President Gonser called the Strategic Planning Work Session to order at 6:00 p.m.

The following individuals were present during the Work Session:

**Counsel:** James Foster

**NWCPUD Staff:** Roger Kline, General Manager; Paul Titus, Assistant General Manager/Director of Engineering; Kurt Conger, Assistant General Manager/Director of Power Resources; Kathy McBride, Executive Assistant; Cyndi Gentry, Director of Corporate Services; Harvey Hall, Director of Finance & Enterprise Risk; Mackenzie Wolfe, Senior Financial Analyst; Lana Egbert, Senior Financial Analyst; and Kevin McCarthy, Director of Utility Operations.

**Visitors:** None

**STRATEGIC PLANNING SESSION**

General Manager Roger Kline stated that tonight the Board will be reviewing the District’s 2015 Strategic Plan Operating Strategies and the major accomplishments to date. Three members of the Board were involved in that Strategic Planning process.

At this time, Kline presented a PowerPoint Presentation entitled “Strategic Plan Annual Overview, Where are we now & where are we going?” A copy of said PowerPoint Presentation is hereto attached and marked as Exhibit 1.

Kline noted the Strategic Plan Operating Strategies that were identified back in 2015 by the Board and staff. The categories include: Customer Service; Financial; Legislative and Regulatory; Staff, Board and Workforce Development; and Power Resources, Delivery System and Infrastructure.

Questions and discussion occurred throughout Kline’s presentation on the identified goals for each of the Strategic Plan Operating Strategies, whether the goals have been met by staff; and the identified capital needs and expenditures to meet the Strategic Plan.
Chief Finance Officer/Director of Finance & Enterprise Risk Harvey Hall presented to the Board the 10 Year Capital Investment Plan. A copy of said 10 Year Capital Investment Plan is hereto attached and marked as Exhibit 2.

Some questions and discussion occurred in regards to the 10 Year Capital Investment Plan.

Hall noted that the District’s Total Electric Plant is slightly under 50% depreciated; this percentage includes the new RiverTrail Substation. Prior to the new Substation the District’s Total Electric Plant was at 53% depreciated.

Kline presented and explained the PowerPoint Slide entitled “Electric LTFP – Projected Debt Service Ratio and Reserves & Cash”. A copy of said PowerPoint Slide is hereto attached and marked as Exhibit 3.

A lengthy discussion occurred in regards to the projected debt service ratio and the District’s reserves and cash.

Discussion also occurred in regards to new growth after Page 15 entitled “EMT’s View Going Forward” was presented by Kline.

Kline asked that the Board define through policy what their definition of “competitively priced” energy is. The policy could then be changed periodically as needed.

A lengthy discussion occurred.

After the presentation, Kline asked if the Board agreed with what was stated as major accomplishments towards the goals and objectives of the District’s Strategic Plan.

Director Howe stated that he is very satisfied. He feels that the District has great staff.

President Gonser stated that the Board has been giving staff feedback all along.

Director Smith stated that he is happy with where the District has gone and the projections of where we are going.

President Gonser feels that this presentation is important. He feels that the dash board and quarterly reports are very valuable. It is helpful as a Board to evaluate and see where we are and to plan for the future.

Some discussion occurred on the District’s Strategic Plan.

Kline suggested that we conduct this same type of Work Session next year.

Director Williams stated if the Board looks at all the goals, he feels we will find that the District is spot on.
Hall demonstrated for the Board how the Electric LTFP Projected Debt Service Ratio and Reserve & Cash Graph can be used to look at various financial scenarios. Potential rate changes can be viewed using this graph.

Some discussion occurred regarding the graph’s capability and the various models that feed into the graph, power cost recovery and the assumptions built into the model.

Kline stated that the Board could adopt a Rate Policy, which could introduce a power cost adjustment when BPA’s rates are increased. It could also include a requirement that a Cost of Service Analysis (COSA) would be performed every three years with an in-house analysis every year.

Kline stated that he has taken away the following items from today’s discussion: bring back draft policies that would support continuing on with the District’s Strategic Plan; continue to be transparent in our work and in our communications; be responsive to questions as they come up; and be ready to have more in-depth risk conversations when we see the risk register and understand what our mitigation strategies are.

