

Guam Power Authority

Accountability and Performance Measures

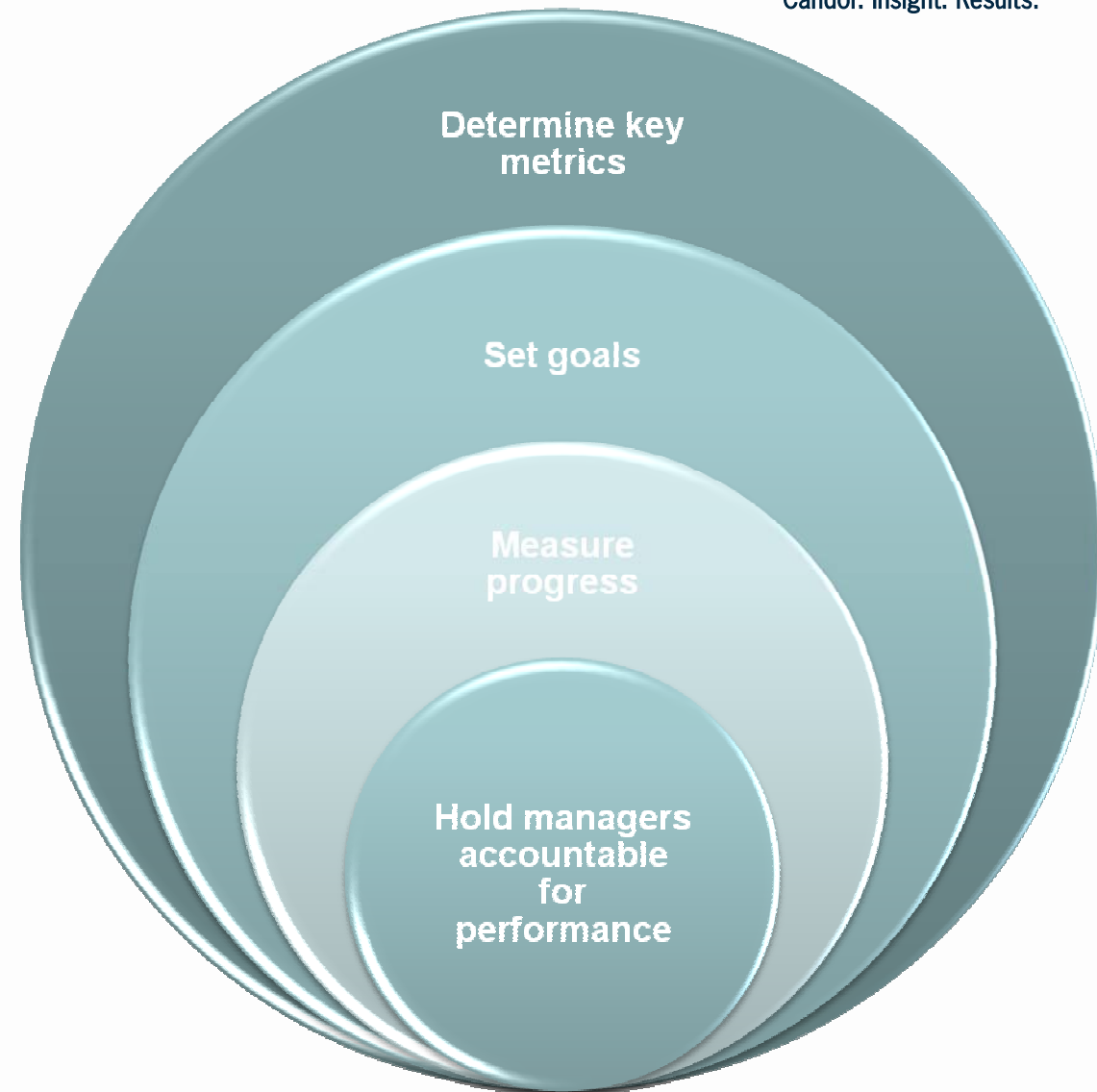
September 2009



Do the bright thing.
Energy and Utilities

Accountability and performance metrics

- › Highly effective utilities require accountability based on performance to internal targets derived from historical data, projections, and comparison with peer utility performance metrics.
- › This review looked at how departmental accountability is measured, what metrics are used to provide departmental goals, and where the data is derived for calculating the metric values.



