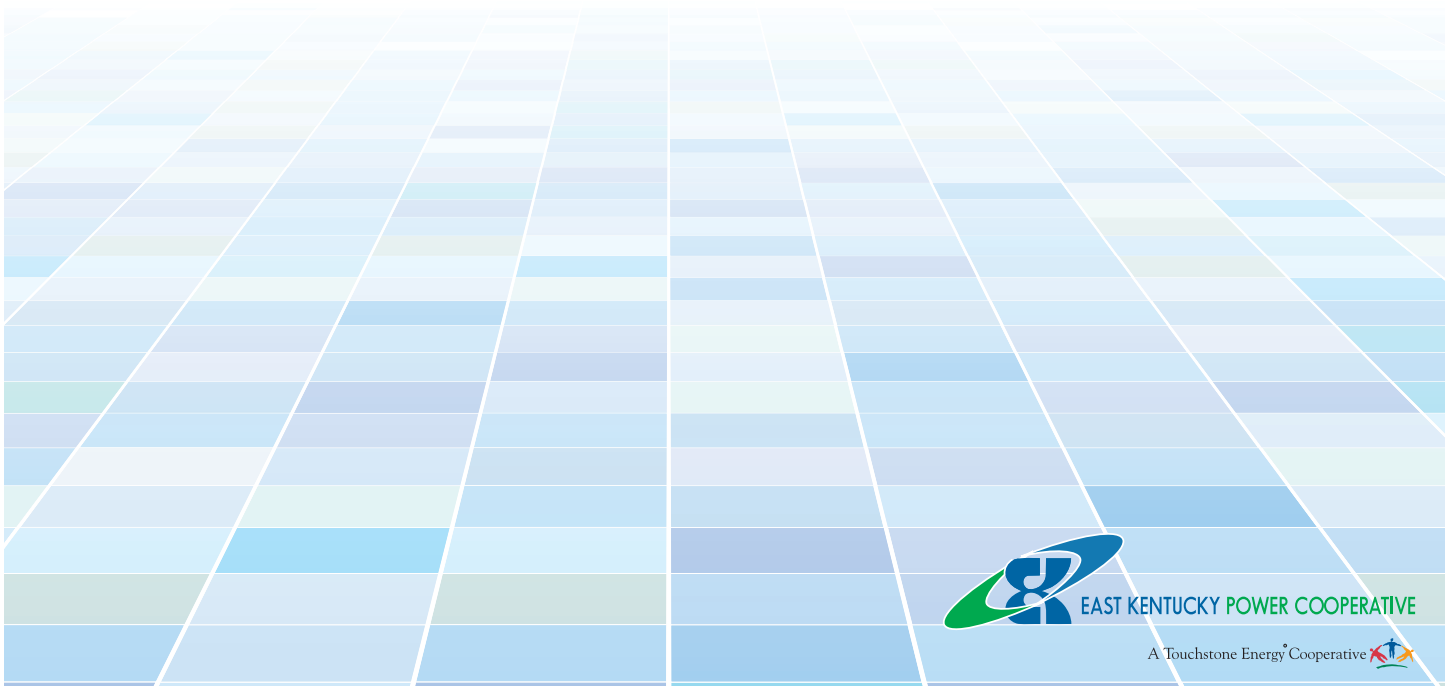




EAST KENTUCKY POWER COOPERATIVE  
*2014 Strategic Plan*

AIMING FOR EXCELLENCE



EAST KENTUCKY POWER COOPERATIVE

A Touchstone Energy Cooperative 

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## About East Kentucky Power Cooperative

EKPC is a not-for-profit, member-owned cooperative providing wholesale electricity to its 16 owner-member distribution cooperatives, which serve 524,775 Kentucky homes, farms, businesses and industries across 87 counties. EKPC provides power through coal-fueled plants located in Mason, Clark and Pulaski counties, renewable energy plants in Boone, Laurel, Greenup, Hardin, Mason and Pendleton counties, along with gas peaking units, hydroelectric power and nearly 2,800 miles of transmission lines. Together, EKPC and its owner-member cooperatives are known as Kentucky's Touchstone Energy Cooperatives.

### EKPC at a Glance

- Assets — \$3.4 billion
- Employees — 663
- Generating capacity (coal) — 1,882 megawatts
- Generating capacity (natural gas) — 1,032 megawatts
- Generating capacity (renewable)\* — 184.5 megawatts
- Miles of transmission lines — 2,816 miles
- Number of substations — 363
- Meters served by member-owner co-ops — 524,775
- 2013 energy sales — 12.7 million megawatt hours
- 2013 operating revenue — \$903 million
- 2013 net margin — \$68.9 million

*Statistics as of December 2013*

*\* Includes contracts for hydro power from the Southeastern Power Administration*



### **EKPC is Aiming for Excellence**

This booklet provides an overview of EKPC's Strategic Plan. The plan was developed by our Board of Directors, which represents the 16 electric cooperatives that own EKPC.

