

2017 STRATEGIC PLAN

CLALLAM COUNTY



Bringing Energy To Life™

2017 STRATEGIC PLAN

Dear Valued PUD Customers,

In December of 2016, the Clallam County Commissioners adopted the PUD's 2017 Strategic Plan. The plan was developed 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.

The one thing that we hope stands out in the Plan is our commitment to excellence. Like in prior years, the focus of the 2017 Strategic Plan is a "Picture of Excellence." The Plan includes the District's focus of broadly defined areas described as Strategic Objectives, with a "Picture of Excellence" describing each objective. From there, you will see Strategic Initiatives designed to help us achieve the "Picture of Excellence."

As always, our Mission remains as the baseline for our Strategic Objectives – providing reliable, efficient, safe, and low cost utility services in a financially and environmentally responsible manner. The mission shapes our priorities and drives the decisions we make as we strive to achieve the "Picture of Excellence."

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



Doug Nass, General Manager

Vision without action
is merely a dream.

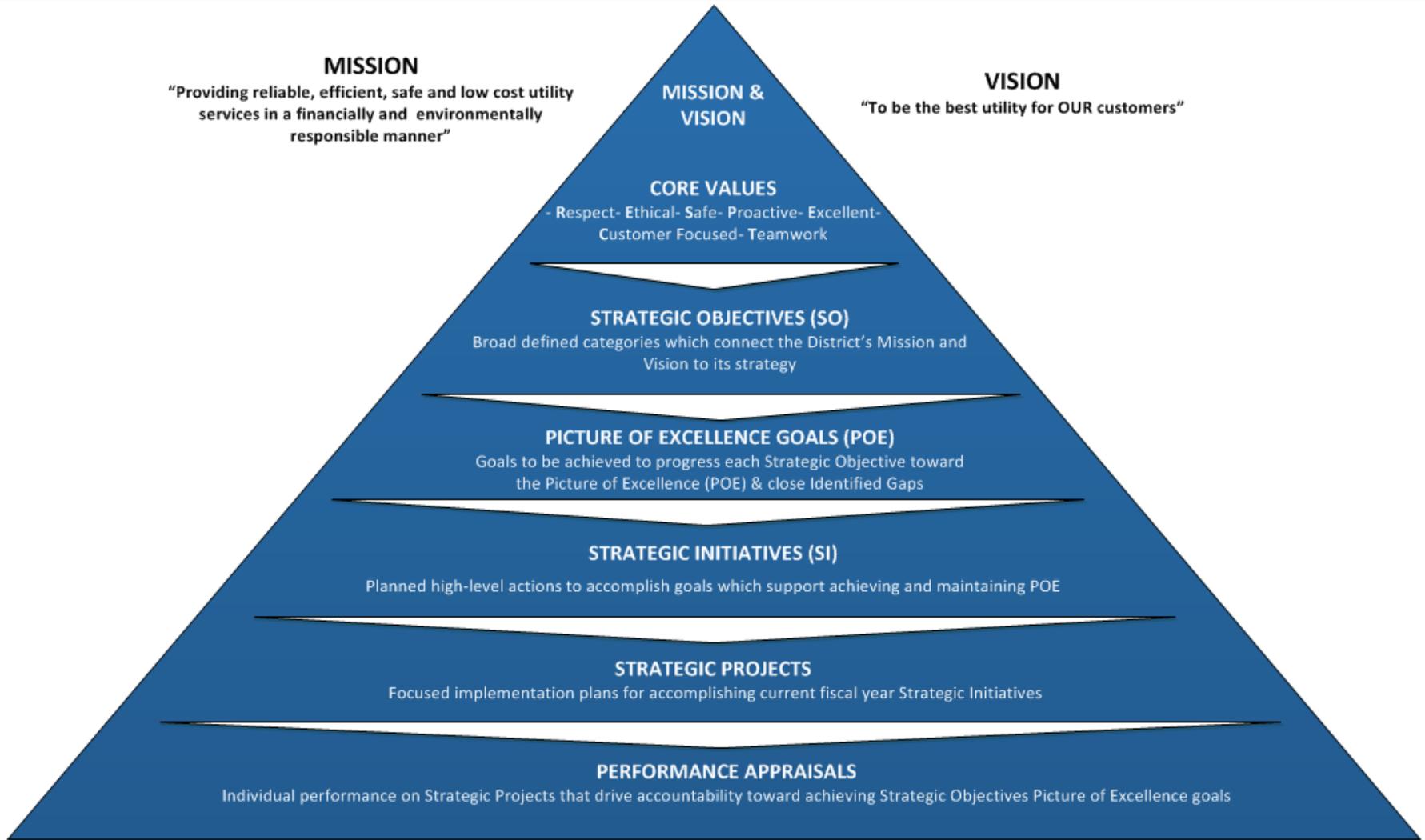
Action without vision
just passes the time.

