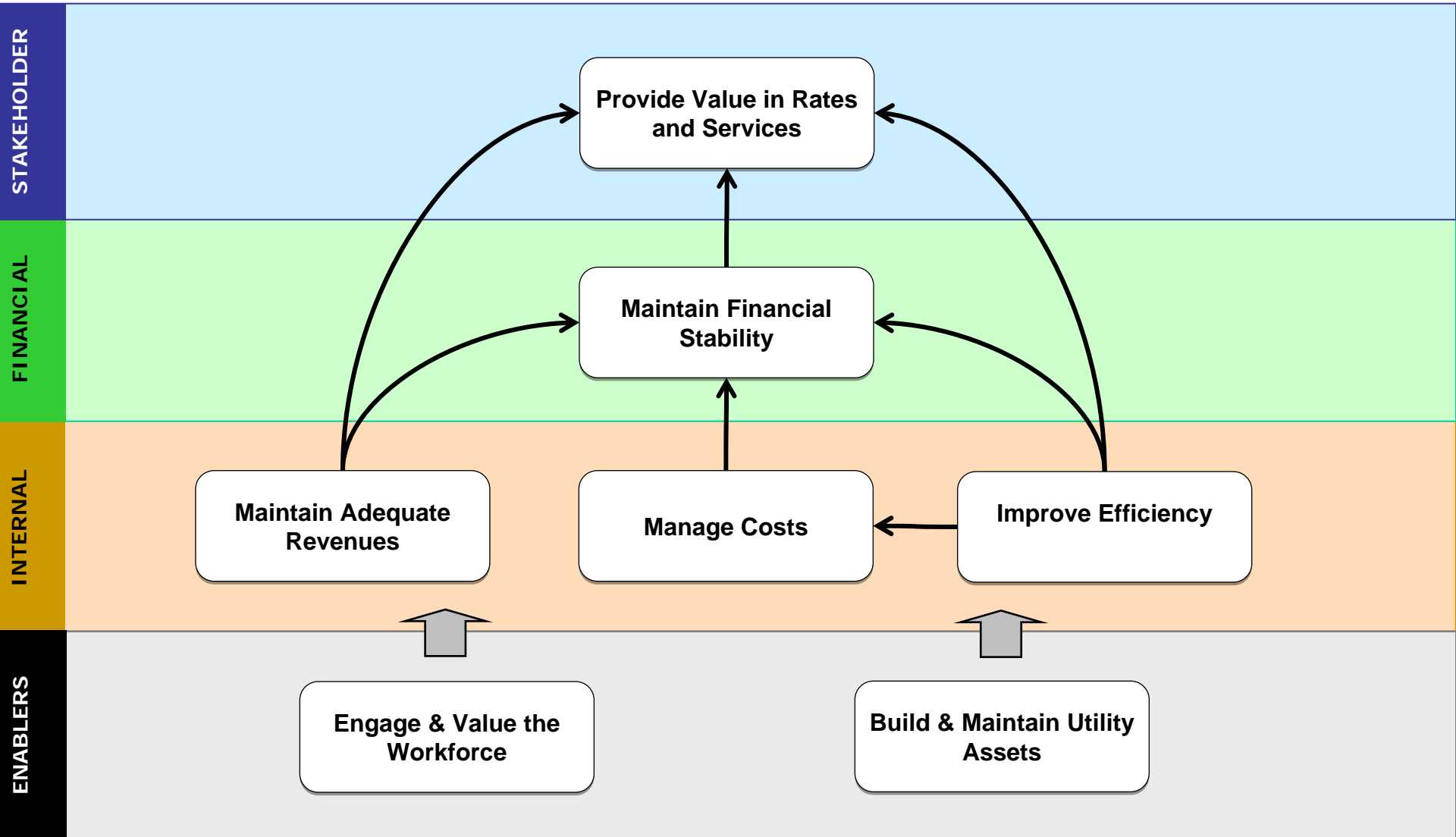


**Provide value by optimizing our assets
through operational excellence**



Our Values: Service, Respect, Innovation, Honesty, Integrity, Teamwork and Operational Excellence

Our Values

Chelan County PUD stands for these values:

- ✦ **Service:** Our success is linked to the success of our customers. We anticipate, understand and focus on our customers' needs. We share a personal responsibility to maintain our customers' loyalty and trust. We listen and respond to our customers and seek to exceed their expectations. We are recognized as significant contributors to the quality of life in our community.
- ✦ **Respect:** We believe that the concerns of our stakeholders and fellow employees are important. We believe it is important to listen carefully to others to fully understand their views before making decisions or conclusions, to appreciate and be sensitive to the feelings and needs of others, and to measure our own impacts on others. We encourage critical debate and value open, honest and respectful sharing of ideas. We will have respect and consideration for one another if we disagree with each other.
- ✦ **Innovation:** We encourage innovation. We believe that certain risks, considered fully and taken intelligently, help us innovate. We celebrate successes and see failure as an opportunity for growth.
- ✦ **Honesty and Integrity:** We value people who are honorable in principles, intentions and actions, and who are ethical and fair. We value truthfulness and credibility. We conduct ourselves in a professional manner without compromising the trust placed in us to be honest with each other and our stakeholders. We will ensure all stakeholders have a good understanding of the challenges we face and how we are addressing them. We are committed to a culture of compliance which guides and reinforces our decisions and choices.
- ✦ **Teamwork:** We are all part of the same team with the same goals and objectives. We seek results through collaboration with each other and with our stakeholders. We appreciate multiple perspectives and diverse expertise. Group boundaries should be transparent and easily crossed. There are no entitlements. Together, we create a sustainable future.
- ✦ **Operational Excellence:** Our service quality, reliability and care for the environment are viewed as a component of operational excellence. We have a strong commitment to safety as an integral part of our daily work. We seek the best talent and promote its development. We are flexible and embrace change when needed. We have a passion to continuously improve fundamental business processes. We will communicate our organizational priorities and challenges we face. Operational excellence is a balance between quality and fiduciary stewardship and is the responsibility of all employees.

