

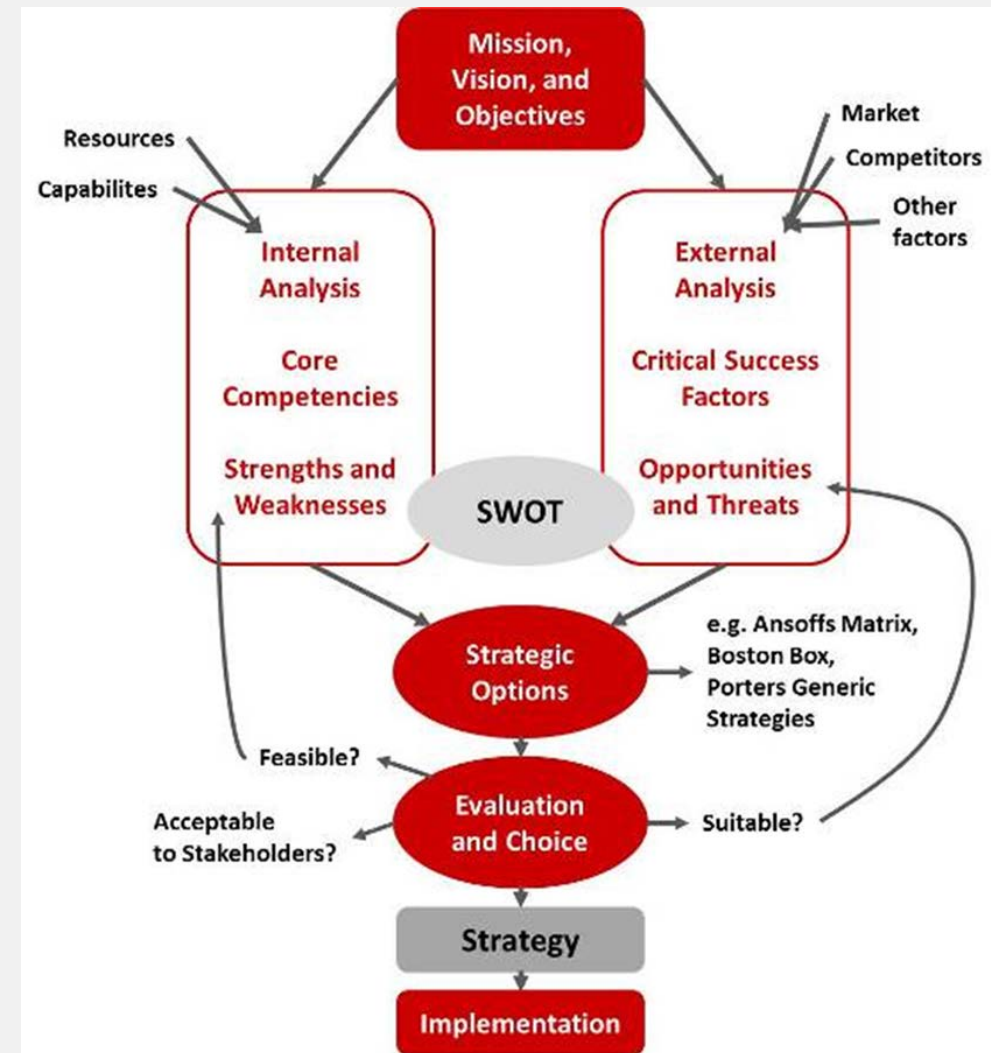
SCENARIO-BASED STRATEGIC PLANNING RESULTS

