

Lakeland Electric

FY 2008 Quarter 3

Strategic Planning Update

July 29, 2008



**FY 2008 Quarterly
LE Strategic Goals, Intended Outcomes and Key Success Indicators**

<u>Status</u>	
<u>Instructions on how to use status button:</u>	
<u>For Circles:</u>	
<ol style="list-style-type: none"> 1) Be sure you are in view, print layout 2) Move the crossbar over the button and double-click 3) Click on Fill color 4) Select Green, Yellow or Red 	
<u>For Triangle - If you need to replace a circle with a black triangle:</u>	
<ol style="list-style-type: none"> 1) Delete your circle 2) Right click and hold on the black triangle below while dragging it to the appropriate status column 3) Release and select "copy here" once you have placed the triangle 4) It may take a few minutes for the triangle to appear and you may need to reposition for alignment 	
<u>Green:</u> ●	Good. Progress is being made and initiative/KSI is on track.
<u>Yellow:</u> ●	Progress is slow; barriers; delays; resources; other. Initiative / KSI may not be on track.
<u>Red:</u> ●	Concern. Little or no progress. Initiative / KSI may not be on track.
<u>Black:</u> ▲	Initiative has been cancelled or suspended due to legal, regulatory, financial, contractual or operational issues.
<u>Arrows:</u>	
↑	Indicates that the higher the value, the more favorable it is.
↓	Indicates that the lower the value, the more favorable it is.
→	Indicates a project or initiative is reported as a narrative update on progress/status.

<u>Definitions</u>	
<u>Key Success Indicator (KSI):</u>	
Refers to how progress is being tracked, measured and evaluated.	
<u>SAIDI: System Average Interruption Duration Index:</u>	
This is a reliability index that measures the average duration (in minutes) of interruptions for the average customer. $SAIDI = \text{Sum of All Customer Minutes Interrupted} / \text{Total Number of Customers Served}$	
<u>CAIDI: Customer Average Interruption Duration Index:</u>	
Measures the average repair time (in minutes) experienced by the average interrupted customer. $CAIDI = \text{Sum of All Customer Minutes Interrupted} / \text{Total Number of Customer Interruptions}$	
<u>Surge:</u>	
Lakeland Electrics Total Home Surge Protection system. The Total Home system gives two layers of protection, one on the outside and one inside the home.	
<u>Uncollectible as a percent of revenue:</u>	
This measures the portion that will not be collected by the utility.	
<u>Lost Time Incident (LTI):</u>	
A nonfatal work related injury or illness that causes any loss of time from work beyond the day or shift it occurred.	
<u>Equivalent Availability Factor:</u>	
Amount of time, measured in percentages, that a unit or group of units are available to operate. Total time (100%) minus scheduled Outage Time minus Forced Outage Time	

**FY 2008 Quarterly
LE Strategic Goals, Intended Outcomes and Key Success Indicators**

Be a Customer Focused Organization

a. Provide services and products desired and needed

<u>KSI</u>	<u>Target</u>	<u>Status</u>	<u>Explanation</u>
SAIDI	128 minutes ↓		
<u>Q1</u>	17.96	●	
<u>Q2</u>	43.30	●	Delivery is 20.7 minutes under the Quarter 2 goal of 64 minutes for the average interruption duration.
<u>Q3</u>	74.40	●	Measured performance is 21.6 minutes better then the Q3 goal of 96 minutes
<u>Q4</u>		○	

CAIDI	78 minutes ↓		
<u>Q1</u>	60.12	●	
<u>Q2</u>	76.05	●	Delivery is 1.52 minutes under the Quarter 2 goal of 77.58 minutes for the average repair time experienced by customers.
<u>Q3</u>	65.21	●	Measured performance is 12.4 minutes better then the Q3 goal of 77.58 minutes
<u>Q4</u>		○	