The three fundamental components of the Strategic Plan are:

**Mission.** The mission statement explains why EKPC exists.

**Values.** These are the shared beliefs and culture that underlie everything we do at EKPC.

**Strategic Objectives.** These nine objectives are the heart of the Strategic Plan because they provide the expectations of EKPC's Board of Directors.

This plan encompasses the goals, direction and ground rules for EKPC, as determined by our owners. It provides the basis for each of EKPC's business units to develop their own plans for achieving the Strategic Objectives. A set of metrics has been developed to track each business unit's progress toward implementing the business plans.

It is critically important that each and every employee understands the role they play. Each employee's goals and objectives should align with the goals and objectives of their business unit and EKPC as a whole. When that happens, everybody should be pulling in the same direction.

All too often, after a plan is developed, it sits on a shelf and gathers dust. EKPC's Strategic Plan definitely is *not* one of those plans. Every monthly Board meeting includes reports and updates on EKPC's progress toward implementing the Strategic Plan. And, each year, the Board reviews and makes changes to the Strategic Plan itself in order to adapt to changes in such factors as technology, markets, laws, regulations, the economy, our members and EKPC's workforce.

That's important, because few industries are changing as rapidly as the energy industry. EKPC has a long tradition of leading the way among electric cooperatives nationwide. This plan ensures we will continue to do that, while continuing to safely provide reliable, affordable service to our owner-members.

A handwritten signature in cursive script that reads "Anthony Campbell". The signature is written in dark ink on a white background.

Anthony "Tony" Campbell  
President & CEO



## ***Governance***

*Implement and maintain governance standards that are consistent with modern practices and the needs of the power supply cooperative.*

The Board will foster a culture of transparency and effective governance to ensure that competent and committed directors are accountable, objective, acting with the utmost integrity, and focusing on the best interests of EKPC. The Board, with guidance from the Governance Committee, will pursue best practices in the area of governance to ensure the overall strategic strength of the organization. Such actions will be part of EKPC's culture and not by regulatory mandate.

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### ***Critical Success Factors***

- Actively pursue best practices in governance and strive to be a model in the industry.
- Ensure Owner-Members understand the importance of nominating highly qualified candidates willing to make the necessary time commitment to effectively govern a G&T.
- Ensure Directors discuss and debate issues while providing effective oversight of the Cooperative.
- Deliver ongoing training for continuous professional and personal growth of Directors.
- Maintain a level of mutual trust and respect with each other and senior management.



## ***People***

*Develop and maintain a high-performance workforce.*

EKPC will create a culture of continuous improvement that is focused on the safety, performance, and development of employees while preparing for the future through more effective training and improved succession planning.

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### ***Critical Success Factors***

- Develop a planned, sustainable safety improvement program.
- Develop and implement a comprehensive strategy to lead the workforce of the future that includes recruiting, development, retention, performance management and compensation that is aligned with the strategic plan of EKPC.
- Prepare for and assemble an engaged and productive workforce, anticipating the currently aging workforce and the changing skills and expectations of the different generations.



## ***Financial Integrity***

*Balance strength, flexibility and affordability.*

EKPC will balance three goals: financial strength, financial flexibility and affordability of its system. This results in resilience to handle financial shocks, the ability to execute new opportunities consistent with other strategic objectives, and low cost to members with improving competitiveness.

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### ***Critical Success Factors***

- Use cost control and balance sheet management to keep rates affordable.
- Use the Economic Development Rider to enhance competitiveness as needed.
- Hedge natural gas and energy to minimize the effects of market price spikes.
- Build and maintain liquidity and capital resources to enable planned and opportunistic expansion.
- Drive all financial metrics to levels consistent with “A” credit ratings.
- Mitigation/depreciation of the Smith Unit #1 assets.



## ***Operational Performance***

*Improve performance to be recognized as a leader among cooperatives, and maximize performance opportunities within PJM.*

EKPC will aggressively manage and improve its operational performance using benchmarking to identify operational deficiencies, and instilling a culture of continuous improvement.

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### ***Critical Success Factors***

- Establish performance measures that have clear line of sight to the strategic objectives, cover all departments, and are balanced.
- Define and pursue operational excellence using established performance measures to track progress.
- Use external benchmarking where it helps with goal-setting and identification of leading practices.
- Implement a corporate-wide continuous improvement effort.



