown and not able to be quantified. The following factors gave the Company reason to keep the budget as is:

- i. Work in this category has a significant underground and substation component which was less affected by the storm
- ii. It may be possible the storm could create more damage/failure in FY2013 if slightly damaged equipment that didn't fail at that time will in the near future if put under duress by future loads/weather.

Prepared by or under the supervision of: Jennifer L. Grimsley

Division 2-2 (Electric)  
Damage/Failure

Request:

From Page 14 of the ISR Report, the Damage/Failure portion includes capital spending to address Level 1 issues identified as identified by the I&M inspection. Please identify the total dollars set aside for this purpose.

Response:

The Level 1 Damage/Failure identified through I&M is charged directly through the Damage/Failure Blanket project (COS014) with all other relatively small (approx \$100k or less each) damage/failure work. This project is budgeted based on historic trends without a special breakout of the I&M related component. The Level 1 I&M fixes have been in place since late fiscal year 2010 and, therefore, we believe the trend is appropriate for future budget setting.

Please refer to Attachment DIV 2-2 (Electric) Damage/ Failure for those trended figures.

Prepared by or under the supervision of: Jennifer L. Grimsley

COMPANY 49  
BLANKET PROJECT # COS014  
BUDGET CLASSIFICATION Damage/Failure

**Past 3 Fiscal Years of Spending:**

	Capital	Cap-Related Expense	Cap Related Expense%	Cost of Removal	Cost of Removal %	Total \$\$
FY08/09	6,629,757	553,906	8%	1,102,318	17%	8,285,981
FY09/10	6,904,849	949,906	14%	1,074,786	16%	8,929,542
FY10/11	6,623,788	783,862	12%	1,299,568	20%	8,707,218
3-yr Total	20,158,394	2,287,675	11%	3,476,672	17%	25,922,741

**Capital Moving Annual Totals**

03/31/2009	06/30/2009	09/30/2009	12/31/2009	03/31/2010	06/30/2010	09/30/2010	12/31/2010	03/31/2011	FY12 Budget	06/30/2011
6,629,757	6,714,119	6,954,428	7,011,999	6,904,849	6,139,443	5,781,034	6,493,895	6,623,788	7,305,000	7,686,420

**Capital Moving Annual Total Trend (FY09 - FY11)**

**Fiat with Moderate St.Deviation**

**RANGE FY09-FY11**  
 HI 7,162,293 <--highest MAT from March 2009-March 2011  
 LO 5,673,891 <--lowest MAT from March 2009-March 2011  
 AVG 6,597,563 <--average MAT from March 2009-March 2011  
 MEDIAN 6,637,317 <--median MAT from March 2009-March 2011  
 STD DEVIATION 375,610 <-- average variance of MAT's vs average (the higher the figure, the less predictable the trend )

**Inflating Factors (FY10 Base Year)**

	FY13	FY14	FY15	FY16	FY17	Historic % of Spend for category
Materials	7%	6%	8%	5%	5%	20%
Labor	3%	3%	3%	3%	3%	35%
Other	2%	2%	2%	2%	2%	45%
Weighted Avg	3.4%	3.2%	3.6%	3.0%	3.0%	100%

**Annual Growth/Retraction Factor - Economic or Other**

	FY13	FY14	FY15	FY16	FY17
Increase/(Decrease)	0%	0%	0%	0%	0%

**Economic/Other Factors considered for future changes in blanket levels**

June 30,2011 showed MAT increasing to \$7.6M - with I&M Level 1 items being addressed within the blanket, we will keep budget towards the high range of MAT history

**Manual Blanket Project Adjustment**

	FY13	FY14	FY15	FY16	FY17
Increase/(Decrease)	\$ -	\$ -	\$ -	\$ -	\$ -

**Current Year Forecast vs Proposed Budget Levels**

	FY12 Forecast	FY13	FY14	FY15	FY16	FY17
Capital	7,400,000	7,648,000	7,889,000	8,169,000	8,410,000	8,658,000
Cap-Related Expense %	11.4%	11.0%	11.0%	11.0%	11.0%	11.0%
Cost of Removal %	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%