Surge	700 ↑		
<u>Q1</u>	225	●	Surge sales exceeding target
<u>Q2</u>	424	●	Target is 350 by end of Q2, total sales are currently 424.
<u>Q3</u>	622	●	Target is 525 by end of Q3, total sales are currently 622.
<u>Q4</u>		○	

b. Establish competitive prices

Residential base rate comparisons	Bottom of 2 nd quartile or top of 3 rd quartile ↑		
<u>Q1</u>		●	Rates have not changed since 10-01-07.
<u>Q2</u>	13%	●	Rates have not changed since 10-01-07. Target revised: Achieved 1 st quartile at 13%.
<u>Q3</u>	9.6%	●	Achieved 1 st quartile at 9.6%
<u>Q4</u>		○	

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Be a Customer Focused Organization

b. Establish competitive prices (Cont.)

Total Price by customer class	Bottom of 2 nd quartile or top of 3 rd quartile ↑		
<u>Q1</u>	2nd	●	Residential, Small Commercial, Commercial Demand, and Industrial Customer price in 2 nd quartile per FMEA survey.
<u>Q2</u>	2nd	●	Residential, Small Commercial, Commercial Demand, and Industrial Customer price in 2 nd quartile per Feb 2008 FMEA survey.
<u>Q3</u>	Top 3rd	●	Residential, Commercial Demand, and Industrial Customer price in 2 nd quartile and Small Commercial in upper 3 rd quartile per May 2008 FMEA survey. Fuel Charge increase effective July 1, 2008 will negatively affect comparative value.
<u>Q4</u>		○	

c. Responsive to new market/economic opportunities

Publix	Narrative update →		
<u>Q1</u>		●	Options to serve continued load growth at Industrial Complex are being evaluated.
<u>Q2</u>		●	Proposed dedicated substation, new transmission ELDC rate, and distribution upgrades to Publix for their evaluation and approval.
<u>Q3</u>		●	Publix verbally approved purchase of transformers. Letter of Agreement has been submitted for formal approval.
<u>Q4</u>		○	

Firmenich	Narrative update →		
<u>Q1</u>		●	Service estimates have been revised. Awaiting customer commitment.
<u>Q2</u>		●	Received design information on additions to existing plant but no action on the proposed new plant.
<u>Q3</u>		●	Customer has not provided City or LE with any additional plans or schedule to proceed with work since February.
<u>Q4</u>		○	

d. Customer Education Campaign, to include conservation and green service offerings

Program and calendar developed; program implemented	Narrative update →		
<u>Q1</u>		●	Conservation Program communicated to Utility Committee. Program commenced in January.
<u>Q2</u>		●	The following items have been implemented as of March 31, 2008: CFL giveaway, Energy Saver Kits giveaway, Insulation rebate, Commercial Audit Rebate, Commercial Lighting Rebate and Vending Miser Rebate.
<u>Q3</u>		●	The following programs are currently active and total about 1,620 customers. Insulation Rebate, HVAC Maintenance Rebate, Compact Fluorescent Lighting, Energy Saving Kits and Vending Miser.
<u>Q4</u>		○	

**FY 2008 Quarterly
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<u>Be a Customer Focused Organization</u>			
<i>e. Achieve top quartile customer service metrics</i>			
Average time to answer	72 seconds ↓		
Q1	72.67	●	
Q2	49	●	Recent changes in Call Center have dramatically improved answer time.
Q3	41	●	See above
Q4		○	
Meter reading accuracy			
	99.95% ↑		
Q1	99.92%	●	
Q2	99.94%	●	Improving but 0.01% short of target.
Q3	99.94%	●	Staying constant
Q4		○	
First contact resolution			
	80% ↑		
Q1	91%	●	
Q2	94%	●	
Q3	95%	●	Exceeding target
Q4		○	
Uncollectible as a percent of revenue			
	0.33% ↓		
Q1	0.51%	●	Though the target is not being met at this point, uncollectible is typically higher this time of the year so we expect to be slightly above target.
Q2	0.67%	●	Though the target is not being met at this point, uncollectible is typically higher this time of the year so we expect to be slightly above target.
Q3	0.63%	●	The increase experienced in Spring was temporary and CS is now back on track to lowering bad debt; however further economic decline could impact negatively.
Q4		○	

