



MEMPHIS LIGHT, GAS AND WATER DIVISION

LIGHTING THE WAY



MLGW

MLGW STRATEGIC PLAN
2015-2020

From MLGW's President and CEO

The slogan found on the first MLGW logo said it all in terms of why the company was in business and who ran the place: "Public Service—Publicly Owned." Although customers, employees, and operating environments continually change, the mission of MLGW—public service—has remained the same since the creation of the company in 1939. Born from a novel idea more than 70 years ago, MLGW has always been a company of ideas, a company unafraid to plan and equally unafraid to place novel ideas into practical action.



Our customers, to whom we owe our livelihood, have always been the reason for our existence. Our strategic plan contains many elements, but at the core of every one is customer service. All of our goals are designed to achieve crucial improvements in our community, improvements in the quality of life of our customers. We seek to broaden the tax base in our community. We are working to bring people back to Memphis to live, work and play. We want our work to help improve property values in our community. The cost to power our homes and businesses has increased significantly over the past few years, and we want to assist our customers in using energy more wisely. Our work must include making our customers' homes more energy efficient and comfortable, thereby improving

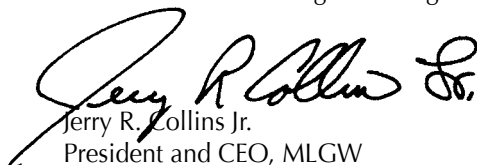
their general quality of life. Our customers are, after all, our friends and neighbors. When our customers feel good about themselves for saving money through energy efficiency, they are grateful to MLGW for improving their quality of life, and the entire community becomes a better place to live.

Recently, our nation has had to face many major financial challenges. The recession continues to affect virtually all aspects of the economy. MLGW has not been excluded from these challenges, but despite them, MLGW has continued to perform at a high level. I attribute this to the tremendous wealth of talent and knowledge that our 2,700 employees bring to work with them every day. The employees of MLGW are dedicated—to their jobs, to their co-workers, and to their customers.

We work hard to keep utility costs down for our customers, and the work has paid off. More importantly, MLGW is doing its part to help rebuild and plan for the future growth of our city and region. We will continue to:

- Improve Safety Performance – through increased commitment to safe work practices by all employees.
- Increase Energy Conservation Efforts – by educating customers and employee embracement of the latest in conservation technology and practices to generate wise use of energy.
- Increase Responsiveness to Customers – through improved efficiency and staffing measures.
- Improve Perception with the Public – by seeking customer input and implementing their ideas where feasible and by demonstrating consistently good customer service. Our continued improvement in the J.D. Power and Associates Electric Residential survey is proof that we are moving in the right direction.
- Increase economic impact of the community through the utilization of minority, women and locally-owned small businesses.
- Increase Reliability – through efforts that ensure the integrity of our electric, gas and water facility infrastructure. As a testament to our reliability, MLGW is a three-time winner of the American Public Power Association's (APPA) Reliable Public Power Provider (RP3 ®) recognition for providing consumers with the highest degree of reliable and safe electric service.
- Increase Productivity – through employee training opportunities and closer supervision of performance.
- Eliminate Unnecessary Overtime – through staffing and scheduling efficiencies and a greater reliance on technological tools.
- Improve Budget Management – through closer monitoring of expenses/purchases.
- Improve Relationship with IBEW – through measures that foster an environment of inclusion.

I believe our true mission at MLGW is to enhance the quality of life in our community, and this plan outlines our ideas for achieving this honorable goal. Quite simply, we plan to be the best utility in the nation. I am dedicated to leading this charge.


Jerry R. Collins Jr.
President and CEO, MLGW

Vision

To be the best utility for our customers

Mission

To improve the quality of life for all Memphis and Shelby County customers through the efficient and safe delivery of electricity, natural gas and water.

Values

- Customers
- Safety
- Trust
- Employees

Strategic Areas of Focus

Customer/Stakeholder:

For Highly Valued Relationships

Establish a trust-filled and value-driven relationship with all customers and key stakeholders through performance excellence, open communication and active partnerships.

Cost Control:

To Maintain Stable, Low Rates

Strengthen the financial position of MLGW and ensure that we continue to offer our customers the best rates and the best value.

Core Business:

For Maximum Reliability

Deliver safe, reliable, high-quality and cost-effective utility services. Maximize production of overall supply of energy commodities. Analyze and strengthen the portfolio for each commodity. Protect and promote the wise use of each energy resource.