Highly Effective Utilities need to possess:

- › Strategies and strategic priorities are enterprise-wide and clearly defined
- › Key objectives/initiatives toward that strategy are identified and translated into division or unit level terms
- › Each individual understands their part and the inherent parameters involved in striving to achieve the defined strategies

Scope under review

- › Assess GPA's effectiveness in creating well-defined expectations (e.g. outcomes) and in providing accountability frameworks that consistently measure decisions relative to desired outcomes at the organization and division level
- › Evaluating how these performance management frameworks and approaches drive the entire organization toward the same overall strategic priorities in a collaborative and enterprise-wide fashion.
- › Review the formation and use of key performance indicators and metrics across GPA

Phase 2 areas

| Areas | Phase 2 Selection | Results |
|---|-------------------|----------------------|
| Development of key performance indicators | Yes | Recommendations made |
| Development of division/department metrics | Yes | Recommendations made |
| Linkage of performance management system and measurements to strategy | Yes | Recommendations made |
| Use of metrics and KPIs in individual performance management | Yes | Recommendations made |

Process

- › Conducted twenty-six interviews with GPA employees, the CCU and the Commission to gain an understanding of current processes, policies and tools
- › Gathered through interviews current measurements and methods of monitoring and reporting performance
- › Reviewed documentation on current performance management process, metrics used, standard operating procedures and GPA policies where available
- › Compared GPA processes with those at similar and Highly Effective Utilities

What is accountability and performance metrics?

- › Accountability is:
 - The acknowledgement and assumption of responsibility for actions, products, decisions and policies
 - Departmental responsibility to perform a certain function
 - Bearing the consequences for failure to perform as expected;
 - Reporting, explaining and be answerable for results
- › Results of a department or division's performance is communicated through regular and frequent measurement of results communicated through performance metrics.

Performance metrics should strive to meet these criteria:

- › Meaningful – assist with managerial decision making
- › Material – concentrate on the most material issues to the organization (both financial and non-financial)
- › Assist external assessment of the organization’s strategic positioning in the industry
- › Align with the organization’s strategic objectives
- › Measurable and actionable – helps the organization measure remediation

Metrics should have these characteristics:

| Characteristic | Question |
|-------------------------------------|---|
| Linked to objectives | Can the measure be aligned with an objective? |
| Controllable/ Influence-able | Can the results be controlled or significantly influenced under a span of responsibility? |
| Actionable | Can action be taken to improve performance? |
| Simple | Can the measure be easily and clearly explained? |
| Credible | Is the measure resistant to manipulation? |
| Integrated | Can the measure be linked both down and across the organization? |
| Measurable | Can the measure be quantified? |