**FY 2008 Quarterly
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Manage Assets and Resources to Optimize Return

a. Manage business consistent with authorized base rate to projected targets

Cumulative Net Income before Dividend – Actual to budget	NIBT= \$39,521,771 Dividend= \$24,000,000 →		
<u>Q1</u>	3.1M	●	<2.1M> under budget. The driver for the negative variance is sales. We are <3.4%> under budget in Kwh sales and higher loss than anticipated on FMPA. On the positive side, O&M and particularly payroll is helping the balance.
<u>Q2</u>	7.7M	●	<5.3M> under budget. The driver for the negative variance is revenue. We are <6.1%> under budget in Kwh sales resulting in <6.4M> in negative retail sales variance and a wholesale variance of <1.2M> is due to higher than anticipated FMPA losses.
<u>Q3</u>		●	Color stated is compared to original budget. Color would be green compared to amended budget. If the last quarter holds true to forecast, we will exceed target of amended budget and fall about \$4M short of original budget. In the amended budget, we lowered the budget for the 1st 6 months of the year to actuals which had an \$8M impact. To counteract that, we lowered O&M and capital spending and dividend. The good news is that our sales have exceeded budget over the last 3 months and keeping our expense at or below target will ensure we achieve the amended net income target and come closer to the original target than we thought a few months ago.
<u>Q4</u>		○	
Cumulative R&R/Capital Spending – Actual to budget	R&R= \$18,057,045 LTC= \$43,079,907 Depreciation= \$36,645,007 →		
<u>Q1</u>	5.6M	●	<\$9M> under budget. Our depreciation expense continues to exceed capital spending meaning we are depreciating our assets faster than we are replacing them. In the past, we were hindered by cash flow but a concern in that we are not keeping up with our projects.
<u>Q2</u>	18.3M	●	<10.6> under budget. Much of the increase in capital spending this quarter compared to last quarter or last year at this time is due to the SCR project. Our depreciation expense cumulatively is equal to our capital spending for the year. However, in R&R and LTC capital spending we are still well under spent of our submitted budget.
<u>Q3</u>		●	Color stated is compared to original budget. Color would be green compared to amended budget. The amended budget impact to the capital budget was a \$3.3M de-appropriation. Even with the budget reduction, our capital spending is well under budget. On a good note, capital additions are now exceeding depreciation. The increase in capital spending over last year is because of the SCR project. On a cautious note, our R&R and LTC projects that were budgeted for 08 net of carryovers is well under what was budgeted and will provide a challenge in the 4th quarter to avoid unnecessary carryover dollars.
<u>Q4</u>		○	

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Manage Assets and Resources to Optimize Return

a. Manage business consistent with authorized base rate to projected targets

Controllable O&M per retail Kwh (does not include fuel)	\$0.0258 →		
<u>Q1</u>	\$0.02533	●	We continue to beat the budget in controllable O&M. Much of it is payroll driven and with our FTE count around 590 vs. a budget of 628, that trend should continue. Our spending is up 4% over last year.
<u>Q2</u>	\$0.02693	●	Although we are over budget compared to year end goal, we are actually <.20> under budget on a Kwh basis. Typically, this is our outage season and our period of slower sales. In total dollars, we are \$3.1M under budget in controllable O&M mid way through the year.
<u>Q3</u>		●	Color stated is compared to original budget. Color would be green compared to amended budget. In April, we de-appropriated \$2.3M in O&M dollars as part of our amended budget. Most of those \$ were payroll related. As of June 30th, overall we are \$.5M under budget. Unless some emergency happens before year end, there is no reason why we will not be able to achieve amended budget target. Our FY08 actual O&M spending on a KWH basis is right on target compared to original budget of .0258.
<u>Q4</u>		○	

Manage Assets and Resources to Optimize Return

b. Improved system and unit availability and reliability

Equivalent Availability Factor, Units 2,3,5,8	83.50% ↑		
<u>Q1</u>	84.22%	●	Dec-07 was 92.08%
<u>Q2</u>	86.77%	●	Mar-08 was 83.55%
<u>Q3</u>	80.66%	●	Jun-08 was 74.91% due to Unit 5 Outage
<u>Q4</u>		○	