Co-Worker/Capacity-Building:

For Performance Excellence

Strengthen employee relationships through open communication, a safe and diverse working environment, with skill development, empowerment and growth opportunities.



Founded in 1939, MLGW is the nation's largest three-service utility, serving approximately 1,000,000 people in Memphis and Shelby County, Tennessee.

LIGHTING THE WAY

MLGW Strategic Plan 2015-2020

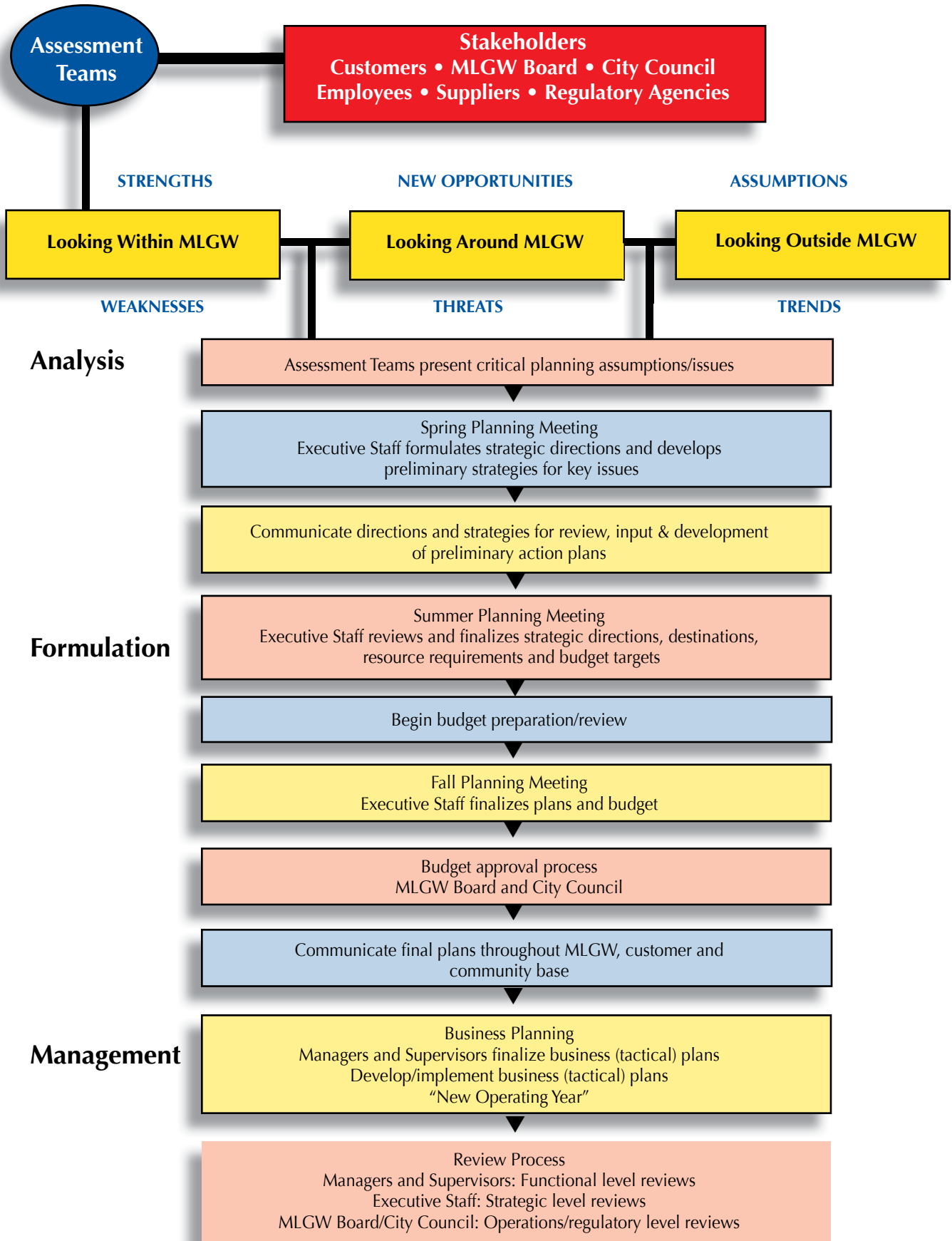
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MLGW

STRATEGIC PLANNING PROCESS



CRITICAL PLANNING ASSUMPTIONS

Critical Planning Assumptions (CPAs) are projections into or statements about the future which warrant the attention of our company. CPAs are usually based upon past/present trends or predicted future events. CPAs are stated in definable and trackable terms and describe a potential change in the future that will need to be addressed in the plan or at least carefully monitored.

