Strategic Plan

Valid as of January 1, 2015
INTRODUCTION

Integrated and long-term strategic, operational and financial planning is critical to meet the Utilities Board performance expectations for Colorado Springs Utilities and to maintain a healthy “AA” credit rating. Colorado Springs Utilities’ comprehensive planning and budgeting process begins with direction for the organization provided by the Utilities Board through their strategic outcomes of rates, reliability and relationships and through a timeless and enduring strategic foundation found in the mission, vision and values.

The Board’s work on the perspectives, themes and objectives of the Strategy Map identify what must be accomplished to achieve the Board’s Strategic Outcomes. The Strategy Map provides alignment between the Long-Range Strategic Enterprise Plans; the Five-Year Strategic Initiatives, the Five-Year Balanced Scorecard, and the Five-Year Service Business Plans.

Performance targets in the Enterprise Balanced Scorecard guide efficient allocation of resources to achieve desired outcomes that are established, measured, and monitored regularly by Board Committees and the Utilities Board through annual and five-year performance expectations in the CEO Performance Plans and the Five-Year Enterprise Balanced Scorecard.

The organization is then able to balance operational and financial plans in the context of a multi-year perspective for each service and the overall enterprise. The development of the Annual Operating and Financial Plan (AOFP) is guided by the organization’s strategic plan. The current year of the Five-Year Service Business Plans for electric, natural gas, water and wastewater are included in the AOFP from an operational and financial perspective.
Utilities Board Strategic Outcomes are the Board directed result categories for the organization. The Board’s Strategic Outcomes of rates, reliability and relationships and the organization’s overall competitive position illustrate the critical balance required to manage risks and responsibly and proactively plan for the future.

In years past, the strategic outcome balance has been fairly equal between rates, reliability and relationships; however, due to a large capital program and a relatively flat growth rate and revenue projections, rates have become a higher priority in a resource constrained environment; followed by reliability, then relationships.
Depending upon the overall competitive position, infrastructure needs and financial strength, the Utilities Board may adjust the relationship between their strategic outcomes during subsequent planning timeframes based on the organization’s performance and external factors.

**STRATEGIC FOUNDATION**

**Mission**
To provide safe, reliable, competitively-priced electric, natural gas, water, and wastewater services to the citizen owners and customers of Colorado Springs Utilities.

**Vision**
Colorado Springs Utilities is a treasured community asset. We are welcome partners, well-known for providing responsible and dependable service. We are vital to the future of our region.

**Values**

**People**
People are the foundation of our success. Employees and customers are treated with dignity, respect and fairness. We are committed to developing our workforce and growing leaders who will successfully navigate the future.

**Trust**
Trust is essential to building productive partnerships. Trusted relationships depend on a secure belief in the character, ability, and truth of another person. Employees cultivate an environment of trust by demonstrating the highest standards of integrity, competence, responsibility, transparency and professionalism.

**Responsibility**
We are committed to fiscal and environmental stewardship of all resources. Employees are called upon to demonstrate courage, accountability and make prudent decisions to maintain the critical balance between financial stability, reliable operations, and delivering services to customers at the best value.

**Collaboration**
Effective teamwork is critical for achieving and sustaining high performance. We create a climate of collaboration by developing cooperative goals, sharing information and resources, and fostering relationships.

**Continuous Improvement**
We are a learning organization. Business processes are constantly evaluated and improved. Employees understand priorities and create opportunities and solutions to better meet organizational goals.
Safety
Safe work performance is paramount. Employees take personal responsibility for safety by caring for themselves and their co-workers. Prioritization of employee and public safety is evident in the quest to create an incident and injury-free environment.

COLORADO SPRINGS UTILITIES STRATEGY MAP

Utilities Board Strategic Outcomes: Rates, Reliability and Relationships

<table>
<thead>
<tr>
<th>Economic Engine</th>
<th>Community Ownership</th>
<th>Responsible Steward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitate Economic Growth</td>
<td>Keep Rates Competitive</td>
<td>Maintain Financial Strength</td>
</tr>
<tr>
<td>Deliver Safe, Reliable Utility Services</td>
<td>Represent Local Goals</td>
<td>Provide Options to Use Utility Services Wisely</td>
</tr>
<tr>
<td>Plan, Build, &amp; Maintain Infrastructure &amp; Acquire Resources</td>
<td>Focus on the Customer Experience</td>
<td>Use Resources Responsibly</td>
</tr>
</tbody>
</table>

Core Values: Safety  Trust  Responsibility  People  Collaboration  Continuous Improvement

Strategy Map – identifies what must be accomplished to achieve the Board’s Strategic Outcomes and illustrates the interrelation between the strategic themes, perspectives and strategic objectives.