Review and meet all substation maintenance schedules	Meet schedules →		
<u>Q1</u>		●	In excess of 7 transformers, 7 circuit breakers, 9 regulators, and other quantities of arrestors, batteries and miscellaneous equipment were tested and maintained.
<u>Q2</u>		●	4 power transformers, 15 circuit breakers, checked voltage on 300+ voltage regulators and LTCs. Arrestors for Dranefield Transformer # 2 (69kV and 12kV) and Socrum Transformer # 1 (69kV). Implemented "Monday Morning Walk-Through" inspections at end of Q1, this initiated numerous general maintenance work orders.
<u>Q3</u>		●	9 power transformers, 10 circuit breakers, 37 battery banks were tested as scheduled preventive and reactive maintenance. Overall FY'08 maintenance plan completion stands at an average of 54%. Progress has been delayed by emergency repair work.
<u>Q4</u>		○	

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Manage Assets and Resources to Optimize Return

b. Improved system and unit availability and reliability

Meet line clearance schedules	380 Miles ↑		
<u>Q1</u>	48.95%	●	FY2008 Goal = 380 miles. Miles completed in Q 1 = 186.
<u>Q2</u>	72.07%	●	FY2008 Goal = 380 miles. Miles completed in Q 2 = 87.861. YTD miles completed = 273.86.
<u>Q3</u>	85.80%	●	Miles completed in Q3 = 52.25 YTD miles completed = 326
<u>Q4</u>		○	
Meet pole inspection schedules	Meet schedules →		
<u>Q1</u>	8,360 poles	●	FY07: 5,200 poles inspected. 83 identified to be reinforced or replaced. FY08 Q1: 152 poles (2%) to be reinforced or replaced
<u>Q2</u>	1,540 poles	●	FY08 Q2: 28 poles (1.8%) to be reinforced or replaced. All planned FY08 pole inspections were completed by end of January-schedules met Poles requiring reinforcement = 37 - all 37 were completed by contractor in February. Poles requiring replacement = 226 – 10 were replaced by COL crews thru March
<u>Q3</u>		●	98 of the 226 poles requiring replacement have been completed 40 of the 98 poles for removal have been completed
<u>Q4</u>		○	

Manage Assets and Resources to Optimize Return

c. Improved utilization of existing assets

Develop a cost of service for premium services	Narrative update →		
<u>Q1</u>		●	Analysis underway for service at transmission voltage
<u>Q2</u>		●	Analysis complete for service at transmission voltage. Completed. No additional services identified at this time.
<u>Q3</u>		○	
<u>Q4</u>		○	

