2014 STRATEGIC PLAN

CLALLAM COUNTY

PUD

Bringing Energy To Life

™

#
Message to Our Customers:

In December of 2013 the Clallam County Commissioners adopted the PUD’s 2014 Strategic Plan. The plan was created with input from employees across the PUD, the Commissioners, and with the PUD’s Mission Statement always in the forefront. It is the guiding tool for how the PUD’s staff and Commissioners will conduct business in the interest of our valued customers.

This 2014 Strategic Plan includes the PUD’s focus of broadly defined areas described as Strategic Objectives. It also contains associated Strategic Initiatives which are planned high-level actions that will support us in achieving and sustaining these objectives and thus our mission and vision.

The baseline for our efforts remains, as always, our mission – providing reliable, efficient, safe, and low cost utility services in a financially and environmentally responsible manner. The mission shapes our priorities and drives the Strategic Initiatives within these pages.

The employees and Commissioners of the PUD take great pride in serving the citizens of Clallam County, and thank you for your continued support.

Doug Nass, General Manager
2014 STRATEGIC PLAN

MISSION
“Providing reliable, efficient, safe and low cost utility services in a financially and environmentally responsible manner”

VISION
“To be the best utility for OUR customers”

CORE VALUES
- Respect
- Ethical
- Safe
- Proactive
- Excellent
- Customer Focused
- Teamwork

STRATEGIC OBJECTIVES (SO)
Broad defined categories which connect the District’s Mission and Vision to its strategy

PICTURE OF EXCELLENCE GOALS (POE)
Goals to be achieved to progress each Strategic Objective toward the Picture of Excellence (POE) & close identified gaps

STRATEGIC INITIATIVES (SI)
Planned high-level actions to accomplish goals which support achieving and maintaining POE

STRATEGIC PROJECTS
Focused implementation plans for accomplishing current fiscal year Strategic Initiatives

PERFORMANCE APPRAISALS
Individual performance on Strategic Projects that drive accountability toward achieving Strategic Objectives Picture of Excellence goals

STRATEGIC OBJECTIVES (SO)
CUSTOMER: Provide Stable Rates; Ensure Reliable Supply; Practice Environmental Responsibility
INTERNAL: Continuous Performance Improvement; Manage Our Resource Portfolios; Enhance Customer Partnerships; Influence Regulatory Issues
ENABLERS: Build on our Safety Culture; Attract & Retain Great People; Manage Risk
FINANCIAL: Be Financially Responsible
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STRATEGIC OBJECTIVES

Customer
- Provide Stable Rates
- Ensure Reliable Supply
- Practice Environmental Responsibility

Internal
- Continuous Performance Improvement
- Enhance Customer Partnership
- Manage Our Resource Portfolios
- Influence Regulatory Issues

Enablers
- Build on Our Safety Culture
- Attract & Obtain Great People
- Manage Risk

Financial
- Be Financially Responsible
Strategic Objectives:

PROVIDE STABLE RATES

Definition:
Ensuring rates have low fluctuations helps budgeting for our customers and the PUD and with the PUD making financial decisions.

Picture of Excellence (POE):
- The PUD provide stable rates to customers within 1% swing of previous years rate adjustment.
- Average customer bill doesn’t increase more than 1% per year through use of conservation and efficiency efforts by the PUD and customers.

Identified Gaps (Between today & POE):
- PUD has minimal control over BPA Power costs.
- PUD has minimum control over the cost of regulatory compliance.
- Equipment and facilities are getting old and replacement program underway is expensive.
Strategic Objectives: PROVIDE STABLE RATES

Goals: (To close Gaps?)

Electric:
- Over 5 year planning horizon average annual retail rates increase at ≤3%
- Forecast over a 5 year planning horizon an operations, maintenance, and administrative expense growth at ≤2% per year

Telecommunications: Over 5 year planning horizon no rate increase

Water: Over 5 year planning horizon average annual retail rates increase at ≤4%

Strategic Initiatives: (cont.)

- Plan, design and implement engineering projects and technology to reduce future O&M and energy procurement costs and enhance system efficiencies (Perform Cost Benefit Analysis)

Strategic Initiatives (How do we get there?):

- Maintain and use annually the model (5 year sources and uses of funds “what if” model) forecasting, renewals and replacement capital
- Implement an annual strategic budget using the Strategic Plan & Budget process.
- Managers track budgets monthly to assure in line with budget.
- Review of budgets quarterly in Direct Reports meeting.
Strategic Objectives:
ENSURE RELIABLE SUPPLY

Definition:
Providing dependable and consistent products and services to our customers.