Provide Value in Rates and Services

✧ What is the Strategic Objective?

- ✧ Provide Value in Rates and Services means: safe, reliable utility services at the best price for our customer-owners
- ✧ Balancing competing demands for our resources among Stakeholders & Customers (not necessarily at lowest cost)

✧ Why is it important?

- ✧ Supports the District's mission to enhance the economy and quality of life in Chelan County
- ✧ Supports the principles of Public Power
- ✧ Focuses on the customer-owner and other stakeholders
- ✧ Keeps the customer-owners as a top priority

✧ Indicator:

- ✧ Fully-loaded cost per retail KWh delivered (includes Power supply & Depr/Amort)
- ✧ Electric utility system reliability (ASAI, CAIDI)
- ✧ Network take rates

Maintain Financial Stability

✦ **What is the Strategic Objective?**

- ✦ Maintain financial stability means: responsibly using public funds to cover operating costs, paying debt, paying for construction, and maintaining planned reserves
- ✦ Identify, monitor and manage all material risks.

✦ **Why is it important?**

- ✦ Keeps the District running smoothly, predictably, and reliably
- ✦ Ensures longevity and preserves our valuable assets
- ✦ Improves our ability to maintain low-cost utility services for our customer owners over the long term

✦ **Indicator:**

- ✦ Unrestricted cash reserves vs. liquidity requirement
- ✦ Surplus wholesale revenues at risk (including credit risk)
- ✦ Debt coverage

Maintain Adequate Revenues

✦ What is the Strategic Objective?

- ✦ Maintain adequate revenues means: Finding the optimal combination of revenue structures and operating practices.
 - ✦ Revenue structure includes the mix of retail revenues and wholesale sales that support all utility services within acceptable risk tolerance
 - ✦ Operating practices includes keeping generating and delivery systems operating reliably
- ✦ Maintain the ability to participate in the wholesale energy markets

✦ Why is it important?

- ✦ The ability to respond to changing market conditions through our operating practices enables us to optimize revenues
- ✦ The right balance between retail revenues and wholesale sales enables us to stabilize revenue streams and manage risk

✦ Indicator:

- ✦ Combined utility service change in net assets (includes power supply costs from hydros, excludes contributed capital)
- ✦ Combined utility service operating ratio (includes power supply costs from hydros)

Manage Costs

✦ **What is the Strategic Objective?**

- ✦ To work within budget while facing changing demands
- ✦ Prudent management of public funds
- ✦ Add value for every dollar spent (not just cutting costs)
- ✦ Prioritizing use of resources

✦ **Why is it important?**

- ✦ Leads to a sustainable business model
- ✦ Maintains fiscal integrity
- ✦ Maintains low cost utility services
- ✦ Allows us to meet our fiduciary responsibility to customer-owner

✦ **Indicator:**

- ✦ Combined system O&M expenses

Improve Efficiency

✦ **What is the Strategic Objective?**

- ✦ Increase productivity and/or reduce costs

✦ **Why is it important?**

- ✦ Identifying & implementing process efficiencies helps maintain low cost utility services
- ✦ Leverages technology and intellectual capital to optimize business processes
- ✦ Promotes 'improvement' as a core business competency.
- ✦ Leads to operational excellence

✦ **Indicator:**

- ✦ Hydro cost per normalized MWh generated
- ✦ Distribution O&M cost per normalized KWh delivered
- ✦ Water system cost per 1,000 gallon delivered
- ✦ Network cost per end-user premise drop

Engage & Value the Workforce

✦ What is the Strategic Objective?

- ✦ To develop the skills, abilities, and opportunities that strengthen employees' pride in working here, commitment to doing their best work and doing it safely.

✦ Why is it important?

- ✦ Fully engaged employees find innovative solutions and take initiative to produce intended results
- ✦ A safe workplace ensures employees go home in as good or better shape as when they arrived
- ✦ Fully engaged employees look out for each other, the District, and customer-owners

✦ Indicator:

- ✦ Favorable and Unfavorable % on ERC monthly survey
- ✦ Professional development costs vs. budget
- ✦ Critical safety behavior knowledge

Build & Maintain Utility Assets

✦ What is the Strategic Objective?

- ✦ Make the best use of our assets and provide the tools to maintain them
- ✦ Utility Assets means all physical assets utilized in our business.

✦ Why is it important?

- ✦ Local utility infrastructure delivers quality services to our customer-owners
- ✦ Generating facilities produce low cost power to help keep rates low
- ✦ Energy Resources assets maximize the value of surplus sales for the benefit of customer owners
- ✦ District assets contribute to the economy and quality of life in Chelan County and the region
- ✦ Having the right internal assets allows district employees to do their jobs effectively and efficiently
- ✦ We have a responsibility to be good stewards of our public assets

✦ Indicator:

- ✦ Capital spending as a percent of budget