



Board Briefing

LES Strategic Planning

FINAL

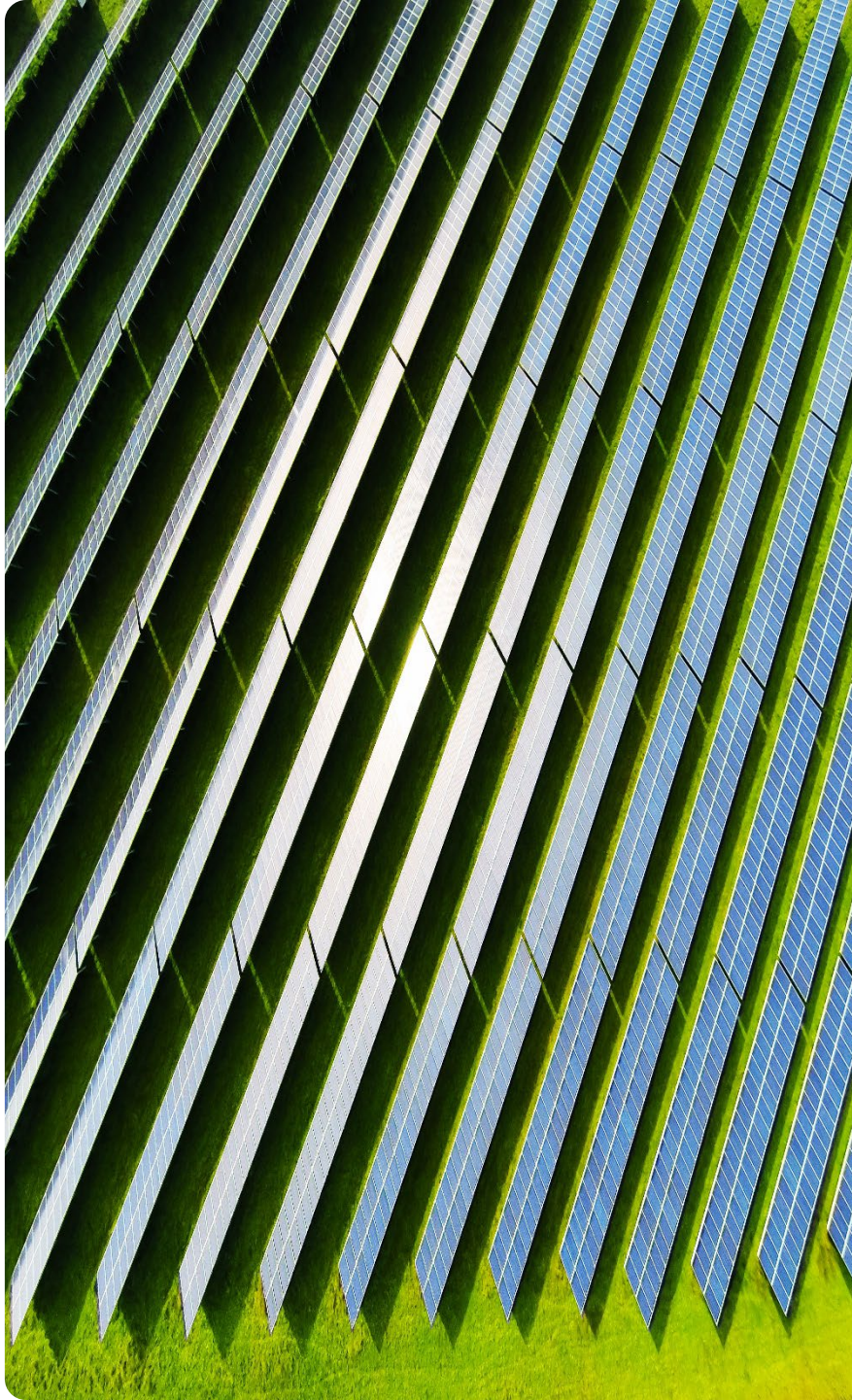
Prepared for Lincoln Electric System

January 13, 2025

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01

Strategic Planning Introduction and Approach



Strategic Planning at LES

Why is it important?

Lincoln Electric System (LES) plays a pivotal role in advancing the future of energy services for Lincoln and the surrounding communities served by the utility.

