

City of Lodi Electric Utility Strategic Plan 2017

Lodi's Customer-Owned Energy Partner



Executive Summary

Since 1910, Lodi Electric Utility (LEU) has been providing electric service to the citizens and businesses of the Lodi community. LEU is the 121st largest public power system in the nation, ranks 16th in size of the 37 public power utilities in California, and currently serves approximately 26,000 customer-owners. The American Public Power Association (APPA) has recognized LEU as being a Reliable Public Power Provider since 2013.

Historically, the electric utility business model consisted of keeping the lights on and sending out a bill. After 100 years this has changed dramatically in many ways. Customers have other options to meet their energy requirements, along with higher expectations of their electric service provider; utilities are facing increasing regulations in several areas of the industry; there are multiple and changing power supplies; aging infrastructure that needs to be replaced and/or upgraded; several new technologies have evolved to assist customers and utilities; there is a higher workforce turnover, along with the “silver tsunami” of baby-boomer retirements; and increasing financial pressures to achieve and maintain credit worthiness.

In order to successfully navigate these challenges, address customer needs, and be an energy partner with the community, while remaining compliant with regulatory agency requirements, LEU embarked on a strategic planning process engaging APPA’s affiliate, Hometown Connections as a facilitator.

LEU’s Strategic Plan is a roadmap developed by staff and governing board members, includes customer outreach, and has been discussed in public forums. It will guide staff in the development of action plans and recommendations presented to the City Council for approval. The plan will be reviewed during each budget cycle and updated at least every five years.

