

ELECTRIC/GAS/STEAM RATE CASES

SHARED SERVICES PANEL

GENERAL EQUIPMENT, CAPITAL, AND O&M

EXHIBITS

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Corporate Instruction

SUBJECT

**CAPITAL GENERAL EQUIPMENT BUDGETING,
ORDERING, AND CONTROL**

- 1.0 **PURPOSE** -- To establish procedures for ordering, receiving, and controlling capital general equipment.
- 2.0 **APPLICATION** -- This Instruction applies to all organizations and individuals of the Company who use or have a requirement for capital general equipment.
- 3.0 **DEFINITIONS** --
 - 3.1 **User Organization** is the section or group that will ultimately use the general equipment items.
 - 3.2 **Control Agency** is that department or organization responsible for managing the specific general equipment line item in the Capital Budget. (EXHIBIT A identifies the organization acting as control agent by XM.)
 - 3.3 **Capital General Equipment** represents specific categories of equipment that are classified under the Uniform System of Accounts as General Plant (EXHIBIT A indicates the applicable account codes, account code descriptions, and company plant account) and are generally those items having a purchase cost of \$500 or more and a usage (life) expectancy of more than one year. The XM Budget represents that portion of the Capital Budget devoted to the purchase of general equipment. Control Agencies will purchase furniture and communication and computer equipment costing less than \$500 (consumable items) even though they are not capital items. This ensures that Corporate standards for quality and compatibility are met and provides for economies of scale.
- 4.0 **PROCEDURES** --
 - 4.1 **User Organizations** -
 - a. All organizations on an annual basis will develop their capital general equipment requirements for the next budget year. They will forward their requests to their respective Budget Coordinator who will coordinate the assignment of priorities and prepare one consolidated XM Budget encompassing the entire organization that is submitted with the organization's Capital Budget request.
 - b. When capital general equipment approved in the budget is required, the organization requiring the equipment will request the item from the Control Agency. In the case of computer equipment (XM-10) the request must be processed via the organization's Computer Resource

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Coordinator (CRC). (Reference Corporate Instruction CI-310-5, "Computer Resource Coordinator.") Computer equipment available via e-procurement can be ordered directly by authorized CRCs in accordance with Corporate Instruction CI-320-13, "E-Procurement System." Upon written approval from the Computer Equipment Control Agency a CRC can order capital equipment using a Corporate Procurement Card (P-Card), as covered in Corporate Instruction CI-320-11, "Corporate Procurement Card." Substitute items may be requested within the limitations of the organization's funds and the availability of the equipment within the budget year.

- c. If a user organization requires additional equipment beyond its budget allotment, it will provide for the transfer of capital funds to cover the additional requested items via a transfer submitted to Financial Forecasting and Corporate Budgeting, Corporate Accounting.
- d. EXHIBIT B sets forth by XM budget which categories of equipment require inventories, the frequency of inventories, and the methodology for conducting inventories. EXHIBIT B details which XM items require Company-issued tracking numbers and systems available to track equipment.
- e. All general equipment items identified as "missing" should be reported via a *Security Incident Report* form (Outlook/Tools/Forms), with a copy to the Control Agency for appropriate action.
- f. The user organization is responsible for attempting to resolve problems pertaining to general equipment purchase and should call the appropriate XM Control Agent for advice and counsel. If the user organization reports the problem to the Action Line (Corporate Instruction CI-240-2, "The Action Line"), they should also copy the Control Agency.
- g. Where an organization has been assigned responsibility for a specific capital budget line item (other than as Control Agency), it will assume the duties and functions of a Control Agency for that equipment for its department.

4.2 Control Agency -

- a. The Control Agency will prepare a monthly status report of each budget line item. Additionally, each April, September, and November it will assemble a document showing by organization, funds used, items ordered, and uncommitted funds, to be used in managing available funds for the remainder of the year.



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- b. Upon approval of the Capital Budget, the Control Agency will verify XM budget by organization with Financial Forecasting and Corporate Budgeting.
- c. Each Control Agency will issue Purchase Requisitions for general equipment. Purchasing will not honor requisitions for general equipment that do not have the approval of the responsible Control Agency or its designee. Control Agencies, if approved in accordance with Corporate Instruction CI-320-11, may use the P-Card for the purchase of general equipment.
- d. The Control Agency will monitor commitments and expenditures to avoid exceeding the authorization levels established in the approved XM Budgets. It will facilitate any transfer of funds between Capital Budget line items when initiated by a user organization to support its requirements.

4.3 Corporate Accounting -

- a. Property Record, Corporate Accounting, will provide written accounting rulings and advice and counsel to the Control Agencies and user organizations to resolve questions of accounting related to general equipment.
- b. Property Record will prepare and process Transfer and Correction Memorandums and/or journal entries as requested by the Control Agency via written requests.
- c. Property Record will periodically review the capitalization dollar level for XM items (refer to paragraph 2.2).
- d. Financial Forecasting and Corporate Budgeting will submit the Control Agency's budget requirements to the Board of Trustees for approval as part of the annual Capital Budget process.

5.0 EXHIBITS --

5.1 EXHIBIT A - Summary of General Equipment for Capital Accounts and Control Agency by XM.

5.2 EXHIBIT B - Matrix of XM Inventory Controls Required

6.0 ADVICE AND COUNSEL -- The Vice President and Controller, Corporate Accounting, will provide advice and counsel on this instruction.