Long-term industry trends and disruption, for example load growth/electrification, technology/AI, market environment, the energy transition, and evolving customer expectations are anticipated to introduce risk and opportunity over the next decade. These trends, given their disruptive nature, can impact LES's future operating environment and business planning. Navigating the energy transition requires utilities to balance the energy trilemma of providing affordable, reliable, and environmentally responsible service to customers.

LES is embracing a forward-thinking approach to the strategic planning process, proactively shaping decisions that position LES, its customers, and the community for long-term success.

Program Objectives

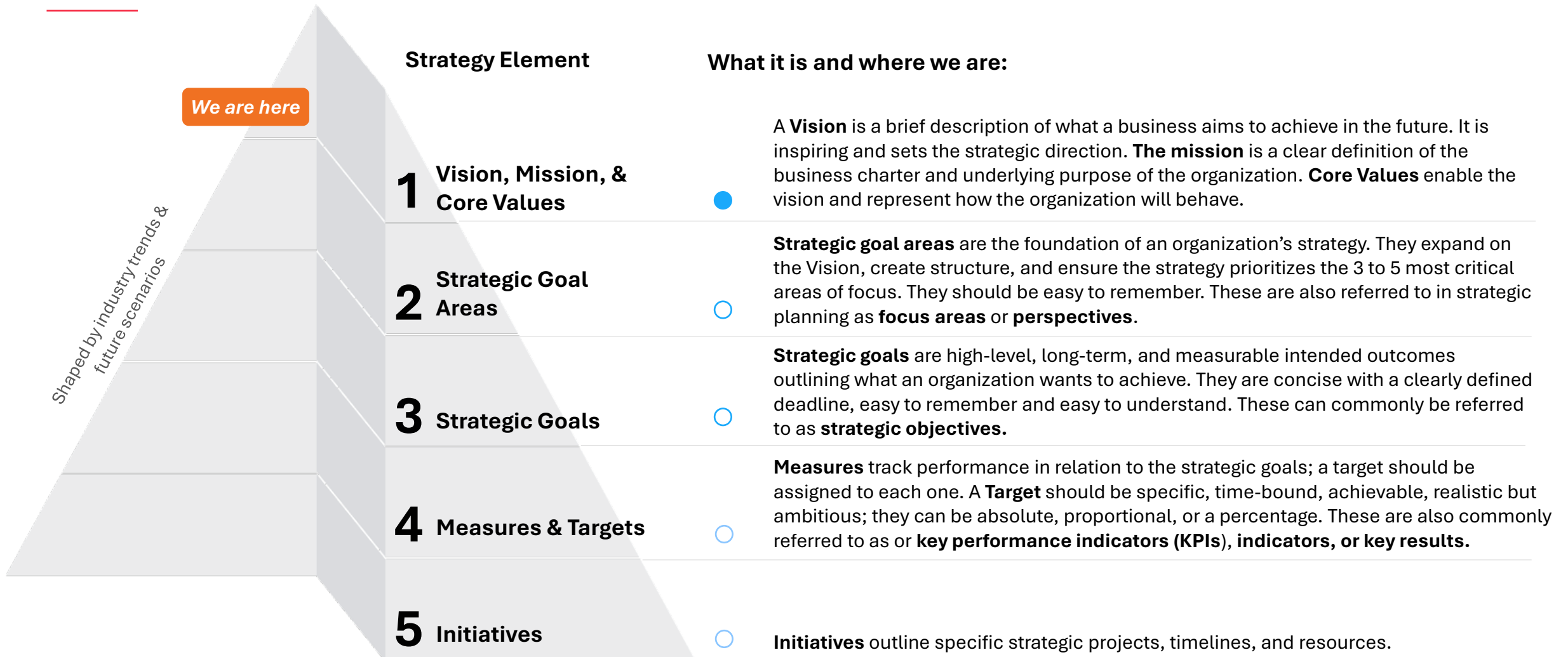
- **Long-Term Vision and Goals:** Craft a future-focused Plan that supports LES's mission and future-state vision and objectives.
- **Measurable Initiatives:** Define actionable steps for decarbonization, resilience, and customer satisfaction.
- **Risk Management:** Proactively address regulatory, market, and technology changes.
- **Stakeholder Engagement:** Strengthen collaboration among LES leadership, the board, and community stakeholders.