Vision with action
can change the world.

Joel A. Barker



2017 STRATEGIC PLAN



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

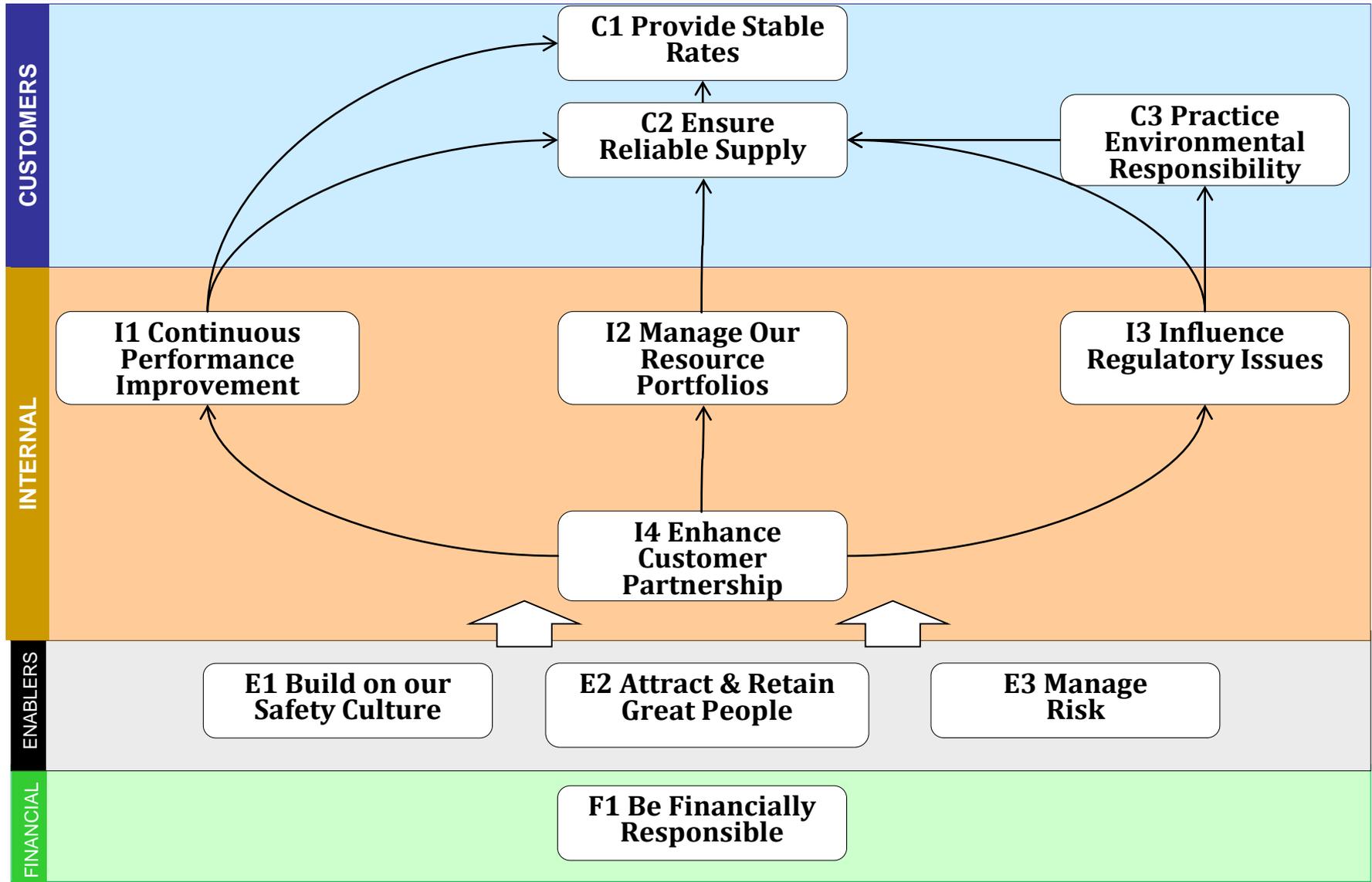
ENABLERS: Build on our Safety Culture; Attract & Retain Great People; Manage Risk