CRITICAL PLANNING ASSUMPTIONS

Public Trust

- MLGW will be a rate competitive leader in the electric residential rate category with the “Big 5” (Chattanooga Electric Power Board, Huntsville Utilities, Knoxville Utilities Board and Nashville Electric Service).
- Municipalities and customers will continue to impose greater restrictions on infrastructure installations and undergo significant demographic change.
- MLGW's community involvement and economic development will continue to play an important role in enhancing relationships and image.
- Customers will pay a higher percentage of income on utility costs.
- Increased participation by City Council and other shareholders.
- Energy costs rising faster than inflation.
- Customer preference for use of online resources increasing.
- MLGW will need to become more transparent and place more emphasis on educating the public.
- Compliance efforts will continue to be scrutinized by regulatory agencies and the public.

Technology & Physical Resources

- Technology shifts will continue to place greater demands on training /retraining and expand the opportunities to increase customer service and reduce costs.
- The MLGW information technology legacy systems will be replaced during the planning period.
- Physical and cyber security will remain a significant concern and threat.
- Demand will increase for web-based customer and employee capabilities.
- There will be additional utility regulations requiring IS/IT compliance assistance.
- Demand for Automated Meter Intelligence (AMI) technology will require a meter data base management system.

- Virtualization technology will be utilized to gain efficiency of operation and cost containment.
- Consumer demand for mobility will continue to require development of smart phone functionality.
- Smartmeter/smartgrid/IT technology will improve asset and consumptions for customers and management.

Financial Control

- Rate adjustments will be necessary during the planning period.
- Current bond ratings will be maintained.
- Ability to raise rates will be affected by volatility in wholesale energy costs.
- Efforts will be made to delay rate increases during the planning period.
- Customer and sales growth will remain near zero.
- Additional funding will be required for aging infrastructure.
- Financial markets will remain volatile and unpredictable.

Utility Supply

Product Delivery - Electric

- TVA will experience increasing pressure to resolve its financial problems and will seek additional revenues from distributors over the planning period.
- To provide a competitive advantage, a portion of MLGW's electric supply may need to be purchased from a supplier other than TVA or be self-generated.
- Potential equity ownership in generation and/or transmission may be available during the planning period.
- Wholesale electricity prices may continue to increase due to increases in fuel costs and environmental regulations.
- In the planning period, TVA may seek to alter current contractual relationship and secure a long-term deregulation-exempt contract.

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Product Delivery - Gas

- Cost of gas will be less volatile due to increased domestic production.
- Distribution system will have capacity to serve firm requirements on peak days.
- Pipeline safety regulations will tend to become more stringent and costly.
- Potential for terrorist activity continues.
- Wise use of energy will increase in importance.
- Low probability of gas curtailments by MLGW through the planning period for interruptibles.
- Efforts are underway to increase the level of domestic gas production.

Product Delivery - Water

- Groundwater/aquifer protection, regulatory control, clean water and wise use issues will continue to increase. Efforts are underway to place restrictions on the use of water at the state level.
- Energy rates will continue to increase during the planning period and place pressure upon production cost and ultimately rates.
- Average daily water demands will remain relatively flat through planning period.
- Migration of load eastward will require major capital expenditures.



Reliability/Quality

- Power quality and reliability concerns/issues will remain important during the planning period.
- Seismic mitigation will continue to be important to ensure continued service delivery and reliability.

Human Resources

- Recruiting, retention, and succession planning will continue to pose challenges. Residential requirement will impact hiring.
- Workforce will create issues related to resources, cost control efforts, increased labor costs and benefit loadings.
- Position MLGW University to be the center for knowledge transfer.
- Process documentation and knowledge transfer will increase in importance.
- Relations with IBEW and retirees will become increasingly important.
- Oracle system will require continued training enhancements and development opportunities.
- Healthcare, prescription drugs, labor and benefit costs will continue to rise.
- Streamlining in procurement, contracting and hiring will be necessary to increase efficiency and meet customers/system needs.

