



## Questions from Rate Advisory Committee Meetings

### Consolidated Working Groups

**Question asked by:** Reed Williams

**Date question asked:** September 23, 2021

**Date question answered:** October 19, 2021

**Question:** On capital, infrastructure modernization has huge jumps in FY2023 & 2024, its been stable for several years but then has large increases.

**Answer:**

Infrastructure Modernization

Our capital requirements for infrastructure modernization, projects associated with the capital repair, refurbishment or replacement of infrastructure during its useful life, are increasing.

For FY2023, infrastructure modernization is increasing by \$29.9M or 9.5% compared to FY2022 plan. FY2024 is expected to increase by an additional \$50.7M over FY2023. Several large strategic initiatives in the business technology, transmission & power generation business areas are key drivers of the increases, as follows:

- Technology: Digital ERP Transformation (replacement of core enterprise system, over 20 years old), \$28M increase in FY2024
  - o Project aligns core system functionality to enterprise business capabilities with speed and agility to support evolving requirements; enhances user experience through an integrated ecosystem that streamlines processes through automation and insights; leverages inherent best practices from technology capabilities to optimize processes; accounts for the engagement of a 3rd party firm with experience in ERP transformations for companies such as CPS Energy
  
- Reliability & Resiliency:
  - o Electric Transmission: Howard Switchyard Expansion, \$7M increase in FY2023 plus additional spend of \$10.9M in FY2024
    - Initiative supports customer load growth by improving the load serving capability of the transmission system. It also provides increased transmission capacity, which reduces the possibility of overloaded transmission elements under contingent conditions and increases the overall reliability of the transmission system.
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- Electric Transmission: Cagnon to Valley Rebuild (Phase A), Braunig to Highland Hills/Brooks/Rebuild, \$13.2M increase in FY2023 plus additional spend of \$9.6M in FY2024
  - Transmission rebuilds are in support of the asset management initiative to establish a life cycle analysis and replacement program for the transmission system. The lines currently are more than 50 years in age, have been fully depreciated and may have design issues including conflicts with under-build distribution circuits running parallel to the transmission lines. Reconstruction improves reliability, upgrades line capacity and mitigates risk for unplanned maintenance events. These projects improve the quality and safety of an aging transmission line and help ensure electrical reliability.
  
- Power Generation: Rio Nogales & AvR CT Rotor Replacements, \$27.4 increase in FY2023 plus additional spend of \$53.9M in FY2024
  - In the next several years, Combustion Turbine Rotors are reaching end of life. Failure to replace the combustion turbine rotor prior to the rotor's end of life would require the unit to suspend operation and cause a loss of generation.
  
- CEP: Plant Performance and Reliability Improvements, \$8M increase in FY2023 plus additional spend of \$10M in FY2024
  - Project addresses known plant deficiencies that affect performance or output. The burner & ignitor systems at the Braunig sites and Spruce1 variable frequency drives need upgrades to improve performance and ensure generation reliability.