**FY 2008 Quarterly
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<u>Manage Assets and Resources to Optimize Return</u>			
<i>d. Cumulative cash reserves</i>			
To exceed \$8,440,258 (wholesale capacity sales, private area lights, fly ash/gypsum sales, pole attachment, surge suppression, tower rental, fiber rental, facilities charges)	>\$8,440,258 ↑		
<u>Q1</u>		●	Our "other" revenue sources are all on target with the exception of fly ash sales which continues to exceed budget due to a strong commitment at the plant to keep LOI% low even with the mixing of coals.
<u>Q2</u>	\$4.3M	●	Our "other" retail revenue sources are either at or exceeding budget through the first half of this year. By products from the plant and pole attachments are doing above 30% in budget. However, there is bad debt risk from by products and known revenue shortfall from PALs that could cause this target to fall short.
<u>Q3</u>		●	Color stated is compared to original budget. Color would be green compared to amended budget. The only impact to these other revenue sources from the amended budget was PAL revenue which was lowered by \$1.5M due to a forecast that relied on erroneous data in UMS. Thru 3 Quarters, Pole Attachments are up 20% compared to budget and Fly Ash sales are up 42%. All other sources of revenue in this category are either at or very close to budget. Barring a write off of fly ash sales this fiscal year, we will exceed the target.
<u>Q4</u>		○	
Achieve cash reserve targets established in 2007 cost of service study			
	\$25,000,000 ↑		
<u>Q1</u>	0	●	We are off the target this year due to lower sales.
<u>Q2</u>	0	●	Due to our revenue shortfall through the first 6 months, we have not hit our cash reserve targets for this year. Based on budget cuts and a good second half of the year forecasts in sales from the last fuel budget, we should make up some ground.
<u>Q3</u>		●	Color stated is compared to original budget. Color would be green compared to amended budget. Even with the budget cuts and the increase in sales over the last quarter, our goal is probably to be near zero. This is a lot lower than what we planned when we originally presented the rate study. However, depending on how much capital budget is left on the table, we may do better than breakeven.
<u>Q4</u>		○	
Optimize fuel status and managing fuels inventory			
	Develop an operating plan →	30 days	
<u>Q1</u>		●	Have reduced the amount of coal stored to 35 day supply.
<u>Q2</u>		●	The coal inventory is 28 days. The operating plan coal goal is approximately 30 days except for June thru September, which is 40 days.
<u>Q3</u>		●	The coal inventory is approx. 28 days. There is about 3.75 days located at Port Of Tampa delivered by truck and 8.6 days of Illinois Basin coal. Expect to raise inventory amounts by end of July (Note: flyover took place July 1 –inventory will be adjusted for those results)
<u>Q4</u>		○	

**FY 2008 Quarterly
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<u>Manage Assets and Resources to Optimize Return</u>			
<i>e. Maintain a current cost of service</i>			
Rates	Narrative Update →		
<u>Q1</u>		●	Process software no longer supported by vendor. Investigating available remedies.
<u>Q2</u>		●	Alternative analyses under consideration include proprietary Excel spreadsheet and resurrecting the in-house Excel spreadsheet.
<u>Q3</u>		●	Decision to move forward with Excel based analysis.
<u>Q4</u>		○	
<i>f. Ensure all customer classes are paying for their cost of service</i>			
Not renewing individual contracts	Zero renewed ↓		
<u>Q1</u>	0	●	No contracts expired this quarter.
<u>Q2</u>	0	●	No contracts expired this quarter.
<u>Q3</u>	0	●	No contracts expired this quarter.
<u>Q4</u>		○	
<u>Attract, Motivate, Develop and Retain Talented Employees</u>			
<i>a. Improved hiring process</i>			
Reduce "time to fill" by four weeks (from vacancy until "offer accepted")	4 weeks ↓		
<u>Q1</u>		●	Reviewed history-difficult to say where the hold-up has been – tracking it now as positions are requested to determine when it's an internal issue and when the hold-up is with approvals to fill vacancies. Recommendation pending with City Manager would help address this.
<u>Q2</u>		●	On an average, it is approximately 72.95 days from when job requisition is submitted to Employee Relations and effective date of position filled. (This does not include the approximately 24 days pending approval from CM Office)
<u>Q3</u>		●	The longest gap continues to be the time the position is requested until the time we receive approval from the City Manager's Office. No activity on Q1 recommendation made to City Manager. All hiring authorities will be asked to complete a form (In Site/Lakeland Electric/General Services/ AGM/Supervisor Tools) with information on date a job offer is made and accepted/declined by applicant to aid in determining where time delays occur in the process.
<u>Q4</u>		○	

**FY 2008 Quarterly
LE Strategic Goals, Intended Outcomes and Key Success Indicators**

[Attract, Motivate, Develop and Retain Talented Employees](#)

b. Improved participation in targeted training

100% employees have an individual Development Plan (IDP) and demonstrate progress as indicated on their PPR	100% ↑		
<u>Q1</u>		●	50 employees currently have IDPs.
<u>Q2</u>		●	171 employees received an IDP during Q2, for a total YTD of 221.
<u>Q3</u>		●	126 employees received an IDP during Q3, for a total YTD of 347.
<u>Q4</u>		○	

