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Sent: 2/28/2013 5:34:12 PM

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Subject: Thoughts on Tuesday meeting

Team:

I've been thinking about how we should approach our discussion on Tuesday, March 5 and ultimately the discussion with the Board in mid-March regarding our recommended research portfolio. One thought I had for the March Board meeting was to present two alternative research portfolio scenarios. One scenario would be for a total cost of approximately \$30 million in year one. The second scenario would be for a target budget of \$20 million. Under both scenarios, the assumption is that we will get regulatory approval to carry over any unspent funds into subsequent program years.

The premise for presenting the \$20 million scenario is that we should focus on the highest value projects for customers and we should leave some room in the budget for new ideas and new research that we don't have on the drawing board today, but may want to pursue in subsequent years (I.e., it's not desirable to commit the vast majority of funding now for a lot of 5 year projects). This would also give us a chance to more fully develop projects that are not fleshed out. Ultimately, the Board will decide, but I think if we present them with some "book ends", they will be better informed and able to give us guidance.

Options for cutting costs that we should consider include: eliminate projects, reduce scope, combine projects, find efficiencies, explore co-funding, etc.

I also recommend that we use customer benefits as the primary criteria for determining which projects to cut and which ones to keep. While not all benefits are easily quantified, I would tend to put more weight on quantifiable benefits than on conceptual descriptions of benefits. To date, the teams have identified the following quantifiable benefits:

- \$30 million/yr for Ensemble Weather Forecasting
- \$552 million for Flexibility Metrics and Standards
- \$90 million for phase 2 of Geographic Data Integration for Risk Management; \$6 million/yr for phase 1 and \$30 million avoided cost

- \$2.5 million/yr for Advanced Modeling and Simulation Environment

I have not seen benefit quantifications for any other projects. If such quantifications have been done, please distribute them to this distribution list so we have that information for our Tuesday discussion.

Another thought would be for us, or a committee, to vote on what projects to keep and which ones to drop/delay.

If you have other thoughts on how to approach this issue, please let me know. We will certainly discuss on Tuesday, but I wanted to get this idea on the table now so you could mull it over.

I dont have everyone's emails with me now, so please forward to others in your organization as appropriate.

Thanks,

Erik