

TACOMA PUBLIC UTILITIES
Self-Evaluation of Director of Utilities (2014)

And
Response of TPU Board of Directors

Explanations and Directions - Performance Evaluation as Team Building

If an evaluation is to be, in the truest sense, a means of team building, certain conditions must prevail. The two processes must be compatible and interrelated in the following ways:

1. Evaluation is basically a means, not an end in itself.
2. The trust level between the employee and evaluators must be high.
3. The roles must be clearly indicated and accepted.
4. Expectations are defined by standards of performance.

Definition of Roles

Public Utility Board

1. Conduct annual assessments of performance of the Director.
2. Respect the management prerogatives of the Director.
3. Assess in general terms except to cite needed improvements or commend exemplary performance.

Director of Utilities

1. Accepts the need for an annual evaluation.
2. Supports the scope and thrust of the evaluations.
3. Expects the evaluations to adhere to the established procedures for evaluating the performance of the Director.
4. Recognizes and respects the policy role of the Board.

Pre-determined Performance Standards

A performance standard is defined as a condition that will exist when a responsibility or function is successfully performed. It is essential that a performance standard be established, at the outset, for each of the major areas of responsibility of the Director. This is necessary in order to use the rating scale effectively. Performance will be considered effective in an area of responsibility when a majority of the performance standards have been successfully fulfilled.

Major Areas of Responsibility

It should be reiterated that in determining the appropriate level of expectations, actual performance must be measured in relation to the indicated standard of performance in the eight major areas of responsibility. Descriptors as provided under each clarify the meaning and content of the area; however, the evaluation is made of the major area.

Rating Symbols

Rating symbols are used to make assessments; and these symbols fall into three main categories:

- 1 = Below Expectations (performance has been below reasonable expectations)
- 3 = Meets Expectations (performance has attained a level of reasonable expectations)
- 5 = Exceeds Expectations (performance has been above reasonable expectations)

As indicated earlier, without more precise definition of the term “expectations”, it is possible that ambiguity will result in the use of the term. In order to help avoid this possibility, the concept of performance standards is used.

It will be noted that in connection with each area, a performance standard is stated, including the condition that has to be met in order to decide the extent to which the “expectations” have been met.

PURPOSE

In order to establish and maintain effective Board-Director relations, it is essential that there be an ongoing evaluation process that offers an opportunity for each party to review the performance of the Director. This evaluation should focus on how effectively the Director is accomplishing established goals and how she/he is carrying out her/his responsibilities in key performance areas.

Specifically, the evaluation should serve the following needs:

- (1) Allow the parties to test, identify, and refine their respective roles, relationships, and expectations of responsibilities to each other.
- (2) Allow discussion of the Director’s strengths and weaknesses as demonstrated by past performance with the objective of increasing the Manager’s effectiveness; that is, give the Board the opportunity to provide positive feedback in areas that have been handled well and to clarify areas where the Director could become more effective through improved performance.

PROCESS

- (1) The Director completes the Self-Evaluation Form by the end of each calendar year.
- (2) In January of each year, each Board member receives a copy of the evaluation form and the completed Director Self-Evaluation Form.
- (3) Each Board member completes an evaluation form, signs it, and returns one copy to the Chair of the Board.
- (4) The Chair tabulates the results of the evaluation forms.
- (5) The composite evaluation of the Board, along with the Director's Self-Evaluation Form, are distributed by the Board Chair to the other Board members prior to the executive session evaluation meeting. A copy of the composite evaluation as well as a list of each member's ratings and comments is provided by the Chair to the Director prior to the evaluation meeting.
- (6) The Board meets with the Director in executive session to review the evaluation.
- (7) The operating ground rules shall be established by the Board for the executive session including, but not limited to, such considerations as location, time, or time considerations for any particular subject matter.
- (8) The Board's evaluation process shall begin in January of each year, except that the Board may require an additional evaluation at any time during the year.
- (9) Following the evaluation, the Director shall present to the Board any requests regarding changes to the Employment Agreement including salary adjustments with the Council-authorized "Executive Salary Schedule."
- (10) At the executive session, the Board Chair shall also solicit additional adjustment suggestions from the Board members. At any point during the executive session, the Board may choose to excuse the Director from deliberations regarding these items. Following the reaching of a majority consensus on any adjustments, the Board shall inform the Director of its pending decision in executive session and then reconvene in open session to ratify the changes.

INSTRUCTIONS

Attached is the evaluation form for the Director of Utilities. It encompasses nine major areas of responsibility.

The rating system for key performance areas has been established for a 1(fails to meet standards), a 3(meets standards), or a 5 (exceeds standards) determination by the evaluator.

A space has been provided for each performance area to include your comments. Each person preparing the form is encouraged to select specific examples of why a particular rating has been chosen. The comments included should give the Director enough information to correct problem areas and allow her/him to place specific items on her/his work plan for the following year.

Upon completion of the form, please return it to the Board Chair for tabulation.