[Attract, Motivate, Develop and Retain Talented Employees](#)

c. Improved analysis and utilization of workforce

A Workforce Management Plan, that also addresses the aging workforce, is developed for each division	March 1, 2008 with quarterly updates →		
<u>Q1</u>		●	AGMs are currently developing their workforce plans.
<u>Q2</u>		●	Two of five have been submitted.
<u>Q3</u>		●	All five workforce plans have been submitted. Completed.
<u>Q4</u>		○	

Safety Lost Time Incidents (LTI)	Production <= 3 LTI; Delivery <=3 LTI; Field Services <=1 LTI; Office = 0 LTI ↓		
<u>Q1</u>		●	Production = 1 LTI (November) Delivery = 1 LTI (October) Customer Service = 0 Office = 0
<u>Q2</u>		●	Production = 2 LTI (January and March), Delivery = 0, Customer Service = 0, Office = 0
<u>Q3</u>		●	Production = 3 LTI (April and June (2)), Delivery = 1, Customer Service = 0, Office = 0 FY08 overall LE target is <=7LTIs ; YTD overall by Q3 =8 LTIs.
<u>Q4</u>		○	

**FY 2008 Quarterly
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Efficiently Integrate Technology Into Business Operations

a. Improved efficiency of operations through process Improvement

Complete demonstration of AMI technology	Narrative update →		
<u>Q1</u>		●	200 electric meters have been installed in the field with central communications established with each.
<u>Q2</u>		●	Demonstration of technology on hold. LE to move forward with specification and preparation of RFP, most likely via an experienced consultant.
<u>Q3</u>		▲	Project terminated due to vendor support failure after ownership changes. A new project has been opened to negotiate to hire Consultants for future AMI deployment strategy planning.
<u>Q4</u>		○	

Implement meter reader route management	Narrative update →		
<u>Q1</u>		●	Project commenced 1-14-08 once Project Manager was assigned.
<u>Q2</u>		●	Project team commenced full-time effort this quarter.
<u>Q3</u>		●	Software has arrived and is being implemented. Project completion scheduled for November.
<u>Q4</u>		○	

Efficiently Integrate Technology Into Business Operations

a. Improved efficiency of operations through process Improvement (Cont.)

Implement Field Service Mobile Workforce Solution	Narrative update →		
<u>Q1</u>		●	Project commences 3 rd week of January with Scope Review meeting.
<u>Q2</u>		●	Project team commenced full-time effort this quarter.
<u>Q3</u>		●	RFP pending Purchasing. Project completion scheduled 12/30/08.
<u>Q4</u>		○	

Evaluate and implement VJP T&D software replacement	Narrative update →		
<u>Q1</u>		●	Two vendor replacement products have been secured and installed for evaluation.
<u>Q2</u>		●	Evaluation period is 1/08-6/08 and is 50% complete. Software installed, training received from vendors, LE staff self-testing applications operations. Reviewed compatible units, labor unit builder and compatible units builder interface via Maximo and difficulty to make the conversion.
<u>Q3</u>		●	Evaluation completed. Implementation will be delayed by the Maximo upgrade delays.
<u>Q4</u>		○	

**FY 2008 Quarterly
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Efficiently Integrate Technology Into Business Operations

b. Improved knowledge sharing for future planning and forecasting

Formation and operation of a LE Technology Steering Committee	Narrative update →		
<u>Q1</u>		●	Final draft of Strategic Plan will be published mid-February
<u>Q2</u>		●	Completed in February. The document is located on Insite. Lakeland Electric/Technical Support/IT Resources
<u>Q3</u>		●	Projects have been prioritized and timeline for each project's progress has been determined. Available on Insite.
<u>Q4</u>		○	

c. Better Utilization of existing technology

Implement expanded resources for support of UMS and Call Center technology	Narrative update →		
<u>Q1</u>		●	Agreed to transfer one FTE to DoIT, DoIT to present corresponding UMS Staffing Plan 2 nd week of January. Draft technology plan created with Telecommunications and DoIT, next step is administrative approval and funding
<u>Q2</u>		●	Joint COL/LE VOIP project approved by commissioners, UMS Staffing Plan completed by LE/DoIT with 1 FTE transferring to DoIT pending movement of position in TO.
<u>Q3</u>		●	Project in progress. Scheduled completion date: 2/27/09
<u>Q4</u>		○	