Strategic Perspectives – a component of the strategy map that causes the strategy to be considered through different viewpoints. The perspectives, when taken together, tell the story of the strategy in a clearly understandable framework. Perspectives include: Financial/Stakeholder: Financial objectives to satisfy stakeholders; Customer: End users, business partners, community groups, and customers; Internal: Business processes to facilitate meeting customer needs; Foundation: Foundational resources necessary to drive performance (employees, information, technology, and culture.) Viewed horizontally, each perspective represents the set of objectives desired by a particular group.
Strategic Themes – are descriptive statements that summarize the strategy at the highest level. The three strategic themes are Economic Engine, Community Ownership and Responsible Steward.

Strategic Objectives – are concise action phrases articulating a specific component of what the strategy must achieve and what is critical to the organization’s success. Objectives for 2015-2019 include: Facilitate Economic Growth; Deliver Safe, Reliable Utility Services; Plan, Build & Maintain Infrastructure & Acquire Resources; Keep Rates Competitive; Represent Local Goals; Focus on the Customer Experience; Maintain Financial Strength; Provide Options to Use Utility Services Wisely; Use Resources Responsibly; Attract, Develop & Retain a Skilled Workforce, and Leverage Technology.

STRATEGY MAP THEME AND OBJECTIVE DESCRIPTIONS

Colorado Springs Utilities serves as an economic engine for the region. Providing sufficient capacity and reliable service at a competitive price with the convenience of four services is a vital part of our community’s foundation to facilitate economic growth as we retain, grow and attract business, employers and residential customers for Colorado Springs. Accessible and responsive local control and leadership allow us to work with the community and achieve economic development goals.

Economic Engine Objectives

With Utilities Board direction, the organization will leverage resources and expertise to collaborate with partners and the community to create economic development success. Employing cost effective utility solutions combined with reducing barriers to entry for all customers; and working with high load factor and large users of the utility system help keep costs low for all customers and citizen owners with positive bottom line results.

Customers depend on reliable electric, natural gas, water and wastewater services. Utility services in Colorado Springs are some of the most reliable in the industry as a result of a planned and systematic approach to infrastructure investments and specialized reliability services.
As the hometown provider for nearly a century, Colorado Springs Utilities has delivered utility services to meet the needs of families and businesses. The organization’s sole purpose is to serve customers. Community ownership means we are committed to sustaining and improving our region. It means employees are able to volunteer their personal time for local causes because we care about the future of Colorado Springs.

**Community Ownership Objectives**

As a not-for-profit community owned utility, Colorado Springs Utilities is able to provide competitive rates. Costs are reduced because of lower borrowing costs (due to our “AA” bond rating) and not having to pay profits to out-of-town shareholders. Utility funds stay in Colorado Springs and are used to improve operations, which helps the regional economy. Rates are set only high enough to cover costs.

As a locally-owned utility, we support the needs and goals of our community because we live, work and are invested in the city. Local decision making is representative, transparent and accessible, with an understanding of what is important to our citizen-owners; differentiating Colorado Springs Utilities from utilities that are owned by out-of-state shareholders and governed by a profit-driven Board with no accountability or connection to the community. Our citizen-owners have a voice in how their utility operates; including providing stakeholder input into planning efforts; communicating directly with Utilities Board members; and sharing ideas for utility projects and programs.
Being a steward is a responsibility embraced by Colorado Springs Utilities to manage the community’s assets and resources with high standards of care and accountability. Our customers ultimately benefit through low rates; safe and reliable utility services; environmental stewardship; and a productive and skilled workforce.