FINANCIAL: Be Financially Responsible

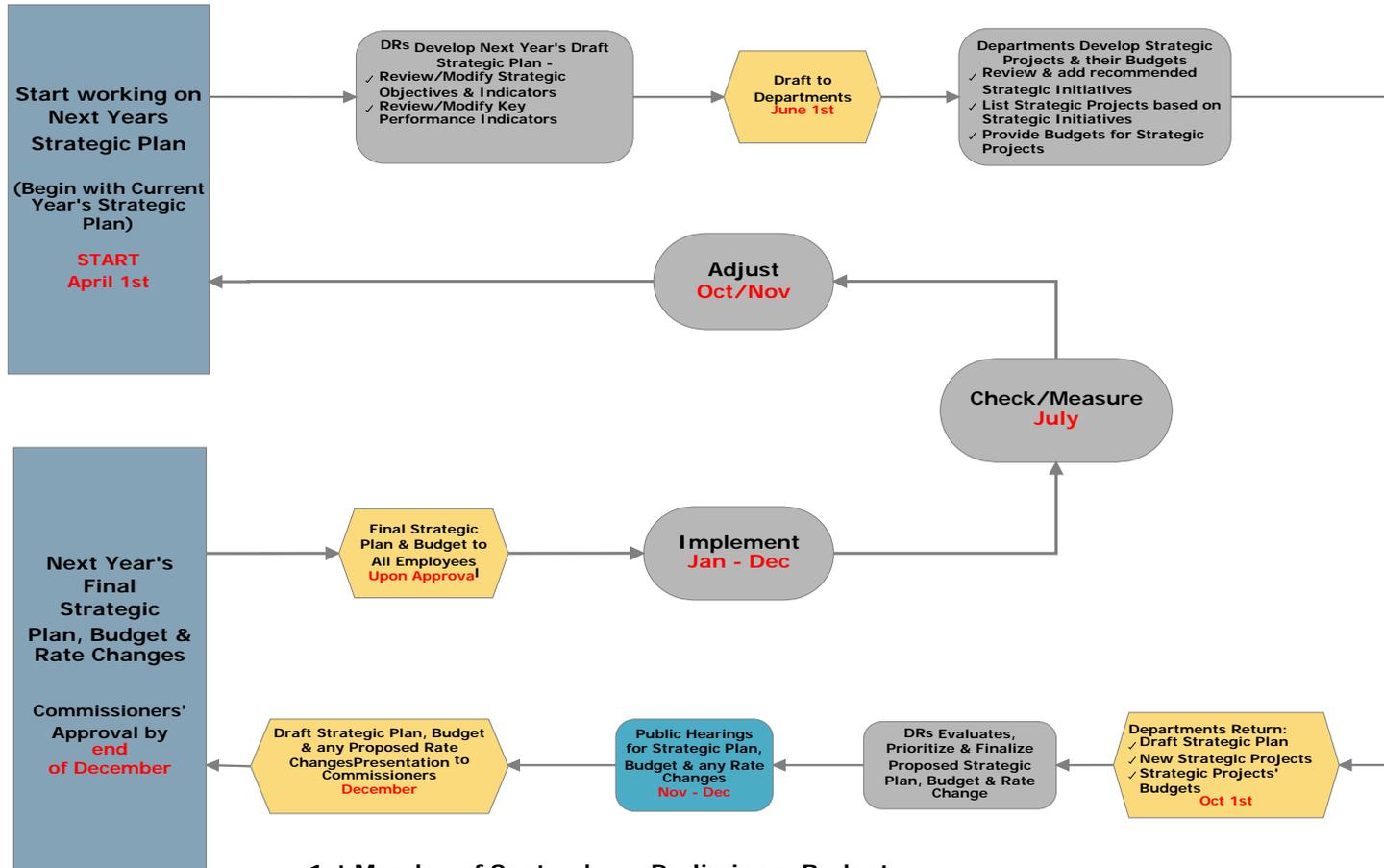
2017 STRATEGIC PLAN

Vision – Best Utility for OUR Customers.

Mission -Providing reliable, efficient, safe and low cost utility services in a financially and environmentally responsible manner.



STRATEGIC PLAN & BUDGET PROCESS CLALLAM PUD



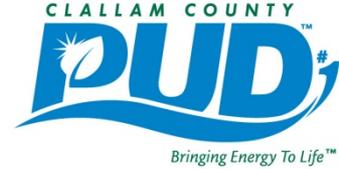
- > 1st Monday of September - Preliminary Budget
- > 1st Monday of October - Open Budget Hearing
- > Nov. - Dec. - Public Hearings to discuss Strategic Plan, Budget & Rate Changes
- > In December - Close Hearing: Approve Strategic Plan, Budget & Rate Changes

Vision:

Being the best utility for OUR customers.

Mission Statement:

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



CORE VALUES – R.E.S.P.E.C.T.



RESPECTFUL

We guide all our actions with respect for each other, our customers and ourselves.

ETHICAL

Integrity and honesty form the foundation of all our actions.

SAFE

Safety is at the center of the PUD's mission.

PROACTIVE

Proactive, positive thinking and action are essential to our success.

EXCELLENT

We use the standard of excellence to judge our work.

CUSTOMER FOCUSED

We are committed to providing friendly, professional customer service.

TEAM ORIENTED

We value the importance of teamwork to satisfy both our customers and ourselves.



2017 STRATEGIC PLAN

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



2017 STRATEGIC PLAN

Strategic Objectives:

PROVIDE STABLE RATES

Direct Report Lead:
Beau Brown
Treasurer Controller