Anticipate Future System Requirements Through Proactive Planning

a. Just-In-Time infrastructure additions

Dual fuel conversion of Winston	Narrative update →		
<u>Q1</u>		●	Project is not started yet.
<u>Q2</u>		▲	Project was cancelled based on cost benefit analysis.
<u>Q3</u>		○	
<u>Q4</u>		○	

**FY 2008 Quarterly
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Anticipate Future System Requirements Through Proactive Planning

a. Just-In-Time infrastructure additions

Continued reduction and evaluation of work order backlog optimization	Narrative update →		
<u>Q1</u>		●	Production formed a Process Improvement team to reduce the high number of pending Work Orders in June, 2006. To date, the Work order backlog has been reduced from over 2,000 in May, 2006 to 688 in December, 2007. The Team continues to fine tune this very important process accounting for how many Work Orders go over 33% of the estimate and why.
<u>Q2</u>		●	In April, 2008 the Planned (ready to work) Work Orders are 754 and the Work Orders waiting for planning are 468. This reflects a change in our process from last year where we were only tracking the Work Orders that were (ready to work). The Team continues to fine tune this process by reviewing work orders that deviate from the planning estimates by more than 20% either high or low. This has helped us focus on areas where additional improvements can be made. We expect to publish an update to our process this spring. This effort continues to require significant man-hours to monitor the process and provide reports. Production continues to use Navigant's Generation Knowledge Service (GKS) Benchmarking software. Cost and operational data is submitted quarterly. Results are compared to an industry peer group.
<u>Q3</u>		●	Production has issued a revision to our Work Order Process in May 2008. This update included changes concerning Emergency work and how we handle problems with critical equipment. We have also been working to evaluate proposals for the conversion of our preventive maintenance program into Maximo so that we can better plan and monitor this work. We are still making good progress on this process improvement effort.
<u>Q4</u>		○	
Mercury monitoring installation	Jan-09 →		
<u>Q1</u>		●	Project is not started yet
<u>Q2</u>		▲	Project suspended until June 2008 due to EPA mandate ruled invalid by court; a court review is pending.
<u>Q3</u>		▲	Project remains on hold since nothing has changed. This will continue until DEP has the State Hg rule or EPA comes back with a new rule.
<u>Q4</u>		○	
Implement T&D expansion plans	2008 through 2009 →		
<u>Q1</u>		●	
<u>Q2</u>		●	Substation: 2 projects completed; 2 projects in progress. T&D Lines: 5 projects completed; 11 projects in progress.
<u>Q3</u>		●	Substation projects are at 65% completion. T&D Lines: 6 projects completed; 11 projects in progress (1 added) 9 projects are behind the original schedule and are being reviewed for schedule update.
<u>Q4</u>		○	

**FY 2008 Quarterly
LE Strategic Goals, Intended Outcomes and Key Success Indicators**

Anticipate Future System Requirements Through Proactive Planning

a. Just-In-Time infrastructure additions (Cont.)