Safety

- Employee and public safety will continue to be important.
- Safety emphasis will be required to reduce vehicle accidents and workers' compensation.
- Management safety visits must be conducted and audited to ensure management involvement.

CRITICAL STRATEGIC ISSUES

Critical Strategic Issues are those issues~ whether opportunities, weaknesses or threats~ which can facilitate or impede success toward accomplishing the overall vision of the company. Though not all issues may be addressed in the strategic plan, nevertheless careful and continued observance of all issues listed should be made throughout the strategic planning period.

Public Trust

Customers

- Customer Relationship Management Strategy
 - ratio of utility bill to income.
 - Economic status.
 - Perception of services and rates.
 - Understanding what increases customer satisfaction.
 - Increase MIFA (utility assistance program).
 - Delinquent Accounts.
 - Communications and education.
- Customer billing process.
- Improve Trust.
- Increase transparency of MLGW.
- Promote energy conservation/wise use.
- Improve brand management.
- Corporate strategy for Spanish speaking customers.

Community/Stakeholder Relations

- Strengthen relationships with suppliers and government agencies.
- Strengthen relations with minority, women and locally-owned small business advocacy organizations.
- Strengthen relationships with the media and the public.
- Educate community on MLGW positive attributes.
- Exercise opportunities for collaborative efforts.

Employees

- Improve employee opinion survey results.
- Improve customer contact skills.
- Improve communication.
- Educate and enlighten employees on MLGW policies, programs and procedures.

Technology & Physical Resources

- Security of company systems and data.
- Need for CIS/WMS integration.
 - CIS/WMS workflow.
- Need for more current and open GIS platform.
- Need for development of effective strategy for GPS utilization.
- Customer and employee self-service and dashboard capabilities.
- Better purchasing power for technical equipment in collaboration with other city and county agencies.

- MSS Legacy replacement.
- Need for change management/quality assurance processes.
- Providing disaster-tolerant systems for mission-critical applications.

Environmental Focus

- Regulatory, OSHA, and environmental compliance.
- Environmental management system implementation.

Financial Control

- Maintaining bond rating.
- Develop additional revenue opportunities.
- Need for future rate increases.
- Reduce customer bad debt.
- Manage Pension and OPEB liabilities.
- Financing of aging infrastructure.
- Manage workforce staffing level costs.
- Streamline procurement and contracting process.

Utility Supply

Product Delivery - Electric

- Mitigate rising wholesale electricity prices/fuel costs adjustments.
- Reduce system losses.
- Compliance with NERC/SERC regulations.

Product Delivery - Gas

- Maintain robust gas supply portfolio.
- Continue seismic mitigation activities.
- Ensure adequate capacity to meet peak requirements.
- Continue to mitigate sharp gas price increases through price risk management techniques.
- Federal regulations will continue to become more costly and stringent.
- Continue to be a leader in developing compliance programs to address federal regulations.
- NGV–Natural Gas Vehicles as a possible growth opportunity.

Product Delivery - Water

- Ensure ample production/supply.
- Promote wise use of water.
- Maintain use of water aquifers.
- Continue seismic mitigation efforts.
- Reduce system losses.
- Achieve satisfactory sanitary survey results.

Reliability/Quality

Emergency Preparedness/Service Restoration

- Practice simulated disaster events and coordination.
- Ensure resource availability.
- Enhance Emergency Response -- outage management system.

Electric Distribution

- Achieve power quality and customer-oriented reliability goals.
- Replace aging infrastructure.
- Continue hazard and seismic mitigation.
- Maintain resources to build and maintain electric system.

Human Resources

Employee Relationship Management

- Manage NIMS certification training process for key employees.
- Improve Union/Management Relationship.
- Manage rising health care costs.
- Implement workforce analysis processes.

Management/Oversight

- Enhance performance evaluation/accountability.
- Enlarge succession planning process.
- Sustain knowledge transfer, recruiting, training and retention plans.
- Develop process documentation and business continuity plans.

Safety

- Improve safety performance for the following indices:
 - Lost-time incident rate.
 - Medical reportable accident rate.
 - Severity rate.
 - Preventable vehicular accident rate.





MEMPHIS LIGHT, GAS AND WATER DIVISION

CUSTOMER/ STAKEHOLDER STRATEGY

Establish a trust-filled and value-driven relationship with all customers and key stakeholders through performance excellence, open communication and active partnerships.