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EXHIBIT A

SUMMARY OF GENERAL EQUIPMENT FOR CAPITAL ACCOUNTS

CAPITAL BUDGET ITEM	ACCOUNT CODE	ACCOUNT CODE DESCRIPTION	COMPANY PLANT ACCOUNT	EXAMPLES	CONTROL AGENCY
XM1	3719 3720	OFFICE FURNITURE BUSINESS MACHINES, MODULAR OFFICE PARTITIONS, CARPETING, SAFES	9816	DESKS, CHAIRS, TABLES, COPYING MACHINES, CABINETS, BOOK CASES, DRAFTING ROOM EQUIPMENT, SAFES, WINDOW TYPE AIR CONDITIONERS, SAFES AND SECURITY CONTAINERS, ETC.	FACILITIES
XM2	3731	TRANSPORTATION EQUIPMENT	9820	VEHICLES, CARS, TRUCKS, HEAVY TRAILERS (FLATBED, DROP DECK, BOX, VAN TYPE, ETC.), BOATS (INBOARD TYPES), BARGES, ETC., STOREROOM FORKLIFTS & REACH TRUCKS AND VEHICLE MOUNTED EQUIPMENT THAT IS PERMANENTLY ATTACHED.	CENTRAL FIELD SERVICES
XM3	3740	STORES EQUIPMENT	9824	INCLUDES THE COST OF PORTABLE AND INSTALLED <u>EQUIPMENT USED FOR THE RECEIVING, SHIPPING, HANDLING, AND STORAGE OF M&S AND CAPITAL ITEMS</u> : STORAGE BINS, ELEVATING AND STACKING EQUIPMENT, COUNTER, CHAIN FALLS, HOISTS, WHEEL BARROWS, STENCIL MACHINES, BATTERY CHARGERS, ETC.	CENTRAL FIELD SERVICES
XM4	3750	SHOP EQUIPMENT	9830	<u>EQUIPMENT USED SOLELY IN GENERAL SHOPS (GENERATING STATION SHOPS EXCLUDED)</u> : FLOOR GRINDERS, LATHES, MILLING MACHINES, SCRIBERS, BRAZING AND WELDING EQUIPMENT, DRILL PRESSES, SHAPERS, JIB CRANES, HOISTS, VISE BAND SAWS, AIR COMPRESSORS, PORTABLE TOOLS, ETC.	<u>CONSTRUCTION</u>
XM5	3760	LABORATORY EQUIPMENT (TESTING)	9828	PORTABLE ELECTRIC, CHEMICAL AND MECHANICAL INSTRUMENTS AND LABORATORY EQUIPMENT USED FOR SYSTEM-WIDE TESTING PURPOSES SUCH AS VOLTMETERS, AMMETERS, WATTMETERS, GAS AND VAPOR TESTERS, ANALYZERS, AMPLIFIERS, RECORDERS, VIBROMETERS, TACHOMETERS, PRESSURE GAUGES, ANAMOMETERS, LABORATORY BENCHES, ETC.	CENTRAL FIELD SERVICES



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EXHIBIT A (Cont'd)

<u>CAPITAL BUDGET ITEM</u>	<u>ACCOUNT CODE</u>	<u>ACCOUNT CODE DESCRIPTION</u>	<u>COMPANY PLANT ACCOUNT</u>	<u>EXAMPLES</u>	<u>CONTROL DEPARTMENT</u>
XM6	3770	TOOLS & WORK EQUIPMENT	9830	<u>TOOLS USED IN GENERAL CONSTRUCTION OR REPAIR WORK:</u> PNEUMATIC HAMMERS, DRILLS, TOOL CARTS, SUBMERSIBLE & PORTABLE PUMPS, CHAIN SAWS, LAWN MOWERS, GRAVELY TRACTORS, CONCRETE MIXERS, SMALL TRENCHERS, SURVEYING EQUIPMENT, HEAVY DUTY FLOOR CLEANING EQUIPMENT, ROWBOATS, HDRAULIC JACKS, BATTERY CHARGER, STEAM CLEANERS, PARTS WASHERS, WORK BENCHES, VISES, ENGINE STANDS, POWER PAK, TIRE REPAIR EQUIPMENT, BODY SHOP TOOLS AND PAINTING EQUIPMENT, GRINDERS, DRILLS, LATHES, PRESSES, GREASING AND LUBE EQUIPMENT, GASOLINE PUMPS AND STORAGE TANKS, DYNOMETERS, ETC.	CENTRAL FIELD SERVICES
XM7	3790	MISCELLANEOUS EQUIPMENT	9834	RECREATIONAL, CAFETERIA, AND KITCHEN EQUIPMENT, MEDICAL (INCLUDING HOSPITAL AND INFIRMARY), WATCHMANS CLOCKS, SAFETY EQUIPMENT, TRAINING EQUIPMENT, INHALATORS, RESUSCITATORS, SIGN AND ADVERTISING DISPLAYS, FIRE PROTECTION EQUIPMENT, AUDIO VISUAL EQUIPMENT, PHOTOGRAPHIC EQUIPMENT, ETC.	FACILITIES
XM8	3780	COMMUNICATION EQUIPMENT	9832	<u>ALL COMMUNICATIONS EQUIPMENT USED ANYWHERE IN GENERAL COMPANY OPERATIONS:</u> TRANSMITTERS, RECEIVERS, AMPLIFIERS, REFLECTORS, TOWERS, RADIO TELEPHONES, VEHICLE MOUNTED RADIOS, WALKIE TALKIES, MICROWAVE EQUIPMENT INCLUDING SWITCHING EQUIPMENT, FIBER OPTIC EQUIPMENT, ETC.	INFORMATION RESOURCES
XM10	3721	COMPUTER EQUIPMENT	9815	ALL ELECTRONIC DATA PROCESSING EQUIPMENT AND RELATED COMPUTER EQUIPMENT	INFORMATION RESOURCES



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EXHIBIT A (Cont'd)