Metric target-setting practice

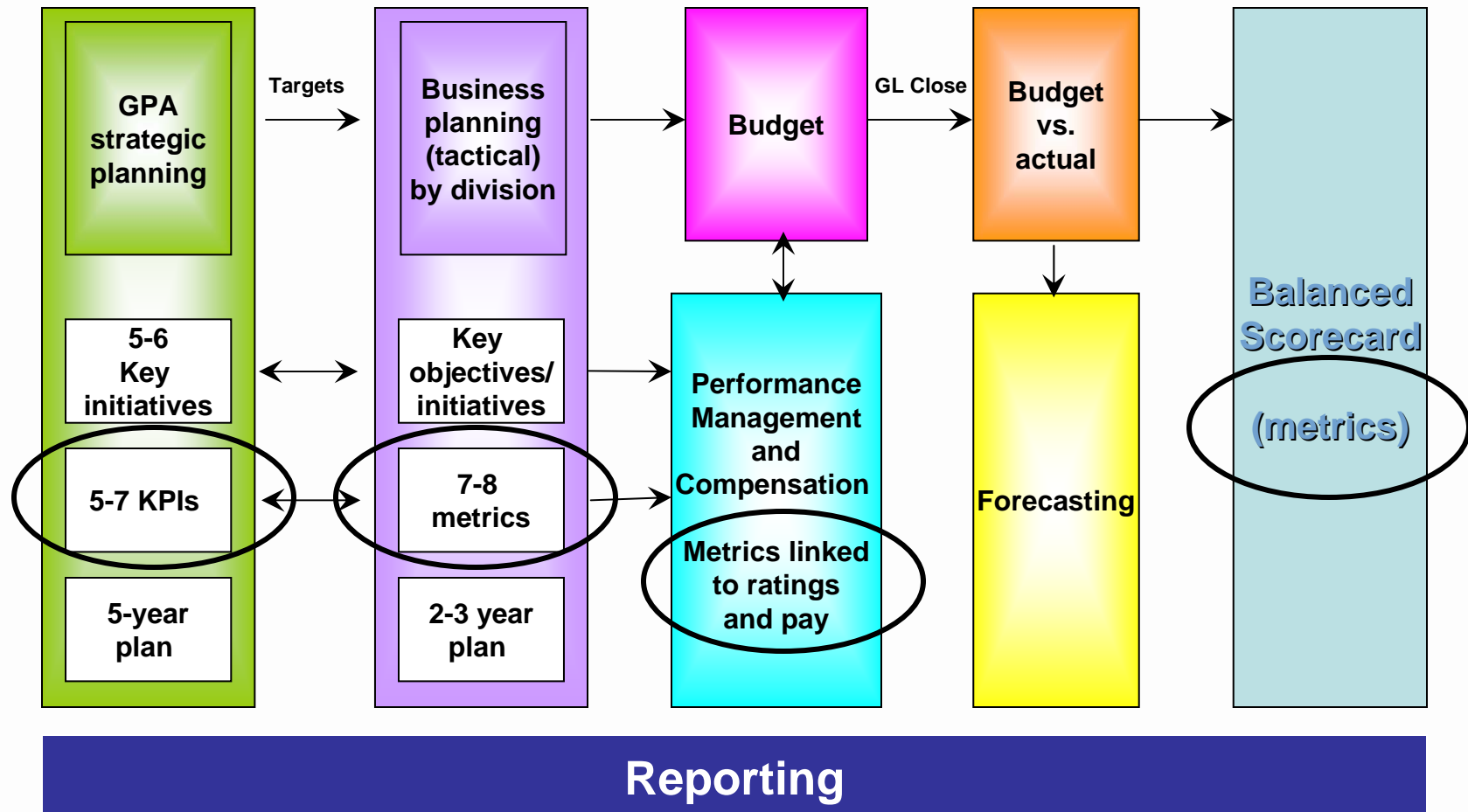


Common utility metrics

| Common metrics | Measured? | Common metrics | Measured? |
|--|-----------|--|-----------|
| Revenue per kWh | Yes | Production Cost per MWh | Yes |
| OSHA Incident Rate | Yes | Total O&M \$ per kWh Sold | No |
| Forced Outage Rate | Yes | Plant Availability | Yes |
| Average Customer Wait Time | Yes | A&G per Customer | No |
| Days Sales Outstanding | Yes | Retail Customers per Meter Reader | No |
| Line Losses (T&D) | Yes | Net Income per Revenue Dollar | No |
| Customer Satisfaction | No | System Load Factor | Yes |
| System Average Interruption Duration Index (SAIDI) | Yes | Customer Average Interruption Duration Index (CAIDI) | No |
| Full-time Equivalent Employees | Yes | System Average Interruption Frequency Index (SAIFI) | Yes |

○ Role of metrics

Future planning and management information vision:



Indicators and metrics

Key performance indicators

- › Five to seven metrics are chosen during the strategic planning process as key indicators of utility health. KPIs are trended and monitored monthly and communicated throughout the organization

Metrics

- › Five to seven metrics are chosen by each functional area as performance monitors of the division/department's health and progress. These key metrics are linked from the organization's business plan (if appropriate) to the performance management plans and goals of each team

Performance management and accountability

| Sub Process | GPA Today | Highly Effective Utilities |
|--------------------------------|--|---|
| Performance management process | <ul style="list-style-type: none">› A new performance management process is being implemented for the first time.› Accountability is driven through strong performance management system including performance metrics, however they are individually chosen and not consistent across teams. | <ul style="list-style-type: none">› Performance management process is clearly linked to compensation and utility performance.› Goals and performance measures are driven top-down from strategic and business plans.› Departments and divisions are held accountable for results. |