Picture of Excellence (POE):
The PUD and their customers believe they are provided reliable supply and service. Unscheduled outages due to trees, wildlife, etc. are kept to a minimum.

Identified Gaps (Between today & POE):
- Substations lack adequate looping
- Supervisory Control And Data Acquisition (SCADA) not installed on all substations
- 2nd Vegetation Management crew added
- Installation of Geographic Information System (GIS) for Water
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Strategic Objectives:
ENSURE RELIABLE SUPPLY

Goals: (To close Gaps?)

Company Wide:
- System Upgrades based on reliability criteria, economic analysis and an available replacement budget.
- Reduce outage response times and durations

Electric:
- SAIDI = 185 minutes (National Avg. 185 minutes) (Rural)
- Add 2nd vegetation crew

Telecommunications: = 15 minutes downtime per year

Water:
- Customer outage = 30 minutes per year on average.
- Maintain water quality standards in accordance with State and Federal requirements

Strategic Initiatives (How do we get there?):
- Use the Outage Management System to help evaluate economic upgrades to systems.
- Maintain adequate system thermal and voltage control
- Comply with all applicable NERC Standards
- Plan, design and implement engineering projects to meet future requirements and contingencies

Strategic Initiatives: (cont.)
- Plan, design and implement engineering projects and technology to improve system reliability by quantifiable reduction in System Average Interruption Duration Index (SAIDI).
- Procure quality products/service from reputable vendors at a competitive price to ensure availability and timely delivery that will benefit the PUD and our customers.
- Ensure product is readily available when needed by crews during outages and emergency situations.

Telecommunications:
- Develop and document strategy for internal needs and excess capacity
- Evaluate vulnerabilities consistent with Disaster Recovery planning and establish plan and budget for implementation

Water:
- Implement a Preventative Maintenance Program
- Study effective management of outages and make recommendations for improvement.
- Implement SCADA for all water systems
- Get water system into GIS mapping layer.
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Strategic Objectives:

PRACTICE ENVIRONMENTAL RESPONSIBILITY

**Definition:**
Meeting regulatory requirements recognizes our actions have short and long-term impacts on the environment and on regulatory and political costs.

**Picture of Excellence (POE):**
The PUD meets all environmental regulations at the lowest cost.

**Identified Gaps (Between today & POE):**
- Identifying and meeting long-term EIA (I-937) renewable and conservation requirements.
- Sufficient water rights to satisfy Department Of Ecology & Department Of Health mandates.
Strategic Objectives:

PRACTICE ENVIRONMENTAL RESPONSIBILITY

**Goals:** (To close Gaps?)

**Company Wide:** Meet environmental regulations at lowest cost.

**Electric:** Meet Energy Independence Act (I-937) in the most cost effective way.

**Water:** Reduce water consumption per customer to meet water use efficiency guidelines.

**Strategic Initiatives (How do we get there?):**

**Company Wide:**
- Determine budgetary impact of different compliance options
- Continue to assess how regulatory compliance and changes will affect us and our customers.
- Identify and document all environmental regulations, procedures and reporting requirements.
- Recycle products such as metals, liquids and fluorescent lamps in a manner that is environmentally responsible.
- Procure materials and supplies that are safe for the environment and safely disposed
- Strive to procure as much as possible that has a recycled content.

**Strategic Initiatives: (cont.)**

**Electric:**
- Engineer projects that adhere to all local, state and federal environmental requirements and regulations
- Comply and conform to all local, state, and federal environmental related directives

**Water:**
- Proactively work with agencies to promote good stewardship
Strategic Objectives:  
CONTINUOUS PERFORMANCE IMPROVEMENT

Definition:  
Continuously improving everything we do through process improvement, innovation and leveraging technology.

Picture of Excellence (POE):  
PUD has a culture of all employees continuously striving to look for new ways to improve.

Identified Gaps (Between today & POE):  
- Lack of any formal suggestion program  
- Encouragement by management for employees to look for improvements, especially in their everyday responsibilities  
- Management open to and listen to employees improvement recommendations
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Strategic Objectives:
CONTINUOUS PERFORMANCE IMPROVEMENT

Goals: (To close Gaps?)
- Create a culture of continuous improvement
- Focus improvements on “working on the business”
- Maintain a successful employee improvement program.

Strategic Objectives (cont.)

Strategic Initiatives (How do we get there?):
Company Wide:
- Management and employee training on continuous improvement and innovation
- Establish a quarterly employee recognition program for work improvement suggestions
- Implement Supervisory Control and Data Acquisition (SCADA) in all PUD substations
- Implement SCADA on all Water systems.
- Improve electric system efficiency losses
- Improve water system efficiency losses
- Employees maintain a positive, helpful attitude
- Maintain a clean safe work environment through proper housekeeping procedures.
- Materials Department will respond quickly to other departments for material delivery and urgent purchases.