Table of Contents

p. 4

**Strategic Planning
Teams and Process**

p. 8

Discovery

p. 11

Development

p. 16

**Focus, Goals, Action
Items**

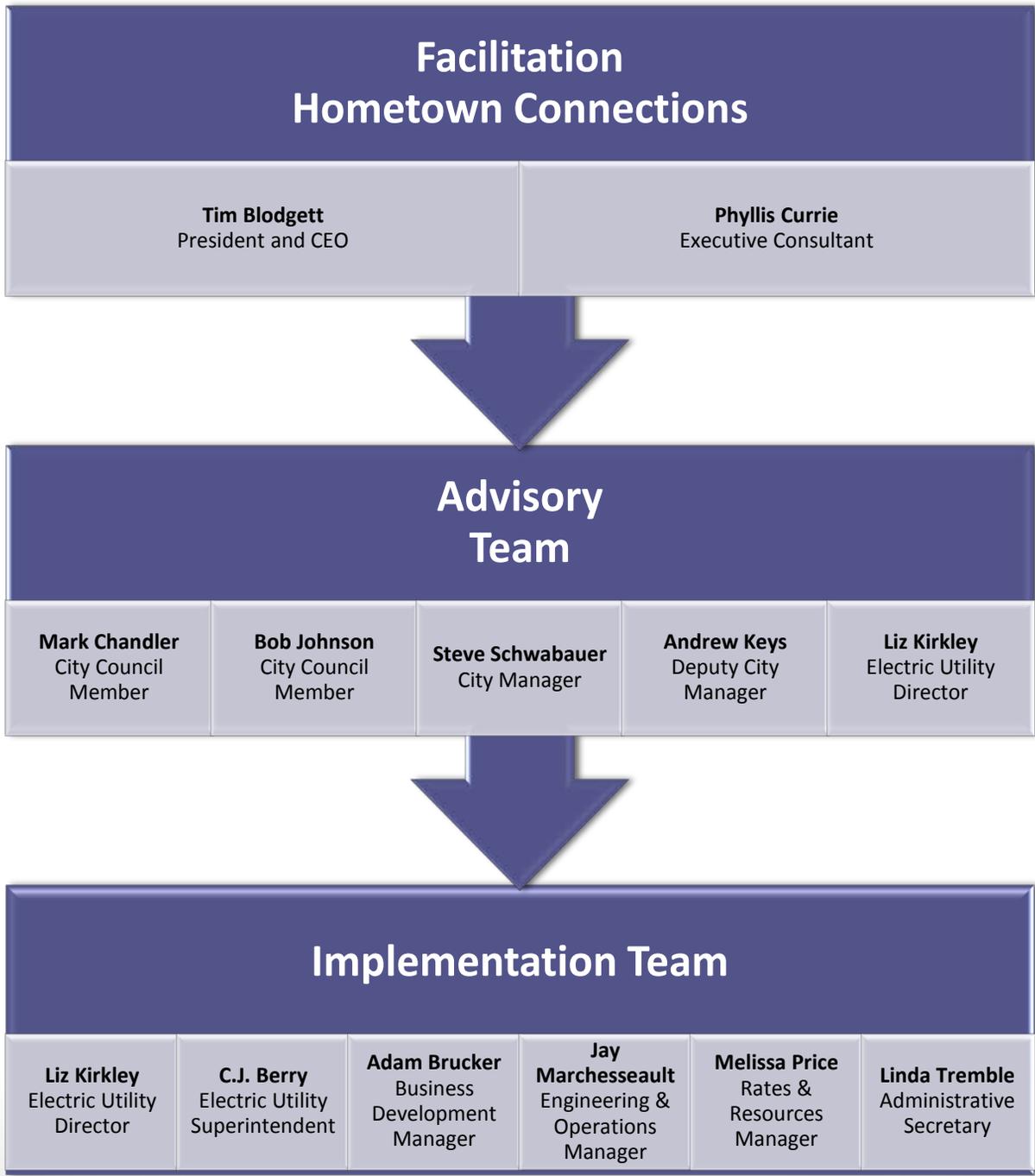
p. 23

Accountability

Lodi's Customer-Owned Energy Partner

STRATEGIC PLANNING TEAMS AND PROCESS

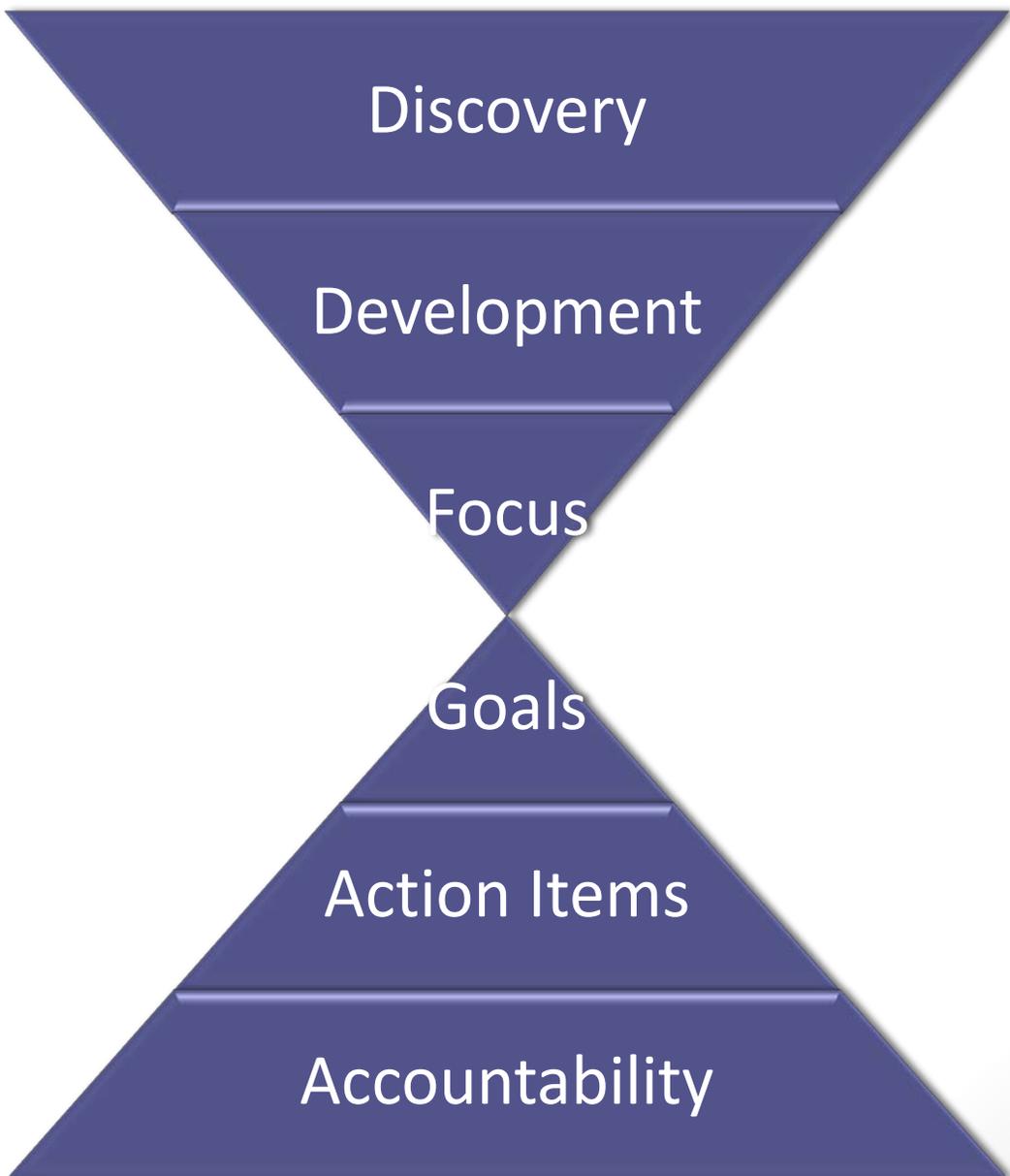
Strategic Planning Teams



Strategic Planning Timeline



Strategic Planning Process



Lodi's Customer-Owned Energy Partner

DISCOVERY



Local Issues

Customer

- New billing system challenges
- Improve communications
- Expand programs and incentives

Financial

- Changing utility business model
- Increasing power costs
- Financial sustainability

Workforce

- Safety
- Succession planning

Technology

- Customer needs
- Improve operations

Reliability

- System maintenance and improvements

Legislative/Regulatory

- Loss of local control
- Unfunded mandates

Customer Needs

Residential

Reliability

Information

Communication

Payment options

Incentive programs

Competitive rates

Commercial

Reliability

Economic development rates

Competitive rates

Incentives

Energy efficiency rates

Billing options

Industrial

Reliability

Power quality