<u>CAPITAL BUDGET ITEM</u>	<u>ACCOUNT CODE</u>	<u>ACCOUNT CODE DESCRIPTION</u>	<u>COMPANY PLANT ACCOUNT</u>	<u>EXAMPLES</u>	<u>CONTROL DEPARTMENT</u>
XM13	3771	POWER OPERATED EQUIPMENT	9829	<u>SELF PROPELLED UNITS OF A MAJOR NATURE (WITH UNIT COSTS IN EXCESS OF \$5,000):</u> FORK LIFTS, PORTABLE COMPRESSORS, BULLDOZERS, CRANES, TRACTORS, LARGE STREET SWEEPERS, PAYLOADERS, BACKHOES, HUGHES AND THE "TERMITE" EARTH BORING MACHINES, LARGE TRENCHERS, ETC.	CENTRAL FIELD SERVICES
XM15	3761	LABORATORY EQUIPMENT (CHEMICAL)	9828	<u>EQUIPMENT PURCHASED SOLELY FOR USE BY THE CHEMICAL LABORATORY:</u> GAS, STEAM, AND ELECTRIC TESTING EQUIPMENT, VOLTMETERS, ANALYZERS, LAB BENCHES, MICROSCOPES, ETC.	CENTRAL FIELD SERVICES



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EXHIBIT B

Matrix Equipment By XM	Inventory Tag Required	Inventory Required	Inventory Method Cycle for Inventory	Tracking System	Monitored for Maintenance
XM-1 Office Furniture	No	No	Not applicable	Not applicable	No
XM-2 Transportation Equipment	Vehicle # Assigned	Yes	Annual State Inspection	VMS	Yes
XM-3 Stores Equipment	No	No	Not applicable	Not applicable	No
XM-4 Shop Equipment	No	No	Not applicable	Not applicable (1)	No
XM-5 Lab Equipment (Testing)	Yes	Yes	Every Two Years (2)	Metrack	Yes
XM-6 Tools & Work Equipment	No	No	Not Applicable	Not Applicable	No
XM-7 Safety & Miscellaneous Equipment	No	No	Not Applicable	Not Applicable	No
XM-8 Communication Equipment Portable (Faxes, Radios) Stationary (Hubs, Switches)	No No	Yes No	Every Three Years N/A	ET/TEMS (3) Not applicable	Yes Yes
XM-10 Computer Equipment – Mainframes, Servers, Desktop & portable PCs, and printers	No	Yes	Every Year via SMS for PC's	SMS/ET (4)	Yes
XM-13 Power Operated Equipment	Vehicle # Assigned	Yes	Annual State Inspection	VMS	Yes
XM-15 Lab Equipment (Chemical)	Yes	Yes	Every Two Years (2)	Metrack	Yes

1. Applicable to Construction for less than 100 pieces of equipment used at Van Nest Shops.
2. Equipment calibrated by Tech Services will be inventoried as part of the calibration process, which represents 80% of inventory. All other remaining equipment not calibrated will not be inventoried during the two-year cycle.
3. See Corporate Instruction CI-330-10, "Security and Use of Mobile and Portable Communications Equipment," which calls for full inventory of radios every three years. Inventory of telephone lines covered in Corporate Instruction CI-310-11, "Inventory of Telecommunication Lines" calls for inventory of telephone lines every three years when the FAX Machine should be verified with the line.
4. Information Resources daily inventories servers and personal computers on the network for software patches deployment. Portable personal computers will be inventoried by System Management Server (SMS) when they attach to the network to receive the software patches.



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Capital – Shared Services – General Equipment – XM-1

Project/Program Title	Furniture – XM1
Work Plan Category	Strategic Support (XM's only)
Project Manager	Nector Paulino
Project Status	Ongoing
Est. Service date	N/A

Work Description:

The XM-1 budget represents the portion of the Capital Budget devoted to the purchase of general office furniture, business machines, modular office partitions, floor carpeting, drafting room equipment, safes, security containers, book cases & cabinets, and window air conditioners.

An organization requiring purchase of capital General Equipment classified as XM-1 must submit a written request to Facilities Management as the Control Agency responsible for purchasing of such equipment. The Facilities XM-1 budget coordinator reviews each request and notifies the requesting organization of any items that may be available on our recycle inventory. Additionally, the request is reviewed to ensure that its total cost is within the requesting organization's budget allotment and then initiates the procurement process via our existing purchasing tools available.

Justification:**Alternatives:**

There are no alternatives, per se, but the Company does employ various mitigation efforts. Facilities as a general practice recycle desks, chairs and office partitions, whenever possible. Furniture and office equipment are evaluated before being totally replaced; items found to be in good operating conditions are stored away onsite and become part of our recycled inventory to be re-used in temporary work assignments, remote office trailers, shops, etc. Only those items that are deemed un-repairable are replaced.

In addition, there are several contracts available to purchase new furniture; these contracts were competitively bid and, whenever possible, new orders are consolidated to take advantage of volume discounts.

It should also be noted that at any given time organizational priorities are shifted to meet organization's requirements. Each organization anticipates their budget needs by identifying their future furniture requirements. This would include forecasting temporary deployment of extra crews in the field that would require office furniture. They submit corresponding appropriation requests for next year's General Equipment in their capital budget request.

Capital – Shared Services – General Equipment – XM-1Risk of No Action:

Our work forces would be prevented from meeting their objectives in an efficient and safe manner. It would also create personnel issues with those employees who, due to their medical conditions, require ergonomic furniture to be able to perform their duties. As the Control Agency for XM-1 Budget, Facilities Management is committed to continue providing each user organization with adequate office furniture required to perform their daily job functions by replacing broken, damaged, and obsolete furniture or by replacing items that are no longer useful due to normal wear and tear.

