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# Stimulus – The Opportunity and the Reality

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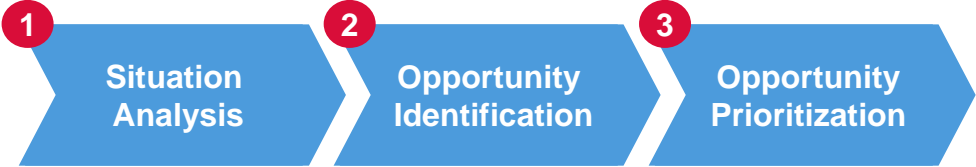
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# The Opportunity and the Strategic Value

# The stimulus package presents the opportunity to review, and potentially to expand the strategic agenda

- Once in a lifetime opportunity (hopefully)
- Utilities must be aggressive in pursuing a structured approach to capitalize
- Integration of corporate strategy and stimulus package will be key to winning application and winning projects
- While the money is there, the project risk will fall to the company
- Partnerships and stakeholder participation will be key

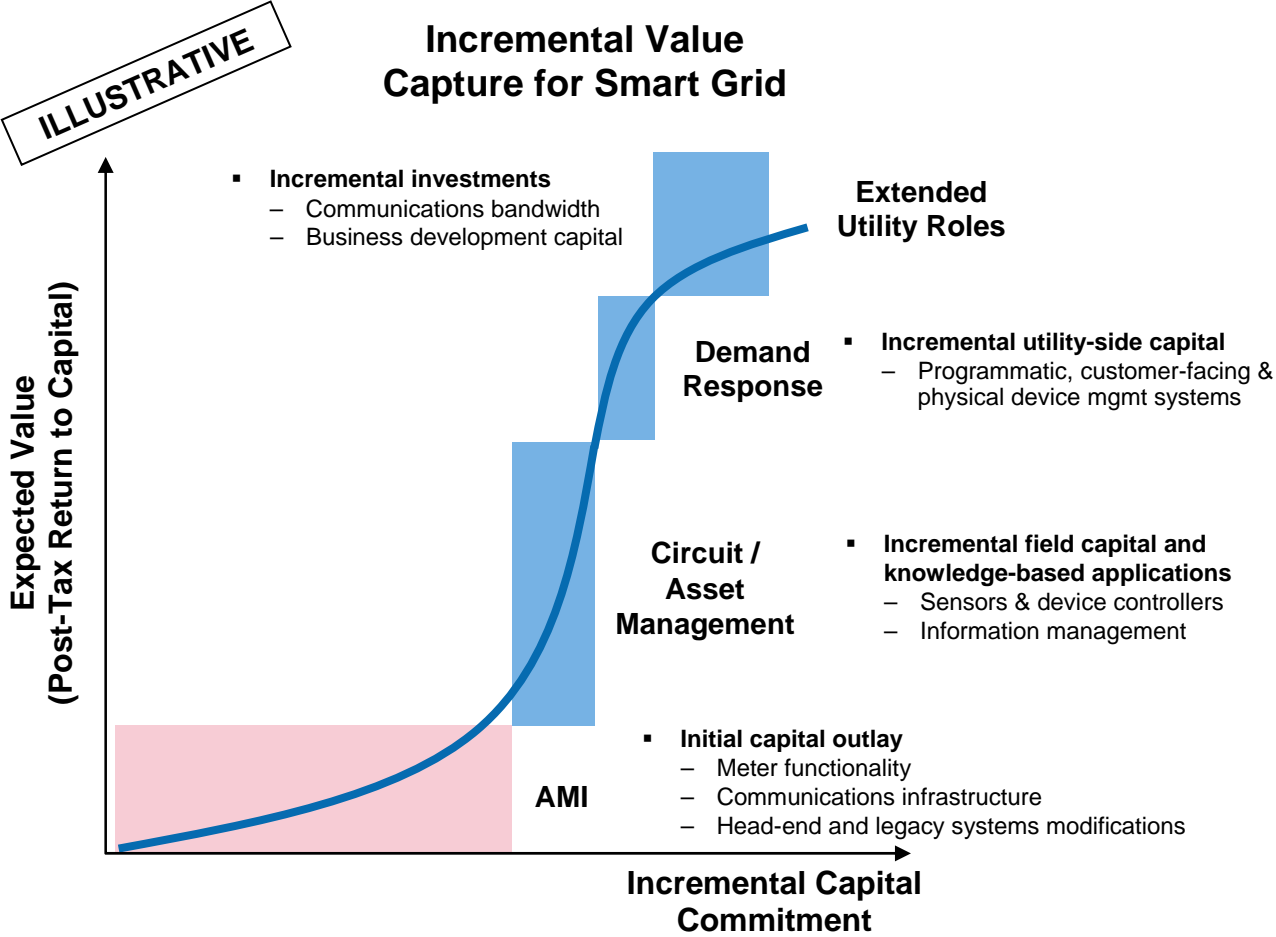
## Approach to Stimulus Strategy Development