General Counsel James Foster requested the Board’s permission to attend the American Public Power Association’s Legal & Regulatory Conference in New Orleans in October 2017.

***It was the consensus of the Board to support General Counsel James Foster’s request to attend the American Public Power Association’s Legal & Regulatory Conference in October 2017.***

There being no further business the Strategic Planning Work Session was adjourned at 7:52 p.m.

President

Secretary
Strategic Plan
Annual Overview

Where are we now & where are we going?

July 18, 2017
Process Improvement

Strategic Plan (Business Strategies, Initiatives)

Community
Board
Management
Employees
Environmental Scan

What's Next?

Results Management (Performance Evaluations, Dashboard, Board AIMS)

Measure Results

Develop Work Plan

Budget (Capital Plan, FY Budget, Five-Year Plan)

Develop Performance Criteria

Do Work
AGENDA

**Review** of the District’s Adopted 2015 Strategic Plan & major accomplishments to date

**Preview** of 2018-2028 Preliminary Proposed Capital Budget

**Executive Management Team’s (EMT) View** of direction going forward

**Board’s View** Questions, discussion and direction going forward
2015 STRATEGIC PLAN OPERATING STRATEGIES

• Customer Service – “Customer Service is a relationship that is built on trust, courtesy and professionalism.”

• Financial – “High value financial metrics and benchmarks for the electric industry are the District’s foundation that provides the most affordable power and energy.”

• Legislative and Regulatory – “Effective involvement and meaningful participation in legislative and regulatory matters that are essential to the District’s ability to properly manage change and its impact.”

• Staff, Board and Workforce Development – “Successful hiring is the first step towards career and workforce development. Continuous learning and employee training provides the opportunity for developing skills, accountability and professionalism.”

• Power Resources, Delivery System and Infrastructure – “Strength, flexibility and reliability are the hallmark characteristics in design, construction and operation of the District’s generation, transmission and distribution system.”
CUSTOMER SERVICE GOALS

- Develop and seek new opportunities with conversation programs
  - Preferred vendor list
  - Outside funds
- Ensure customer satisfaction
  - Web survey in 2016
  - 3rd party survey in 2017
- Maintain open channels for customer communications
  - Social media
  - Website redevelopment & deployment
  - Radio show
  - Community outreach & presentations
FINANCIAL GOALS

• Maintain NWCPUD’s AA Bond Rating Metrics
  • Moody’s Rating of A1 (they don’t rate AA) in September 2016
  • $12M in Municipal Bonds in 2016 (very favorable rates)
• Maintain Reserve Levels
  • Policy reviewed & updated annually
• Maintain Prudent, Just & Equitable Rates to Meet Retail Revenue Requirements
  • COSA in 2017 with corresponding rate actions
• Continued Diligence in Managing Risks
  • Risk definitions and audits conducted in 2016
  • New external financial auditor in 2016
  • Enterprise Risk Management
LEGISLATIVE & REGULATORY GOALS

- Define and Communicate Compliance Requirements
  - 3rd Party Audits
    - Oregon OSHA
    - Federal Motor Carrier Act
    - Human Resource Laws/Rules
    - Financial Auditor
- Understand Prospective Legislative and Regulatory Matters that affect the Utility
  - Participate in Regional Venues for Awareness
- Advocate for Laws and Regulations that are consistent with NWCPUD Mission & Goals
  - Continue to Lobby & Support
STAFF, BOARD & WORKFORCE DEVELOPMENT GOALS

• Promote a Culture of Continuous Improvement
  • Communication Training
  • Change Management Training
  • Technical Training for Job Classes

• Provide Feedback to Employees on Work Performance
  • Evaluations in 2016 for all non-bargaining
  • Evaluations in 2017 for all employees

• Ensure Open Lines of Communication
  • Supervisor/Manager goals
  • ‘All-Hands’ Meetings

• Manage Staff Levels to Meet Growth
  • Succession Planning
  • Market-based Compensation Integral here

• Enhance & Formalize a Board Development Plan
  • Objective Not Met Yet
  • ‘Governing for Excellence’
POWER RESOURCE, DELIVERY SYSTEM & INFRASTRUCTURE GOALS