MAJOR AREAS OF RESPONSIBILITY

- I. Organizational and Human Resources Management
- II. Fiscal/Business Management
- III. Program Development and Follow-Through
- IV. Relationship with the Mayor/Council
- V. Long Range Planning/Strategic Plan
- VI. Relationship with Public/Public Relations
- VII. Intergovernmental Relations
- VIII. Professional/Personal Development

I. ORGANIZATIONAL AND HUMAN RESOURCES MANAGEMENT

RESPONSIBILITY

- Plans and organizes the work that goes into providing services established by past and current decisions of the Board.
- Plans and organizes work that carries out policies adopted by the Board and developed by Staff.
- Plans and organizes responses to public requests and complaints or areas of concern brought to the attention of the Staff by City Council and Board and Staff.
- Evaluation and keeping up with current technology.
- Selecting, leading, directing, and developing staff members.

PERFORMANCE STANDARD

- Well qualified, promising persons are recruited and employed.
- Effectively utilizes subordinates' skills when delegating and clearly defines and follows up on delegated responsibilities.
- Employees are appropriately placed contributing to a high retention rate.
- Supervisory techniques motivate high performance.
- Complaints to Board and City Council are not common.
- The organization is aware of new trends in technology.

Rating: ___ 1 (Below Expectation)
 ___ 2
 ___ 3 (Meets Expectations)
 X 4
 ___ 5 (Exceeds Expectations)

CEO Self-Evaluation:

The Tacoma City Charter provides for a "general management survey" of TPU's utilities every 10 years. Late in 2013, a Steering Committee composed of the Mayor, two City Councilmembers, and two Utility Board members was formed to oversee the recent review process. A qualified management consulting firm was retained, and conducted its work during much of 2014. Through this process, more than 110 individuals were interviewed, and more than 600 documents were reviewed. The Management Review report was completed in November 2014, at a final review meeting of the Steering Committee. The Management Review reflected favorably on TPU. The top-line finding was "This management review determined that TPU as a whole, and its individual operating utilities, are performing well". Anecdotal feedback from the consultants included mention of significant improvements in TPU's management performance since the last review in 2003. The review produced 39 recommendations, for which TPU management will produce and prioritize implementation recommendations early in 2015.

2014 was the fifth year during which the performance of all TPU employees (represented and non-represented) was evaluated both against performance criteria established for the City wide personnel evaluation program, and against individual goals developed through TPU's annual planning and goal-setting process. This evaluation process serves as an important management and personnel development tool, and can serve as the basis for a future performance based compensation program for non-represented employees.

To better tie together TPU's strategic planning efforts with its annual goal setting and employee evaluation processes, both Power and Water continued use of 'balanced scorecard' practices in 2014. These structures help translate strategic objectives into business unit goals, provide better 'line of sight' for employees, and provide mechanisms to track progress toward those goals throughout the year.

Employee headcount at Tacoma Water and Tacoma Power stabilized during 2013-14, following several years of attrition to offset budget pressures. Headcount at Tacoma Rail grew slightly, to accommodate increased traffic volumes. All vacancies are being reviewed by the respective Superintendents and management teams before being filled.

Early in 2014 a 3% salary increase was provided, essentially across the board, to all non-represented TPU and General Government employees. This adjustment helped move TPU employees back toward market compensation levels, as is provided for by the City's compensation plan. As part of the 2015-16 budgeting process the Director and the City Manager jointly recommended, and the City Council approved, a two-step salary adjustment process which will restore non-represented employees to market pay levels by 2016. These adjustments are welcome and necessary, following a five-year freeze on non-represented salaries.

The Director continued bi-monthly meetings of the TPU senior management team (Director's direct reports) to address matters that span the TPU organization and to ensure continuity in management and policy application across the organization. These meetings have been well received and are part of a broader effort to "de-silo" the organization. A discussion of TPU wide matters was also continued at the bi-monthly "Management Forum" meeting of senior and middle managers.

TPU continued its formal Succession Planning program, with succession plans in place at the Superintendent and Section Manager level in all organizations, and also at the Assistant Section Manager level in Tacoma Power. During 2014, we completed the transition of the succession planning program from consultant support to internal support.

TPU's Total Quality and Change Management programs continue to produce business process improvements at all levels of the organization.

TPU conducted its second annual all-employee survey in 2014. The response rate was a favorable 70+%. The results of this survey are reviewed in detail by senior management, and utilized to address common themes. The current focus is on employee engagement, the first-line supervisor – direct report interface, and on further improving employee communications.

Beginning in 2014, and partially in response to employee survey findings, the frequency of TPU-wide employee meetings was increased to twice annually. These meetings are well attended by employees, and are utilized to share information of interest to the whole organization.

Board Members' Ratings: 4, 4, 4.5, 5, 5

Board Members' Comments/Concerns/Recommendations:

TPU has seen the fruits of strong organizational management in 2014. The successful completion of the water filtration facility, planning and implementation of leading edge fish collection facilities, achieving the 5th year of exceeding conservation goals, strong management and performance of Rail all stem from the organizational structure put into place over a series of years. Performance management, balanced score card, succession planning have all been managed consistently to achieve a high quality of work from every level of the organization.

Diversity of upper management has increased and benefited the organization. A strong succession-planning program has resulted in talented employees moving up the organization into increasing leadership positions.

A challenging negotiation with an important union partner was completed successfully. There is more work to be done to engender future trust with rank and file employees and their represented unions.

He has done an exceptional job recruiting outstanding key managers. I would like to see some type of performance base compensation.

The programs he has established to achieve goals are showing great results.

Although I appreciate the Director's (and the City Manager's) efforts to increase the compensation of the non-represented employees, the underlying issues have not been resolved and I would like the Director to continue to work on promoting with the City Manager and the City Council the importance of market-based compensation for TPU employees.

