

Objective: Maintain a stable, cost effective, environmentally responsible power supply portfolio.

Initiative #A18

Initiative Title: Conservation Program Enhancement

Who would "Own" this Initiative within SCL: Conservation Resources Division (CRD) and Power Supply & Environmental Affairs Officer

Part A:

Brief description of proposed effort / sample tactics:

Energy conservation is Seattle City Light's most cost-effective, environmentally friendly, and least risky energy resource. Since the late-1970's, energy conservation has been the utility's first priority resource for meeting customer's electricity needs. This emphasis has been confirmed through pursuit of the Conservation Five Year Action Plan, nearly doubling conservation targets and budgets since 2007, and Washington state law I-937 which, beginning in 2010, requires acquisition of all cost effective conservation.

The Five-Year Plan has four key themes:

- Rebuild the conservation infrastructure;
- Expand existing programs;
- Develop new programs; and,
- Incorporate customer-side renewables.

The effort to rebuild the core infrastructure focuses in several key areas: information systems, measurement and verification, planning, and evaluation. The ability to successfully deliver and improve existing programs, while continuing to develop creative, cost-effective, future initiatives depends upon sufficient and reliable budget authority. Included in the plan's new initiatives are both energy conservation programs and other power-related activities on the customer side of the meter, including support for small-scale renewables, largely funded through voluntary customer contributions or state funds.

City Light is on pace to achieve the 2010-2011 I-937 target of 19.68 aMW cumulative over the two year period. Under the Strategic Plan baseline, the annually contracted conservation goal is 12.6 aMW in 2011, increases to 14 MW in 2012, and reaches 16 aMW in 2013 consistent with I-937 requirements absent a utility-specific Conservation Potential Assessment, where it remains for the balance of the Strategic Plan period. A Conservation Potential Assessment is scheduled for completion by the fall of 2011 and the annual energy savings target may be adjusted due to the results of this effort. The base portfolio used in the 2012 Integrated Resource Plan (IRP) is consistent with the Strategic Plan baseline assumptions.

Plans include researching and testing innovative ways to invest existing conservation funds while maximizing program cost effectiveness and partnership opportunities with customers.

Document author(s): Janice Boman/Glenn Atwood/Steve Kern

Document date: 7/7/11

Desired outcome/Rationale for proposal (what part of the SWOC does it address, if any?)

This proposal supports the continued priority of energy conservation and its benefits for customers and the utility. Energy conservation is the most cost effective resource available to meet future customer needs, and the level of acquisition is meant to ensure compliance with I-937. This proposal meets the Customers/Ratepayers section of the SWOC exercise. Continued robust investment in conservation help address the challenge of customer expectations of continued low power costs and high service levels. Continued procurement of energy savings avoids greenhouse gas emissions and ensures that SCL remains a leader in environmental stewardship. It also helps customers to become better connected with the utility and increase customer satisfaction.

Investments in energy conservation have multiple benefits:

- Reduces customer electric bills which in turn frees up dollars to spend on other consumer goods and services.
- Provides jobs for those working to retrofit homes and businesses.
- Assists Seattle City Light in maintaining greenhouse gas neutrality.

What, if anything, is underway in this area and funded within the 6 year baseline?

2012 marks the final year of the 2008 – 2012 plan. The New Conservation Potential Assessment will set I-937 targets for 2012 -2013 and provide greater predictability for the future. A Measurement and Verification process will be enacted. This enhanced quality control function provides on-going data from in-field metering and inspections that City Light uses to verify energy savings estimates. Planning for the 2013 – 2017 Five Year Conservation Plan will be underway coinciding with the budget cycle.

Why is additional investment proposed? CRD’s energy savings targets increase from 14 aMW to 16AMW in 2013-2016. We anticipate needing this level of energy savings to meet the I-937 requirements.