**Responsible Steward Objectives**

- **Focus on the Customer Experience**
  
  Every customer interaction with our employees, products and services creates an impression about Colorado Springs Utilities. Identifying customers’ preferences and prioritizing their needs helps us improve customer satisfaction. Customer research and direct feedback are used to better understand what is most important; allowing cost effective focus on programs and services that are meaningful and enhance customer interactions.

- **Responsible Steward**

  
- **Maintain Financial Strength**
  
  To maintain a competitive, low-risk utility, financial metrics are used to set parameters necessary for a “AA” bond rating. A high bond rating is critical to obtain lower borrowing costs. In addition, the organization is using competitive analysis, best practices and other internal and external input to identify opportunities to further optimize our organization. Creative alternatives to accomplish programs, projects and activities to increase productivity and reduce costs are being identified to continue meeting performance targets.

- **Provide Options to Use Utility Services Wisely**
  
  Customers continue to seek ways to manage utility use by increasing knowledge, taking advantage of utility education, programs and services, and monitoring their own energy use. A unique aspect of the utility industry is providing communications, programs and services to help customers use only the amount of services they need.
Personal accountability is communicated consistently with every employee. Intentional choices are made daily regarding expenditures, equipment, vehicles, use of supplies and time. In parallel, employees are encouraged to continuously improve; and seek better and more efficient ways to conduct business. With increased use of technology and cyber security concerns, employee compliance with regulatory and security practices becomes more critical to help ensure appropriate access to utility systems, data and technologies.

**Foundational Objectives**

**Use Resources Responsibly**

Successful execution of the strategic plan is highly dependent upon workforce availability, capability and engagement. Promoting a culture of honor and supporting a diverse workforce is accomplished through employee and leader development; ensuring market competitive compensation and benefits; and succession planning.

**Attract, Develop & Retain a Skilled Workforce**

Technology solutions are a critical enabler of almost every aspect of operational functions and processes required to deliver safe, reliable, competitively priced utility services. Major generating and treatment facilities and distribution of services have technology as their core. Technology helps improve system utilization and provides tools to assist customers in managing their utility services more efficiently.

**Leverage Technology**
LONG-RANGE STRATEGIC ENTERPRISE PLANS

The long-range plans are an addition to the strategic planning process and are one of the most important responsibilities of the Utilities Board. The Board’s vision of the utility in the future will integrate the expected outcomes of each long-range strategic enterprise plan. The plans will encompass up to and beyond a 20-year view of organizational, operational and financial needs required to maintain a competitive position in each of the Utilities Board’s Strategic Outcomes of rates, reliability and relationships.

Throughout 2015, the Board will focus on the vision for the future by utility service, using the five-year service business plans, and from an enterprise-wide perspective. The Board will draw on public outreach and stakeholder participation as a critical element of long-range strategic planning.

Each long-range strategic enterprise plan will consider potential scenarios and triggering events to address unknown factors. Developing options for multiple futures from the base case will help ensure the effectiveness of the organization while responsibly managing risk.

Below are long-range strategic enterprise plans that are in progress, under development and potentially planned. Long-range plans are interrelated to fully leverage the benefits of a four service utility.

- Future Energy Supply - EIRP
- Future Water Supply - IWRP
- Future Natural Gas Supply & Delivery Plan - GIRP
- Integrated Financial Plan
- Workforce Plan
- Infrastructure and Asset Management Plan
- Technology Plan
- Customer Experience & Service Delivery Plan
ENTERPRISE STRATEGIC INITIATIVES

Strategic Initiatives are projects, programs and activities developed to achieve objectives or close the gap between performance and targets.

Five-Year Service Business Plans

Develop five-year business plans for the electric, natural gas, water and wastewater services; in alignment with the Utilities Board’s Strategic Outcomes, Strategic Themes and Objectives and Long-Range Strategic Enterprise Plans; to meet operational, rate and financial goals. Each plan will establish five-year operational priorities and the supporting capital and operation and maintenance budgets to meet utility service scorecard targets.

Each plan will discuss the current system; future industry outlook; key planning factors including known and anticipated regulatory requirements; customer and industry changes; and economic and sales and load forecasts. The plans will also identify crucial issues and challenges; external threats and opportunities including regulatory, political, economic, social and technological; internal strengths and weaknesses; risk assessment and mitigation; information gained from peer intelligence; and implications of the nexus between services.