The Director's emphasis on the succession planning process remains an important priority and was borne out (albeit in 2015) by the selection of Chris Robinson as the new Power Division leader – a good choice for a graduate of the succession planning process.

As indicated last year, I would still like to see an emphasis on adopting a performance-based compensation system, but I understand this is a long process with many other participants in TPU and the City.

II. FISCAL/BUSINESS MANAGEMENT

RESPONSIBILITY

- Plans and organizes the preparation of an annual budget with documentation etc. that conforms to guidelines adopted by the Board and City Council.
- Plans, organizes, and administers the adopted budget with approved revenues and expenditures.
- Plans, organizes, and supervises most economic utilization of manpower/materials/machinery.
- Plans and organizes a system of reports for the Board that provides most up-to-date data available concerning expenditures and revenue.
- Plans and organizes maintenance City-owned facilities, buildings and/or equipment.

PERFORMANCE STANDARD

- Budget preparation and management are thorough and effective.
- Cost-effective measures are persistently pursued.
- Financial reporting is timely and readily understandable.
- Physical facilities management is efficient.
- Maintain competitive rates for utility services

Rating: ___ 1 (Below Expectation)
 ___ 2
 ___ 3 (Meets Expectations)
 X 4
 ___ 5 (Exceeds Expectations)

CEO Self Evaluation:

The effect of the economic downturn on TPU's operating utilities continued to abate during 2014. Permit applications for new Power and Water service increased noticeably. A number of potentially large new Power and Water business customers are considering locating in the service area. Rail revenues significantly exceeded forecast, reflecting the Grand Alliance shipping consortium move to Tacoma, and the beginning of unit train service to U.S. Oil. However, a labor slowdown in the Port adversely affected Rail revenues late in 2014. In Power and Water, budget controls adopted during the recession were continued. In Rail, personnel were added to serve the higher railcar volumes.

To aid and inform the Board, biennium-to-date actual financial reports and balance-of-biennium projections continue to be prepared and reviewed with the Board quarterly. Superintendents of the respective utilities report on plans and actions undertaken to manage

within financial parameters. Reflecting careful fiscal management by our senior executives, each of the utilities ended the 2014 with positive net revenues that exceeded planned levels.

During 2014 all TPU divisions participated in development of the 2015-15 biennium TPU budgets, and associated rate adjustments for Power and Water. These budget and rate proposals were well vetted with Board through study session presentations, with the community through neighborhood council meetings, and with key customers through 1:1 meetings. Late in the year, the process culminated with formal presentations to the Board and Council. Considering the cost-cutting, conservatism and financial re-structuring in the budgets, and the degree of community outreach undertaken, the budget proposals were approved by the Board and Council without controversy. The associated rate proposals will be put forward for approval in the first quarter of 2015.

As part of the 2015-16 budgeting process, both Power and Water developed and implemented innovative plans to utilize excess cash reserves to re-structure or reduce debt issuance and mitigate rate increases that would otherwise have been necessary over the next few biennia. This affirms the prior strategy of developing strong financial competence in these two utilities.

Again in 2014, TPU achieved a 'clean' opinion letter from Moss Adams, its external auditor.

The bond ratings of the Power and Water utilities were re-affirmed at AA during 2014 by both Moody's and Standard & Poor's.

Board Members' Ratings: 5, 5, 5, 5, 4

Board Comments/Concerns/Recommendations:

The clean audit results are a direct reflection of Director Gaines' leadership in achieving strong financial results.

This has been his greatest achievement. The fact that the outside rating agencies raised both power and water bond rating is almost unbelievable achievement, especially in the face of the economic crisis.

He put in an asset management program, which saved significant money for the last budget of 2015 - 2016.

This is clearly an area where the Director excels. The passage of a biennial budget with minor rate increases and no significant issues is a positive sign, but does not clearly express the success of the financial management of TPU. All three utilities ended the biennium in the black. The utility received a clean audit. Furthermore Power put into motion significant financial strategies to save ratepayers money in the short and long term. The rate payers have benefited from the discipline of "business cases" that must be made before capital projects are included in the budget. This has set a new culture insuring that projects are appropriately prioritized.

The Director's management of his team in the budget process and cash management initiative was excellent work that will benefit the rate payers in the current biennium and for many future years

The Director's selection and development of high-quality, well-trained, smart and creative key financial team managers is a credit to his thoughtful and very professional approach to leadership in this area.

As in prior years, I would like to continue to improve the simplification of reporting of the various complicated financial results. There has been improvement and this is not an easy task, but the Director should continue his efforts in this regard.

III. PROGRAM DEVELOPMENT AND FOLLOW THROUGH

RESPONSIBILITY

- Plans and organizes on-going services to TPU customers.
- Plans and organizes work involved by Board and Staff and the reporting of the results of analysis.
- Maintains knowledge of current and innovative trends in the area of services being provided by comparable utilities, and incorporates that knowledge.
- Plans and organizes work assigned by the Board so that it is completed with dispatch and efficiency.
- Plans, organizes and supervises implementation of programs adopted or approved by the Council.

PERFORMANCE STANDARD

- Ongoing programs and services are fully responsive to customer needs.
- Monitoring procedures are in place and functioning well.
- Measurable outcomes (to the extent possible) are used to determine success in programs planning.
- The Director can be depended upon to follow through.
- Makes most effective use of available staff talent.