- Pursue Opportunities for Greater Power Supply Self-Sufficiency
  - Market Reality Adjustment
  - Ended Association with UAMPS
  - Integrated Electric Resource Plan (IERP) to inform this any further
- Maintain a Highly Reliable Transmission & Distribution System
  - Identified & Monitoring Key Performance Indicators (KPI’s)
  - Needed Investments Much Larger than Originally Understood
- Be Positioned to Integrate Larger Loads & Optimal Plans of Service
  - Contractual Updates & Adjustments
- Safe-guard the Utility from Cyber Threats and Stay Current with Industry Standards
  - Training
  - Outsource
REVIEW
HISTORIC RENEWAL EXPENDITURES

Net Plant Inc/(Dec)

Net Plant = Capital Investments less Depreciation and Retirements

Net Plant In Service

Net Plant Inc/(Dec)


Note: $2.5M Remodel of HQ in 2009; McNary work in 2015 and 2016.
**REVIEW**

**NORTHERN WASCO COUNTY PUD STRATEGIC DIRECTION**

*Remain* a key customer asset providing the benefits of reliable Public Power with competitively priced energy.

**Residential Bill Comparison**

Cost of 1,000 KWh

<table>
<thead>
<tr>
<th>Utility</th>
<th>Cost (1,000 KWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clatskanie PUD</td>
<td>$63.10</td>
</tr>
<tr>
<td>Northern Wasco County PUD (2013)</td>
<td>$64.25</td>
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<tr>
<td>Northern Wasco County PUD (Current)</td>
<td>$68.00</td>
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<tr>
<td>Northern Wasco County PUD (Proposed 2017)</td>
<td>$74.90</td>
</tr>
<tr>
<td>Columbia River PUD</td>
<td>$78.00</td>
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<tr>
<td>Central Lincoln PUD</td>
<td>$94.50</td>
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<tr>
<td>Tillamook PUD</td>
<td>$95.30</td>
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<tr>
<td>Emerald PUD</td>
<td>$102.60</td>
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<tr>
<td>Oregon Average</td>
<td>$107.82</td>
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<td>Eugene Water &amp; Electric Board</td>
<td>$109.19</td>
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<tr>
<td>Pacific Power (OR)</td>
<td>$111.55</td>
</tr>
<tr>
<td>Portland General Electric</td>
<td>$113.60</td>
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<tr>
<td>U.S. Average</td>
<td>$126.69</td>
</tr>
</tbody>
</table>
PREVIEW

CAPITAL NEEDS & EXPENDITURES TO MEET THE S-PLAN

Reinvest

Plant

Production:

Basic upkeep & monitor for larger items

Distribution:

‘East-Side’ Substation
Tygh Valley Substation, feeder & reconductor
Enhance Meter Infrastructure / aka ‘AMI’
Pole Plant
Much, much more...

Facility:

Safety Updates
Physical Security Upgrades

Information Technology:

Information Security – PCI, Cybersecurity (Risk & Compliance)
Lifecycle maintenance
# 10 Year Capital Investment Plan

**10 Year Annual Average:**
- Capital Investment: $3.7M
- Depreciation: $2.9M

## Annual Capital Investment 2018-2027

<table>
<thead>
<tr>
<th>Year</th>
<th>Fleet</th>
<th>Facilities &amp; Equipment</th>
<th>Information Technology</th>
<th>Electric T &amp; D</th>
<th>Generation</th>
<th>Depreciation</th>
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</thead>
<tbody>
<tr>
<td>2018</td>
<td>$195,000</td>
<td>$656,500</td>
<td>$303,400</td>
<td>$2,228,950</td>
<td>$1,130,000</td>
<td>$2,644,632</td>
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<td>2019</td>
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<td>$1,058,500</td>
<td>$175,000</td>
<td>$2,156,127</td>
<td>$30,000</td>
<td>$2,701,401</td>
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<td>2020</td>
<td>$385,000</td>
<td>$1,910,500</td>
<td>$83,400</td>
<td>$1,284,415</td>
<td>$30,000</td>
<td>$2,756,801</td>
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<tr>
<td>2021</td>
<td>$50,000</td>
<td>$312,500</td>
<td>$113,400</td>
<td>$3,213,352</td>
<td>$30,000</td>
<td>$2,812,589</td>
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<td>2022</td>
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<td>$314,500</td>
<td>$100,000</td>
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<td>$30,000</td>
<td>$2,851,188</td>
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<td>2023</td>
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<td>2024</td>
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<td>$3,808,775</td>
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<td>2026</td>
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<td>$30,000</td>
<td>$3,057,303</td>
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<tr>
<td>2027</td>
<td>$200,000</td>
<td>$324,500</td>
<td>$83,400</td>
<td>$3,919,534</td>
<td>$80,000</td>
<td>$3,126,415</td>
</tr>
</tbody>
</table>
EMT’S VIEW GOING FORWARD