Status:

On- going

Funding (\$000):

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
\$2,247	\$1,267	\$1,351	\$1,202	\$753	\$816

Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2013-2017
\$850	\$850	\$850	\$850	\$850	\$4,250

Historical elements of expense (EOE's)

EOE	2007	2008	2009	2010	2011	2012
Labor						
M&S						
A/P	\$2,087	\$1,142	\$1,214	\$1,087	\$650	\$726
Indirects	\$160	\$125	\$137	\$115	\$103	\$90
Contingency						
Total	\$2,247	\$1,267	\$1,351	\$1,202	\$753	\$816

EOE	2013	2014	2015	2016	2017
Labor					
M&S					
A/P	\$756	\$756	\$756	\$756	\$756
Indirects	\$94	\$94	\$94	\$94	\$94
Contingency					
Total	\$850	\$850	\$850	\$850	\$850

Capital – Shared Services – General Equipment – XM-2

Project/Program Title	XM 2 (Vehicles and Equipment)
Work Plan Category	Strategic Support (XM's)
Project Manager	Jonathan Cook
Project Status	On-going
Estimated Service Date	N/A

Work Description:

The XM 2 category provides for the replacement of mobile equipment such as cars, trucks, cranes and construction equipment used throughout our operations. The Control Agent for this equipment is Central Field Services' Fleet Administration Section (CFS). The Company owns approximately 4,000 over the road self propelled vehicles. Factoring in other pieces of mobile and mounted equipment, like backhoes and trailers used to move equipment and materials, the Company owns nearly 5,000 pieces of rolling equipment. Refer to Table #1 below:

Table #1

Class	Inventory count (Year-end 2009)	Inventory count (Year-end 2010)	Inventory count (Year-end 2011)	Inventory count (July 2012)
Cars	729	704	682	667
Mini-Vans	1176	1155	1127	1111
Pickups/Vans	859	826	820	799
Small Trucks	866	855	844	817
Medium Trucks	267	246	245	241
Large Trucks	426	421	422	414
Trailers	361	354	348	346
Construction Equipment	733	661	618	588
Grand Total	5,417	5222	5106	4983

Justification:

- Alternatives:

There are limited alternatives as the mobile equipment fleet is a day to day resource that field personnel need to do their job. The Automotive Engineers work with the customers to ensure that new equipment meets their operational requirements. As a mitigation effort, the Automotive Engineers work to standardize equipment specifications and work with manufacturers to engineer out high maintenance designs and common causes of failures. This reduces the maintenance cost stream over the life of the asset, increases the age at which it should economically be replaced. Therefore long-term capital expenditures associated with replacement are reduced. The department strategically designs purchase agreements to best leverage its buying power (which helps to reduce up-front cost of the equipment). The department also re-evaluates maintenance cost trends to find opportunities to increase the useful operational life of the fleet (to reduce capital requirements). In addition, the department employs highly-skilled mechanics, supervisors and managers, armed with the appropriate systems and technology to

Capital – Shared Services – General Equipment – XM-2

effectively diagnose and repair equipment as to reduce initial cost, cost-to-maintain and mean-time between failures (MTBF); all of which translate into being able to prolong the life of the fleet.

Since 2009, by promoting the use of pooling vehicle resources and most recently by embracing new on demand vehicle renting programs, the Company reduced the vehicle fleet by 127 passenger vehicles (specific to Table #1 class of cars and minivans).

- Risk of No Action:

The cost to operate mobile equipment beyond its economic life quickly compounds. The cost to maintain this equipment can rise substantially in a short period of time, if the replacement of equipment is deferred. These costs would be flowed through to the operations responsible for maintaining the Transmission & Distribution (T&D) systems. Reduced spending on replacement equipment would mean older and less reliable equipment would be kept in service. Vehicle availability would fall by several percentage points and in some cases equipment would age beyond our ability to purchase replacement parts. The consequences would have an adverse effect on T&D personnel's ability to respond to emergencies and efficiently effect construction of needed T&D projects. Extrapolated out, if vehicles are not available to respond to emergencies, it is possible that this could adversely affect many, if not all, of our ability to achieve Reliability Performance Mechanism (RPM) targets. It would also be conceivable that continuing to operate aged equipment could put the public and our employees at risk due to a catastrophic failure of an aged component.

Considering other uses of available capital, the need to keep maintenance costs flat and additional opportunities to right-size the fleet, CFS requested \$43.4M towards equipment replacements for 2013, but was approved for \$35.4M. CFS will continue to use fleet utilizations metrics to exercise opportunities to right-size the fleet. In order to avoid incremental maintenance costs, the fleet was reduced by 181 vehicles (from all classes of vehicles in 2012).

The funding requested for budget cycle 2014 through 2017 was developed by prioritizing critical work vehicles needed to perform core functions and extending the recommended life cycle of the remaining fleet. Units held beyond their useful life without funding for replacement will escalate maintenance cost. In addition, unplanned vehicle downtime will hinder planned work from being executed efficiently.

- Technical Evaluation/Analysis:

The XM 2 expenditures are historical and projected spending related to the replacement of existing equipment. The Company has a methodology for selecting mobile equipment for replacement based on reliability, availability, age, mileage, and maintenance history. CFS maintains a database of these assets and their associated operating costs. It reviews the information annually to determine which assets to replace.

Capital – Shared Services – General Equipment – XM-2

The Company uses a method referred to as the “Life-Cycle” model. The method is essentially an Equivalent Uniform Annual Cost (EUAC) analysis. The Company uses historical, actual and expected maintenance data as well as cost-of-money considerations to determine a point at which it is most economical to replace a deteriorating asset rather than face increasing maintenance costs and reduced reliability that would impact our ability to respond to the maintenance of the T&D system. The model evaluates rate-of-change in maintenance costs as the asset ages (deteriorates). This optimizes the Company’s overall cost to own and maintain these assets.

The Company maintains a table of various asset-types and their optimal economic replacement age. This is a starting point and is further refined by looking at the specific assets chosen as candidates for replacement. Based on that review, the Company may decide to retain an asset that has performed better than its peer group or accelerate the replacement of an asset that is performing poorly.

- Status:

On-going

2013 Capital – Shared Services – General Equipment – XM-2

- Current Working Estimate (if applicable):

CFS projects the equipment requiring replacement and the associated capital spending over a five year horizon. For planning purposes, it shares this information along with suggested allocation between various operating areas for operational planning purposes. The specific assets that will be replaced and their exact invoice price are not known that far in the future. The plan is developed roughly six months in advance of the purchase cycle. The exact vehicle replaced will usually be on the condition of similar assets at the time of delivery.