Rating: ___1 (Below Expectation)
 ___2
 ___3 (Meets Expectations)
 X 4
 ___5 (Exceeds Expectations)

CEO Self Evaluation:

Tacoma Power has once again exceeded its energy conservation savings target during 2014. A new customized conservation program was introduced, and the marketing program (“Know Your Power”) was continued. A number of recognitions and favorable customer comments were received regarding the conservation programs, most notably from the Pt. Defiance Zoo and from Pierce County.

Power has put a high level of effort into improving its NERC / WECC grid reliability compliance program. This program is in response to Federal regulations re: both physical and cyber-security of the Nation’s power system. Numerous compliments and no significant adverse findings have been received from WECC staff on the program during the biennial audit process in 2013.

Implementation of Tacoma Power's energy risk management program continued during 2014. Implementation of new energy risk analytical software development but has been delayed due to issues with the software vendor. A new risk manager was brought on board late in 2014, and will define a revised approach to this project.

Power completed the innovative new North Fork powerhouse at the Cushman hydroelectric project. This project makes use of water that is required to be discharged for fish passage purposes to generate 'green' power that qualifies under the State's renewable portfolio standards law. The project was partially funded with a \$4.7 million Federal (DOE) grant, and received an award from the National Hydropower Association (NHA).

Power continued its close involvement in a multi-year regional effort to develop a new centralized, automated within-hour wholesale power market (known as an Energy Imbalance Market (EIM)), to better integrate wind generation and other renewable resources. Such a market would represent significant change for the Pacific Northwest, and in addition to design of the market part of the effort is focused on mitigating regulatory and governance/control risks. The Director is co-chairing (and representing Public Power) in this regional effort, along with the CEO's of the Bonneville Power Administration and Portland General Electric Co.

Water's Green River filtration project is progressing well toward its completion date and dedication ceremony in May of 2015. The project is on schedule, approximately \$9 million under budget, and in December of 2014 began delivering filtered water into one of Tacoma Water's two main transmission pipelines.

Tacoma Water worked with the Tacoma Pierce County Economic Development Board (EDB), and with Pierce County, to help recruit the Niagara water bottling company to the Fredricksen industrial park. Water incented Niagara with a limited-term discounted water supply contract, with a take-or-pay provision. When fully developed, Niagara will become one of Tacoma Water's largest retail customers.

Tacoma Water is also focusing on increasing its whole water sales revenues, and was successful in marketing an additional 1.0 MGD of supply to the City of Auburn.

Tacoma Rail executed a new 20 year operating agreement with the Port of Tacoma, establishing Rail as the Port's exclusive rail services provider. The agreement also establishes a collaborative management and business development process between the Port and Rail, and establishes a schedule of key operating metrics to measure the efficiency of the rail operation.

Tacoma Rail worked closely with Port of Tacoma officials and with existing and potential new tenants to develop new business in the Port area. New infrastructure to facilitate unit train service to U.S. Oil was funded and completed with the aid of State grants.

TPU is working collaboratively with the City of Tacoma on an automated electronic records management project known as TIMS. The project will formalize records retention procedures and schedules, and utilize SharePoint software to archive and simplify retrieval of records.

Board Members' Ratings: 4, 4, 4, 4, 4

Board Comments/Concerns/Recommendations:

TPU has exhibited leadership in two particular areas of environmental leadership. 2014 is the fifth year that Power will exceed its goals with regard to energy conservation, meeting all new load growth through conservation. Power is in the process of planning and building leading edge fish collection facilities. Additionally, Water's fish commitment exceeds the state requirements. Utility planning horizons are measured in decades, and TPU's programs are focused and disciplined and focused on the long-term sustainability of the utility system. The new water filtration plant will serve populations for generations to come.

Power's 2015-16 Integrated Resource Plan (IRP) should include analysis of the (potentially large) new sources of energy demand that are on the horizon. I would like to ensure that environmentally sustainable resources, demand side management, and the potential for distributed generation are thoroughly considered in the IRP.

The conservation program has had great results. Director Gaines had the foresight to implement these practices before legislation mandated it, and the Utility has benefitted from this pro-active approach.

The water plant is a great achievement for being on time and under-budget.

The Director has continued to provide leadership and direction in a wide array of strong and important programs for each of the utility divisions. Most notable is the completion of the filtration plant, the fish moving facilities at Cushman and Cowlitz and operating agreement with Rail and the Port.

As in prior years, the number and complexity of TPU's many important initiatives and projects makes it difficult to keep track of them all. I would like to see some simplified reporting system for us to identify and track the progress of the most important programs.

IV. RELATIONSHIP WITH BOARD AND COUNCIL

RESPONSIBILITY

- Maintains effective communication both verbal and written, with Board.
- Maintains availability to Board, either personally or through designated subordinates.
- Establishes and maintains a system of reporting to Board current plans and activities of the Staff.
- Plans and organizes materials for presentations to the Board, either verbally or written, in the most concise, clear, and comprehensive manner possible.