To responsibly prepare for the future, the key planning factors, assumptions and parameters by service will be used to develop scenarios on funding requirements and timing for the base case operational projects and operations and maintenance programs. Five-year business plans will be coordinated to balance overall enterprise operational and financial goals. Input from the Organizational Evolution initiative will be incorporated into the plans.

Organizational Evolution

Because the utility industry is changing rapidly a need exists to further align the organization with increasing demands and evolving operational practices to continue providing safe, reliable, competitively-priced services. Like many other energy and water utilities across the nation, the organization is experiencing flat sales, additional regulatory requirements and increasing capital and infrastructure needs. The goal of the initiative is to continue to innovate the delivery of utility services to successfully meet customer expectations now and in the future while effectively managing operational costs; and decreasing them where possible. Recommendations from the initiative will be incorporated into the five-year service business plans.
Succession Planning and Leader Development

Succession planning includes assessing organizational leadership risk and proactively developing plans to ensure Colorado Springs Utilities has the leadership needed to ensure we continue to serve our customers' needs. High performing leaders improve organizational financial performance, attract and retain talent, drive a performance culture and increase organizational agility. This ongoing initiative will focus on two key components: leadership development and succession planning. Leadership development includes leading, developing and enhancing leadership skills through curriculum establishment and implementation in five key areas that include: Emerging Leadership, Foundations of Leadership, Leader 2 Leader, Leadership Enhancement and Executive Leadership Enhancement.

Economic Development

The focus of this initiative will be to work with our Utilities Board to define the utility’s role, review policies, and prioritize goals as they relate to economic development for our community; and provide continued excellence in Colorado Springs Utilities’ core competencies of reliable service, competitive rates, satisfied customers, and financial stability – which serve as a foundation for economic vitality in our community.

In addition, Colorado Springs Utilities policies, processes, and communication will be refined to ensure timely exchange of accurate information, efficient business operations, and the ability of existing and prospective business customers to properly access the value Colorado Springs Utilities adds to their economic development proposal. The organization will continue to collaborate with economic development partners at the state, regional and local level and align strategy to achieve community economic development goals.

Utilities Board Governance Structure and Governance Process Review

The Utilities Board will lead an open, inclusive, transparent and thorough public process to determine if a change in Colorado Springs Utilities governance structure or governance process could potentially benefit the citizen-owners and the utility.

The public process will help identify potential governance structures and governance processes that best support an effective, efficient and healthy Board to successfully direct the utility through future critical issues on behalf of the citizen-owners. Communication will be conducted throughout the review
to inform citizen-owners about the purpose, the process and any potential changes. Comprehensive citizen-owner input through a variety of quantitative and qualitative methods will provide feedback on if a change should be made; potential changes; and opinions on Utilities Board proposals. The Utilities Board will use the information from benchmarking and the public process to determine next steps, if needed, to implement any potential changes in the governance structure or governance process.

The description of governance structure is who makes decisions, and how the utility is directed and controlled. The governance process is the framework the Utilities Board uses to accomplish its work. This includes setting the strategic direction; making policy decisions; exercising fiduciary responsibility as a trustee; acting as a representative and advocate for the organization; ensuring leadership accountability; and monitoring the performance of the organization. Governance process includes Utilities Board engagement, authority and accountability.

Long-Term Operational Facility Site Plan

This initiative, in coordination with the Strategic Business Plans initiative and integrated resource plans, will assess future operational facility needs and associated land requirements. Evaluating options and aligning potential favorable property locations for utility use can minimize possible zoning, siting, and encroachment issues and supports comprehensive community planning.
ENTERPRISE BALANCED SCORECARD