Category of proposed investment?¹ (Briefly identify basis for the categorization(s)—see endnote for definition)

B. Correcting existing deficiency-

The Five-Year Plan identified a series of core infrastructure improvements necessary to correct deficiencies in achieving energy saving projections. These include but are not limited to information management, long range planning capability, program evaluation, succession planning and transfer of institutional knowledge.

C. Service level enhancement – Incentives for conservation should be deployed more creatively, in new ways allowing more customers to take advantage of opportunities.

Ballpark cost estimate over 6-year period (2011-2016)

O&M (check one if applicable)		Capital (check one if applicable)	
<input type="checkbox"/>	<\$1 million	<input type="checkbox"/>	<\$1 million
<input checked="" type="checkbox"/>	\$1-5 million	<input type="checkbox"/>	\$1-5 million
<input type="checkbox"/>	\$6-10 million	<input type="checkbox"/>	\$6-10 million
<input type="checkbox"/>	\$11-25 million	<input type="checkbox"/>	\$11-25 million

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	\$26-50 million		\$26-50 million	
	\$51-100 million		\$51-100 million	
	\$101-200 million		\$101-200 million	
	>\$200 million		>\$200 million	

Part B:

Rough estimated cost (capital and operating)

CRD is estimating 2 additional FTEs budgeted at approximately \$100,000 each per year will be necessary to assist in deploying programs to meet the increased conservation savings targets, and to examine opportunities to creatively develop and deploy new programs.

General Implementation Plan

- **Does this require new staffing to accomplish or can it be accomplished within existing staff levels?**
This requires 2 additional FTEs. Due to budget cuts over the past 2 years, CRD has lost a significant number of positions which were part of the 5 year plan. The positions were necessary to design, implement and deliver programs to help meet the conservation savings goals. As the goals have increased, the need for the positions has also become more pressing.
- **From the time work begins, how long until the Initiative is completed/begins to deliver desired results?** Ongoing delivery of results is measured monthly.
- **How time sensitive is this initiative? What year would you propose work to begin? Why?**
Ongoing implementation carrying forward from current Five- Year plan 2008 – 2012 to future Five-Year Plan 2013 – 2017. The Conservation infrastructure to include engaging trade allies, contractors, energy engineers and distributors of efficient equipment can not be turned on and off like a spigot. It takes time to develop the resources associated with delivering the savings.

What alternatives are there?

- **Is the initiative scaleable (can it shrink and still deliver measurable value)?** Yes, a reduced incentive budget will still deliver conservation savings but not at the desired resource acquisition level or state required I-937 level.
- **Other ways to achieve a similar desired outcome?** Expanding contracted services and obtaining grant funding can lead to program redesigns.

Different policy direction (give example, and note why not recommended) Redirect customer interest in SCL as a respected source for information on energy savings opportunities. Not recommended, SCL is a trusted source of information for assistance with energy efficiency. Seattle’s success and longevity in energy efficiency can be credited to a number of factors, including a supportive community, elected/appointed officials, and legislation, all necessary to the financial investment and commitments required to achieve this magnitude of savings. Add to that a dedicated and technically competent staff of multi-disciplinary energy professionals; monetary-based incentive programs; and utility commitment to excellent customer service. These same factors will be necessary for continued success and future growth of conservation as resource.

Sample metrics: How would you measure the success of this initiative?

Measure annual energy savings against targets. In particular, meeting the energy savings targets for I-937.

Document author(s): Janice Boman/Glenn Atwood/Steve Kern

Document date: 7/7/11

Exhibit 1 Rough Estimated Costs—Operating and Capital

(All data is to be entered here: [Strategic Initiatives Cost Master File.xls](#))

What is in the current baseline to support this Initiative?

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
A18: O&M								
A18: CIP								

What additional funding is proposed?