PERFORMANCE STANDARD

- Reports, presentations and recommendations are clearly and convincingly made.
- Facilitates Board action, including adoption of ordinances, agenda preparation, and provides information and background required by the Board and City Council.
- Communications are made in a timely, forthright, and open manner.
- Keeps all Board Members well informed and involved on issues that should be addressed or monitored for possible action.
- Responses to requests are made promptly and completely.
- Recommendations appear to be thoroughly researched.
- Demonstrates what he says can be accepted at face value.
- Maintains respect for Council, takes a consistent position and holds confidences.
- A system is in place to report to Council current TPU plans, activities, and events.
- Where feasible, presents alternate recommendations to the Board and City Council.
- Complies with all provisions of the Board-Council MOU.

Rating: ___ 1 (Below Expectation)
 ___ 2
 X 3 (Meets Expectations)
 ___ 4
 ___ 5 (Exceeds Expectations)

CEO Self Evaluation:

Regular communication to and with the Board was continued during 2014. Numerous meetings and telephone conversations took place beyond the bi-monthly Board meetings and study sessions, and the flow of information to the Board was continued through the use of e-mail. The organization has endeavored to respond promptly to Board and Council questions, and to suggestions for study session topics. The Director continues to solicit the Board's

feedback on the level of communication, and will be happy to comply with any further requests or suggestions.

TPU has endeavored to improve the quality of its presentations at Board and Council meetings and at study sessions. Standardized presentation templates have been developed, training in presentation techniques has been provided to employees by the CMS group, and the Director reviews each presentation before it is finalized. The Director welcomes the Board's feedback on the quality and content of presentations.

Communication with the Mayor and Council members was maintained during 2014 via quarterly joint Board/Council study sessions. In addition the Director and Board Chair met approximately monthly with the Mayor during 2014 to discuss TPU issues and initiatives.

The Director continues to communicate with the City Manager through semi-monthly meetings, and other opportunities. The Director has established a constructive working relationship with the new Manager, and has appreciated his open-minded and businesslike approach to issues of mutual concern. Thus far the new Manager has been quite willing to observe City charter and code provisions relating to TPU governance.

TPU continues to sponsor at least one tour of its major facilities each year for Board and Council members. The 2014 tour was at the partially-completed Green River filtration facility. A second tour for newer Board members to the Cowlitz River fishery facilities was also conducted.

As requested, the Board has been provided with regular litigation and legislative status updates.

Board Members' Ratings: Board 5, 4.5, 4, 4, 4; Council 3, 3.5, 2.5, 3, 3.5

Board Comments/Concerns/Commendations:

He has made a good try. For me personally, any questions I have had, I would always get a prompt reply.

While the Director has made progress in the Council relationship, there are still areas for improvement. The Joint Study Sessions have been increasingly producing meaningful conversation and interaction. There is also room for improved communications in-between the Study Sessions. Individual meetings with Council Members could build on this, but it will be helpful for the Council to indicate how it would like to improve the dialog. The concept of a Council liaison role at TPU, which was raised in the 10yr Management Review, should be explored with the Board and Council.

It is clear that steps have been taken in 2014 to improve the relationship with the City Council. A good example of this was the joint study session near the end of the year on the issue of undergrounding. The policy level discussion that took place during that meeting is good example of the working relationship that should be taking place between TPU

management, the Board and the Council regarding significant policy issues. The tone and tenor of the budget process is another example of how the trust and communication has improved. There is still work to do and the Director should continue to do everything in his power to build trust and strong communication with the Council. If that effort is reciprocated by members of the Council we will be able to work through the inevitable policy differences that exist.

The Director provides excellent responsiveness to the TPU Board and great leadership in facilitating the relationship between TPU management and the Board. Reporting is sound and timely, and information is complete and responsive to Board Member questions, comments and recommendations. Board meetings and study sessions are invariably courteous and professional from the Director on down through his entire team.

The Director's relationship with the Council, however, remains a challenge although my impression is that 2014 saw improvement. This relationship remains a two-way street that the Director cannot manage by himself. However, the Director (and the Board) need to continue developing opportunities for more meaningful and informed policy development. We need to continue to try to develop better processes that will provide the Council the information they need to address their particular concerns and to inform the Council of the sometimes complicated facts and policies involved in TPU decision-making. We (Director and Board) need to continue to work on this in the coming year.

V. LONG RANGE PLANNING/STRATEGIC PLAN

RESPONSIBILITY

- Maintains knowledge of new technologies, systems, methods, etc. in relation to utility services.
- Keeps Board advised of new and impending legislation and developments in the area of public policy.
- Plans and organizes a process of program planning in anticipation of future needs and problems.
- Establishes and maintains an awareness of developments occurring within other utilities or other jurisdictions that may have an impact on utility activities.
- Plans, organizes and maintains a process for establishing community goals to be approved or adopted by Council and monitoring and status reporting.

PERFORMANCE STANDARD

- A well-constructed long-range strategic plan is currently in operation.
- Annual operational plans are carried out by staff members.
- An on-going monitoring process is in operation to attain quality assurance in program and project implementation.
- Program evaluation and personnel evaluation are inter-related with the strategic planning process.
- Legislative knowledge is current and complete.

Rating: ___ 1 (Below Expectation)
 ___ 2
 ___ 3 (Meets Expectations)
 X 4
 ___ 5 (Exceeds Expectations)

CEO Self Evaluation:

During 2014 Tacoma Water continued to focus on initiatives developed during its 2011 strategic planning process, focusing on systemic rate pressure brought about by declining demands and escalating capital and O+M costs. Recommended strategies emerging from the plan include continued cost control via Water's asset management program, and an increased focus on selling surplus water at wholesale to surrounding purveyors. Implementation of this plan continued in 2014 and is detailed elsewhere in this report.