	1	2	3
<b>Focus</b>	<i>Baseline the Capital Plan</i>	<i>Identify Overlap with Stimulus</i>	<i>Determine high priority projects</i>
<b>Key Tasks</b>	<ul style="list-style-type: none"> <li>▪ Identify strategically valuable projects by developing a list of capital initiatives by program area</li> <li>▪ Consider opportunities to expand strategic agenda; request funds for projects which would otherwise not be pursued</li> </ul>	<ul style="list-style-type: none"> <li>▪ Map each initiative to relevant stimulus categories</li> <li>▪ Ensure consistency with <i>American Recovery and Reinvestment Act (ARRA)</i> principles</li> <li>▪ Acceleration and NPV stimulation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Determine nature and level of both internal and public benefits for each potential initiative</li> <li>▪ Evaluate project fit with corporate strategic goals</li> <li>▪ Estimate likelihood to win funding</li> </ul>

# By applying out-of-the-box thinking to identify projects not contemplated prior to stimulus funding, the agenda can expand

Comments
<ul style="list-style-type: none"> <li>▪ Stimulus funding provides opportunity to expand the strategic agenda</li> <li>▪ Utilities should consider pursuing projects involving a given scale, technology, or timeline which they would otherwise not pursue</li> <li>▪ For example, upgrading from a limited Smart Grid pilot in a small city to a larger rollout in a higher density area can be considered</li> <li>▪ Similarly, utilities can consider expanding beyond initial capital outlays to capture greater incremental value</li> </ul>