Definition:

Minimal budget fluctuations to support rate stability for District customers.

Picture of Excellence (POE):

- Provide stable rates to customers with no more than a 1% rate adjustment compared to the previous 5-year average rate adjustment.
- Average customer bill doesn't increase more than 4.5% per year through use of conservation and efficiency efforts by the District.

Identified Big Gaps To POE:

- Uncontrollable cost pressures (BPA and conservation) requires efficiency measures be identified and implemented to control other costs.
- Environmental and other regulatory requirements impacting costs.
- Aging infrastructure requires capital improvements and replacement.
- Weather effects on water and power usage effecting cost recovery.

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

- Implement our new integrated NISC software.
- Maintain and use the 5-year projection model to forecast rates, capital and financing needs.
- Develop cost centers conducive to assisting managers control budgets.
- Managers track budgets monthly to assure in line with budget.
- Review of budgets quarterly in Direct Reports meeting.
- Plan, design and implement engineering projects and technology to reduce future O&M and energy procurement costs, while enhancing system efficiency



2017 STRATEGIC PLAN

Strategic Objectives: ENSURE RELIABLE SUPPLY

Direct Report Leads:
Dennis Shaw & Tom Martin
General & Water
Superintendents

Definition:

Providing dependable and consistent products and services to our customers.