## ***Generation and Transmission Assets***

*Use EKPC's assets to deliver reliable and affordable energy from appropriately diversified fuel sources, and work with federal and state stakeholders to ensure the economic viability of EKPC's existing and future resources to meet the challenges and opportunities surrounding climate change.*

EKPC will carefully manage its portfolio of assets and pursue diversity of supply resources, including DSM/EE programs, market-based opportunities and partnering opportunities. In addition, in light of the uncertainties and risks related to climate change regulation/legislation, EKPC will research and learn about related issues and opportunities.

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### ***Critical Success Factors***

- Pursue prudent diversity in the fuel mix of the generation portfolio via increased reliance on natural gas and viable renewable resources.
- Diversify the capacity and energy resources used to meet demand among assets that are owned (including partnerships), distributed generation and/or procured from the market.
- Aggressively promote and engage our owner-members to expand existing programs, and identify new strategies to increase the use of demand-side resources, including energy efficiency, to meet the growing pressures surrounding climate change.
- Reduce environmental impacts through the use of economically viable renewable energy sources.
- Research climate change issues and opportunities to continue utilizing the existing coal fleet.
- Ensure cyber and physical security are appropriately addressed.



## ***Rates and Regulatory Relations***

*Design equitable rate structures, closely manage rate levels and continue to pursue positive relationships with regulators.*

EKPC will establish rates that support economic development, build a stronger balance sheet and appropriately apportion costs among the owner-members while working closely and constructively with state and federal regulators.

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### ***Critical Success Factors***

- Review and introduce where appropriate a rate structure that is equitable, reflects a true cost of service and incentivizes appropriate end-use behavior.
- Establish a rate level that improves EKPC's equity ratio.
- Avoid rate shock by increasing rates at close to the level of inflation in the long-term, changing gradually from year-to-year.
- Establish relationships and actively engage and partner with state and federal regulators of utilities, the environment and other areas.



## ***Communications and Public Relations***

*Establish and maintain effective communications with Members, employees, customers and our broader communities.*

EKPC will ensure consistent and appropriate education and sharing of information with stakeholders, so internal stakeholders will have the information necessary to execute EKPC's Strategic Plan, and external stakeholders will understand EKPC's mission and issues affecting the co-op's ability to fulfill that mission.

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### ***Critical Success Factors***

- Provide effective communication to board members, system managers, EKPC employees and key external stakeholders, including policy-makers, regulators, community/business leaders, key accounts, advocacy organizations, other utilities and the media.
- Educate appropriate stakeholders about EKPC's Strategic Plan.
- Communicate information necessary to implement, monitor and direct efforts to meet the goals and objectives of the Strategic Plan.
- Ensure effective communication of all strategically important matters to all key stakeholders.
- Provide communications support and resources to owner-members so they can communicate effectively with their stakeholders.
- Track effectiveness of communications, particularly those designed to raise awareness of the Strategic Plan and its key elements.



## ***Economic Development***

*Support the economic interests of EKPC and the owner-members it serves, including strong support for the manufacturing sector.*

EKPC will build an economic development capability that focuses on the economic sustainability of its owner-members and their communities through job-creation endeavors, load retention and load-building opportunities.

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### ***Critical Success Factors***

- Maintain a consistent focus on economic development with full-time resources.
- Partner with owner-members to encourage development that meets the needs of their communities.
- Pursue economic development rates that support fairness among owner-members.



## ***Risk Management for Load Loss***

*Actively understand and plan for risks of potential future loss of load related to distributed generation and/or price point mismatches within PJM and with direct customers.*

EKPC will research and study risks of potential load loss like distributed generation (DG) or mismatches of energy pricing relative to energy prices available within PJM or through other means.