Technical support

Communications

Real time energy information

Bill predictability

Rate assistance

Personal attention

Lodi's Customer-Owned Energy Partner

DEVELOPMENT

Motto, Mission, Values

LARGE ENOUGH TO MEET YOUR NEEDS SMALL ENOUGH TO CARE

LEU is your customer-owned energy partner committed to the needs of the community; providing courteous, professional service for safe, reliable, and competitively-priced power.

Anticipate and respond professionally to the needs and concerns of our customer-owners;

Provide valued services at competitive rates in a transparent and ethical manner;

Promote professional growth and development of our workforce;

Maintain a flexible organization which adapts to the changing utility industry; and

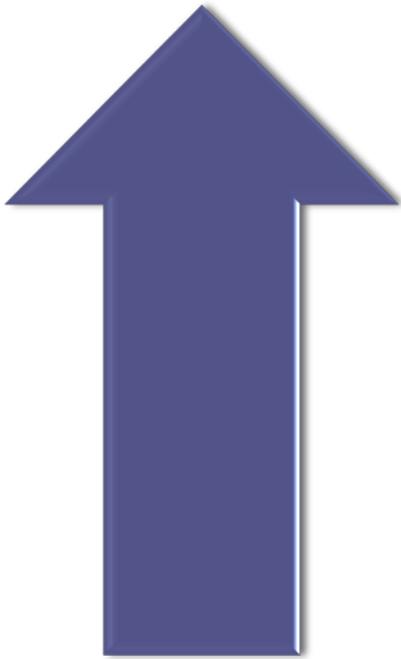
Contribute to the economic vitality of the community.

SWOT Analysis



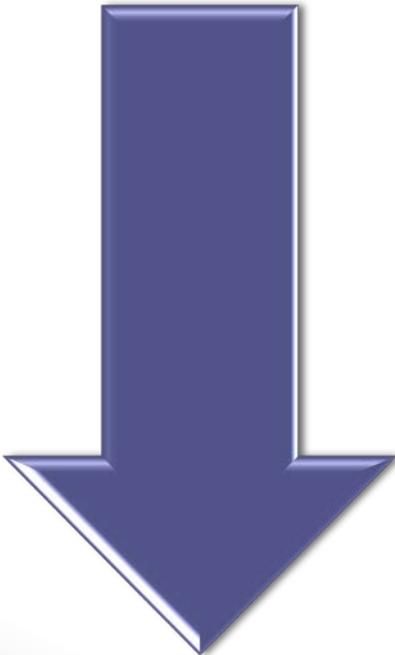
SWOT Analysis

Internal



Strengths

- Nimble utility
- Competitive Rates
- Dedicated Employees
- Load & resource diversity
- Economy of scale w/ NCPA
- Local control
- High reliability
- Customer/public accessibility
- Customer satisfaction
- Excellent Safety Record
- Customer relationships

