

GAINS PROGRAM UPDATE

Finance Committee

June 8, 2005

History of the Balanced Scorecard Performance Appraisal System

- **Developed by outside consultant - 1998 through 2000**
- **Presented during Board workshop - November 1999**
- **Implemented - January 2000**

Elements of the Balanced Scorecard System

- **Base Compensation**
- **Performance Appraisal**
- **Bonus Compensation**
- **GAINS Program**

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Objective of the Balanced Scorecard System

Link compensation to individual and corporate performance

- **Individual performance via performance appraisal – potential bonus and/or salary increase**
- **Corporate performance – GAINS program**

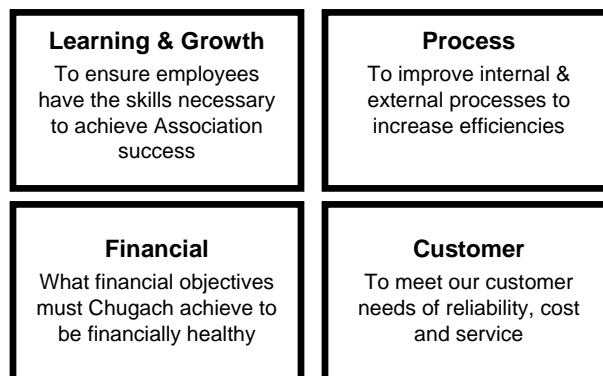
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Design of the Balanced Scorecard



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Components of the Balanced Scorecard



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A Balanced Scorecard

Employee Sign Off _____ Supervisor Sign Off _____

A – 2004 Individual Performance Accountability Program & Evaluation

<p>Employee Name: _____</p> <p>Business Unit: _____</p> <ul style="list-style-type: none"> The employee's performance evaluation is conducted once a year during the 302 period by the employee's immediate supervisor and is reviewed by the appropriate Executive or the Chief Executive Officer. Each non-union employee is evaluated by his or her immediate supervisor using two different criteria: (1) the employee's Personal Balanced Scorecard Performance and (2) the employee's Contribution Criteria Performance. Based on this two performance evaluations, the supervisor makes an overall evaluation of the employee's performance. This overall performance evaluation indicates if the employee met the expectations for the position or did not meet the expectations for the position. The employee's personal balanced scorecard (see page 2), which is the basis for the employee's performance evaluation, is to be completed during the prior calendar month (January for the employee who, approximately a full year to work measurement) by the employee's immediate supervisor. As is discussed in more detail on page 2 of this document, the employee's personal, individual, business unit specific outcomes, which create either present or future value for the business, that the employee has targeted for the fiscal year. The employee may or may not completely control the targeted outcomes. Thus, the evaluation of performance needs to be adjusted for the control elements that impacted the employee's ability to achieve the targeted outcomes. When making the overall evaluation of the employee's performance regarding his or her personal balanced scorecard, indicate if 	<p>Supervisor Name: _____</p> <p>Classification: _____</p> <p>The employee met expectations or did not meet expectations. Any relevant comments regarding the employee's performance should be made in the indicated space on page 4.</p> <ul style="list-style-type: none"> The second part of the evaluation, the Contribution Criteria performance evaluation, focuses less on "what" the employee achieved or did not achieve or "how" the employee did the job. More specifically, this part of the evaluation focuses on on-the-job employee behaviors that demonstrate when making contributions toward the business objectives over the fiscal year. This behavioral assessment, or "areas of contribution," are presented on page 2 and focus on those behaviors that employees need demonstrate in order for the business to be a competitive organization. Detailed indicators are presented on page 3. Any relevant comments regarding the employee's performance should be made in the indicated space on page 4. Once the assessment has been completed and reviewed jointly by the employee and his or her immediate supervisor, a copy of the assessment form should be forwarded to the appropriate Executive (or Chief Executive Officer) for review and comments. Once this review process has been completed, the original of the Balanced Evaluation should be sent to the Human Resources Department. Decisions regarding the program should be discussed to Mary Teach in the Human Resources Department.
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Overall Performance Evaluation (indicate the appropriate ratings and responses)

<p>Personal Balanced Scorecard Performance (M = Met Expectations; D = Did Not Meet Expectations)</p> <p>_____</p> <p>Contribution Criteria Performance (M = Met Expectations; D = Did Not Meet Expectations)</p> <p>_____</p> <p>OVERALL EMPLOYEE PERFORMANCE (M = Met Expectations; D = Did Not Meet Expectations)</p> <p>_____</p> <p>Employee Response (check one):</p> <p>_____ Employee concurs with evaluation.</p> <p>_____ Employee does not concur with evaluation.</p>	<p>Employee Comments:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
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Employee Signature: _____	Date: _____
Supervisor Signature: _____	Date: _____
Executive/Division Signature: _____	Date: _____
Additional Signatures (if required): _____	Date: _____

Gains Program Goal

Scorecard is basis for GAINS Program

Recognizes outstanding corporate performance and achievement based on:

- Division balanced scorecard results
- Margin target achievement

Gains Program Achievement Criteria

- **Targeted margins are established with respect to budgeted margins**
- **Must exceed target to have a program**
- **Not a guaranteed program**

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Gains Program Achievement Criteria (continued)

- **Bottom line financial achievement is the benchmark**
- **No adjustments to financial achievement for factors such as the impact of weather conditions (severe storm)**

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Target Examples

Installation of New Services

Target: 5 business days Actual: 2.84 days
< \$500 per service \$316 per service

Offset Labor costs by 3% through non-member revenues

Target: \$600,000 Actual: \$760,862

Microwave revenue
Altec Alliance
Joint pole/trench fees
Encroachment review charges

Limit Dollar Value of Change Orders to Contracts

Target: <6% Actual: 2.50%

Innovative Solution

Rebuild Pt. Woronzoff Reactor Savings: \$250,000

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Target Examples

New Business Process

Predictive Maintenance Program Savings: \$1.7 million
Cumulative avoided cost savings (5 years)
with \$.5 million implementation cost

Customer Service Improvement

Improve Worst Performing Distribution Curcuits

Before: SAIFI of 8.9 After: SAIFI of 6.8

System Average Interruption Frequency Index (SAIFI) represents the number of sustained interruptions per customer

Ensure Member Satisfaction with Time Service Restoration

Target: ≥90% of members surveyed grade B or better Actual: 84.5% based on 2004 survey

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Gains Program Example

2004 GAINS PROGRAM EXAMPLE						
GROSS MARGINS						\$8,196,000
GAINS TARGET						\$6,500,000
EXCESS MARGINS OVER TARGET						\$1,696,086
35% OF EXCESS MARGINS OVER TARGET						\$593,630
TOTAL SHARES						1375
VALUE PER SHARE						\$431.73
T&D SERVICES SCORECARD RESULTS						85%
SALARY GRADE	BUSINESS UNIT	INDIVIDUAL BALANCED SCORECARD	PRICE PER UNIT	ELIGIBLE GAINS AMOUNT	BUSINESS UNIT PERCENTAGE	TOTAL GAINS
12	T&D NETWORK SERVICES	MEETS EXPECTATIONS	\$431.73	\$4,317.30	85%	\$3,669.71

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Questions?