Picture of Excellence (POE):

The District and their customers are provided reliable supply and service. Unscheduled outages due to trees, wildlife, aging infrastructure etc. are kept to a minimum. Infrastructure is replaced on a routine basis and looped whenever possible/necessary. SCADA is provided to all substations and pump stations. GIS is utilized to it's fullest potential.

Identified Big Gaps To POE:

- Aging infrastructure is creating problems and customer outages
- Facilities lack adequate looping
- SCADA is not installed on all substations & pumping systems.
- Vegetation Management needs to be on a 1 - 5 year cycle.
- Reduce outage durations
- GIS for Water is not complete.

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

Electric:

- 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
- Plan, design and implement engineering projects and technology to improve system reliability by quantifiable reduction in SAIDI.
- Procure quality products/service from reputable vendors at a competitive price to ensure availability and timely delivery that will benefit the District 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:

- Study effective management of outages and make recommendations for improvement.
- Plan, design and implement engineering projects to replace failing infrastructure.
- Implement SCADA for all water systems
- Implement GIS for all water systems
- Implement a Preventative Maintenance Program .



2017 STRATEGIC PLAN

Strategic Objectives:

PRACTICE ENVIRONMENTAL RESPONSIBILITY

Direct Report Lead:
Fred Mitchell
Power Supply & Utility
Services Manager

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 District meets all environmental regulations at the lowest cost. The District seeks to identify and implement low cost actions that enhance environmental responsibility beyond minimum regulatory requirements.

Identified Big Gaps To POE:

- Need sufficient water rights to satisfy DOE & DOH mandates
- Implement District-wide recycle program.

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

Company Wide:

- 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.

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



2017 STRATEGIC PLAN

Strategic Objectives: CONTINUOUS PERFORMANCE IMPROVEMENT

Direct Report Lead:
Beau Brown
Treasurer Controller

Definition:

Continuous incremental improvement in everything we do; including: process improvement, innovation and leveraging technological advances.

Picture of Excellence (POE):

A culture where all employees continuously strive for new ways to improve.

Identified Big Gaps To POE:

- More of a direct link is needed between employee's job duties and the Strategic Plan.
- Establish and maintain a successful employee suggestion/improvement program.
- Create a culture of continuous improvement
- Focus improvements on "working on the business"
- Implement "Pursuing Excellence" program

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

Company Wide:

- Develop and Implement the "Pursuing Excellence" Program
- Management and employee training on continuous improvement and innovation
- Establish a quarterly employee recognition program for work improvement suggestions
- Implement SCADA in all District 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.
- 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
- Maintain a 5 & 10 year analysis of capital projects and other items with potential major impacts



2017 STRATEGIC PLAN

Strategic Objectives:

MANAGE OUR RESOURCE PORTFOLIO

Direct Report Leads:
Fred Mitchell, Power Supply & Utility Services Manager
and Tom Martin, Water Superintendent

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):

District has an optimized portfolio meeting all resource requirements at the lowest cost.

Identified Big Gaps To POE:

- Evaluation of strategy on using RECs out into the future or buying renewables
- Need to acquire additional water rights for future.
- Infrastructure is aging and not replaced on a routine basis.
- Determine optimized mix of conservation and Tier 2 resource mix.

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

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
- Plan, design and implement engineering projects that cost effectively reduce or optimize line losses and customer conservation
- Develop a model to forecast impacts of different Supply and Demand resource options.

Water:

- Identify strategies to secure water rights for Fairview, Carlsborg and Evergreen. Utilize the Dungeness Water Exchange where appropriate.
- Look at each water system independently to determine what level of conservation is needed.
- Conservation is a “fine line.” We don’t want too much conservation that our rates will have to be significantly increased, yet we want to keep within the intent of the Municipal Water Law
- Conservation efforts can be stepped up in the future, if needed
- Replace aging infrastructure based on cost/benefit.



