




Shelby Energy Cooperative, Inc.

Your Touchstone Energy® Partner 

September 28, 2009

Welcome to Shelby Energy Cooperative's strategic planning document. The Board of Directors and management are excited about the future of Shelby Energy Cooperative.

With the many challenges facing the electric utility industry, a strategic plan is essential for the Cooperative to be focused and use its resources wisely. Some examples of the challenges we must plan to handle include environmental regulations, an unstable economy, unpredictable weather patterns and an aging work force. To this end, a strategic plan is an appropriate mechanism to manage change.

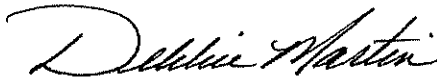
The strategic planning process began with the guidance of our Board members who identified the factors necessary to our future success. The Board engaged an experienced management consultant who serves as an advisor for many electric cooperatives, and who led the management team throughout the process.

The methodology used to create the strategic plan required involvement of every member of the management team in an active process that benefited the development of a blueprint of maximum performance for those strategic issues most important to Shelby Energy.

The outcome of our strategic planning is this comprehensive document with forty-two (42) action plans that support the eight (8) strategic initiatives determined by our Board of Directors. This plan is a dynamic tool that will be monitored, developed and revised as the industry changes, and the Cooperative responds.

We appreciate the support and guidance of our Board of Directors, the outstanding service from Nancye Combs, President of HR Enterprise, Inc. and the cooperation of every member of management who committed time, energy and hard work to this process.

Sincerely,



Debbie Martin
President and CEO

EXECUTIVE SUMMARY

The challenges of the 21 Century demands the vigilance of all energy providers to continually examine practices, procedures and processes to assure they are charted on the correct course to provide optimum service at the most cost effective price.

The management team of Shelby Energy Cooperative, under the direction and guidance of the Board of Directors, engaged in a process to create a strategic plan with a four-year time horizon. A conscious decision was made to set the time horizon at a reasonable level in view of the volatility of the economy. Under the guidance of Management Consultant, Nancye M. Combs, President of HR Enterprise, Inc., in Louisville, KY, the process began with members of the management team attending a pre-planning workshop. Using the **Harvard Business Review** planning model described by Hardaker and Ward, entitled *How to Make a Team Work*¹, the workshop was designed to provide training on teamwork and educate each member on the mechanics of creating a strategic plan. This half-day session, held one week prior to the Strategic Planning Retreat, expedited the process and created an educational experience for those who had never created a strategic plan. (See Tab 3)

The consultant met with the Board of Directors to obtain the Critical Success Factors for Shelby Energy Cooperative, Inc. The Critical Success Factors are those things the Cooperative must do to succeed. (See Tab 7) These were identified as:

- Customer Satisfaction
- Reliable Energy Supply
- Service Restoration
- Safe Workplace
- Technology Innovation
- Teamwork
- Trained and Committed Employees
- Reliable Vendors
- Cost Efficient Operations
- Financial Ratio Requirements

On August 31 and September 1, 2009, the management team held an off-site retreat and created the strategic plan. They re-visited and updated the vision and mission statement. They evaluated each business process and how it affects the Critical Success Factors identified by the Board of Directors. Through a process of self-evaluation, they graded their performance and identified those areas of the business operation that demand focused attention. (See Tabs 5,6,7)

¹¹ Hardaker, Maurice and Ward, Bryan K. *How to Make a Team Work*, Harvard Business Review, 1987.

They reviewed the *Shelby Energy Cooperative Management and Operations Audit*² prepared by Auriga Corporation under the guidance from the Kentucky Public Service Commission, to identify key areas of the business where changes are most important. The analysis also included an SWOT analysis of Strengths, Weaknesses, Opportunities, and Threats, the typical analysis conducted during strategic planning. (See Tab 8).

Recognizing the demands of the ongoing business and the limitations of the financial resources, the management team identified eight (8) Strategic Initiatives (See Tab 9). They are:

1. Safety
2. Succession Planning
3. Internal Control
4. Marketing/Communication
5. Technology
6. Cost Control
7. Staff Development
8. System Reliability

Forty-two (42) Strategic Objectives were created to support the Strategic Initiatives. Each objective is specific, measurable, attainable, and time-bound, based on the SMART System, a process learned in the pre-planning training session.

The President and CEO guided each member of the management team through the action planning process that supports each objective. They are included in this report under Tab 10. The objectives have a time horizon from immediate to four years.

Next Steps

The entire Strategic Plan has been memorialized to writing here and submitted to the Board of Directors for review and approval. Upon approval by the Board, the Management Team will implement the Plan.

² *Shelby Energy Cooperative Management and Operations Audit, Auriga Corporation, Maipitas, CA. August 1, 2009.*