In 2014 The Customer Service unit completed a refresh of its 2010-11 strategic plan. A number of initiatives from the earlier plan have been completed. Outcomes include (i) a new customer-facing website offering bill-pay and other self-service tools called "My Account", and (ii) an extended feature of "My Account" designed for self-management of tenant accounts by rental property managers. The refreshed suggests additional software self-

service tools to enhance the customer experience, as well as an increased focus on mid-sized commercial customers. Customer Services has also engaged a consultant to improve the efficiency of its customer call center. Improved metrics to date are quite impressive, and are being sustained. The engagement will continue into 2015, and will also focus on back-office operations.

During 2014, the customer research group began applying new consumer research and marketing techniques to Click! and to Power's energy efficiency programs. Also during 2014, an initial customer satisfaction survey was undertaken. Going forward, the application of these research techniques will be broadened across TPU.

Based on Board requests and consultant and Management Review findings, an effort was undertaken during late 2013 and into 2014 to review the outcomes from Click!'s 2010-11 strategic plan and to develop a robust and durable go-forward business plan for Click! One outcome of the 2010-11 plan was a closer working relationship with the Internet Service Provider (ISP) retailers, which has resulted in a modest increase in ISP customer count and revenues. However, it has become apparent from the recent strategic work that a more significant improvement in Click!'s business model will be required. TPU is positioned to make recommendations re: a future Click! strategy early in 2015.

Board Members' Ratings: 4, 4, 4, 5, 4

Board Comments/Concerns/Recommendations:

He has made this a priority that will pay future dividends.

TPU projects and initiative are generally developed as a result of long-range planning and decision-making. This is a key element of the Director's management style. Because the utilities are inherently long term ventures, the Director's emphasis on the planning processes is critical and the Director does a great job of keeping management focused on the long term. Water's planning based on its asset management plan is a prime example. Tying the long range plans to each TPU employee's goals and performance ratings are a difficult but worthwhile effort promoted by the Director and his management staff.

Click! strategic planning is the biggest challenge at the moment, in part because of rapidly changing technologies, confusing and complex market forces and our justifiable pride in the ownership of Click! and the excellent job Click! employees are doing. These challenges make the development of a plan very complex for the Director and the Board. Nonetheless, we need to deal with this and focus on completing a strategic plan for Click! - sooner and not later.

VI. RELATIONSHIP WITH PUBLIC/PUBLIC RELATIONS

RESPONSIBILITY

- Plans, organizes and maintains training of employees in contact with the public, either by phone or in person.
- Ensures that an attitude and feeling of helpfulness, courtesy, and sensitivity to public perception exists in employees coming in contact with the public.
- Establishes and maintains an image of the Utility to the community that represents service, vitality and professionalism.
- Establishes and maintains a liaison with private non-governmental agencies, organizations and groups involved in areas of concern that relate to services or activities of the City.

PERFORMANCE STANDARD

- Contacts with the media are timely and credible.
- Publications are varied and consistently well-received by citizens.
- Feedback from the public and the community leadership is positive.
- Utility has good image with comparable organizations.

Rating: 1 (Below Expectation)
 2
 3 (Meets Expectations)
 X 4
 5 (Exceeds Expectations)

CEO Self Evaluation:

A redesign of the TPU website (mytpu.com) launched early in 2013, and has been well received. In 2014, an effort was initiated to utilize the website and social media for enhanced reporting of power outages and estimated restoration times.

Use of social media was further increased during 2014, particularly during storm events. The number of TPU's Facebook 'followers' increased during this period, and the overall tone and tenor of customer/public interactions was quite positive.

An effort to increase the number of TPU related stories in industry trade publications resulted in numerous articles during 2014, including a feature on the collaborative development of Cowlitz River fishery facilities between Tacoma Power and Lewis County PUD.

TPU continued to reach out to its top commercial customers via its annual Key Accounts Breakfast in 2014, with an emphasis on the availability and favorable economics of its

energy conservation programs. Also in 2014, TPU received an award from E-Source as the top ranked utility in its size class in business customer relations – largely reflective of the efforts of TPU’s Account Executives.

Communications and marketing plans for both Energy Efficiency/Conservation and Water Conservation were continued in 2014. The campaign has directly contributed to Power’s success in exceeding its energy conservation savings target for 2014. Work was underway in 2014 on a new Click! marketing campaign. An early roll-out of Click! direct mail materials was begun in 2014.

TPU has increased efforts to involve its senior management in community organizations and activities. The Director serves on the Boards of the Tacoma / Pierce County Chamber of Commerce and the Economic Development Board, and early in 2013 joined the Board of the UW Tacoma Milgard School of Business. Customer Service Manager Steve Hatcher is member of Tacoma Rotary #8, and Water Superintendent Linda McCrea is a member of Sunrise Rotary. Rail Superintendent Dale King is a member of the Board of the World Trade Center Tacoma, and of the Workforce Central Board. Tacoma Power’s Rates and Planning Manager Bill Berry has joined the United Way of Tacoma Pierce County board.

