

## Review of Key Strategic Plan Components: What's in the Baseline? What are Initiatives?

4-14-11

As we present the first draft of the Initiatives (Part A), we want to take a few minutes to first re-cap what is in the baseline, and what is not – and how the initiatives were developed.

### Baseline

**The baseline reflects essentially a “status quo” budget for the 2011-2016 period. Specifically, it includes:**

1. “Costs required to continue providing the current level of service” - - same rate of replacement of assets, same response time for customers, same basic operating structure and methods. It includes those projects already underway and funded.
2. “Minimum level of near term responsible investments necessary to maintain operations and meet customer demand over the next 6 years without significantly increasing operating risk.”

The baseline reflects a scrub of the adopted six year capital improvement program (Adopted CIP) by the E-Team—removal and addition of projects netting a \$165 million reduction as compared to the Adopted CIP. There are 206 individual projects in the Adopted CIP.

The baseline O & M budget is based on the 2011 budget which reflects cuts taken in 2009, 2010 and 2011.

The baseline is not a target or recommendation.

The baseline is not a suggestion that no improvement opportunities exist—e.g. baseline can change, additional efficiencies can be found, projects can be eliminated or added.

**Exhibit 1** is a revision of Tables 2.2 and 2.3 from the baseline which showed CSED and PSEA major capital projects included in, and excluded from, the baseline—newly annotated to identify (a) items that are being proposed to be added back in as initiatives, and (b) SWOC issues or objectives addressed by items in the baseline.

### Initiatives

**Initiatives include:**

1. **Major efforts (in terms of importance or cost) that are NOT fully funded in the baseline**
  - May be partially funded in baseline [Initiatives include the *unfunded* portion] **AND**
2. **Major policy focus for the next 6 years that is new and/or should be called out for other reasons.**
  - May or may not require new money to accomplish.

The complete list of initiatives is NOT a recommended strategy or action plan. It reflects the results of the E-Team brainstorming exercise—not resource constrained—to identify projects to respond to SWOC issues.