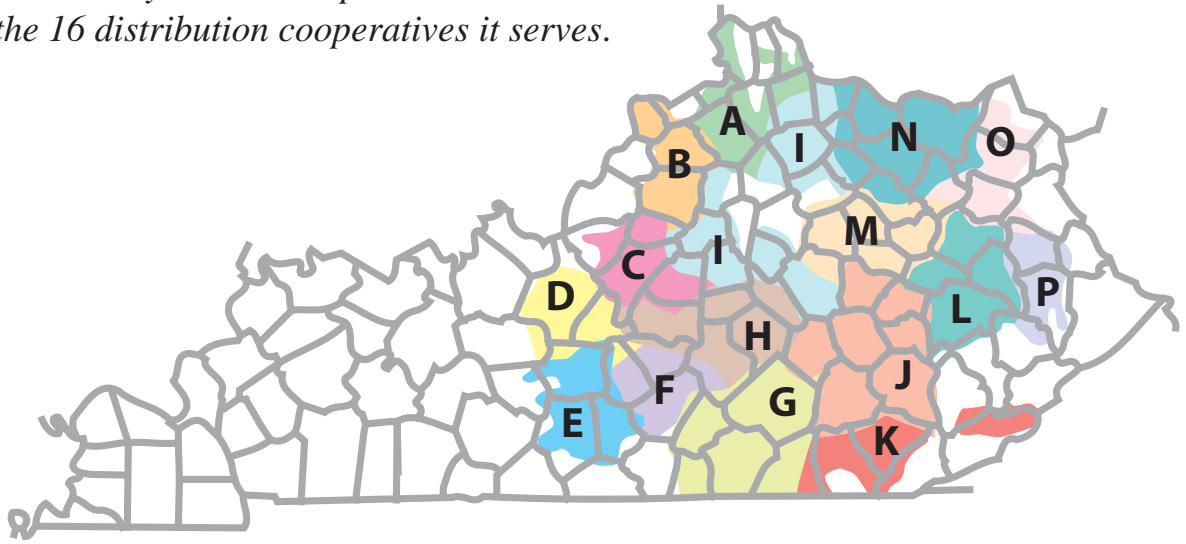
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### ***Critical Success Factors***

- Organize research around areas of potential load loss.
- Reach out to other cooperatives and other organizations (e.g., NRECA, EPRI) on research and studies that have been performed on these topics.
- Conduct own research where gaps exist in available studies.
- Develop plans based on the results of the research and analysis and engagement with the board.

## ***EKPC's Owner-Members***

*East Kentucky Power Cooperative is owned by the 16 distribution cooperatives it serves.*



Cooperative	Location	Web site
<b>A</b> Owen Electric	Owenton, Ky.	<a href="http://www.owenelectric.com/">www.owenelectric.com/</a>
<b>B</b> Shelby Energy	Shelbyville, Ky.	<a href="http://www.shelbyenergy.com/">www.shelbyenergy.com/</a>
<b>C</b> Salt River Electric	Bardstown, Ky.	<a href="http://www.srelectric.com/">www.srelectric.com/</a>
<b>D</b> Nolin RECC	Elizabethtown, Ky.	<a href="http://www.nolinrecc.com/">www.nolinrecc.com/</a>
<b>E</b> Farmers RECC	Glasgow, Ky.	<a href="http://www.farmersrecc.com/">www.farmersrecc.com/</a>
<b>F</b> Taylor County RECC	Campbellsville, Ky.	<a href="http://www.tcrecc.com/">www.tcrecc.com/</a>
<b>G</b> South Kentucky RECC	Somerset, Ky.	<a href="http://www.skrecc.com/">www.skrecc.com/</a>
<b>H</b> Inter-County Energy	Danville, Ky.	<a href="http://www.intercountyenergy.net/">www.intercountyenergy.net/</a>
<b>I</b> Blue Grass Energy	Nicholasville, Ky.	<a href="http://www.bgenergy.com/">www.bgenergy.com/</a>
<b>J</b> Jackson Energy	McKee, Ky.	<a href="http://www.jacksonenergy.com/">www.jacksonenergy.com/</a>
<b>K</b> Cumberland Valley Electric	Gray, Ky.	<a href="http://www.cumberlandvalley.coop/">www.cumberlandvalley.coop/</a>
<b>L</b> Licking Valley RECC	West Liberty, Ky.	<a href="http://www.lvrecc.com/">www.lvrecc.com/</a>
<b>M</b> Clark Energy	Winchester, Ky.	<a href="http://www.clarkenergy.com/">www.clarkenergy.com/</a>
<b>N</b> Fleming-Mason Energy	Flemingsburg, Ky.	<a href="http://www.fme.coop/">www.fme.coop/</a>
<b>O</b> Grayson RECC	Grayson, Ky.	<a href="http://www.graysonrecc.com/">www.graysonrecc.com/</a>
<b>P</b> Big Sandy RECC	Paintsville, Ky.	<a href="http://www.bigsandyrecc.com/">www.bigsandyrecc.com/</a>

## *EKPC's Mission*

EKPC exists to serve its member-owned cooperatives by safely delivering reliable and affordable energy and related services.

## *EKPC's Values*

- Safety
- Service
- Honesty and Integrity
- Respect
- Teamwork

## *EKPC's Strategic Objectives*

- Governance
- People
- Financial Integrity
- Operational Performance
- Generation & Transmission Assets
- Rates and Regulatory Relations
- Economic Development
- Communications
- Risk Management for Load Loss