Funding: (\$000s)

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
\$32,409	\$52,165	\$32,093	\$33,551	\$31,246	\$32,500

Approved 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Approved/Forecast Total 2013-2017
\$35,400	\$36,400	\$37,900	\$37,900	\$37,900	\$185,500

Historical elements of expense (EOE's in \$000)

EOE	2007	2008	2009	2010	2011
Labor	\$755	\$770	\$791	\$820	\$798
M&S					
A/P	\$28,317	\$46,697	\$27,451	\$28,555	\$27,156
Indirects	\$3,337	\$4,698	\$3,851	\$4,176	\$3,292
Contingency					
Total	\$32,409	\$52,165	\$32,093	\$33,551	\$31,246

EOE	2012	2013	2014	2015	2016	2017
Labor	\$840	\$911	\$936	\$975	\$975	\$975
M&S						
A/P	\$28,300	\$30,733	\$31,600	\$32,903	\$32,903	\$32,903
Indirects	\$3,460	\$3,756	\$3,864	\$4,022	\$4,022	\$4,022
Contingency						
Total	\$32,500	\$35,400	\$36,400	\$37,900	\$37,900	\$37,900

Capital – Shared Services – General Equipment – XM-3

Project/Program Title	XM3 (Stores Equipment)
Work Plan Category	Strategic Support (XM's)
Project Manager	Frank Camello
Project Status	Ongoing
Estimated Service Date	N/A

Work Description:

The XM3 Budget is designated for the replacement of Stores equipment including storage bins, pallet racks, pipe racks, shelving, and strapping/wrapping equipment. This equipment is used for store room operations. Central Field Services' Capital Equipment Group is the Control Agency for XM3.

Items covered under the XM3 category are typically replaced when they are deemed beyond economical repair or if a procedure or specification is changed. For example, the Remstar parts system and Cousins wrapping and banding machines have been purchased as upgrades for the replacement of existing equipment.

Justification:

- Alternatives:

Maintain the existing equipment beyond its useful life.

- Risk of No Action:

The tools and equipment purchased through the XM3 budget would need to be maintained beyond their useful life. This would result in increased maintenance and repair costs and potential delays to the operating organizations. In addition, without these funds our ability to take advantage of new equipment technologies, such as advanced shelving systems would limit our ergonomic and operational efficiencies, potentially having an adverse affect on employee productivity.

- Technical Evaluation/Analysis:

Equipment is evaluated before being replaced and only those that are deemed un-repairable are replaced. However, there are occasions when equipment is purchased due to operating or work practice changes requiring a new type of device that addresses the new requirement. In addition, the majority of contracts utilized to purchase new equipment are competitively bid; and where possible, orders are consolidated to take advantage of volume discounts.

Capital – Shared Services – General Equipment – XM-3

Current Working Estimate:

Specific Stores equipment that will be replaced and their ultimate invoice price are not known for future years. Replacement in future years is based on the anticipated needs of each operating organization.

Funding (\$000):

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
\$444	\$491	\$34	\$159	\$113	\$209

Approved 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Approved/Forecast 2013-2017
\$105	\$417	\$417	\$417	\$417	\$1,877

Historical elements of expense (EOE's in \$000)

EOE	2007	2008	2009	2010	2011
Labor	\$23			5	
M&S					
A/P	\$395	\$471	\$24	\$127	\$104
Indirects	\$26	\$20	\$10	\$27	\$9
Contingency					
Total	\$444	\$491	\$34	\$159	\$113

EOE	2012	2013	2014	2015	2016	2017
Labor	7	5	14	14	14	14
M&S						
A/P	\$166	\$80	\$332	\$332	\$332	\$332
Indirects	\$36	\$20	\$71	\$71	\$71	\$71
Contingency						
Total	\$209	\$105	\$417	\$417	\$417	\$417

Capital – Shared Services – General Equipment – XM-4

Project Name	Shop Equipment – XM4
Work Plan Category	Strategic Support (XM's only)
Project Manager	Thomas Barrett
Project Status	Ongoing
Est. Service date	N/A

Work Description:

Construction Service’s Shop Operations is the Control Agency for XM4 Shop equipment. The XM4 budget is designated for the purchase of new replacement of shop equipment utilized at the Van Nest Shop Operations’ facility. The equipment includes floor grinders, lathes, milling machine, scribes, brazing and welding equipment, CNC machinery, jib cranes and hoists. The purchase and use of the equipment is based upon the work load, which includes emergency fabrication of specialized parts. The Van Nest Shop supports the steam generating stations, electric and gas distribution operations, sub-station and transmission operations. The impact of not having equipment funding to support this work would have a severe impact on steam production, electric and gas distribution as well as substation and transmission operations.

Justification:

- * Alternatives: An economic and time base comparison is made between contracting the work out vs. performing the work in house. In most cases, on an emergency basis, contracting out is not cost effective. This is due to the premiums applied because of such short notice. Another factor is the time lag involved with getting a contractor and equipment on-site within the specified time frame needed to perform the work on the emergency basis.

- * Risk of No Action: No action would have an adverse effect to the electric, gas and steam system reliability. The risk of not restoring equipment in a timely and cost effective fashion during an emergency will likely occur.

Capital – Shared Services – General Equipment – XM-4**Status:**

On- going

Funding (\$000):

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
\$0	\$645	\$45	\$313	\$164	\$219

Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2013-2017
\$334	\$334	\$334	\$334	\$334	\$1,670

Historical elements of expense (EOE's)

EOE	2007	2008	2009	2010	2011	2012
Labor						
M&S						
A/P		\$591	\$35	\$288	\$135	\$195
Indirects		\$54	\$10	\$25	\$29	\$24
Contingency						
Total	\$0	\$645	\$45	\$313	\$164	\$219

EOE	2013	2014	2015	2016	2017
Labor					
M&S					
A/P	\$297	\$297	\$297	\$297	\$297
Indirects	\$37	\$37	\$37	\$37	\$37
Contingency					
Total	\$334	\$334	\$334	\$334	\$334

Capital – Shared Services – General Equipment – XM-5

Project/Program Title	XM5 (Lab & Test equipment)
Work Plan Category	Strategic Support (XM's)
Project Manager	Frank Camello
Project Status	Ongoing
Estimated Service Date	N/A

Work Description:

The XM5 Budget is designated for the replacement of portable electronic measurement instrumentation which includes volt meters, ammeters, gas testers, recorders, analyzers, pressure gauges, etc. These devices are used to manage and operate the gas, electric and steam systems. Central Field Services' Capital Equipment Group is the Control Agency for XM5.