2017 STRATEGIC PLAN

Strategic Objectives:

INFLUENCE REGULATORY ISSUES

Direct Report Lead:

Mike Howe

Communications & Government
Relations Manager

Definition:

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

Picture of Excellence (POE):

The District alone and with input to appropriate organizations influences regulatory issues and protects PUDs from onerous legislation and is successful at implementing positive legislation for our customers. Legislators and agencies come to Clallam/WPUDA for education and position on legislation affecting PUDs. District has excellent relations with the District's political representatives and they come to us with questions and recommendations.

Identified Big Gaps To POE:

- Lack of influence with state and federal legislators
- Legislators come to Clallam/WPUDA for education and position on legislation affecting PUDs .

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

Company Wide:

- Develop comprehensive and proactive government relations/public affairs program
- Work with legislators and coalition members to implement reasonable WEIA changes and/or to restrict expansion.
- Promote the benefits of Public Power and Local Control at all levels of government.

Electric:

- Educate Policymakers through meetings and communications.
- Stay current, monitor and adhere to our WECC, NERC and FERC requirements.

Telecommunications:

- Help support authority for District's telecommunications.

Water:

- 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.



2017 STRATEGIC PLAN

Strategic Objectives:

ENHANCE CUSTOMER PARTNERSHIPS

Direct Report Lead:
Mike Howe
Communications & Government
Relations Manager

Definition:

Two-way communication develops awareness, knowledge, understanding, acceptance and participation in the District 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 District and understand our positions. Customers believe the District is professionally run and works for the best interest of the customers. Our customers are a strong advocate!

Identified Big Gaps To POE:

- Customers need to be further educated on the key issues the District faces.
- All District employees need to understand the key issues to help explain to neighbors and customers.
- Internal & external communications need to be more focused.

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

- 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 Carlsborg during the year)
- Educate employees on benefits of public power
- Develop relationships and point of contact for key customers and groups.
- Plan, design and implement engineering projects and activities in corroboration and consultation with strategic partners and customers (BPA, CCUGCC, Local Governments, Customers)



2017 STRATEGIC PLAN

Strategic Objectives: BUILD ON OUR SAFETY CULTURE

Direct Report Lead:
Larry Morris
Safety Manager

Definition:

An ongoing safety mindset helps ensure employee and public safety; helps prevent injuries, casualties and property damage and minimize risk to the District 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 Loss Time Injuries – No Recordable Injuries - No accidents or injuries occur. No damage to District and public property.

Identified Big Gaps To POE:

- Reduce Time Loss Injuries
- Reduce Recordable Injuries
- Awards program recognizes safety performance.
- Industry Safety awards recognizes the District for its excellent safety record.

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

- Safety education & training to customers and employees through safety programs. (such as Schools, Hotline, WEB, Radio, Floats in Parades, Danger signs on property, Home Show, Expo)
- Complete minimum of 3 Field employees Safety Audits per quarter.
- Acknowledgement of Departments with 1- year accident free.
- Purchase a data base tracking of employee training, injuries and property damage claims.
- Purchase quality reliable and up-to-date Personal Protection Equipment and safety supplies.
- All personnel to keep and maintain a clean and hazard free work space and environment.
- Educate employees on cost savings of reduced injuries.
- Apply for promoted safety awards through safety organizations.
- Conform to all applicable NESC, WAC and new OSHA safety requirements.
- 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.



2017 STRATEGIC PLAN

Strategic Objectives:

ATTRACT & RETAIN GREAT PEOPLE

Direct Report Lead:

Jamie Spence

HR Manager



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 District is known as an excellent employer with outstanding employees. The District attracts and retains great employees that are highly skilled and provide exceptional service with a smile. Our employees are proud of where they work.