Strategic Initiatives (cont.)
Company Wide:
- Implement technology and applications that improve general processes and productivity
- Improve quality and accessibility of data to improve general processes and productivity
- Utilize engineering projects to develop staff and expand staff competencies
- Leverage and build upon existing technologies
Strategic Objectives:

MANAGE OUR RESOURCE PORTFOLIO

**Definition:**
Optimizing between the supply and demand requirements, over both short and long-term allows us to improve efficiency, meet regulatory requirements, and meet customer needs and expectations.

**Picture of Excellence (POE):**
PUD has an optimized portfolio meeting all resource requirements at the lowest cost.

**Identified Gaps (Between today & POE):**
- Renewables requirements after 2017
- Long term conservation program
- Future resources to meet renewable requirements
- Evaluation of strategy on using Renewable Energy Credits (RECs) out into the future or buying renewables
- Acquire needed additional water rights
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Strategic Objectives:

MANAGE OUR RESOURCE PORTFOLIO

**Goals:** *(To close Gaps?)*

**Electric:**
- Maintain a diversified Tier 2 resource portfolio to less than $55 (levelized 2012) per MWh.
- Meet the conservation targets in the EIA
- Reduce line losses

**Water:**
- Secure additional sources of water. Identify the different systems that require water rights.
- Provide conservation measures appropriate for the system’s resource portfolio.
- Water loss < 10%

**Sewer:** Decide on long-term strategy for wastewater system.

**Strategic Initiatives:** *(How do we get there?)*

**Electric:**
- Acquire conservation with a program cost that is less than our avoided cost of power in keeping with stable rates.
- Implement a distribution upgrade program that optimizes energy savings and system reliability

**Strategic Initiatives:** *(cont.)*

**Electric:**
- Evaluate how we meet EIA requirements after 2016
- Plan, design and implement engineering projects that cost effectively reduce or optimize line losses and customer conservation

**Water:**
- Identify strategies to secure water rights where needed
- Look at each water system independently to determine what level of conservation is needed.
Strategic Objectives:

INFLUENCE REGULATORY ISSUES

**Definition:**
Understanding regulatory and policy issues that affect the PUD helps us to educate and inform policy makers about how their actions affect the PUD and its customers and allows us to anticipate and manage our costs and practices.

**Picture of Excellence (POE):**
The PUD alone and with input to WPUDA influences regulatory issues and protects PUDs from onerous legislation and is successful at implementing positive legislation for our customers.

**Identified Gaps (Between today & POE):**
- PUD has excellent relations with the PUD's political representatives and they come to us with questions and recommendations.
- Improve relations with state and federal legislators
- Legislators come to the PUD and WPUDA for education and position on legislation affecting PUDs
Strategic Objectives: INFLUENCE REGULATORY ISSUES

**Goals:** (To close Gaps?)

- Actively promote policies that support and benefit our customers.
- PUD is united and promotes the same message on issues

**Strategic Initiatives (How do we get there?):**

**Company Wide:**

- Develop comprehensive and proactive government relations/public affairs program
- Work with legislators and coalition members to implement Washington’s EIA changes: Buy Before Need and Conservation Smoothing
- Promote the benefits of Public Power and Local Control at all levels of government.

**Electric:**

- Educate Regulators through meetings and communications.
- Stay current, monitor and adhere to our Western Electric Coordinating Council (WECC), North America Energy Reliability Corporation (NERC) and Federal Energy Regulatory Commission (FERC) requirements.

**Strategic Initiatives: (cont.)**

**Telecommunications:**

- Help support expanded authority for PUD’s telecommunications.

**Water:**

- Identify strategies to secure water rights for needed systems
- Promote processes that allows the PUD to acquire water for future customers where needed, such as water banking, new water rights, or transfer of exempt water wells.
Strategic Objectives:

**ENHANCE CUSTOMER PARTNERSHIPS**

**Definition:**
Two-way communication develops awareness, knowledge, understanding, acceptance and participation in the PUD by both internal and external customers. By including customers we facilitate improvement, build ownership, support local control and manage costs.