TPU continued to emphasize employee volunteerism through the Community Connections program and has received several public recognitions for these efforts – particularly its participation in the Rebuilding South Sound and Food Bank events. As directed by the Board, in 2014 TPU focused on evaluating additional opportunities to support community events through its formalized sponsorship program that is designed to meet legal requirement and limitations.

Board Members’ Ratings: 3.5, 3.5, 3.5, 4, 4

Board Comments/Concerns/Recommendations:

I would like to see TPU more aggressively communicate with the general public about its amazing conservation and environmental programs.

TPU continues to move forward to build better transparency and improved customer service. The progress with customer service is significant and continued progress needs to be made. The Director has done a good job of leading the organization over the course of several years to systematically improve this program. Given where we have come from it is a significant accomplishment.

I would like to see TPU find additional ways to communicate the benefits of the conservation programs to the general public.

The Director’s management of new approaches (more emphasis on customer research, for example) shows leadership and innovation in an area that needs improvement. These and other promising approaches should be followed and evaluated to determine whether they work. The MyTPU website is still a new but very positive outreach.

VII. GOVERNMENTAL RELATIONS

RESPONSIBILITY

- Maintains awareness of developments and plans in other jurisdictions that may relate to or affect TPU.
- Establishes and maintains a liaison with other governmental jurisdictions in those areas of service that improve or enhance the Utility efforts.
- Maintains communications with governmental jurisdictions with which the Utility is involved or interfaces.

PERFORMANCE STANDARD

- Sufficient activity with municipal and professional organizations.
- Regarded as leader by Utility officials.
- Provides examples of good ideas from other jurisdictions.
- Positive relationship with surrounding utilities.
- Good cooperation with county, state and federal agencies.
- Understands problems of other agencies and jurisdictions in achieving City/Utility objectives.
- Constructively cooperative in interacting with other agencies and jurisdictions in achieving City objectives.

Rating: ___ 1 (Below Expectation)
 ___ 2
 ___ 3 (Meets Expectations)
 X 4
 ___ 5 (Exceeds Expectations)

CEO Self Evaluation:

TPU is active in each Washington State legislative session. Through its government affairs staff, consultants, and utility associations and coalitions, bills affecting TPU's utilities are evaluated and policy positions and advocacy plans are developed which are consistent with the Legislative Priorities approved by the Board. Bill status is communicated through a weekly report from the consultants. TPU's issues in current and recent Legislative sessions include energy conservation and renewable energy, utility taxation, public fire protection cost recovery, the Public Works Trust Fund, rail infrastructure funding, etc. TPU closely coordinates its legislative efforts with the City's governmental affairs manager.

Through the efforts of its management, government affairs staff, and consultants, TPU continues to monitor and influence developing Federal legislation relating to tax exempt municipal financing, cybersecurity, renewable energy and electric transmission policy. We also continue to work toward Federal appropriations for water storage and fish passage enhancements to Howard Hansen Dam, and for Rail infrastructure. In addition to its own

efforts, TPU works through industry organizations including LPPC, APPA, AWWA, AMWA, ASLRRA and others to influence Federal policy and legislation.

In addition to his other roles in various industry organizations, the Director has been elected by his industry peers to a two-year term as Chairman of the Large Public Power Council (LPPC), which is composed of the 26 largest public power utilities in the United States. LPPC was created in 1986, and is structured to influence Federal policy on tax-exempt financing, wholesale electricity markets, regulation of the Nation's electric transmission grid, etc. This places TPU in a position to meet regularly with the FERC Commissioners, various Federal agency officials and various members of Congress, to significantly influence the policy positions taken by the LPPC organization, and to help direct Federal legislation and policy that has potential to affect TPU.

In 2014 the Director was elected by his peers as one of two representatives from the Western region of the U.S. on the Board of Directors of the American Public Power Association (APPA), the primary Federal lobbying, training, and member support association for the nation's 2,000 public power utilities. The Utility Board supported the Director's nomination for this role. The Director is closely involved in APPA's current strategic planning process, which will define how APPA can best serve its member utilities going forward.

In 2014 TPU increased its outreach to the suburban Pierce and King County jurisdictions served by Tacoma Power and Tacoma Water. This outreach has focused on policy and legislative issues of mutual interest, and is also in anticipation of the need to begin negotiating new franchise agreements for Power and Water.

Board Members' Ratings: 4 (local)/2(federal/state), 3, 4, 4, 4

Board Comments/Concerns/Commendations:

The legislative policy documents should have been presented to the Board before the legislature began.

The government relation's team is strong. and very good at putting TPU issues in front of policy makers. The Fact that the Director plays a leadership role in several industry organizations only helps with this dynamic.

However I remain unsatisfied with the level of involvement of the Board and Council has in the development of the policy direction that the management is taking. We often hear about the work of TPU with policy makers after the fact or from the policy makers themselves. That fact that the guiding policy document had not been updated since 2008, and at one point could not be found is troubling. While much of the policy work taken on by TPU is technical in nature there are a number of policy positions that have significant impact, and should followed after direction from TPU's policy makers - i.e. the Board and in some cases the City Council.

I feel that we are generally kept aware of developments, and possible issues that may arise, at the local government level. I would like to see a similar level of informing and reporting on State and Federal issues.

This remains an important area requiring Director leadership and attention. Putting this topic higher in the Director's personal priority list may help resolve some of the Board Members' frustration in this area.