The balanced scorecard links major components of the strategy and translates mission and strategy into measurable objectives with targets communicating the expected level of performance required to achieve an objective. Indicators are how success in achieving an objective will be measured and tracked and targets are specific units.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Objective</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitate Economic Growth</td>
<td>Economic Development - Percentage of target sector revenue relative to total commercial utility revenue</td>
<td>20% - 25%</td>
</tr>
<tr>
<td>Economic Engine</td>
<td>Total utility revenue</td>
<td>52.50 - 47.51</td>
</tr>
<tr>
<td></td>
<td>Natural Gas Emergency Response Time</td>
<td>30.00 - 25.01</td>
</tr>
<tr>
<td></td>
<td>Water SAD (Interruptions per 1,000 miles)</td>
<td>15.42 - 11.24</td>
</tr>
<tr>
<td></td>
<td>Wastewater ISG (Interruptions per 1,000 miles)</td>
<td>2.00 - 1.10</td>
</tr>
<tr>
<td></td>
<td>Disruptions in Water Service/1,000 Customers</td>
<td>3.00 - 2.84</td>
</tr>
<tr>
<td></td>
<td>Safety Performance: Lost Time Only Rate</td>
<td>2.25 - 2.12</td>
</tr>
<tr>
<td></td>
<td>Safety Performance: Restricted Only Rate</td>
<td>1.97 - 1.78</td>
</tr>
<tr>
<td></td>
<td>Safety Performance: Total Recordable Rate</td>
<td>0.70 - 0.60</td>
</tr>
<tr>
<td>Plan, Build &amp; Maintain Infra &amp;</td>
<td>Electric CAIDI (Interruption Duration in minutes per year)</td>
<td>60.00 - 65.01</td>
</tr>
<tr>
<td>Acquire Resources</td>
<td>Natural Gas: # of failures / 100 miles</td>
<td>8.81 - 7.19</td>
</tr>
<tr>
<td></td>
<td>Water: # of failures / 100 miles</td>
<td>15.00 - 14.01</td>
</tr>
<tr>
<td></td>
<td>Wastewater: # of failures / 100 miles</td>
<td>2.48 - 2.30</td>
</tr>
<tr>
<td></td>
<td>Energy: System Equivalent Availability Factor (CAI)</td>
<td>60.00 - 90.00</td>
</tr>
<tr>
<td></td>
<td>Energy: System Equivalent Forced Outage Rate (EFOR)</td>
<td>4.00% - 10.00</td>
</tr>
<tr>
<td></td>
<td>Water: SOS Implementation Strategy</td>
<td>0.50 - 0.60</td>
</tr>
<tr>
<td>Community Ownership</td>
<td>Economic Development Price Competitiveness</td>
<td>Ranked 50% 31% of surveyed communities</td>
</tr>
<tr>
<td></td>
<td>Residential Price Competitiveness</td>
<td>+/- 5% of regional average</td>
</tr>
<tr>
<td></td>
<td>Commercial Price Competitiveness</td>
<td>+/- 6% of regional average</td>
</tr>
<tr>
<td></td>
<td>Industrial Price Competitiveness</td>
<td>+/- 5% of regional average</td>
</tr>
<tr>
<td></td>
<td>ECA Balances and Rate Management</td>
<td>$4.0 million to $3.8 million</td>
</tr>
<tr>
<td></td>
<td>GCA Balances and Rate Management</td>
<td>$3.7 million to $4.4 million</td>
</tr>
<tr>
<td>Represent Local Goals</td>
<td>JD Power Corporate Citizenship</td>
<td>33% - 15%</td>
</tr>
<tr>
<td>Focus on the Customer Experience</td>
<td>JD Power Residential Customer Satisfaction</td>
<td>33% - 15%</td>
</tr>
<tr>
<td></td>
<td>JD Power Business Customer Satisfaction</td>
<td>33% - 15%</td>
</tr>
<tr>
<td>Responsible Steward</td>
<td>Maintain Financial Strength</td>
<td>Standard &amp; Poor's AA Moody's Investor Service Aa1  Aa2  Aa3 Ratings: AA</td>
</tr>
<tr>
<td></td>
<td>Debt Ratio</td>
<td>59.00% - 58.00</td>
</tr>
<tr>
<td></td>
<td>Days Cash on Hand</td>
<td>111 - 120 days</td>
</tr>
<tr>
<td></td>
<td>Provide Options to Use Utility Services</td>
<td>Energy Vision Implementation</td>
</tr>
<tr>
<td></td>
<td>Use Resources Responsibly</td>
<td>Environmental Index</td>
</tr>
<tr>
<td>Support All Themes</td>
<td>Workforce Index</td>
<td>2.70 - 3.49</td>
</tr>
<tr>
<td></td>
<td>Leverage Technology</td>
<td>2.50 - 3.49</td>
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</tbody>
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