**Reposition** - to best meet the demands of:

- New Growth
  - Already being seen/realized
- New Technology
  - Evaluate before expenditures
- New Customer Expectations
  - We’re asking them

**Remain** - a key customer asset providing the benefits of reliable Public Power with “competitively-priced” energy.
  - Define through Policy

**Value Through Partnerships** – seek opportunity to provide other products and/or services that expand our product offerings to reduce the burden on electric rates only.
**EMT’S VIEW GOING FORWARD**

**Enhance Governance** - to focus on the longer term & policy view/oversight

**Consider Affordability** – electric rates as compared to community average income and compared to other commodities and utility type services

<table>
<thead>
<tr>
<th>Affordability Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Bill as a percentage of household income</td>
</tr>
<tr>
<td>Median Household Income - The Dalles</td>
</tr>
<tr>
<td>Annual Bill Affordability Limit</td>
</tr>
<tr>
<td>Monthly Bill Affordability Limit</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Monthly Residential Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>NWCPUD 2017 Residential Rate</td>
</tr>
<tr>
<td>City of The Dalles Water/Sewer Base Charge</td>
</tr>
<tr>
<td>Average Mobile Connectivity Bill</td>
</tr>
<tr>
<td>Average Cable Bill (with Internet Services)</td>
</tr>
</tbody>
</table>
REMEMBER, WE AREN’T ALONE

Infrastructure Report Card  https://youtu.be/4TdPpjevNSE

BOARD’S VIEW

QUESTIONS AND DISCUSSION
<table>
<thead>
<tr>
<th>Year</th>
<th>Bond Funded Capital</th>
<th>Commercial</th>
<th>Industrial</th>
<th>Interest Earnings on Reserve Fund (1.0% of Reserve)</th>
<th>Total Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$0</td>
<td>$602,375</td>
<td>$1,000</td>
<td>$5,000</td>
<td>$3,148,915</td>
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<tr>
<td>2019</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$3,148,915</td>
</tr>
<tr>
<td>2020</td>
<td>$0</td>
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<td>$0</td>
<td>$3,148,915</td>
</tr>
</tbody>
</table>

**Funding**

- **Capital Reserve Balance**: $500,000
- **Electric Rates/Operational Funding**: $3,054,384
- **Bond Funded Capital**: $0
- **Customer-Driven Capital Re-Imbursement**: $1,602,375
- **Permissioned and Large Non-Generator**: $662,375
- **Industrial**: $1,000
- **Interest Earnings on Reserve Fund (1.0% of Reserve)**: $5,000
- **Total Funds**: $14,930,759

**Capital Projections**

- **Generation**: $4,010,000
- **Electric T & D**: $9,257,375
- **Information Technology**: $288,000
- **General Admin**: $0
- **Facilities & Equipment**: $336,500
- **Fleet**: $449,884
- **Total Capital Expenditures**: $14,431,759

**Expenditure by Type**

- **Bond Funded Capital Expenditures**: $9,775,000
- **CIAF-Capital Expenditures**: $1,602,375
- **Rate-Funded Capital Expenditures**: $3,054,384
- **Total Strategic Capital Expenditures**: $14,431,759

**Total Expenditures**: $14,431,759

**Predicted Year-End Reserve Balance**: $500,000

**Plant in Service % net of retirement**

- **Depreciation**: $2,576,924
- **Investments**: $4,613,500

**Annual Average**

- **Depreciation**: $2,576,924
- **Investments**: $4,613,500

**EXHIBIT 2**
Electric LTFP - Projected Debt Service Ratio and Reserves & Cash

- Reserves and Cash
- Target Reserve & Cash
- Minimum DSC Target
- Debt Service Coverage Ratio

Reserves & Cash

Debt Service Ratio