**Picture of Excellence (POE):**
Our customers are educated on key issues at the PUD and understand our positions. Customers believe the PUD is professionally run and works for the best interest of the customers. Our customers are a strong advocate! Vision: “Being the best utility for OUR customers”

**Identified Gaps (Between today & POE):**
- Customers need to be further educated on the key issues the PUD faces.
- All PUD employees need to understand the key issues to help explain to neighbors and customers.
- Internal & external communications need to be expanded.
Strategic Objectives:

ENHANCE CUSTOMER PARTNERSHIPS

Goals: (To close Gaps?)

- Regular communications so customers and employees understand our key and critical issues.
- Identify and understand employee and customers’ concerns.
- Promote customer participation in conservation programs.
- Maintain a customer Key Accounts program.

Strategic Initiatives: (cont.)

- Initiate customer surveys
- Plan, design and implement engineering projects and activities in corroboration and consultation with strategic partners and customers (BPA, Local Governments, Customers)

Strategic Initiatives (How do we get there?):

- Educate employees on our strategic plan
- Internal and external customer surveys
- Develop a strategic communications plan
- Hold GM/Senior staff small group meetings and/or annual employee meetings with employees twice a year.
- Hold Commission meetings in each county area annually (i.e. West End, Sequim, PA, Carlsborg)(2 evening meetings in PA during the year)
- Educate employees on history of public power
- Develop relationships and point of contact for key customers and groups.
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Strategic Objectives:

BUILD ON OUR SAFETY CULTURE

Definition:
An ongoing safety mindset helps ensure employee and public safety; helps prevent injuries, casualties and property damage and minimize risk to the PUD and public.

Picture of Excellence (POE):
Our employees have safety every day and all day as a first concern—a safety culture is established. No accidents or injuries occur. No damage occurs on PUD and public property.

Identified Gaps (Between today & POE):
- Intense Safety Program is needed
- Safety Committee formed and active with representatives from all departments.
- Awards program recognizes safety performance.
- Industry Safety awards recognizes the PUD for its excellent safety record.
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Strategic Objectives:

BUILD ON OUR SAFETY CULTURE

**Goals: (To close Gaps?)**
- Create a culture to foster safety as our number one priority.
- Zero employee on and off-the-job accidents.
- Zero safety related property incidents

**Strategic Initiatives (How do we get there?):**
- Reinforce educating, training customer and employee safety programs. (such as Schools, Hotline, Radio, Floats in Parades, Danger signs on property, Home Show, Expo)
- Develop a plan for Management to recognize employee safe behavior.
- Develop a safety promotion program with signage in parking lots and meeting rooms (change out periodically).
- Develop an awareness program to reduce employee incidences and property damage claims.
- Enhance Admin Safety program to improve participation
- Purchase quality reliable and up-to-date Personal Protection Equipment (PPE) and safety supplies.
- All personnel to keep and maintain a clean and hazard free work space and environment.

**Strategic Initiatives: (cont.)**
- Conform to all applicable National Electric Safety Code (NESC) and Washington Administrative Code (WAC) safety requirements for engineered projects
- Plan, design and implement engineering projects that are safe to construct, operate and maintain
- Develop engineering projects and processes that improve general safety
- All employees always wear the proper PPE, keep it in good condition and never hesitate to replace when needed.
Strategic Objectives:

**ATTRACT & RETAIN GREAT PEOPLE**

**Definition:**
Providing competitive compensation, benefits, development and promotion opportunities in a healthy and secure work environment recognizes people are critical to our success and helps maintain a proficient and stable workforce.

**Picture of Excellence (POE):**
The PUD is known as an excellent employer with outstanding employees. The PUD attracts and retains great employees that are highly skilled and provide exceptional service with a smile. Our employees are proud of where they work and our customers respect the skills and our professional employees!

**Identified Gaps (Between today & POE):**
- Compensation and benefit plans need to be comparable to industry
- Safety & Wellness programs have to be first rate
- Employee and customer surveys needed to evaluate great service and improve where needed
Strategic Objectives:

**ATTRACT & RETAIN GREAT PEOPLE**

**Goals: (To close Gaps?)**

- Provide a competitive total compensation and benefit package to comparable utilities.
- Provide opportunities for our employees to grow and develop their skills, knowledge and ultimately their careers.
- Identify key positions and potential employees to fill those key positions – succession planning.
- Cross train employees within and across departments where applicable.

**Strategic Initiatives (How do we get there?):**

- Pay employees in accordance to the Staff Compensation Plan and Collective Bargaining Agreement.
- Develop a plan for training those personnel identified to potentially fill future key positions.
- Develop cross training plans
- Develop local or web training programs
- Utilize engineering projects to develop staff and expand staff competencies
- Personnel attend training and workshops offered by groups such as Northwest Public Power Association (NWPPA).

