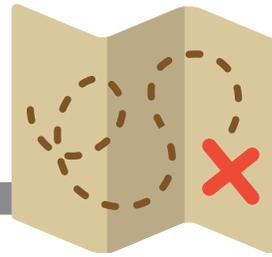

American Public Power Association

Strategic Plan 2016-2018



POWER WITH PURPOSE

Executive Summary | June 26, 2015



Dear Valued Members of the American Public Power Association:

This year, the American Public Power Association (APPA) is celebrating its 75th anniversary. We are proud of APPA's strong record of advocacy and member service. APPA members are community-owned, not-for-profit utilities, not controlled by remote shareholders or corporate interests. APPA members provide safe, reliable, affordable electricity, with appropriate environmental stewardship, to their communities, be they towns of fewer than 100 customers or cities of close to one and a half million customers. We have dedicated leaders and employees, with a passion to do what is best for their communities.

This is a great foundation to build on for the future. But we must work to keep this advantage to benefit our customers, especially in the face of the changes our industry is experiencing. For this reason, APPA in late 2014 undertook a strategic planning process. Following is the strategic plan resulting from that effort.

The APPA Board of Directors, the Executive Committee, and a combined Board/staff Strategic Planning Steering Committee (comprising Paula DiFonzo, Doug Hunter, and Ron Davis of the Board and Joy Ditto, Mike Hyland, and Jeff Haas of the staff, with Sue Kelly serving in an advisory capacity) provided invaluable input into the plan as it was developed over the last six months. Other APPA members, fellow trade association representatives, key interested parties (including government officials), and APPA staff provided feedback and ideas via meetings, interviews and surveys. We also scrutinized a detailed member survey that APPA conducted in 2013. Finally, we had the benefit of the expertise of a strategic planning consultant, Julie Ryan of Aether Advisors, who helped guide us through this process.

The information we gathered reaffirmed that APPA is a strong organization, with able and dedicated employees and a full array of advocacy, education, and information services and programs. APPA is well known and well respected both inside and outside the Beltway.

At the same time, the electric utility industry is changing, due primarily to four factors: 1) evolving customer preferences; 2) new technologies; 3) increased government regulation; and 4) utility workforce issues. While the first three of these factors are external to our industry, the fourth is a change on the inside. The electric utility industry has the highest percentage of baby boomers of almost any industry in the U.S. economy, and public power's workforce is no exception.



While we should not panic or overreact to these coming changes, we cannot be lulled into inaction either. We must acknowledge that change is coming to our industry, and take measured steps to deal with it.

To help its members negotiate these changes, APPA has developed six strategic initiatives focused on external issues. These initiatives are delineated in the enclosed plan. We also developed internal initiatives to ensure that APPA continues to provide the best value to our members. None of the initiatives in the plan are completely new for APPA, but the strategic plan will help us to prioritize our activities and communicate them to our members and interested parties such as other trade associations, policy makers, and the media.

The strategic plan sets forth an ambitious agenda. In the second half of 2015, APPA staff will develop the programs, tactics, and metrics to implement these strategic priorities — our strategic “roadmap.” We have limited resources and many challenges facing us. But we are excited and energized and we look forward to delivering on these initiatives for our members.

Our members are the reason APPA’s employees come to work every day. We in the leadership of the Association and on the staff believe in public power’s dedication to its customers. Public power utilities have real opportunities before us if we can be true to our roots and ideals, while focusing our minds and services on the changes we are already seeing. Together, we can move public power forward.

Sincerely,

Paula DiFonzo, APPA Board Chair

Sue Kelly, APPA President and CEO

POWER WITH PURPOSE

Strategic Plan 2016–2018

NORTH

Purpose

APPA partners with its members to promote public power, helping community-owned utilities deliver superior services through joint advocacy, education, and collaboration.

Vision

Shaping the future of public power to drive a new era of community-owned electric service.

External Initiatives

Raising Awareness of Public Power

Partner with members to expand the value and knowledge of public power utilities in their communities.

Public Power Forward

Help members deal with new technologies and trends that are reshaping relationships between utilities and customers.

Increased Federal Regulation

Protect and advance member interests in the face of increase in energy policies and regulations that affect all areas of utility operations.

Security/Cyber and Physical Preparedness

Help members develop an “all-hazards” approach to security, disaster preparation, and response.

Continue Research and Development

Enhance, expand, and leverage electric utility R&D and innovation projects and facilitate public power’s role as a driver of new technology.

Workforce Planning

Help members meet workforce challenges — attract and retain diverse new talent, train new employees, conduct succession planning, and transfer knowledge from departing employees.

Internal Initiatives

Membership Engagement

Involve all membership segments and work to understand and improve the value proposition for different size classes of members.

Financial Strength

Examine APPA’s dues schedule in the light of potential for declining utility sales and revenues due to economic forces, environmental regulations, increased energy efficiency, and distributed generation.

Human Resources

Focus on developing APPA’s greatest strength, its staff and use cross-departmental teams to address multi-faceted industry issues.

Executive Summary



On its 75th anniversary, as the American Public Power Association (APPA) celebrates the success of public power in over 2,000 communities nationwide, it is appropriate to look to the future. The rate of change in our society is increasing, bringing new technological and societal shifts. Electricity is a critical service that fueled our country's economic expansion in the twentieth century and will continue to underpin our success and growth while enabling our society to harness new technologies in the 21st century. Public power utilities will face both new challenges and new opportunities. APPA wants to deploy its resources most effectively to help public power utilities address the challenges and take advantage of the opportunities.