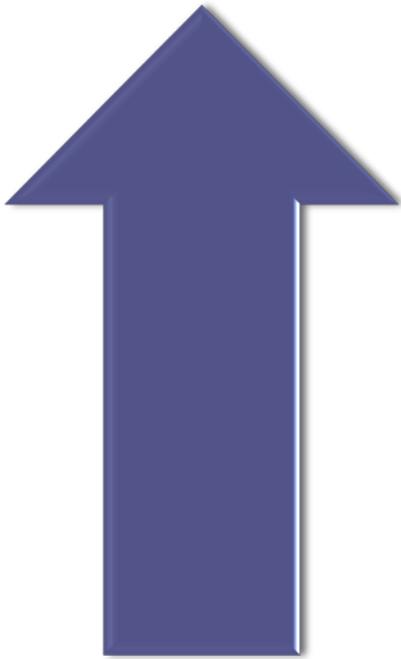


Weaknesses

- Bill system limitations
- Data/customer information accessibility
- Customer communication/outreach
- Decentralized offices
- Financial Stability
- Complex rates
- Succession Plan
- Grid intertie
- Aging infrastructure

SWOT Analysis

External



Opportunities

- Expanded joint action
- Advanced technology
- Economic development
- Customer relationships
- Debt restructure
- Electric vehicles
- Energy storage



Threats

- Unfunded mandates
- Changing business model
- Increased power costs
- Extreme weather
- Cyber/physical threats
- NERC/WECC requirements
- Workforce poaching
- Interest rate exposure

Lodi's Customer-Owned Energy Partner

FOCUS, GOALS, ACTION ITEMS

Strategic Areas of Focus

Customer

- LEU will develop and implement programs and provide services to meet the needs of our customer-owners.

Technology

- LEU will deploy cost effective technology to improve customer service, reliability, safety, and workforce efficiency.

Financial

- LEU will operate in a manner that ensures financial stability and customer value.

Reliability

- LEU will design, operate, and maintain the distribution system to ensure reliable electric service.

Workforce

- LEU is committed to recruiting qualified staff, providing necessary training, and an environment which promotes workforce loyalty.

Customer Goals

LEU will develop and implement programs and provide services to meet the needs of our customers.

LEU will develop a customer communications plan by Dec 31, 2017.

LEU will strive to achieve and maintain a minimum 80% customer satisfaction rating as measured by biannual survey.

LEU will develop two new customer incentive programs by Dec 31, 2018.

Technology Goals

LEU will deploy cost effective technology to improve reliability, customer service, safety, and workforce efficiency.

Modernize customer information and billing interface by Jun 30, 2018.

Implement an outage management system by Dec 31, 2018.

Develop an overall technology roadmap to meet the needs of customers and staff by Dec 31, 2018.

Financial Goals

LEU will operate in a manner that ensures financial stability and customer value.

Achieve AA credit rating by 2020.

Maintain average electric rates at least 10% lower than PG&E, to be reviewed annually.

Improve rate structure by collecting at least 50% of fixed costs through fixed charges by 2020.

Maintain a cost effective power portfolio by ensuring power supply costs remain below 10 cents/kWh on an annual basis.

Reliability Goals

LEU will design, operate, and maintain a distribution system to ensure reliable electric service.

Increase grid inertia reliability and capacity to serve existing customers and new developments by 2024.

Perform a physical and cyber security assessment for critical assets and develop a plan to address findings by December 2018.

Maintain monthly electric reliability metrics \geq the APPA western region top quartile.