Program Outcomes

- **Clear Vision & Roadmap:** A clear plan for LES's short-, medium-, and long-term objectives.
- **Strategic Alignment:** Unified goals for leadership, board, and stakeholders.
- **Sustainable Growth:** Initiatives balancing energy transition with affordability and reliability.
- **Future-Proofing:** Flexible strategies to adapt to uncertainties and market changes.

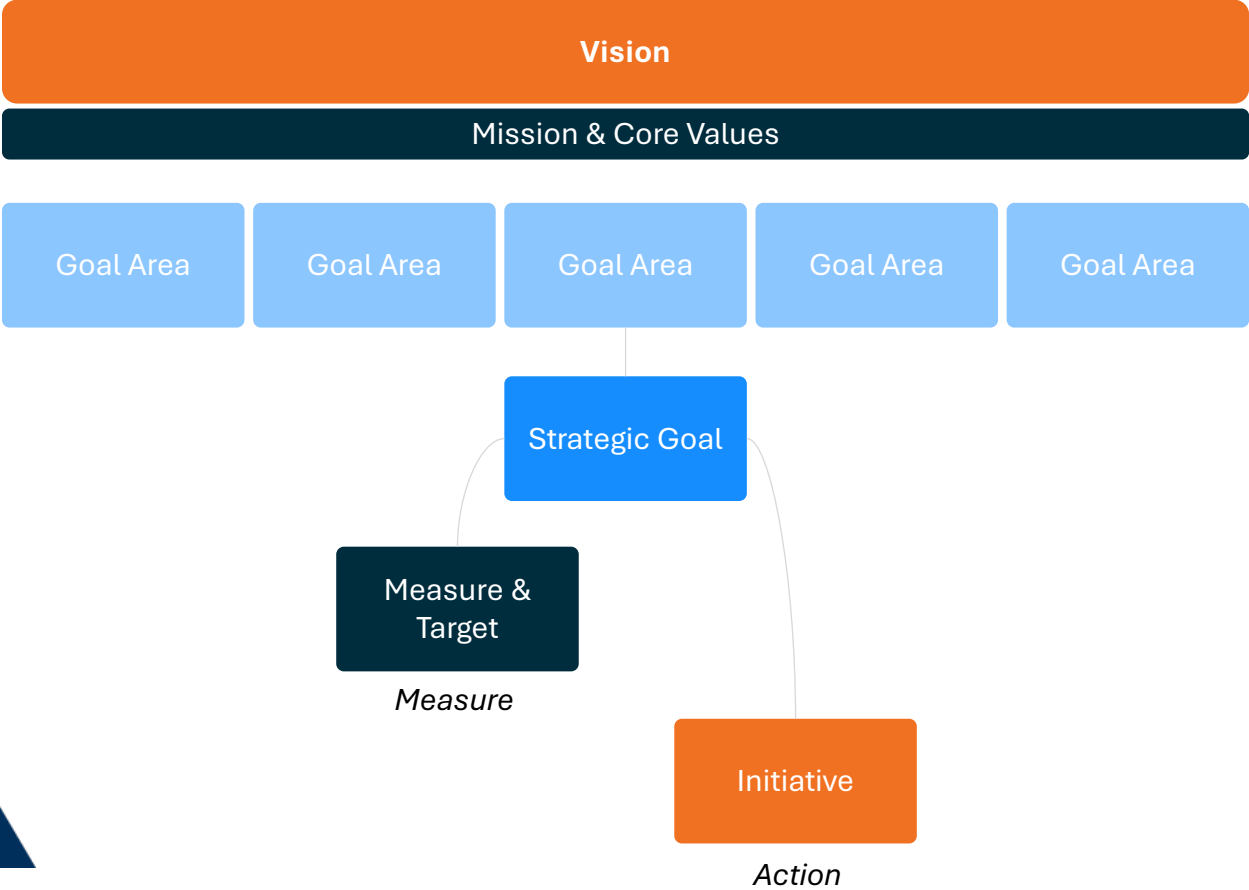
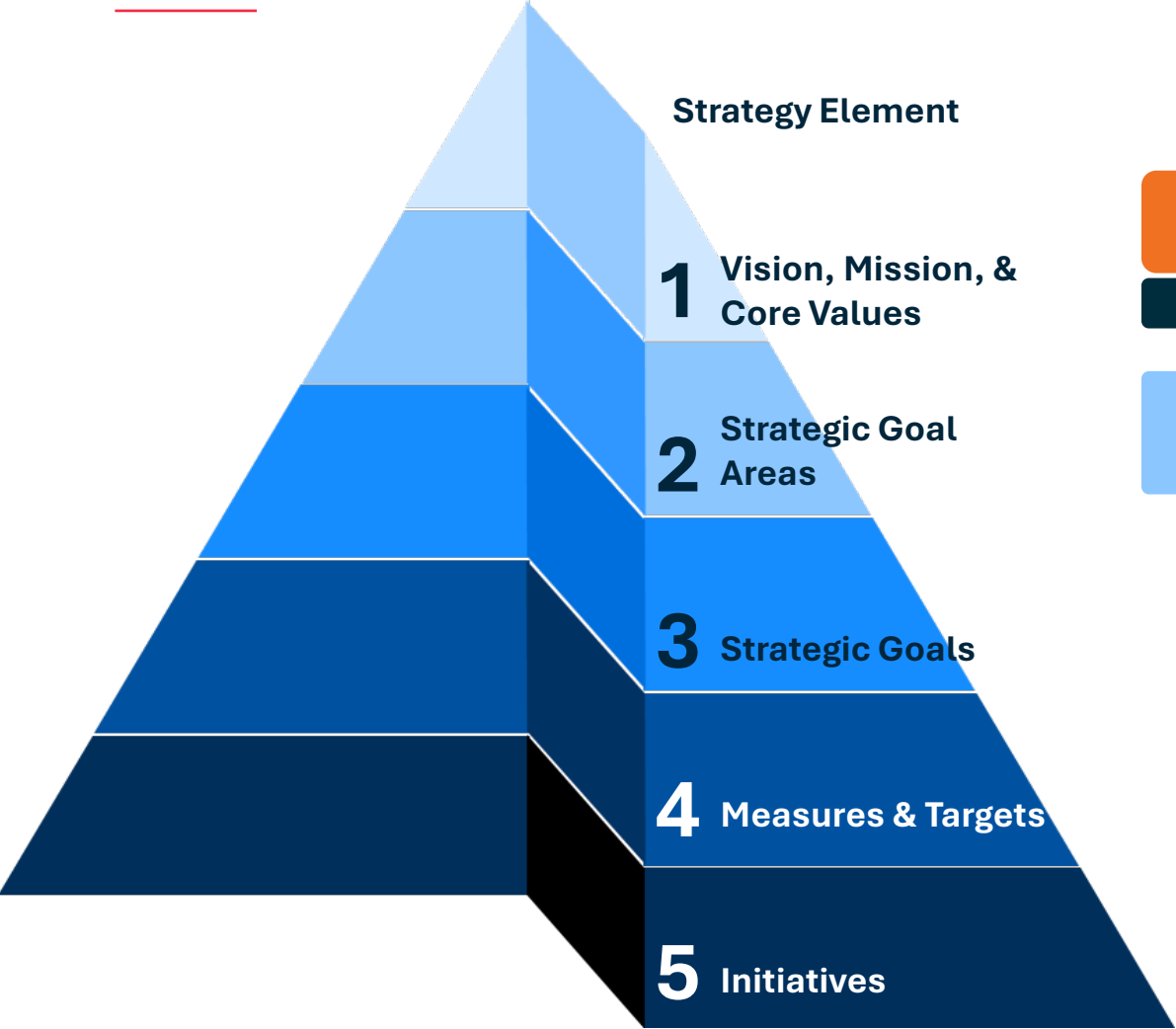
What Does the Strategic Planning Process Entail?