Seattle City Light

**REVIEW - BLENDING TRADITIONAL
AND SCENARIO-BASED PLANNING**

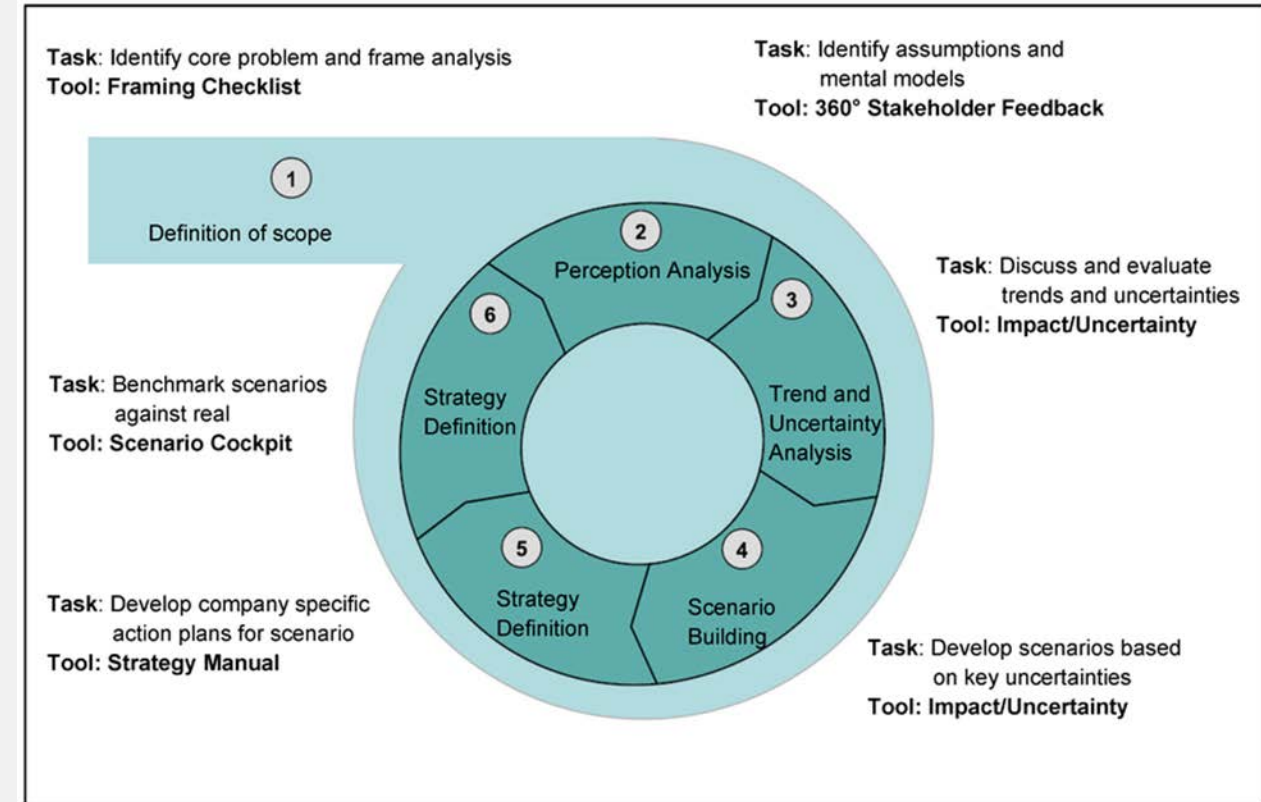
BASICS OF TRADITIONAL STRATEGIC PLANNING

1. Identify corporate identity
 1. Vision
 2. Mission
2. Complete a SWOT Analysis
 1. Current internal strengths and weaknesses
 2. Current external opportunities and threats
3. Develop a strategy to benefit from internal strengths while minimizing internal weaknesses so that your organization can capitalize on external opportunities and minimize external threats.
4. Develop specific initiatives (actions, goals, plans) to achieve the strategy(s) identified.
5. Implement initiatives
6. Measure effectiveness

