

An aerial photograph of a large dam and reservoir. The dam is a long, concrete structure with multiple spillways, situated in a valley. The reservoir is a large body of water extending into the distance. The surrounding landscape is hilly and mountainous, with some greenery and a few buildings visible on the right side. The sky is clear and blue.

Strategic Planning Retreat

2017

Board Presentation

April 17, 2017

Situational Awareness

- Wholesale Power Markets
- Financial Forecasts
- Human Resources
- Our Customer Base
- Environmental Considerations
- Political Landscape

Key Takeaways

- Decreases in energy and capacity prices
- No significant changes to carbon prices in last few years
- As we fully engage asset management, identify investment opportunities that provide long-term cost savings
- Our financial forecasts are below the blue line (expected value) but above the brown line (low) from strategic planning and long term debt philosophy analysis
- We continue to see growth that supports our 1% annual load forecast
- Facing new dynamics such as HDL load growth, strong growth in residential homes and renewed economic development efforts by the Port and municipalities

Key Takeaways

- Rapid evolution of our work toward more automation, data management/analysis and critical thinking skills. Need for STEM/continuous learner candidates that are likely to be in high demand in 2020's
- As we approach relicensing (11 years away) we need to successfully implement HCP, consider HCP extension and be successful at getting early action credit
- Water and Wastewater availability is emerging as a key to future county growth
- A new Trump Administration creates opportunities for regulatory reform of burdensome regulations. The west coast political environment is likely to retain a focus on climate change issues

Conclusions

- Our wholesale revenue forecast needs to be decreased from the adopted budget
 - Small impact in next 5 years, larger over 10 years
 - Concerned that there is more downside risk due to wind/solar build-out in west
- Financials look good for the next 5 years, we should be planning for more challenges in the 2020's
- The combination of revenue and cost changes could accelerate planned borrowing to 2019/2020 time frame

Conclusions

- Stay on the path of performing foundational rates analyses to prepare in case there are further financial downturns and because flat rates are not sustainable forever
- As technology changes permeate our business, we will need to become a more data driven organization
- We should consider a talent management strategy focused on retaining and recruiting a high quality, continuous learning workforce that can perform duties requiring a greater focus on critical thinking skills

Conclusions

- Consider further refining our highest priority of investing in assets and people to ensure a balance between future investments and future debt financing
- Consider growing retail loads if we can sell at a production cost (unsubsidized) rate
- Consider strategies that can increase wholesale revenues compared against spot energy prices (seek out capacity and carbon values that hydropower can provide)

Conclusions

- Expand our efforts to be positioned as utility industry leaders, particularly with respect to operational excellence, clean energy and reliability
- Water and wastewater issues have the potential to significantly increase in size and scope and require additional resources to support that line of business