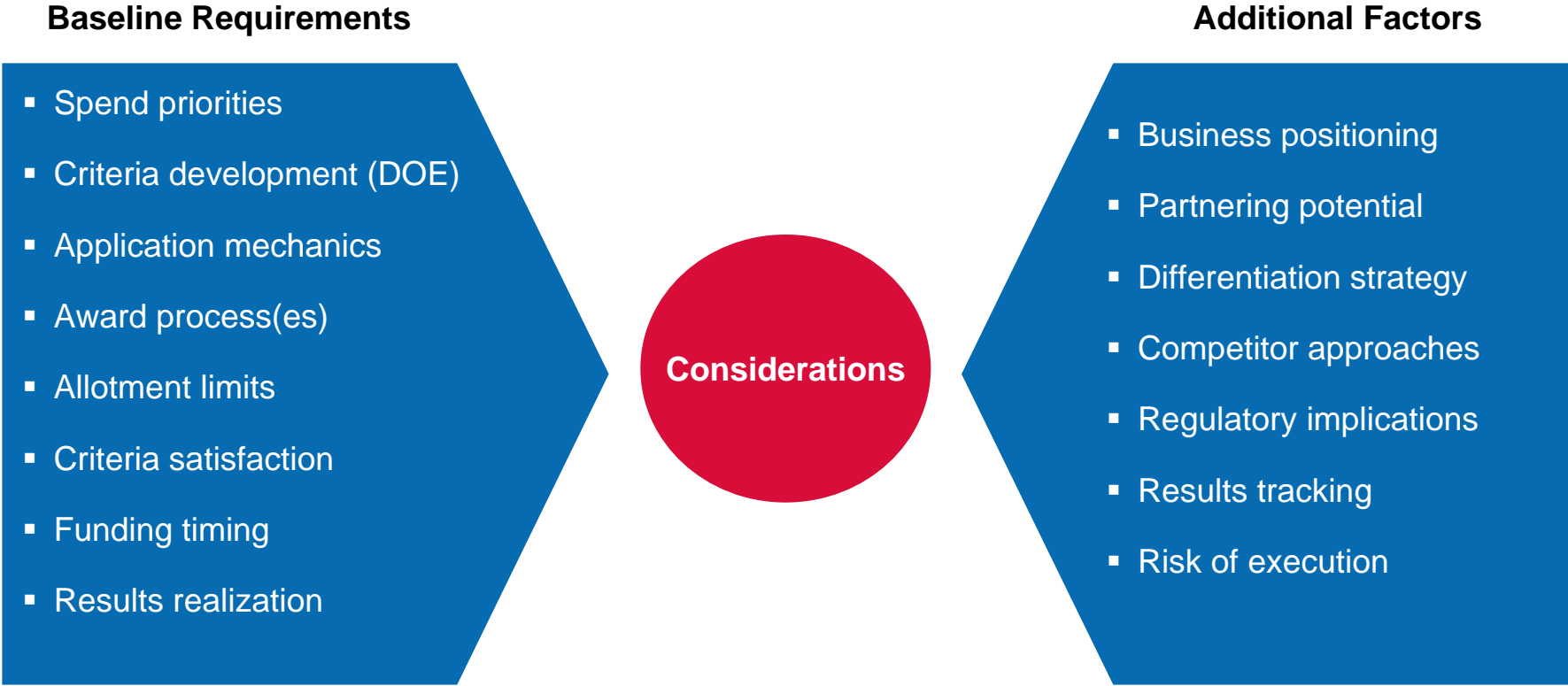


# Opportunity prioritization combines both strategic “fit” and likelihood of winning stimulus funding

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Prioritization Components	Criteria	Description
Fit With Strategic Agenda	Future Requirements	<ul style="list-style-type: none"> <li>Projects that meet foreseeable regulatory, legislative, and internally-mandated requirements (e.g., climate change, RPS, and EE standards)</li> </ul>
	Project Economics	<ul style="list-style-type: none"> <li>Projects with favorable size, IRR, NPV characteristics</li> <li>Funding format matches project needs</li> </ul>
	Project Stage (Not Business as Usual)	<ul style="list-style-type: none"> <li>Funding for current projects, but also for those which were (1) not contemplated, (2) marginal-NPV, (3) planned for future years, (4) could be accelerated</li> </ul>
Likelihood of Funding Success	Economic Value	<ul style="list-style-type: none"> <li>Projects with higher economic value impacts (direct and “multiplier” effects)</li> </ul>
	Application Environment	<ul style="list-style-type: none"> <li>DOE’s likely view of regulatory environment and applicants’ financial credibility</li> <li>Benefit of partners and stakeholder participation to completion</li> </ul>
	Stimulus Initiative Support	<ul style="list-style-type: none"> <li>Projects with potential to kick-start similar initiatives at other utilities (e.g., proves business case for Smart Grid)</li> </ul>

# A company should consider two perspectives on application development requirements



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# Opportunity Pursuit - The Reality

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# Utilities have the unique opportunity to differentiate their funding request from those of other applicants

## Project-Based Differentiators

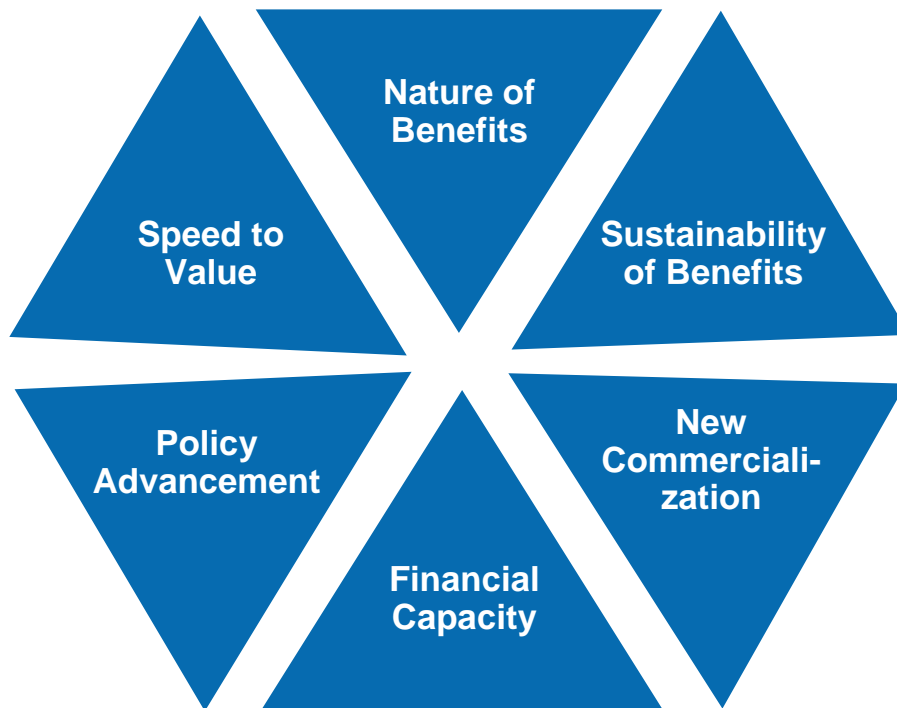
- Project start date / duration
- Size
- Stimulus funding required
- Multiplier effects
- Jobs created (full time & project construction)
- Economic landscape and demographics
- Support of DOE initiatives
- Experience with similar projects