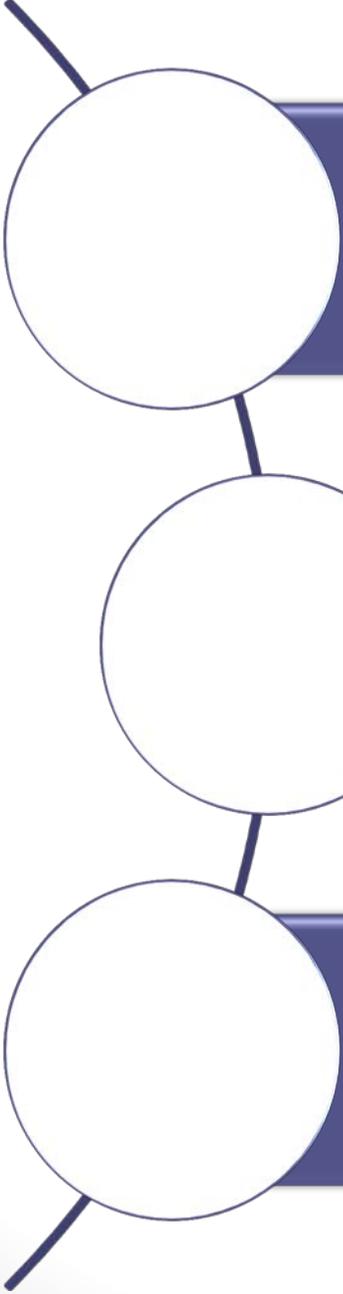
Workforce Goals

LEU is committed to recruiting qualified staff and providing necessary training and an environment which promotes workforce loyalty.

Maintain a culture of safety throughout the electric utility to achieve zero lost time incidents.

Develop a succession plan by Dec 31, 2018 to attract and retain a qualified workforce.

Accountability



Continue to develop and implement action items for each goal.

Provide the City Council with regular updates.

Re-visit Strategic Plan in five years, modify as needed.



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Approving City of Lodi Electric Utility Strategic Plan 2017

MEETING DATE: October 4, 2017

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution approving the City of Lodi Electric Utility Strategic Plan 2017.

BACKGROUND INFORMATION: The Lodi Electric Utility (LEU) strategic planning process began in 2014 with an Organization Checkup conducted by Hometown Connections International, LLC, a utility services subsidiary of the American Public Power Association.

Hometown Connections consultants met with City staff from various departments to assess the health of the utility, relative to public power benchmarks, in the following areas:

- Customer Service – satisfaction, service, and interests
- Community Outreach and Communications – how information is conveyed/gathered between utility and customers, role of the utility in the community, and media relations
- Utility Programs – the range and relevance of programming designed around the needs of all segments of utility customers
- Power Supply and Risk Management – ability to provide long-term, reliable energy with minimum price volatility
- Distribution Operations – planning and operations for system reliability and efficiency
- Employee Safety – training and performance
- Governance – decision making responsibilities and relationships
- Strategic Planning – strategic planning, goals, and resources
- Rates – policies and performance
- Administration, Accounting, and Finance – budgeting, reserves, costs, and earnings
- Technology – use of technology to run the utility and better serve customers
- Human Resources – skills needed to perform the above organizational functions, staffing levels, and labor agreements

The results of the Organization Checkup were used as a starting point for a strategic planning process that included input from the City Council as well as the LEU's customer-owners.

Given the familiarity that Hometown Connections had with LEU as a result of the Organization Checkup, staff recommended utilizing Hometown Connections for strategic planning and facilitation services. Their proposal included a customer engagement service performed by Hometown's market research partner, GreatBlue Research. In December 2015, the City Council adopted a resolution authorizing the City Manager to execute an agreement for LEU's strategic planning and facilitation with Hometown Connections.

APPROVED: _____
Stephen Schwabauer, City Manager

The first phase of the strategic planning process was the customer engagement portion with GreatBlue Research; utilizing its core competencies to leverage both quantitative and qualitative research methodologies, along with over 35 years of experience in diverse markets and thousands of research studies. The goal for LEU's customer research effort was to gain an understanding of the current satisfaction levels for both residential and commercial/industrial customers in order to help strategically guide the improvement of the utility, its product and service offerings. The methodology used included customer focus groups and telephonic surveys. The purpose of the focus group meetings was to facilitate discussions within each group to determine which issues warranted addressing in the telephone surveys. The surveys allowed for a deeper dive, along with the ability to uncover more comprehensive feedback while the individual is engaged and communicating. Respondents had the opportunity to interact anonymously with the researcher conducting the telephone interview and the ability to provide their feedback immediately. The data produced was statistically reliable with thoughtful, concise insight into how the findings answer the study objectives. GreatBlue utilized data analytics software integrated into its computer-aided interview platform ensuring quality, high-end data analysis.

On March 24, 2016, GreatBlue held two 90-minute customer focus group sessions; one for commercial customers and the other for residential customers. Staff then reviewed the transcripts and worked with GreatBlue to develop the subject matter used in the phone surveys. After completion of the telephonic interviews, GreatBlue analyzed the data and identified key findings, trends, derived insights, and actionable recommendations. GreatBlue incorporated the results of the focus groups and the telephone surveys into a report that was presented to the City Council in June 2016.