Identified Big Gaps to POE:

- Performance appraisals and Fire Side Chats not conducted in a timely manner
- Employee satisfaction not consistently measured on a regular basis
- ACA impact to benefits and budget unknown

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

- Establish an employee suggestion program for work flow improvements
- Complete Employee Handbook
- Develop recommendations Health Care Reform impact to District
- 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.
- Personnel attend training and workshops offered by groups such as NWPPA.
- Conduct an outside compensation and benefits analysis every 3 – 5 years.
- Conduct Breakfast Roundtables on a quarterly basis to discuss succession opportunities and encourage communication between departments.
- Provide yearly Anti Harassment and Benefit training to employees
- Provide opportunities for our employees to grow and develop their skills, knowledge and ultimately their careers.
- Cross train employees within and across departments where applicable.
- Identify key positions and potential employees to fill those key positions – succession planning.
- Provide a competitive total compensation and benefit package to comparable utilities.
- Perform an audit on the District's Healthcare plan.

2017 STRATEGIC PLAN

Strategic Objectives: MANAGE RISK

Direct Report Lead:
David Papandrew
District Auditor

Definition:

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

Picture of Excellence (POE):

The District keeps risk to a minimum by performing a Risk Assessment for all appropriate District actions.

Identified Big Gaps To POE:

- Risk policy and program needs to be developed
- Risk needs to be evaluated and part of decision on major commitments (develop process and training to implement)
- Need regularly updated Employee Handbook

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

- Provide effective training on policies and procedures for employees.
- Implement policy and risk management educational program for all 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
- Maintain adequate system thermal and voltage control
- Use applicable construction standards in engineered Projects
- Appropriate outage notification and minimize outage impacts for engineered projects



2017 STRATEGIC PLAN

Strategic Objectives:

BE FINANCIALLY RESPONSIBLE

Direct Report Lead:
Beau Brown
Treasurer Controller

Definition:

Manage costs and utilize assets in an efficient and effective way to maintain fair rates; recognizing resources are limited and our fiduciary duty to the customer.

Picture of Excellence (POE):

Maintain at least a Aa3 rating with Moody's Investors Service and stay within the boundaries of Strategic Plan. Manage expenses to budgeted levels.

Identified Big Gaps To POE:

- Ten year budget plan
- Using the Strategic Plan and Model to make long term spending decisions.

Strategic Initiatives

(How do we close Big Gaps and get to POE?):

- Develop budget monitoring process to better and more timely react to areas of cost concerns
- Performance audit of contract management process
- Provide asset management training and develop an asset management plan. (life cycle cost, Essentials program, etc.)
- Implement payroll processes that accurately reflect activity and simplify reporting.
- 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.
- Determine then maintain optimal inventory of goods to meet the District's needs.



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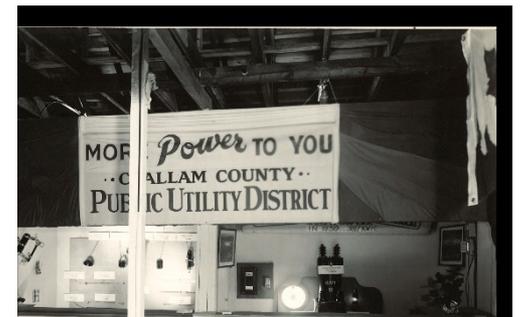
About Clallam PUD

Clallam PUD – Serving Clallam County for 75 Years!

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, the PUD was authorized to offer sewage system services. Then, in 2002, the PUD added a high speed telecommunications (for its own benefit and public access) as its fourth utility.

Today the PUD serves over 30,000 customers with electric service, over 4500 with water connections, and has offices in Port Angeles, Sequim, Forks, Clallam Bay/Seki, and a new main office in Carlsborg that provides one stop shopping for customers and high efficiency for employees.

Clallam PUD is your locally controlled utility – we are your friends, family, neighbors, and customers of the utility too.



CLALLAM COUNTY



Bringing Energy To Life™

*Special note of thanks for Energy Northwest in providing help with some Strategic Planning formats