The strategic plan focuses on the current and future needs of APPA's members and public power utilities in general, to help the association prioritize our resources and efforts. During this process, APPA has examined the industry landscape, to understand key issues and to consider the opportunities and challenges ahead. We have also conducted a critical review of the Association's capabilities to understand its strengths, constraints and areas for possible growth. We have gathered input from our members to develop strategic initiatives to address key industry issues and to help APPA deliver on its strategic plan.

The strategic plan was named *Power with Purpose* because the APPA members and staff involved in developing the plan believe that this title reflects the attitude of our members and of the staff — our members bring a strong purpose to the delivery of electric power to their customers and APPA brings the same purpose to the advocacy, education, communications, and programs we provide on behalf of our members.

Power with Purpose reflects the insights of APPA's members, staff, key interested parties, and policy makers. The plan was developed using feedback from the 2013 member survey and 2015 staff survey, as well as interviews with member representatives and interested parties who work closely with APPA. This plan is the culmination of six months of work and more than 30 meetings/workshops/interviews with APPA's Exec-

utive Committee, Board, other APPA members, staff, and external interested parties, including government officials. The APPA Executive Committee provided leadership through a Steering Committee, and APPA Board members were invited to provide direction and guidance during the process. Finally, we benefitted from the expertise of strategic planning consultant Julie Ryan of Aether Advisors.

After assessing the landscape of the electric utility industry and evaluating the strengths, challenges, opportunities, and threats facing APPA, we reviewed and reworked our mission statement, which we have renamed our purpose statement, and also developed a vision statement. These two statements — one delineating what we do on a day-to-day basis for our members and the other describing what we aspire to do into the future — are below:

■ APPA Purpose Statement

APPA partners with its members to promote public power, helping community-owned utilities deliver superior services through joint advocacy, education, and collaboration.

■ APPA Vision Statement

Shaping the future of public power to drive a new era of community-owned electric service.

We then identified six strategic initiatives — key industry issues — to address immediate challenges and opportunities.

First, by communicating the value of public power, APPA will help our members tell the public power story in their communities, and explain why being served by a public power utility gives them an advantage. We will also provide turnkey resources that can be adapted and used to deliver these messages. We will help our members develop relationships with elected officials to better influence public policies that impact them.

Second, we will help our members address the technological and regulatory changes that promise to re-shape their relationships with their customers. We are labeling this effort “Public Power Forward.” Under this initiative, we will also advocate at the federal level to lim-

it proposed legislative and regulatory changes that are best handled at the state and local levels. In addition, we will provide education and training on relevant issues and new technologies. We will develop tools to help our members integrate distributed resources, energy efficiency, and demand response into their businesses and operations.

Third, APPA will increase our advocacy efforts to eliminate or minimize the adverse impacts of increased federal regulation. We will emphasize public power's positions on priority issues such as the EPA's 111(d) Clean Power Plan regulation on existing power plants, tax exempt financing, and grid security. We will also build on our existing efforts to tap into the political strengths of public power mayors, city council members, and elected and appointed board members, to advocate for public power in Washington, D.C.

Fourth, we will continue to help our members develop an "all-hazards" approach to disaster preparation and response. We will demonstrate public power's commitment to reliability and security to relevant government authorities, while minimizing regulatory overreach in this area.

Fifth, APPA will focus on research and development. We will continue to use our Demonstration of Energy and Efficiency Developments (DEED) program to help public power be at the forefront of electricity innovation.

And sixth, APPA will help our members meet the workforce challenges facing our industry. We will provide data and reports to help our members educate their governing bodies on the need to pay competitive salaries. We will also disseminate best practices to support our members' recruiting and succession planning efforts and to help train new employees. Finally, APPA will work to make public power jobs more attractive to a diverse workforce.

So that we can better help our members in the areas detailed above, we will strengthen our internal resources — our staff, Internet technology, and finances. We will also improve efficiencies and plan for leadership succession in the association. Finally, we will enhance member

engagement and partnerships with interested parties, including other public power groups.

After the initiatives discussed above were approved by APPA's Board in March, they were evaluated by APPA's Executive Committee and senior staff by reviewing their potential risks and costs so that we could understand the implications of proceeding with each. We then discussed potential mitigation measures that could be applied to each initiative to address the identified risks.

None of these activities are completely new to APPA, but *Power with Purpose* helps us to prioritize these initiatives and communicate them to our members and interested parties. It also gives our employees a clear roadmap to follow. The plan is a three-year one, and will be evaluated by APPA's Board on an annual basis to discuss necessary "course corrections" based on any unforeseen factors. At the end of the three years, the plan will be evaluated more closely to ascertain the relevancy for the three years beyond, and the potential need to develop a new plan at that point.

In the second half of 2015, APPA staff will develop the programs, tactics, and metrics to implement these strategic initiatives. We will develop milestones related to each initiative, some of which are longer term in nature. We will also incorporate the strategic planning activities into the association-wide goals of APPA as well as into the individual goals and performance of each APPA employee. We will consult with our Executive Committee and Board as we develop these tactics and processes.

Power with Purpose is an ambitious undertaking. It will not be easy — APPA and public power utilities have limited resources and lots of challenges. But we at APPA are energized and looking forward to the next phase of this effort.

APPA's members and staff truly believe in the benefits of public power, and in the creativity and dedication that will be brought to bear to advance these beliefs. We in public power have real opportunities before us if we stay true to our roots and ideals, while adapting our mindsets and services to the changes our industry will no doubt see. Together, we can move public power forward.



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