The next phase was an open and transparent process with decisions and priorities shared broadly with staff and the community allowing for participation by all stakeholders. Hometown Connections' two-team approach provided training and facilitation on how to effectively utilize the strategic planning process to develop and execute a strategic plan for LEU. The Advisory Team was comprised of the LEU Director, City Manager, Deputy City Manager, and two City Council members. This team was responsible for setting major policy direction, removing road blocks, as well as reviewing and approving the strategic plan throughout the process. The Implementation Team comprised the LEU Director and senior utility management staff responsible for developing and implementing the strategic plan. The Implementation Team acted in support of the Advisory Team to provide operational, financial, and customer service information, along with other insights as needed for the Advisory Team to act with appropriate and current information.

In February 2017, Hometown Connections met with the Advisory and Implementation Teams to begin the strategic planning discussion. The topics included the benefit of strategic planning; LEU's vision, mission, and values; customer target markets; strengths, weakness, opportunities, and threats (SWOT) analysis; and strategic areas of focus.

At an April 2017 City Council meeting, staff and Hometown Connections provided the Council and LEU's customer-owners with a report of the strategic planning activities completed to date, along with an open discussion to seek policy direction going forward in the strategic planning process. At that meeting, representatives from Hometown Connections discussed national trends in the energy industry, current issues facing public power utilities in California, benefits of strategic planning, and the strategic planning process. In addition, Northern California Power Agency's (NCPA) General Manager, Randy Howard, provided the City Council with a presentation outlining the various services NCPA provides LEU. He also discussed that the agency's efforts in the federal and state legislative arenas have preserved local control, and how NCPA members benefit by the "economy of scale" aspect of receiving services from a joint powers agency which results in cost savings to NCPA members, including LEU. Staff presented local issues impacting the utility; LEU's proposed mission statement, values, and motto; customer needs by class; the strengths, weakness, opportunities, and threats (SWOT) analysis performed; and the strategic areas of focus identified. The Council provided input to the mission statement and confirmed consensus with the values, motto, and strategic areas of focus.

After receiving input from the April City Council meeting, the Implementation Team members held various meetings with other City staff to determine the top goals associated with each strategic area of focus. In May and June 2017, the Implementation Team met to finalize the goals with direction and input from the Advisory Team. The goals for each area of focus were presented, discussed, and approved at an August City Council meeting.

The attached report includes all input received from the meetings held since 2014, and staff recommends the City Council adopt a resolution approving the City of Lodi Electric Utility Strategic Plan.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: Not applicable.

Elizabeth A. Kirkley
Electric Utility Director

RESOLUTION NO. 2017-193

A RESOLUTION OF THE LODI CITY COUNCIL
APPROVING THE CITY OF LODI ELECTRIC
UTILITY STRATEGIC PLAN 2017

=====

WHEREAS, the Lodi Electric Utility (LEU) strategic planning process began in 2014 with an Organization Checkup conducted by Hometown Connections International, LLC, a utility services subsidiary of the American Public Power Association; and

WHEREAS, Hometown Connections consultants met with City staff from various departments to access the health of the utility, relative to public power benchmarks, in various areas; and

WHEREAS, the results of the Organization Checkup were used as a starting point for a strategic planning process that included input from the City Council, as well as LEU's customer-owners; and

WHEREAS, given the familiarity that Hometown Connections had with LEU as a result of the Organization Checkup, Hometown Connections facilitated the LEU strategic planning process; and

WHEREAS, Hometown Connections market research partner, GreatBlue Research, performed a customer engagement analysis in 2016 and presented their findings to the City Council; and

WHEREAS, these findings were incorporated into the strategic planning process with multiple meetings in an open and transparent manner, with decisions and priorities shared broadly with staff, the City Council, and the community, allowing for participation by all stakeholders; and

WHEREAS, the attached report includes the input received from the meetings held since 2014, and staff recommends that the City Council approve the City of Lodi Electric Utility Strategic Plan 2017.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby approve the City of Lodi Electric Utility Strategic Plan 2017, attached hereto as Exhibit A.

Dated: October 4, 2017

=====

I hereby certify that Resolution No. 2017-193 was passed and adopted by the City Council of the City of Lodi in a regular meeting held October 4, 2017, by the following vote:

AYES: COUNCIL MEMBERS – Chandler, Johnson, Mounce, Nakanishi, and Mayor Kuehne

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None


JENNIFER M. FERRAIOLO
City Clerk