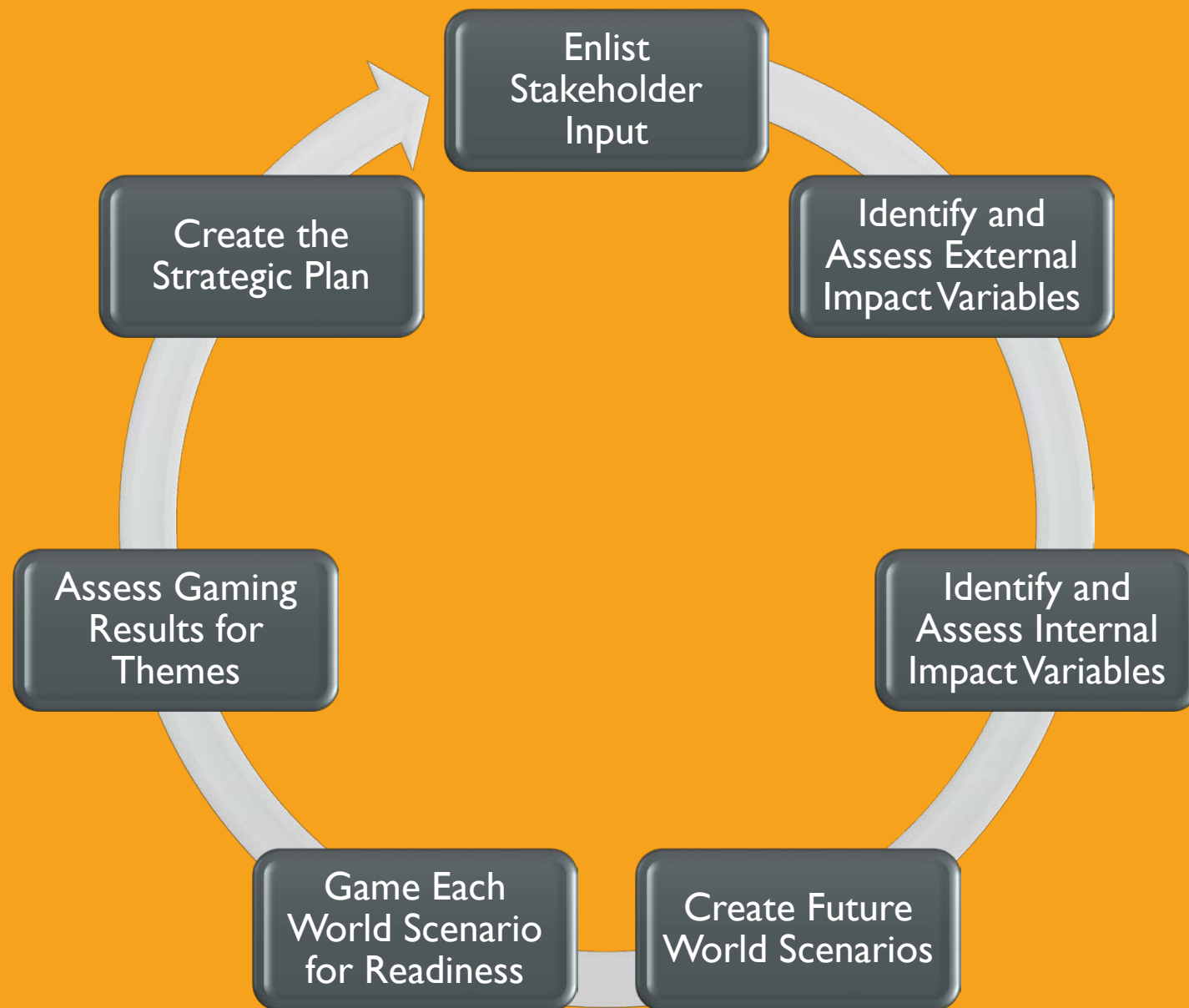


BASICS OF SCENARIO-BASED STRATEGIC PLANNING

1. Identify future external uncertainties (risks, trends and ambiguities)
2. Explore the implications of those uncertainties coming to fruition.
3. Develop a few potential future world views (that incorporate plausible combinations of uncertainties).
4. Develop corporate strategies to best position the organization to handle each world view.
5. Develop mission and vision for the organization that incorporates world views.



COMBINED
TRADITIONAL AND
SCENARIO-BASED
PLANNING



RESULTS – SEATTLE CITY LIGHT SCENARIO-BASED PLANNING

ENLIST STAKEHOLDER INPUT

Step 1



GROUP INVOLVEMENT

- Three groups identified to participate:
 - Review Panel – Customer-based advocates and subject matter experts
 - Executive Team – Senior utility staff and subject matter experts
 - Think Tank – Cross-sectional group of highly skilled Seattle City Light employees
- Two group participation exercises:
 - Identification of Internal and External Variables
 - Gaming Scenarios

IDENTIFY AND ASSESS EXTERNAL IMPACT VARIABLES

Step 2



EXTERNAL IMPACT VARIABLES RESULTS (THEMES)

- Climate change will lead to major disruptions in load / operations / policy
- Distributed energy and self-supply will be common
- Energy storage will be widespread and common
- Electric vehicles will be impactful to the electric industry
- Electrification of things will be impactful to the electric industry
- There will be no more natural gas heat (electric conversion)
- There will be no more carbon-based generation
- Power generation will be less centralized
- Grid modernization / delivery infrastructure will need to be prioritized
- Utility rates / structure will be very different
- Cyber-security will be very important
- Regional cooperation will be more necessary
- More environmental regulations
- Revenues, expenses and rate pressures will be problematic
- Consumer choice and self-supply desires need to be managed
- Population will continue to grow regionally
- Load-use patterns will begin to change

IDENTIFY AND ASSESS INTERNAL IMPACT VARIABLES

Step 3



INTERNAL IMPACT VARIABLES RESULTS (THEMES)