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
A18: New O&M	N/A	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
A18: Prop. CIP							

Explanation:

O&M \$: Initiative proposers should use 2011 dollars for all years (i.e., NO assumed inflation). Finance will take care of inflation assumptions later, to make sure we have uniform assumptions. If you plan to add O&M staff, use 35% loading on base salary for benefits. Use 2011 salaries. Remember to add any support costs that may go with the position, e.g., desktops and phones, or vehicles for crews or engineers, etc.

Capital \$: Initiative proposers should leave these cells blank. All capital dollars for both initiatives and current baseline projects should be input to ESPro only, in 2011 dollars for all years. Finance (Jon Lutton) has arranged for subprojects where there may be both existing funding for a project and new initiative funding for the same project, to keep the two parts separate. Finance will use loaded CIP values to estimate rate impacts. Subsequently, Finance will copy these same capital \$ amounts into this initiative form. This will allow us to have just one source for CIP \$.

What financial benefits will this program achieve? (New revenues, or O&M avoided)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
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Document date: 7/7/11

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A18: Proj Rev	\$0	\$0	\$0	\$0	\$0	\$0
A18: O&M Saved	\$0	\$0	\$0	\$0	\$0	\$0

If this initiative will reduce O&M costs, include those reductions in the table above (as negative amounts). If the program generates incremental revenue, include that in the table above.

Objective: Promote Environmental Stewardship

Initiative #A17

Initiative Title: Enhance Environmental Leadership Efforts through Climate Research

Who would "Own" this Initiative within SCL: Environmental Affairs Division and Power Supply & Environmental Affairs Officer

Part A:

Brief description of proposed effort / sample tactics:

Climate Research

This proposal is to carry out the Climate Research and Adaptation Program. There is an expectation that all City departments will understand the impacts of climate change on their operations and develop a plan to adapt to these impacts. This program would assess how City Light's facilities and operations are likely to be affected by climate change by tracking and overseeing research on this topic. We would:

- Work with National Energy Laboratories and the University of Washington Climate Impacts Group on adjusting the model for global climate change to meet our watersheds needs; assess changes in glaciers and flooding; refine hydrology models and impacts; assess potential impacts on fish survival; as well as work with other affected divisions and agencies to help determine both environmental impacts in our watersheds and impacts to City Light generating facilities;
- Develop strategies to reduce, minimize or mitigate those impacts.

Desired outcome/Rationale for proposal (what part of the SWOC does it address, if any?)

- Develop strategies for the utility to follow as it adapts to the effects of climate change.
- This proposal meets the Customers/Ratepayers section of the SWOC exercise. This proposal would help to address SCL's significant exposure to climate change (a weakness mentioned in the Customer/Ratepayers SWOC) and ensure that SCL remains a leader in environmental stewardship. It would also help our customers to better understand the utility's efforts in this direction.

What, if anything, is underway in this area and funded within the 6 year baseline?

Why is additional investment proposed?

A small fraction of a staff person's time is included in the baseline. This time would be spent on tracking the general research done by others on NW climate change and the potential impacts. No other funding is in the 6 year baseline.

The additional investment is proposed to fund targeted research and develop an adaptation strategy.

Category of proposed investment?¹ (Briefly identify basis for the categorization(s)—see endnote for definition)

Document author(s): Lynn Best/Steve Kern

Document date: 3/17/11

B. Correcting existing deficiency- We currently do not understand the implications of climate change on City Light operations. Anticipating impacts will allow the utility to plan ahead and minimize long-term impacts on utility operations. It could also increase efficiency of our operations.

Ballpark cost estimate over 6-year period (2011-2016)

O&M (check one if applicable)		Capital (check one if applicable)	
	<\$1 million		<\$1 million
X	\$1-5 million		\$1-5 million
	\$6-10 million		\$6-10 million
	\$11-25 million		\$11-25 million
	\$26-50 million		\$26-50 million
	\$51-100 million		\$51-100 million
	\$101-200 million		\$101-200 million
	>\$200 million		>\$200 million

Part B:

Rough estimated cost (capital and operating)

If project would be bond-funded, note total capital cost estimate.