**Strategic Initiatives: (cont.)**

- Management and employee training on continuous improvement and innovation
- Establish an employee recognition program for work improvement suggestions
- Conduct an outside compensation and benefits analysis every 3 – 5 years.
- Provide Revised Code of Washington (RCW) 54 training for employees and Board.
Strategic Objectives:

MANAGE RISK

Definition:
Minimizing legal, financial and operational exposure to the PUD allows us to comply with regulatory requirements and to minimize risk to the public and the PUD.

Picture of Excellence (POE):
The PUD keeps risk to a minimum by performing a Risk Assessment for all appropriate PUD actions.

Identified Gaps (Between today & POE):
- Risk needs to be evaluated and part of decision on major commitments
- Need regularly updated Employee Handbook
Strategic Objectives:
MANAGE RISK

Goals: (To close Gaps?)
- Have in place a fully developed Policy Manual
- Maintain an up-to-date Employee Handbook
- Accurately plan our projects and abide by contract terms and conditions.

Strategic Initiatives (How do we get there?):
- Provide effective training on policies and procedures for employees.
- Develop and implement a company-wide Disaster Recovery Plan with all employees properly trained on its implementation.
- Educate public on utility safety issues
- Develop a plan and project timing to complete an enterprise-wide risk assessment and a process for individual project risk assessment.
- Complete documentation and reporting on risk assessment

Strategic Initiatives: (cont.)
- Ensure PUD performs according to contractual terms and conditions and PUD policies.
- Develop a program for Revised Code of Washington (RCW) 54 training for employees and Board
- Develop a plan to eliminate property damage claims.
- Conform to all applicable Federal, State and Local (including PUD) statutes, regulations and requirements
- Maintain adequate system thermal and voltage control
- Application of project management principles in engineered projects and other applicable department projects.
- Use applicable construction standards in engineered Projects
- Ensure appropriate outage notification and minimize outage impacts for engineered projects
Strategic Objectives:

BE FINANCIALLY RESPONSIBLE

**Definition:**
Managing the PUD’s costs and utilizing assets in an efficient and effective way in order to keep rates as low as possible recognizes that there are limited resources and responsibility to the customers to keep rates stable.

**Picture of Excellence (POE):**
PUD maintains Moody AA- rating and stays within boundaries of Strategic Plan and Mission Statement. Managing PUD expenses to budgeted levels on an annual basis.

**Identified Gaps (Between today & POE):**
- Ten year budget planning needed
- Using the Strategic Plan and Model to make long tern spending decisions.
Strategic Objectives:
BE FINANCIALLY RESPONSIBLE

Goals: (To close Gaps?)
- Complete PUD’s contracts and projects on time and within budget.
- Match capital funding sources (cash, debt, current revenues) with capital asset life expectancy.
- Manage O&M Costs less purchased power and water to no more than 2% per year for 2014-2019
- Use budget and financial reporting to assist in the management decision making process.
- Operate within PUD’s budget
- Make asset acquisition and retirement decisions on the basis of lowest life cycle cost.

Strategic Initiatives (How do we get there?):
- Research and report on utility industry best practices for asset management. (Turnovers, benchmarks, inventory)
- Review inventory and dispose of obsolete inventory.
- Performance audit of contract management process
- Provide asset management training and develop an asset management plan. (life cycle cost, Essentials program, etc.)

Strategic Initiatives (cont.):
- Establish a technology steering team and establish goals and returns for technology investments
- Implement payroll processes that accurately reflects activity and simplifies reporting.
- Implement new Work Order System in first quarter of 2014.
- Provide regular progress updates on major projects and contracts.
- Plan, design and implement engineering projects and technology to reduce future O&M and energy procurement costs, and enhance system efficiencies (Cost Benefit Analysis)
- Implement technology and applications that clearly reduce future overall system costs
- Commitment to a competitive quoting process to enable the district to procure materials, equipment, supplies and services in an efficient and cost effective manner.
- Maintain a minimal inventory of goods to meet the PUD’s needs.
About Clallam PUD

HISTORY - Since its formation was authorized by a vote of the people in November of 1940, Clallam PUD has endeavored to supply the residents of Clallam County with reliable and affordable water and electric services. In 1990 Clallam PUD was authorized to offer sewage system services. In 2002 Clallam PUD added a fourth utility, high-speed telecommunications, for its own benefit and public access. Today Clallam PUD serves over 30,000 customers with electric service, over 4,500 with water connections and has offices in Port Angeles, Sequim, Forks, and Clallam Bay/Sekiu.
*Special note of thanks for Energy Northwest in providing help with some Strategic Planning formats