The components of the Strategic Plan



What Does the Strategic Planning Process Entail?

The Strategic Planning model

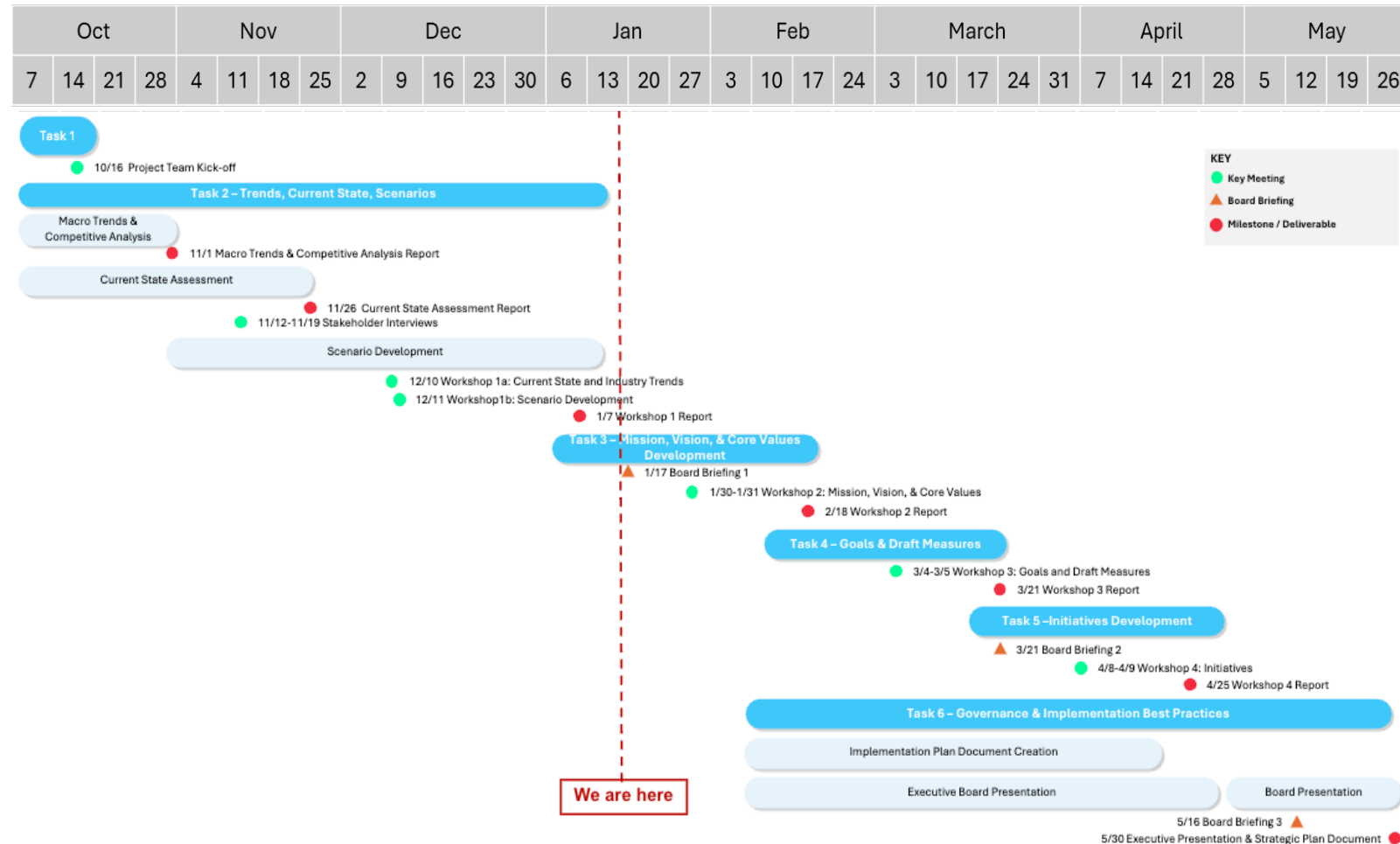


Strategic Planning Program Overview

Tasks 1 & 2 are complete, and the project is on-schedule

We are following a structured, flexible, and collaborative approach to guide LES's strategic planning:

- **Task 1:** Align on project goals, success metrics, timelines, and key details.
- **Task 2:** Conduct a macro trend analysis, current state assessment, and stakeholder interviews, supported by Workshop 1: Scenarios Development.
- **Task 3:** Review LES's mission, vision, and core values, updating them in Workshop 2: Mission, Vision & Core Values.
- **Task 4:** Develop strategic goals and draft measures in Workshop 3: Goals & Draft Measures.
- **Task 5:** Create Strategic Initiatives in Workshop 4: Initiatives.
- **Task 6:** Prepare a Strategic Plan implementation document and an accompanying executive presentation summarizing tasks and outcomes for board delivery.