Energy Conservation

Energy Conservation Strategy

- Determine which areas have the most need for energy conservation.
- Develop energy efficiency ordinances that will benefit MLGW customers.
- Partner with other companies and utilities to strengthen energy conservation opportunities.
- Seek federal funding for Shelby County to improve the energy efficiency of low-income homes.
- Educate our customers on energy conservation methods and ways to minimize cost.

Initiatives

- Educate MLGW customers on energy conservation and wise use.
- Build residential houses to EcoBuild standards.
- Energy audits by MLGW for residential homes.
- Target MLGW zip codes with high average cost of gas per square foot to become more energy efficient.
- Donate MLGW surplus computers to low income customers to help provide internet access and manage energy consumption.
- Sponsor TVA/MLGW window unit air conditioning project as a method to help customers reduce their energy consumption.
- Implement a pilot project aimed at making up to 300 residences more energy efficient.
- Sponsor rental property energy conservation ordinance, requiring landlords to meet basic energy conservation standards.
- Increase energy conservation efforts within MLGW facilities.
- Commit to energy conservation efforts involving our fleet such as hybrid vehicles and alternative fuel.
- Conduct Community Energy Conservation Day to promote energy conservation to customers.

Public Trust

Customer Relationship Management Strategy

- Strengthen relationships with all customers.
- Evaluate customer service strategies relative to the cost of providing various service/payment options.
- Identify and develop appropriate strategies to assist low-income customers in effectively managing and paying their utility bills.

- Continue to develop and execute environmentally friendly initiatives and identify opportunities for additional engagement.
- Strengthen supplier relationships.

Initiatives

- Improve billing processes.
- Implement additional bill payment options.
- Identify areas/opportunities to improve J.D. Power scores.
- Utilize surveys to enhance service.
- Enhance credit service policies.
- Implement process improvement team strategy.

Strategic Communication Strategy

- Increase public awareness regarding the management of home energy consumption.
- Increase awareness among customers regarding MLGW's low, stable rates.
- Strengthen the internal communication process so employees are aware of key business activities either before the occurrence or within 24 hours after the occurrence.

Initiatives

- Educate customers and community on significant MLGW success stories and the utility's contributions to the local economy.

Stakeholder Relationship Management Strategy

- Develop and deploy a strategy for strengthening the relationship with all stakeholders.
- Develop and deploy a strategy for improving communication and cooperation with government officials and the media.
- Seek opportunities to improve the company's buying power through joint purchasing and procurement actions with the city and other agencies.
- Increase the level of minority-owned, women-owned and locally-owned small business enterprise participation.
- Foster and nurture strong corporate stewardship via economic development and community involvement.

COST CONTROL STRATEGY

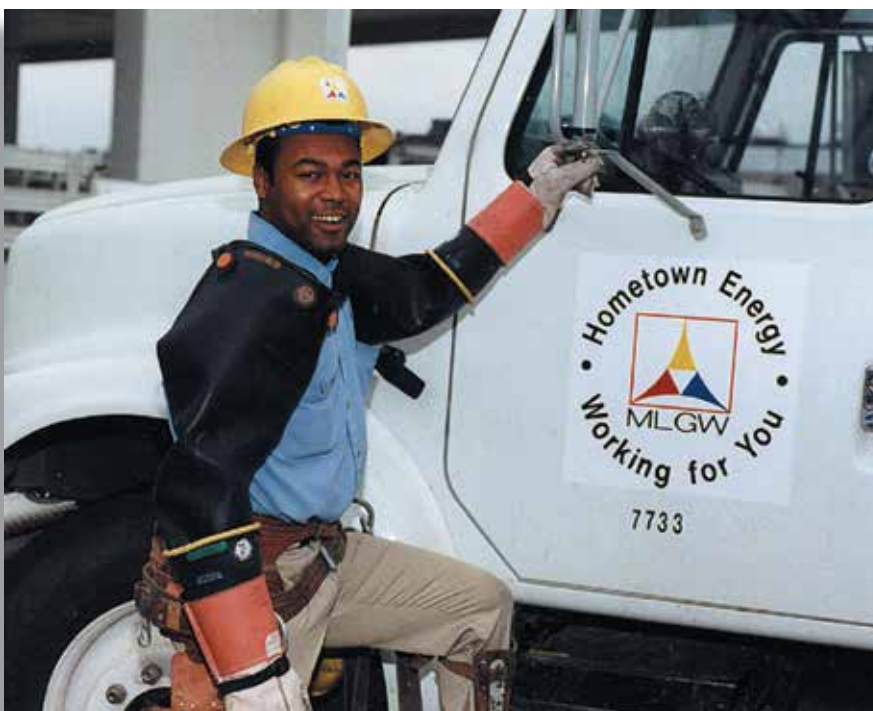
Strengthen the financial position of MLGW and ensure that we continue to offer our customers the best rates and the best value.