Items covered under the XM5 category are typically replaced when they are deemed beyond economical repair or if a procedure or specification is changed. An example of this is the normal replacement of items such as Doble test sets, hi-pot test sets and the technological advances in gas detectors covered under XM5. The gas detector devices are used by field mechanics in many organizations throughout the company to monitor the atmospheric conditions that they work in. When the electro-chemical sensors in the older detectors would fail, they did not provide an indicator to the operator which could result in personnel operating in dangerous environments. Corporate EH&S addressed this concern and newer technology was identified to replace the existing instruments. The new devices not only have sensors that provide an indicator when one fails, they also have the ability to test additional types of gases, and now provides data logging features that is beneficial for incident investigation. The units will also deny access to use of the instrument when its calibration interval has expired.

Justification:

- Alternatives:

Maintain existing equipment beyond their useful life.

- Risk of No Action:

The instrument and equipment purchased through the XM5 budget would need to be maintained beyond their useful life. This would result in increased maintenance and repair costs and potential delays to the operating organizations. In addition, without these funds our ability to take advantage of new instrument and equipment technologies, such as noise reduction, ergonomics, and operational efficiencies would be limited, potentially having an adverse affect on employee and public safety.

Capital – Shared Services – General Equipment – XM-5

- Technical Evaluation/Analysis:

Instruments and equipment are evaluated before being replaced and only those that are deemed uneconomical to repair are replaced. However, there are occasions when equipment is purchased due to operating or work practice changes requiring a new type of device that addresses the new requirement. In addition, the majority of contracts utilized to purchase new tools and equipment are competitively bid and where possible orders are consolidated to take advantage of volume discounts.

Current Working Estimate:

Specific Instrumentation and test equipment that will be replaced and their ultimate invoice price are not known for future years. Replacement in future years is based on the anticipated needs of each operating organization.

Funding (\$000):

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
\$4,437	\$7,524	\$4,825	\$3,924	\$3,835	\$4,774

Approved 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Approved/Forecast 2013-2017
\$4,297	\$5,634	\$5,634	\$5,634	\$5,634	\$26,833

Capital – Shared Services – General Equipment – XM-5

Historical elements of expense (EOE's in \$000)

EOE	2007	2008	2009	2010	2011
Labor	\$4	\$119			
M&S					
A/P	\$4,220	\$6,815	\$5,122	\$3,475	\$3,463
Indirects	\$213	\$590	\$270	\$449	\$372
Contingency					
Total	\$4,437	\$7,524	\$5,392	\$3,924	\$3,835

EOE	2012	2013	2014	2015	2016	2017
Labor						
M&S						
A/P	\$4,228	\$3,805	\$4,990	\$4,990	\$4,990	\$4,990
Indirects	\$546	\$492	\$644	\$644	\$644	\$644
Contingency						
Total	\$4,774	\$4,297	\$5,634	\$5,634	\$5,634	\$5,634

Capital – Shared Services – General Equipment – XM-6

Project/Program Title	XM6 (Tools)
Work Plan Category	Strategic Support (XM's)
Project Manager	Frank Camello
Project Status	Ongoing
Estimated Service Date	N/A

Work Description:

The XM6 Budget is designated for the replacement of tools and equipment used for general construction and repair such as: portable pumps, chain saws, hydraulic jacks, pneumatic hammers and drills, hydraulic cutting and crimping tools, tire repair equipment, etc. These devices are used to manage and operate the gas, electric and steam systems. Central Field Services' Capital Equipment Group is the Control Agency for XM6.

Items covered under the XM6 category are typically replaced when they are deemed beyond economical repair or if a procedure or specification is changed.

Justification:

- Alternatives:

Maintain the existing equipment beyond their useful life.

- Risk of No Action:

The tools and equipment purchased through the XM6 budgets would need to be maintained beyond their useful life. This would result in increased maintenance and repair costs and potential delays to the operating organizations. Without these funds, the ability to take advantage of new tool and equipment technologies, such as noise reduction, ergonomics, and operational efficiencies would be limited, potentially having an adverse affect on employee and public safety.

- Technical Evaluation/Analysis:

Tools and equipment are evaluated before being replaced and only those that are deemed uneconomical to repair are replaced. However, there are occasions when equipment is purchased due to operating or work practice changes requiring a new type of device that addresses the new requirement. In addition, the majority of contracts utilized to purchase new tools and equipment are competitively bid, and where possible, orders are consolidated to take advantage of volume discounts.

Capital – Shared Services – General Equipment – XM-6**Current Working Estimate (if applicable):**

Specific work tools and equipment that will be replaced and their ultimate invoice price are not known for future years. Replacement in future years is based on the anticipated needs of each operating organization.

Funding (\$000):

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
\$5,274	\$7,211	\$5,496	\$3,469	\$3,635	\$4,730

Approved 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Approved/Forecast 2013-2017
\$2,838	\$6,703	\$6,703	\$6,703	\$6,703	\$29,650

Historical elements of expense (EOE's in \$000)

EOE	2007	2008	2009	2010	2011
Labor	\$1				
M&S		\$16			
A/P	\$5,026	\$6,558	\$4,832	\$3,050	\$3,196
Indirects	\$247	\$637	\$664	\$419	\$439
Contingency					
Total	\$5,274	\$7,211	\$5,496	\$3,469	\$3,635

EOE	2012	2013	2014	2015	2016	2017
Labor						
M&S						
A/P	\$4,158	\$2,550	\$5,893	\$5,893	\$5,893	\$5,893
Indirects	\$572	\$288	\$810	\$810	\$810	\$810
Contingency						
Total	\$4,730	\$2,838	\$6,703	\$6,703	\$6,703	\$6,703

Capital – Shared Services – General Equipment – XM-7

Project/Program Title	XM – 7 (Miscellaneous Equipment)
Work Plan Category	Strategic Support (XM's only)
Project Manager	Nector Paulino
Project Status	On-going
Estimated Service Date	N/A

Work Description:

The XM-7 budget is devoted to the purchase of miscellaneous equipment such as cafeteria and kitchen equipment, medical, defibrillator, safety and training equipment, fire protection, audio visual and photographic equipment as well as sign and advertising displays.