Metrics usage

| Sub Process | GPA Today | Highly Effective Utilities |
|-------------|--|---|
| Metrics | <ul style="list-style-type: none">› Each organization measures certain metrics.› Metrics are not consistently linked to strategic or business plans.› No GPA performance dashboard exists. | <ul style="list-style-type: none">› KPIs are linked to strategic and business plans.› Dashboards are used to report performance.› Compensation is linked to metrics.› Metrics are used to benchmark performance against other utilities. |

Focus on results and linked to strategy

| Sub Process | GPA Today | Highly Effective Utilities |
|--|---|--|
| Strong focus for results and not just activities | <ul style="list-style-type: none">› Results are not regularly measured and reported.› Reporting on performance is weak – for example, there is no variance reporting process related to budget or common reporting framework focused on the entire organization. | <ul style="list-style-type: none">› Business plan objectives and metrics are broadly communicated.› Performance to metrics and objectives is communicated through the organization through newsletter, posters, chart posting, etc. |
| Accountability and metrics should be linked to strategic plan and business objectives. | <ul style="list-style-type: none">› The strategic plan was first developed in 2006 and the process and plan were not well implemented or accepted. | <ul style="list-style-type: none">› Directly link performance and accountability to strategies, business plans, missions and visions |

Use of metrics

| Sub Process | Gaps | Roadmap/ Recommendations |
|-------------|--|---|
| Metrics | <ul style="list-style-type: none">› Numerous metrics are going to be monitored or measured through the new performance management system› No consolidated dashboard or determination of key performance indicators or metrics linked to key strategic objectives exists | <ul style="list-style-type: none">› Through strategic and business planning efforts determine key metrics to be reported throughout the year for GPA, each division and each department› Performance to key metrics should be measured and communicated routinely throughout the year to focus accountability› Metrics should be trended and benchmarked when appropriate |

Use of metrics (cont.)

| Sub Process | Gaps | Roadmap/Recommendations |
|-------------|--|--|
| Metrics | <ul style="list-style-type: none">› Accountability and expected performance as measured through metrics is not clearly articulated | <ul style="list-style-type: none">› Targets for performance should be set and reported against› Regular communication of the organization's performance dashboard should occur› Targets of expected performance and performance improvements should be set |

Implement monitoring process for KPIs and metrics

A. Recommendation Scope & Objectives

Objectives in Order of Impact:

- › Centralize and standardize the metrics measured at GPA
- › Focus the organization on the 5-7 key performance indicators out of the strategic plan and a few metrics related to their organization's linkage to strategic and tactical priorities

Recommendation Scope:

- › The process to develop key performance indicators is part of the strategy recommendations
- › The standardization, process management and key communication tools related to organizational metrics and KPIs is part of this scope

B. Approach/Work plan

- › Perform inventory of metrics used across GPA
- › Analyze KPIs and metrics for linkages
- › Work with each organization to determine the key metrics and define the metrics carefully. Set targets for performance
- › Assemble 2-3 years of historical performance
- › Evaluate the ability to perform external benchmarking with comparable utilities to provide input on performance
- › Evaluate options for frequent communications of KPI-related performance
- › Develop methods to monitor and communicate performance
- › Evaluate the use of a dashboard to focus on the important metrics

C. Risks and Dependencies

- › KPIs and metrics are keys to monitor performance and to focus accountability on results
- › The success of the strategic planning process and its acceptance across GPA will affect the success of this effort

D. Benefits

- › Standardized metrics
- › Improves the organization's focus on organizational and individual accountability

E. ROI

- › Intangible savings

F. Deliverable(s)

- › GPA-wide set of metrics with definitions
- › Communication and monitoring plan
- › Dashboard evaluation

G. Estimated Timeframe

- Less than 4 weeks
- 4 - 8 weeks
- 8 - 12 weeks
- 12 + weeks

H. Estimated Cost

- < \$50k
- \$50K - 75K
- \$75K - \$100K
- > \$100K