WORK ON

- Managing capital projects
- Bureaucracy and change
- Proactive instead of reactive
- Long-term financial planning
- IT infrastructure and implementation
- Internal communications
- Workforce skill / preparedness / succession
- Rates and rate structures
- Disruptive technologies
- Appropriate funding and resource allocation
- Aging assets (costs and repair / replace decisions)
- Municipal-based structure impeding on efficient utility operations

CAPITALIZE ON

- Outage response and restoration
- Affordability
- Environmentally friendly
- Positive relationship with customers
- Skilled and developed leaders

CREATE FUTURE WORLD SCENARIOS BASED ON COMBINATIONS OF INTERNAL AND EXTERNAL THEMES

Step 4



HOW TO CREATE SCENARIOS

By incorporating themes into scenarios

ATTACK!

- Cyber security
- Grid resiliency
- Load loss
- Cost increases
- Consumer choice
- Etc.

I'M MELTING...

- Climate change
- Electrification
- Heat conversion
- Cost increases
- Increased population
- Etc.

POVERTY

- Increase in impoverished customers
- Electric vehicle saturation
- Poor economy
- Increased unemployment
- Grid investments
- Etc.

APPLY STRATEGIES
TO EACH WORLD
SCENARIO TO
“GAME” READINESS
AND RESPONSE
REQUIREMENTS

Step 5



GAMING RESULTS REFINE AND STRESS-TEST THEMES

- Each scenario is designed to test the themes the groups identified in the internal and external variables exercise.
- During the gaming exercise, each group then identifies pre-emptive tasks that it would undertake to best position Seattle City Light to weather each scenario (groups of themes).

ASSESS PROBABILITIES AND COMMONALITIES OF GAMING RESULTS

Step 6



IDENTIFYING COMMONALITIES AND PRIORITIES CREATE THE STRATEGIC PRIORITIES

- Each of the pre-emptive tasks identified by the groups in the scenario gaming exercise are then evaluated for themes.
 - Do the same themes resurface during scenario gaming as they did during external variable analysis?
 - Do the same themes occur across each scenario?
 - Do new themes occur in gaming which were not present during external and internal analysis?
 - Do some themes not occur in scenario gaming that did occur during external and internal analysis?
 - Are some themes the same across all scenarios?
 - Are some themes mutually exclusive across some scenarios?
- The themes from internal and external analysis and themes from the gaming exercise tasks results are then combined to create a series of joint themes and tasks.

CREATE THE STRATEGIC PLAN

Step 7



PROPOSED STRATEGIC PRIORITIES AND OBJECTIVES RESULTS

- Ensure Future Financial Security
 - Effectuate changes needed to be made to equitably stabilize rates, provide for financial flexibility, and to ensure stable financial positioning for the long-term future of SCL and its customers.
- Prepare the Grid for Tomorrow's Energy Use
 - Implement grid modifications necessary to meet customer needs, address current and future security requirements, and adapt to the new innovative grid utilization demands being placed upon it.
- Anticipate Transformational Changes in Electric Utility Service
 - Provide excellent customer service while being pre-emptively prepared for transformative changes in electricity production, electricity consumption, consumer trends, and other innovative industry changes.
- Optimize Operations
 - Modify business operations to optimize the value and operating efficiency of the utility while reducing cost of service and retaining and attracting an exemplary workforce.

ALIGN TASKS AND OBJECTIVES UNDER STRATEGIC PRIORITIES

- The central themes established during internal and external analysis and during scenario gaming define the final selected Strategic Initiatives.
- The tasks identified during scenario gaming create the strategic plan tasks or actions. These actions can be grouped and categorized into themes or Strategic Initiatives, thus stress-testing the themes.
- A critical look at the themes or Strategic Initiatives identified by using both techniques can show strength of themes and thus validates the final selected Strategic Initiatives.

PROPOSED STRATEGIC PLAN

Ensure Future Financial Security

Rate Restructuring and Policies

Financial Planning and Policies

Revenue Stream Enhancement

Emergency Financial Operations

Financial Flexibility

Cost Control and Optimization

Prepare the Grid for Tomorrow's Energy Use

Grid Resiliency and Modernization

Enhancing Cyber Security, Compliance, and Planning

EV's and Electrification Integration

Anticipate Transformational Changes in Electric Utility Service

Telling our Story

Customer Choices

Advocating for Us

Optimize Operations

Micro-grids, DERs and Storage Integration

Energy Asset Valuation

Right-sizing

Improving IT for Enterprise-wide Solutions

Preparing for Environmental Changes and Impacts

Enhancing and Preparing the Workforce

Regional Operational Cooperation