I would like to better understand our relationship with other (outside of Tacoma) local governmental bodies and how we interact with them. It is difficult enough to track our relationship with the City Council. How are we maintaining relationships with the other governmental policy makers within TPU's service area?

VIII. PROFESSIONAL/PERSONAL DEVELOPMENT

RESPONSIBILITY

- Maintains awareness and value of broadening professional and personal development.
- Demonstrates imaginative leadership initiatives.
- Ability to build cohesiveness in staff.
- Decisiveness in leadership performance.
- Effectiveness in verbal communications.
- Cultivates diversity on all levels of the leadership structure.

PERFORMANCE STANDARD

- Management techniques show evidences of innovation, imagination, and decisiveness.
- Synergetic techniques are fostered.
- Verbal communication is commendable.
- Organization reflects the diversity of the community.

Rating: ___ 1 (Below Expectation)
 ___ 2
 ___ 3 (Meets Expectations)
 X 4
 ___ 5 (Exceeds Expectations)

CEO Self Evaluation:

Employee development is encouraged through a variety of programs including in-house training, external training and seminars, membership in industry and professional organizations, rotational job assignments, and tuition assistance programs. Power is sending a number of its employees to the Utility Executive course at Willamette University, and Water has used this program as well. Through 2014, more than ___ TPU employees have attended the Essentials of Management (pre-MBA) course in the School of Business at UWT – more than any other Tacoma area employer.

TPU is also participating with the UWT in development of its Leadership in Cybersecurity program. TPU staff regularly interact with program officials, and TPU hosted four student interns from the program in 2014.

Again in 2014 Tacoma Power graduated a group of line, wire and meter apprentices from its revised and updated apprentice program. Through its pre-apprenticeship trainee program and Youth Build Tacoma, which target under-represented groups in the City of Tacoma, the organization is progressing toward the dual goals of a diverse and qualified workforce.

The utility regularly offers internship opportunities to engineering students from ethnically diverse universities with power engineering programs. Upon graduation many of these interns elect to begin their careers at TPU.

Again in 2014 TPU employees participated in the Chamber's Leadership Development program, and TPU provided a "Loaned Executive" to the United way of Tacoma – Pierce County. Employees typically have developed meaningful leadership skills as they return from these programs

Several TPU employees have taken advantage of technical training available through TPU's membership in the Northwest Public Power Association (NWPPA), where Power Superintendent Coates serves as a Board member. TPU has recently joined the Western Energy Institute (WEI), an association that provides industry-specific training to professional staff.

For a sixth year TPU is supporting and participating in the Imagine Tomorrow program sponsored by Washington State University. Imagine Tomorrow is a student team competition designed to foster science, technology, engineering, and mathematics (STEM) education. The competition is focused on renewable / sustainability energy and communities. In addition to financial support, TPU employees serve as judges in the competition. The first competition was won by Tacoma School of the Arts, and the Tacoma Public Schools are now becoming more involved in the program. The Director has been asked to be the keynote speaker at the program's annual awards event in May, 2015.

Board Members' Ratings: 4, 4, 4, 4, 4

Board Comments/Concerns/Recommendations:

The Director's leadership in regional and national organizations has been beneficial to himself as a leader and to TPU as a utility leader in the industry.

The Director's emphasis on personal development of staff is having measurable impacts and has created a deep bench for the organization.

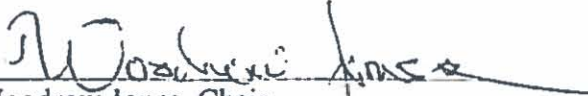
Board development should be important, too. Board members have suggested a "policy retreat" where we could perhaps gain a better insight into higher-level policies that will affect TPU and its customers in the future. This has yet to be implemented, and should be in 2015.

Needs to keep focus on the recruiting and training of skilled hourly workers.

Director Gaines' involvement in the Power and Utility industry has yielded a huge benefit to the ratepayers and citizens of Tacoma. The Director has been recognized from his peers as running an airtight, financially prudent Utility. This recognition speaks volumes! He was asked to serve on the APPA Board - what an honor. His ongoing professional development is largely self-driven, and speaks to the earnestness in which Director Gaines' approaches his duty to the ratepayers.


The Director does a very good job in setting expectations that his managers and employees be leaders in their industries and in the community. This is an important management philosophy that I support as a member of the Board. The Director's expectations of his own role are consistent with what he expects from his team – a very welcome characteristic.

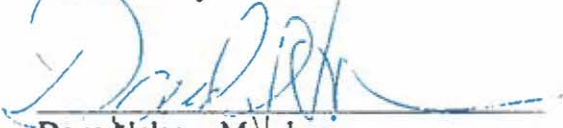
I think the Director and TPU need to increase the priority and focus on our plan to address the demographic challenges we face in the future. Again, this is not a unique problem for TPU but instead is faced by utilities across the country. We should, however, develop our own response – what more can we do using the wide variety of educational and community organizations available uniquely to Tacoma? We need a detailed, smart, creative and innovative long-term plan for this problem that is at least as complete and extensive as our plans for fish moving facilities at Cushman and Cowlitz.


Woodrow Jones, Chair
Public Utility Board


Bryan Flint, Vice-Chair
Public Utility Board


Mark Patterson, Secretary
Public Utility Board


Monique Trudnowski, Member
Public Utility Board


Dave Nelson, Member
Public Utility Board

DATE: April 30, 2015.