Financial Control

- Continue to improve operations and maintenance growth management strategy that supports stable rates, addresses strategic interests and, when necessary, future rate increases.
- Ensure business integrity and ethics in all areas of management, control and governance.
- Through the Balanced Scorecard tracking, identify process improvements to affect cost savings, efficiency gains and enhance customer satisfaction.

Initiatives

- Maintain or improve current bond ratings for each division.
- Implement new bond resolutions for gas and water prior to the next bond issuance.
- Establish effective cost control/allocation/reporting processes and measures for all major processes and activities.
- Examine the overall expenditures for optimal cost effectiveness.
- Reduce write-off escalations.
- Enhance financial reportings and controls through MSS legacy replacement.



CORE BUSINESS STRATEGY

Deliver safe, reliable, high quality and cost-effective utility services. Maximize production of overall supply of energy commodities. Analyze and strengthen the portfolio for each commodity. Protect and promote the wise use of each energy resource.

Utility Supply

- Define and implement strategies and plans that will help shape the direction of federal and state electric restructuring, the TVA Title and FERC/RTO transmission access rights in federal energy legislation and rule-making.
- Strengthen electric supply portfolio by improving the contractual relationship with TVA.

Initiatives

- Continue leadership and involvement in addressing regional groundwater integrity, protection and utilization issues.
- Promotion of renewable energy sources.
- Continue to look at new ways to lower the cost of gas and mitigate price spikes.



Reliability/Quality

- Assess and deploy strategies that address electric, gas and water facility/infrastructure safety, reliability and security.
- Develop and implement strategies to increase the economic efficiencies of water treatment and delivery systems.

Initiatives

- Continue to enhance the Crisis Management Plan.
- Develop and implement plan to reduce electric, gas and water losses.
- Initiate the development and implementation of an Environmental Management System consistent with ISO 14000.
- Continue to work with TVA and other distributors to ensure a cost-effective, reliable supply of electricity.





MEMPHIS LIGHT, GAS AND WATER DIVISION

CO-WORKER/ CAPACITY- BUILDING STRATEGY

Strengthen employee relationships through open communication, a safe/diverse working environment, with skill development, empowerment and growth opportunities.

Human Resources

Employee Relationship Management Strategy

- Focus on Division-wide performance management and accountability.
- Promote positive employee/management working relationship throughout the Division.
- Assess and strengthen employee training opportunities across MLGW to enhance skills/talent base and improve knowledge transfer.

Initiatives

- Align and engage employees in achieving strategic goals.
- Develop and deploy a succession plan for all key positions.
- Clearly document needed skills and competencies for mission critical positions and use this information for recruiting, training, developing and retaining key personnel.
- Analyze the current allocation of human resources to ensure that the core business of the company is properly staffed and diverse.
- Educate employees on Division policies and procedures.
- Position MLGW University to be the center for job knowledge transfer.
- Look at ways to improve employee opinion survey results.

Safety

- Develop and deploy a Corporate Safety and Environmental Strategy that will achieve benchmark performance in key areas of focus for high risk groups.
- Develop plan to improve safety performance.
- Develop a comprehensive safety management improvement plan.

Initiatives

- Develop accident/incident reporting process.
- Continue to enhance personal protection equipment for all employees.
- Implement safety recognition and incentive reward program.

Technology & Physical Resources

- Align technology with the MLGW Strategic Plan.
- Compliance with regulations and best practices regarding computer security.

Initiatives

- Enhance Business Continuity/Disaster Recovery Plans.
- Develop and deploy a Global Positioning Implementation Strategy.
- Enhance use of Geographic Information System technology.
- Continue efforts to increase employee efficiency on Oracle system.
- Develop and fund Automated Intrusion Detection System.
- Develop more web-based capabilities for residential and commercial customers, employees and retirees.