If initiative has ongoing annual operating costs, rough estimate over 6 year period (see Ex. 1)

General Implementation Plan

- Does this require new staffing to accomplish or can it be accomplished within existing staff levels?
One new strategic advisor for climate adaptation.
- From the time work begins, how long until the Initiative is completed/begins to deliver desired results?
The climate adaptation program should begin to deliver results within one year.
- How time sensitive is this initiative? What year would you propose work to begin? Why?
- Work on Climate adaptation should begin as soon as possible, no later than in 2013. Climate change is happening now and we should take advantage of several parallel initiatives that are on-going (Skagit Science Cooperative, National Park Service Climate Adaptation Initiative).

What alternatives are there?

- Is the initiative scaleable (can it shrink and still deliver measurable value)
Yes, we can work at a different pace
- Other ways to achieve a similar desired outcome?
Contract out for services. (would require a contract manager)
- Different policy direction (give example, and note why not recommended)
Rely on others to provide climate change research to inform our power management decisions. Not recommended as we would have no control over timing or content of research. Research into general climate pattern changes is not sufficiently detailed to allow us to plan operations.

Sample metrics: How would you measure the success of this initiative?

Climate Adaptation Strategy developed and initiated.

Document author(s): Lynn Best/Steve Kern

Document date: 3/17/11

Exhibit 1 Rough Estimated Costs—Operating and Capital

(All data is to be entered here: Strategic Initiatives Cost Master File.xls)

What is in the current baseline to support this Initiative?

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
A17: O&M								
A17: CIP								

What additional funding is proposed?

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
A17: New O&M	N/A	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000
A17: Prop. CIP							

Explanation:

O&M \$: Initiative proposers should use 2011 dollars for all years (i.e., NO assumed inflation). Finance will take care of inflation assumptions later, to make sure we have uniform assumptions. If you plan to add O&M staff, use 35% loading on base salary for benefits. Use 2011 salaries. Remember to add any support costs that may go with the position, e.g., desktops and phones, or vehicles for crews or engineers, etc.

Capital \$: Initiative proposers should leave these cells blank. All capital dollars for both initiatives and current baseline projects should be input to ESPro only, in 2011 dollars for all years. Finance (Jon Lutton) has arranged for subprojects where there may be both existing funding for a project and new initiative funding for the same project, to keep the two parts separate. Finance will use loaded CIP values to estimate rate impacts. Subsequently, Finance will copy these same capital \$ amounts into this initiative form. This will allow us to have just one source for CIP \$.

What financial benefits will this program achieve? (New revenues, or O&M avoided)

2013 2014 2015 2016 2017 2018

A17: Proj Rev	\$0	\$0	\$0	\$0	\$0	\$0
A17: O&M Saved	\$0	\$0	\$0	\$0	\$0	\$0

If this initiative will reduce O&M costs, include those reductions in the table above (as negative amounts). If the program generates incremental revenue, include that in the table above.

- Climate research would not result in cost savings or new revenues. However, SCL's significant exposure to climate change (a weakness mentioned in the SWOC) would be reduced and SCL would continue to maintain its leadership role in environmental stewardship.

Projects may have attributes of more than one category; this should be noted. General definitions of categories follow:

Efficiencies—a project that pays for itself (please estimate payback period)/has a positive net present value.

Correcting an existing deficiency—projects that bring up SCL operations to *good* (not “gold standard”) utility practice, correct existing weaknesses in safety or operating standards.

Enhancement: projects that increase the level of service (to internal or external customers)

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SEATTLE CITY LIGHT STRATEGIC PLAN: REVISED TEMPLATE FOR INTRODUCING PROPOSED INITIATIVES

6-21-11

Instructions: Completed templates should be no more than 2 pages in length (excluding Exhibit 1). A separate template should be completed for each Initiative. Please keep in mind the ultimate audience: Review Panel.