An organization requiring purchase of capital General Equipment classified as XM-7 must submit a written request to Facilities Management as the Control Agency responsible for purchasing of such equipment. The Facilities XM budget coordinator reviews each request to ensure that its total cost is within the requesting organization's budget allotment and then initiates the procurement process via our existing purchasing tools available.

Justification:**Alternatives:**

There are no alternatives, per se, but the Company does employ various mitigation efforts. All miscellaneous equipment are evaluated before being replaced and only those that are deemed un-repairable are replaced. Facilities as a general practice recycle this equipment whenever possible. In addition, the majority of contracts utilized to purchase new equipment are competitively bid and where possible orders are consolidated to take advantage of volume discounts.

It should also be noted that at any given time organizational priorities are shifted to meet organization's requirements. Each organization anticipates their budget needs by identifying their future requirements. This would include forecasting deployment of extra crews in the field that would require additional safety equipment, such as emergency lifting devices. They submit corresponding appropriation requests for next year's General Equipment in their capital budget request.

Risk of No Action:

Our work forces would be prevented from meeting their objectives in an efficient and safe manner. It would also create personnel issues with those employees who, due to their daily work conditions, require safety, audio visual and training equipment to be able to perform their duties. For example, the safety lifting devices are used for employee protection in the event that a mechanic is overcome in a confined space to allow lifting out by fellow employees from above. As the Control Agency for XM-7 Budget, Facilities Management is committed to continue providing each user organization with the work tools required to perform their daily job functions by replacing broken, damaged, and

Capital – Shared Services – General Equipment – XM-7

obsolete equipment or by replacing items that are no longer useful due to normal wear and tear.

Status:

On –going

Current Working Estimate (if applicable):

Specific miscellaneous equipment that will be replaced and their ultimate invoice price are not known for future years. Replacement in future years is based on the anticipated needs of each operating organization.

Funding (\$000):

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
\$1,440	\$2,572	\$2,955	\$710	\$922	\$1,520

Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2013-2017
\$900	\$900	\$900	\$900	\$900	\$4,500

Historical elements of expense (EOE's)

EOE	2007	2008	2009	2010	2011	2012
Labor						
M&S						
A/P	\$1,340	\$2,382	\$2,674	\$550	\$828	\$1,353
Indirects	\$100	\$190	\$281	\$160	\$94	\$167
Contingency						
Total	\$1,440	\$2,572	\$2,955	\$710	\$922	\$1,520

EOE	2013	2014	2015	2016	2017
Labor					
M&S					
A/P	\$801	\$801	\$801	\$801	\$801
Indirects	\$99	\$99	\$99	\$99	\$99
Contingency					
Total	\$900	\$900	\$900	\$900	\$900

Capital – Shared Services – General Equipment – XM-8

Project Name	XM8 Telecommunications Equipment
Work Plan Category	Strategic Support (XM's)
Project Manager	Terrence Walsh
Project Status	Ongoing Program
Service Date	N/A

Work Description:

The equipment categorized in XM8 provide the means for Company employees to communicate and access business systems including the Customer Information System, Outage Management systems, electric, gas and steam monitoring and control systems as well as financial, HR and legal systems. Information Resources' Operations Support Group is the Control Agency for XM8. The equipment categorized in XM8 includes fiber interference work, CCTN monitoring, Bruckner/Van Nest fiber, radio replacements and VOIP equipment. This category also includes DVDM replacement, SONET clocking upgrade, and eliminating Verizon circuits to iDEN ETBS sites. Additional items would also include channel bank resynchronization, iDEN/DAS site relocation, iDEN UHF man down upgrade and the amplification and mobility devices test equipment

In 2012 XM8 funded our Voice over IP (VOIP) program resulting in savings of \$150k per year. Also replacement devices used for telephony and radio communications. New remote monitoring of CCTN nodes was implemented.

In 2013, the business plan includes the deployment of VOIP phones at Astoria, West End Ave. (WEA) and on the 7th, 8th and 13th floors at Irving Place. Cost savings associated with this effort are expected to be an additional \$150k per year. Also, additional CCTN nodes will be upgraded to monitor equipment and report to the Network Operations Center (NOC).

Justification:

XM-8 provides an accounting mechanism to maintain and grow communication tools including wireless and wired technology for the company. This includes telephones, radios, antennas and associated electronic components necessary to provide private voice and data services as needed by operating areas.

*** Alternatives:**

Alternatives include heavier reliance on carriers and ongoing lease costs for telephony and field communications. Even under that scenario, telephones would need to be purchased. Telecommunication equipment is purchased in bulk and competitively bid to take advantage of volume discounts. Information Resources has initiated programs to optimize its costs. Equipment standardization is one of these programs. Using the same manufacturer (i.e. Motorola, Nextel) has given leverage to obtain larger discounts. Information Resources has been utilizing contract negotiation best practices for price and duration of contracts. A third party provider, Gartner Group, has also been retained to formulate more

Capital – Shared Services – General Equipment – XM-8

strategic negotiation tactics.