## Applicant-Based Differentiators

- Financial position
- Effective project management
- Efficient budgeting
- Relationships with regulatory authorities
- Commitment to local communities

# History dictates that the application for DOE funding should consider various criteria for approval...

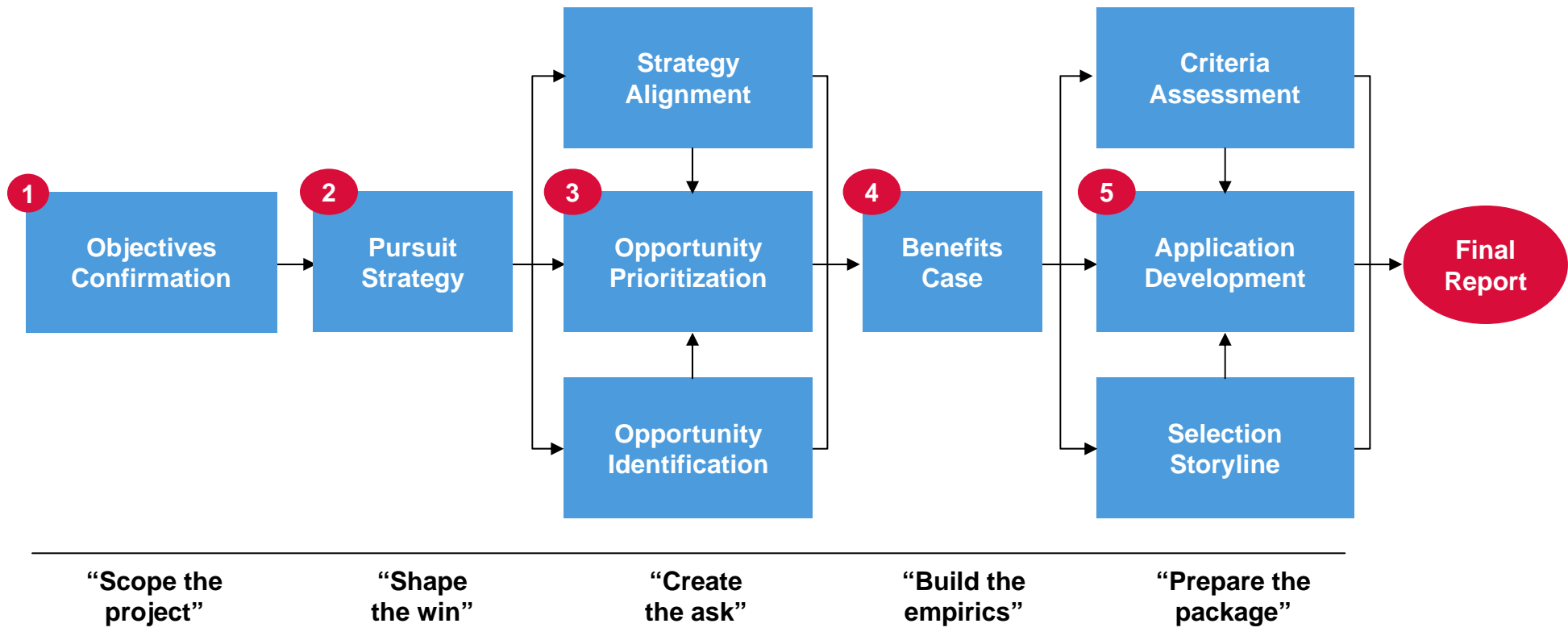
## Potential Evaluation Criteria



- The focus will likely be on benefits attainability and impact to the public
- An emphasis on the ability to accelerate, as well as innovate, around new technology is likely
- The ability to support macro-level policy will be valued
- Significant differentiation may be demonstrated by a short timeline to produce benefits and a breadth of perceived value