Objective: Improve Efficiency of Gorge Plant

Initiative # A16

Initiative Title: Gorge 2nd Power Tunnel

Who would "Own" this Initiative within SCL: Power Production

Part A:																			
Brief description of proposed effort / sample tactics: Bore a 22 foot diameter tunnel, between Gorge Dam and Gorge Powerhouse, to operate in parallel with the existing power tunnel, in order to increase plant efficiency by reducing frictional head loss.																			
Desired outcome/Rationale for proposal (what part of the SWOC does it address, if any?) Plant production will be increased by 56,000 MWh per year with no change in water flow through the plant. This is enough energy to operate 5,100 homes, or equivalent to taking 6,100 cars off the road. In addition to increased production, the energy generated will qualify as renewable energy credit which will contribute to meeting SCL's obligation under I-937.																			
What, if anything, is underway in this area and funded within the 6 year baseline? Consultant is currently performing design work, FERC License Amendment application has been finalized and has been submitted for Superintendent's signature.																			
Why is additional investment proposed? Cost of construction is not currently funded.																			
Category of proposed investment? A. Efficiency – As stated above, the project is expected to increase production of Gorge Powerhouse by 56,000 MWh/year with no change in water flow. This represents approximately \$2.7 M in increased revenue and an additional \$1.4 M in renewable energy credits under I-937. The project has positive net present value with a Benefit/Cost ratio of approximately 1.2.																			
Ballpark cost estimate over 6-year period (2011-2016)																			
	<table border="1"> <thead> <tr> <th>O&M (check one if applicable)</th> <th>Capital (check one if applicable)</th> </tr> </thead> <tbody> <tr> <td><input type="checkbox"/> <\$1 million</td> <td><input type="checkbox"/> <\$1 million</td> </tr> <tr> <td><input type="checkbox"/> \$1-5 million</td> <td><input type="checkbox"/> \$1-5 million</td> </tr> <tr> <td><input checked="" type="checkbox"/> \$6-10 million</td> <td><input type="checkbox"/> \$6-10 million</td> </tr> <tr> <td><input type="checkbox"/> \$11-25 million</td> <td><input type="checkbox"/> \$11-25 million</td> </tr> <tr> <td><input type="checkbox"/> \$26-50 million</td> <td><input type="checkbox"/> \$26-50 million</td> </tr> <tr> <td><input type="checkbox"/> \$51-100 million</td> <td><input checked="" type="checkbox"/> \$51-100 million</td> </tr> <tr> <td><input type="checkbox"/> \$101-200 million</td> <td><input type="checkbox"/> \$101-200 million</td> </tr> <tr> <td><input type="checkbox"/> >\$200 million</td> <td><input type="checkbox"/> >\$200 million</td> </tr> </tbody> </table>	O&M (check one if applicable)	Capital (check one if applicable)	<input type="checkbox"/> <\$1 million	<input type="checkbox"/> <\$1 million	<input type="checkbox"/> \$1-5 million	<input type="checkbox"/> \$1-5 million	<input checked="" type="checkbox"/> \$6-10 million	<input type="checkbox"/> \$6-10 million	<input type="checkbox"/> \$11-25 million	<input type="checkbox"/> \$11-25 million	<input type="checkbox"/> \$26-50 million	<input type="checkbox"/> \$26-50 million	<input type="checkbox"/> \$51-100 million	<input checked="" type="checkbox"/> \$51-100 million	<input type="checkbox"/> \$101-200 million	<input type="checkbox"/> \$101-200 million	<input type="checkbox"/> >\$200 million	<input type="checkbox"/> >\$200 million
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<input type="checkbox"/> >\$200 million	<input type="checkbox"/> >\$200 million																		
Part B:																			
Rough estimated cost (capital and operating) Total Capital Cost: \$69.3 Million. O&M Cost during construction period (lost generation during plant outage, construction power): \$11.5 Million.																			