MLGW SCORECARD (2015)

Strategic Areas of Focus	Strategic Framework	Index	Key Performance Indices	Weight	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	YTD	On Target?	Target	VP Sponsor
Customer/ Stakeholder	Public Trust	Perception Index	JD Power Score	10%							640	JC
			Community Perception	35%						90%	CD	
			Customer Perception	35%						95%	CD	
			Reliability Perception	20%						90%	CD	
			Perception Index Score									
		Customer Service Index	CCC Service Level	25%						90%	CB	
			Average Customer Wait Time for Credit Counselors	25%						30 min	CB	
			% Meters Read	25%						97%	CB	
			% Customer Service Appointments Met	25%						98%	CB	
			Customer Service Delivery Index Score									
Cost Control	Resources	Resource Index	Net General Plant Cost/Customer	20%							\$155	DJ
			Inventory Turnover	20%							1.85	NN
			Design Cost vs. Actual	20%							5% (+/-)	NN
			Supplier Diversity Index	20%							100	JB
			Environmental Impact Index	20%							90%	CD
			Resource Index Score									
	Financial Resources	Financial Index	O&M - Budget vs. Actual (annualized)	15%							98.0%	DJ
			Capital - Budget vs. Actual (annualized)	15%							85.0%	DJ
			Electric O&M Cost/Customer (annualized)	15%							\$400	DJ
			Gas O&M Cost/Customer (annualized)	15%							\$265	DJ
			Water O&M Cost/Customer (annualized)	15%							\$281	DJ
			% Revenue Adjusted for Uncollectibles	10%							1.00%	DJ
			Electric Utility Bill Comparison	5%							Top 6	DJ
			Gas Utility Bill Comparison	5%							Top 5	DJ
			Water Utility Bill Comparison	5%							Top 4	DJ
			Financial Score Index Score									
Core Business	Reliability/ Quality	Utility Supply Index	Distribution Losses - Electric	20%							3.50%	DJ
			Distribution Losses - Gas	20%							2.50%	DJ
			Distribution Losses - Water	20%							13.0%	DJ
			Gas Buying Effectiveness	20%							100%	CB
			Delivered Residential Gas Cost Comparison	20%							95%	CB
			Utility Supply Index Score									
	Reliability Index	% Customers >3 outages (annualized)	30%							10.00%	AW	
		% Customers with outages > 10 hours (annualized)	30%							2.15%	AW	
		ASAI-Average System Availability Index	30%							99.975%	AW	
		Water Quality	10%							90%	AW	
Reliability/Utility Supply Index Score												
Co-Worker/ Capacity-Building	Human Resources	Employee Index	Employee Diversity	30%							67%	VG
			Employee Perception	35%							80%	VG
			Customers Served/Employee	35%							365	DJ
			Employee Index Score									
	Safety	Safety Index	Lost-time Incident Rate	30%							1.50	VG
			Medical Reportable Accident Rate	20%							7.85	VG
			Severity Rate	20%							51.0	VG
			Preventable Vehicular Rate	30%							4.00	VG
			Safety Index Score									
			Total Corporate Score:									

Note: ▲ - > Target, ▲ - +/- 2% of > Target, ▼ - > 2% of Target,

MLGW PERFORMANCE EXCELLENCE SUMMARY SCORECARD

Strategic Areas of Focus	Strategic Framework	Key Performance Indices	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Trend	Weight
Customer/ Stakeholder	Public Trust	Perception Index Score						10%
		Customer Service Delivery Index Score						15%
Cost Control	Resources	Resource Index Score						5%
	Financial Resources	Financial Index Score						20%
Core Business	Utility Supply	Utility Index Score						10%
	Reliability/Quality	Reliability Index Score						15%
Co-Worker/ Capacity-Building	Human Resources	Employee Index Score						5%
	Safety	Safety Index Score						20%
Total Corporate Score								100%

Customers/Stakeholders



**City of Memphis
Mayor/City Council**



MLGW Board of Commissioners

Derwin Sisnett (Chairman)

Darryl T. Cobbins (Vice Chairman)

Rick Masson

Carlee M. McCullough

Steven Wishnia



**President and CEO
Jerry Collins and MLGW Team**



**Vision
Mission
Values**

STRATEGIES

CUSTOMER/STAKEHOLDER : Relationships

COST CONTROL : Rates

CORE BUSINESS : Reliability

CO-WORKERS/CAPACITY BUILDING : Resources