- * Risk of No Action: Support for communications systems could not be provided. Reliable communications systems and distribution automation systems are required to support field restoration activities and the automation of the distribution system to maintain electric, gas and steam services. Con Edison operates a wireless communication system for distribution data services. The system provides above-street radio coverage and is used to minimize outage duration and provided more rapid restoration during system disturbances like storms and feeder trip-outs due to peak loading and faults. Con Edison operates a single master site wireless communication system for voice service. The system provides on-street radio coverage for Con Edison's operations personnel throughout its 660-square mile service territory. It incorporates a man-down safety feature that alerts control center personnel to substation operators in distress during switching operations on the transmission and distribution substation equipment and is essential to Con Edison's public utility services in both routine and emergency situations. This equipment is essential to provide both system reliability, as well as, employee safety
- * Non Financial Benefit Explanation:
- * Technical Evaluation and Analysis: XM8 equipment has an extended life and replaced at 10-15 year increments. This equipment is mostly carrier grade communications equipment to support voice and other communication requirements
- * Project Relationships:

Funding: (\$000s)

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
\$3,297	\$5,608	\$4,677	\$2,204	\$1,545	\$2,952

Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Approved/Forecast Total 2013-2017
\$2,988	\$3,806	\$2,680	\$3,145	\$3,431	\$16,050

Historical elements of expense (EOE's)

EOE	2007	2008	2009	2010	2011	2012
Labor	-	-	-	-		
M&S	-	-	-	-		
A/P	\$2,968	\$5,048	\$4,210	\$1,984	\$1,391	\$2,657
Indirects	\$329	\$560	\$467	\$220	\$154	\$295
Contingency						
Total	\$3,297	\$5,608	\$4,677	\$2,204	\$1,545	\$2,952

EOE	2013	2014	2015	2016	2017
Labor	-	-	-	-	-
M&S	-	-	-	-	-
A/P*	\$2,690	\$3,426	\$2,412	\$2,831	\$3,088
Indirects	\$298	\$380	\$268	\$314	\$343
Contingency					
Total	\$2,988	\$3,806	\$2,680	\$3,145	\$3,431

Capital – Shared Services – General Equipment – XM-10

Project Name	XM10 Computer Equipment and Infrastructure
Work Plan Category	Strategic Support (XM's only)
Project Manager	Terrence Walsh
Project Status	Ongoing Program
Service Date	N/A

Work Description:

Items contained in the XM-10 budget focus on the reliability, availability, security, and sustainability of the company's computing infrastructure as well as computer equipment. These items include network equipment, internet facing cybersecurity improvements to address changing threats, and infrastructure needed to support server growth from application projects and expanded remote access capability. Other equipment in this category includes UPS devices and LAN/WAN network equipment including routers and switches, server and storage equipment, backup and recovery technology equipment. Computer equipment includes items impacting individuals such as desktops, laptops, MDTs, printers and plotters.

In 2012 the following work was completed:

- 10 gbs WAN speed evaluation on fiber and equipment
- Brocade fiber channel switch replacements
- Call Manager upgrades
- Quality of service (QOS) implementation
- UPS upgrades at 4 Irving Place

In 2013, the Wide Area Network (WAN) will be upgraded to 10 GBS at core locations connecting Company server farms. Also the current LAN backbones at large company locations will be upgraded from the 6500 model to the 7000 model to support the 10 GBS speeds and device obsolescence. Other items planned:

- Bandwidth upgrades to tier 2 sites
- UPS upgrades at 30 Flatbush
- Spare equipment inventory
- Fiber channel switch replacement

Justification:

If the needed equipment in were not available, the company's ability to provide reliable access to all company computing systems would be adversely impacted. This equipment is necessary and essential to the operation of the Company's day to day business activities, and is also an integral part of other infrastructure and business systems used by other company organizations, including Customer Operations, Finance and Transportation

Capital – Shared Services – General Equipment – XM-10

- * Alternatives: There are no alternatives, per se, but the Company does employ various mitigation efforts. Computer hardware is purchased in bulk and competitively bid to take advantage of volume discounts. Information Resources has initiated programs to optimize its mainframe costs. One such program leverages IBM hardware and software products against non-IBM vendors suggesting suitable IBM replacement products. Through the usage of monitoring tools we have discovered duplicate functionality between software products as well as products not being utilized. For products of which there are no suitable IBM replacements, Information Resources has been utilizing contract negotiation best practices for price and duration of contracts. A third party provider, Gartner Group, has also been retained to formulate more strategic negotiation tactics. In addition, through performance tuning, Information Resources has been attempting to improve the run time efficiencies of several of the largest production batch jobs. Con Edison has adopted the use of virtual server and Storage Area Network (SAN) technology which allows more efficient use of computer hardware and reduces costs
- * Risk of No Action: Risks include:
 Cyber security risks
 Poor performance in accessing company systems
 Obsolete infrastructure not keeping up with latest technology
 Need for information would be hindered
 Decrease in the availability, reliability and security of the company's resources
 Inability to implement new systems
 Impact the ability to provide reasonable access to computer systems
- * Non Financial Benefit
Explanation:
- * Technical Evaluation and Analysis: Items covered under the XM10 categories are typically replaced on industry standard practice of 5 - 8 years or as business requirements dictate new technology specifications
- * Project Relationships:
- Current Status:** On-going

Funding: (\$000s)

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
\$12,948	\$21,452	\$21,635	\$19,745	\$11,898	\$12,146

Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Approved/Forecast Total 2013-2017
\$12,459	\$14,969	\$10,653	\$10,134	\$12,375	\$60,590

Historical elements of expense (EOE's)

EOE	2007	2008	2009	2010	2011	2012
Labor	-	-	-	-		
M&S	-	-	-	-		
A/P	\$11,653	\$19,307	\$19,472	\$17,771	\$10,709	\$10,931
Indirects	\$1,295	\$2,145	\$2,163	\$1,974	\$1,189	\$1,215
Contingency						
Total	\$12,948	\$21,452	\$21,635	\$19,745	\$11,898	\$12,146

EOE	2013	2014	2015	2016	2017
Labor	-	-	-	-	-
M&S	-	-	-	-	-
A/P*	\$11,214	\$13,473	\$9,588	\$9,121	\$11,138
Indirects	\$1,245	\$1,496	\$1,065	\$1,013	\$1,237
Contingency					
Total	\$12,459	\$14,969	\$10,653	\$10,134	\$12,375