Document author(s): John Owen

Document date: 6/21/11

After construction is complete, O&M will only be \$1000/year for tunnel inspection.

General Implementation Plan

- **Does this require new staffing to accomplish or can it be accomplished within existing staff levels?**
No new staffing is required
- **From the time work begins, how long until the Initiative is completed/begins to deliver desired results?** Design work is currently underway. The tunnel is scheduled to be in operation by December 2015.
- **How time sensitive is this initiative? What year would you propose work to begin? Why?** Public Works Construction Contract is scheduled to get underway in 2013. This would theoretically make it possible for us to take advantage of CREBs funding. The CREBs allocation is in the amount of \$38 M. Taking advantage of this allocation will save the City approximately \$13 M compared to using tax exempt bonds. In order to take advantage of the CREBs allocation, the project will need to be included in the 2012 bond issuance. Another time sensitive consideration is the fact that the sooner the project goes into operation, the sooner the City starts realizing the the annual benefit of \$3.1 M.

What alternatives are there?

- **Is the initiative scaleable (can it shrink and still deliver measurable value)**
Smaller diameter tunnel could be built but analysis shows a lower B/C ratio would result.
- **Other ways to achieve a similar desired outcome?**
Existing tunnel could theoretically be enlarged but process would be much more expensive and complicated and would require a plant outage during the entire construction period – not practical.
- **Different policy direction (give example, and note why not recommended)**
The plant could continue to be run with only the existing tunnel but this is inconsistent with the “Operational Excellence, Stewardship and Financial Strength” elements of the SCL Strategic Plan since we would miss the opportunity to achieve significant energy efficiency improvement and increased productivity while minimizing environmental impact. The “do-nothing” approach would also represent a lost opportunity for obtaining a qualified renewable resource under I-937.

Sample metrics: How would you measure the success of this initiative?

MWh generated per CF of water through the plant can be measured (before and after)

Exhibit 1 Rough Estimated Costs—Operating and Capital (\$000)

(All data is to be entered here: [Strategic Initiatives Cost Master File.xls](#))

What is in the current baseline to support this Initiative?

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
A16: O&M	\$0	\$0						
A16: CIP								

What additional funding is proposed?

2012 2013 2014 2015 2016 2017 2018

Document author(s): John Owen

Document date: 6/21/11

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A16: New O&M	N/A	\$727,000	\$727,000	\$9,406,000	\$0	\$0	\$0
A16: Prop. CIP	\$736,754	\$70,150,416	\$1,234,437	\$1,477,915	\$13,148	\$0	\$0

Explanation:

O&M \$: Initiative proposers should use 2011 dollars for all years (i.e., NO assumed inflation). Finance will take care of inflation assumptions later, to make sure we have uniform assumptions. If you plan to add O&M staff, use 35% loading on base salary for benefits. Use 2011 salaries. Remember to add any support costs that may go with the position, e.g., desktops and phones, or vehicles for crews or engineers, etc.

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What financial benefits will this program achieve? (New revenues, or O&M avoided)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
A16: Proj Rev	\$0	\$0	\$0	(\$2,156,000)	(\$2,286,000)	(\$2,411,000)
A16: O&M Saved	\$0	\$0	\$0	(\$1,400,000)	(\$1,400,000)	(\$1,400,000)

*Additional wholesale revenue. **Savings from buying RECs instead of renewable resources (purchased power).

If this initiative will reduce O&M costs, include those reductions in the table above (as negative amounts). If the program generates incremental revenue, include that in the table above.

¹ Projects may have attributes of more than one category; this should be noted. General definitions of categories follow:

Efficiencies—a project that pays for itself (please estimate payback period)/has a positive net present value.

Correcting an existing deficiency—projects that bring up SCL operations to **good** (not “gold standard”) utility practice, correct existing weaknesses in safety or operating standards.

Enhancement: projects that increase the level of service (to internal or external customers)

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