Selective Catalytic Reduction (SCR) for U3	Jan-09 →		
<u>Q1</u>		●	Low NOx Burners/Overfire Air System: Final acceptance testing of new equipment was completed during this quarter. Selective Catalytic reactor (SCR): Installation of deep foundations has been underway. Foundation work has taken longer than projected due to subsurface issues encountered. The project schedule has been adversely affected and other portions of the project schedule will be accelerated to compensate. It is presently believed that the SCR will be operational before 12/31/08. Contracts for "SCR Reactor and Ductwork Fabrication" (\$1,51M) and "Reinforced Concrete Foundations" (\$0.378M) were awarded during this quarter.
<u>Q2</u>		●	All deep foundation and pile cap installation work required to erect the SCR is now complete. General Contractor is now on site and has established site offices and areas to receive, store, and work with materials delivered to the site. Demolition work on north side of plant and ground preparation to support large cranes has been completed. Two (2) large cranes have been received and are now operational. Erection of structural steel is currently underway. Project is currently on schedule and within budget. During this quarter, contracts have been awarded for ammonia vaporization system, ammonia storage tanks, structural analysis of ductwork, and structural & mechanical general work.
<u>Q3</u>		●	Erection of the SCR structure is currently underway. The steel structure is now at its full height of approximately 200 feet above grade and more framing and support steel, grating, and handrail are still being added. The lowest section of the SCR reactor and its support girders have also been set in place on the structure. During this quarter, contracts were awarded for the Sorbent Injection System, SCR Electrical Building & Motor Control Centers, NOx Analyzers, Large Particle Ash Screens, and supply of Control Dampers. The project is currently on schedule and within budget.
<u>Q4</u>		○	
Coal Yard truck operational improvements	Sep-10 →		
<u>Q1</u>		●	On schedule, consultant has been retained.
<u>Q2</u>		●	Stanley Consultants has worked with Lakeland to develop multiple concepts for truck unloading and coal blending. They have developed high level cost estimates for several of these concepts and a detailed cost estimate for the most practical automated truck unloading layout. They are in the process of completing a cost benefit analysis before we determine our final course of action. It has been determined that if we were to go to 100% truck delivery we would only need to make some minor improvements to what we currently have.
<u>Q3</u>		●	We have received approval from the Commission to move ahead with the design of the recommended automated truck unloading facility. The documents needed to support permitting have been prepared and the permit application is being sent this week. The first round of general arrangement drawings has been reviewed and modifications are in the works. Specifications are being prepared and reviewed. Currently we are expecting the permit for construction to be received in October, but are pushing FDEP to get it approved sooner if possible. Expect to place orders for long lead equipment this summer. Still expect to complete the critical construction activities during the extended Unit 3 outage this fall.
<u>Q4</u>		○	

**FY 2008 Quarterly
LE Strategic Goals, Intended Outcomes and Key Success Indicators**

Anticipate Future System Requirements Through Proactive Planning

a. Just-In-Time infrastructure additions (Cont.)

Re-establish 230 KV tie and autotransformer	Summer-09 →		
<u>Q1</u>		●	Environmental clean-up completed, transformer and control house replacement bids under evaluation, evaluating work for temporary PEC restoration
<u>Q2</u>		●	Control building is on order. Work is progressing on restoring the 230 kV tie with PEF although delayed by PEF inaction. Negotiating warrantee concerns on auto-transformer bid for final award.
<u>Q3</u>		●	Progress Energy Tie reestablished and transformer purchase order processed
<u>Q4</u>		○	

b. Lower cost implementation

Implement 2007 IRP plan update	Narrative update →		
<u>Q1</u>		●	Draft report has been received and we expect the final copy in a few weeks.
<u>Q2</u>		●	The Risk integrated Resource Plan final report was received March 17, 2008 from Pace Global Energy Service. The data in the report was used to formulate the LE Long Term Energy Supply Strategy recommendations to the Utility Committee April 7, 2008. The next step is for the divisions to begin implementing the plan with budgets and actions items.
<u>Q3</u>		●	Responsible divisions are working on budgets and plans for implementing the 2007 IRP strategy. Load forecast being reviewed (sagging housing market)
<u>Q4</u>		○	

Conduct a study on the opportunity and viability of distributed generation	Narrative update →		
<u>Q1</u>		●	Have obtained proposals for installation of Solar Energy PV and Solar Energy hot water in our service territory, will be negotiating contracts shortly.
<u>Q2</u>		◐	The vendor has submitted a contract to LE. This proposed contract addresses numerous situations that will result in Lakeland Electric being at risk in areas that the vendor had earlier indicated they would provide without risk to us. The contract review team continues to deliberate at this time. The solar hot water project is still pending a contract from the vendor.
<u>Q3</u>		●	Work with both vendors on contracts continues. Terms and conditions are being worked out.
<u>Q4</u>		○	