...therefore, a company should be focused on satisfying a “higher standard” of criteria application

Overall framework



# Multiple funding alternatives may be available depending on the initiative under consideration

**Potential Funding Alternatives**  
By Type of Capital Initiative

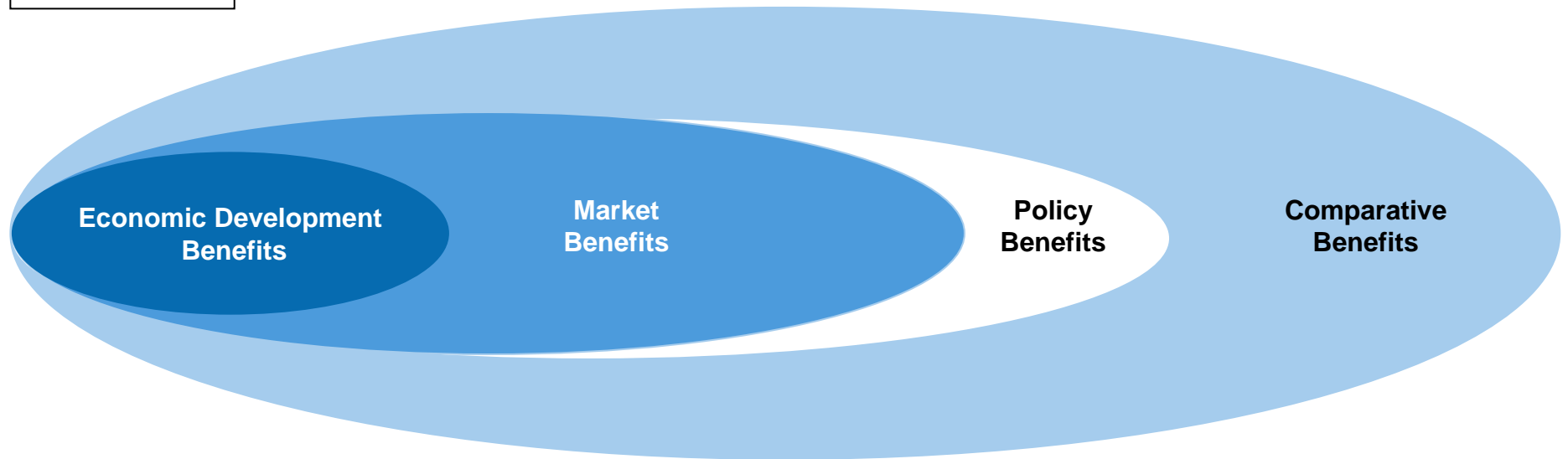
Capital Initiative	DOE Funding		State Govt Funding	Tax Incentives
	Grants	Loan Guarantees		
Smart Grid	✓	✓	✓	
Transmission Modernization	✓	✓		✓
Renewable Generation			✓	✓
Energy Efficiency			✓	✓
Low Carbon Fossil	✓			✓

Note: The table above does not provide a full and complete determination of available funding alternatives; it is illustrative of the fact that more than one funding alternative is often available

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# The applicant should identify the multiple tiers of potential benefits that can be produced through investment

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# The result will be an innovative view of the structure and requirements for the application process

## Typical government funding programs require applicants to ...

- Clearly articulate a discrete purpose for requested funding
- Communicate a compelling justification for selection
- Illustrate the nature and level of potential benefits
- Demonstrate the ability to manage funding against expectations
- Define a basis for reporting of progress and results

## ... with potential unique considerations related to the Stimulus Bill

- A potential differentiator for the Stimulus Bill relates to the need for **transparency**:
  - in selection
  - in distribution
  - in results
- The focus on **benefits realization** is thus likely to be heightened:
  - for initial award justification
  - for near-term quantification
  - for longer-term sustainment
- The focus will be on:
  - Short term US job creation
  - Sustainable US job creation
  - Development of new or expanded industry

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# In summary, to successfully capture a share of the stimulus, an applicant will need to aggressively address several key elements