02

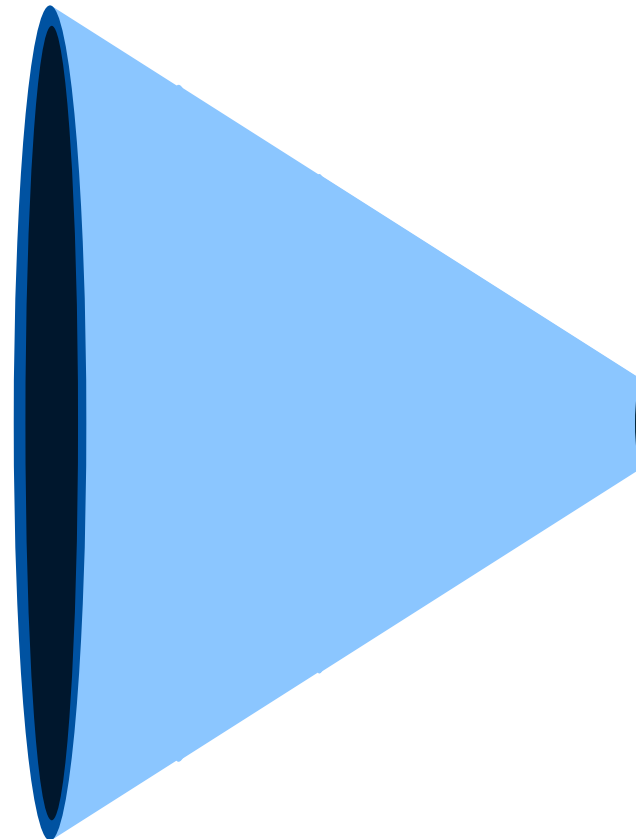
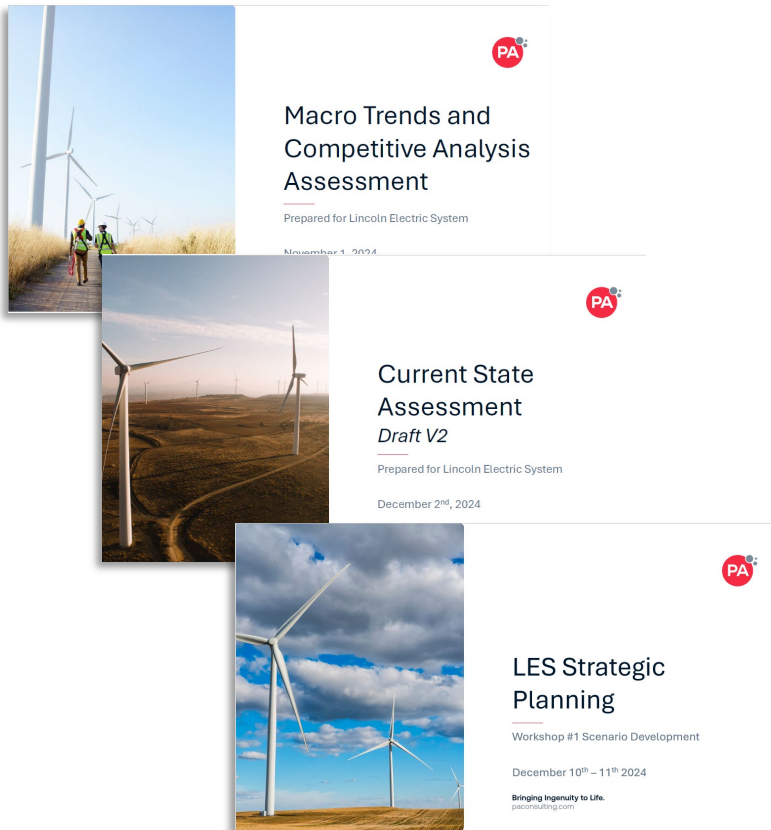
Program Updates



Task 2 Deliverables

Inputs to the strategic planning process

Since the start of the project in October 2024, PA conducted a **macro trends analysis** to explore how utilities address these trends today. PA conducted 21 interviews with executives, board members, and SME groups and prepared the **current state assessment** to establish an organizational “baseline”. During the workshop, we used facilitation and guided discussions to **develop scenarios** that will support strategic planning efforts.



Macro Trends Analysis

Impacts on LES from regulatory changes – SPP’s updated PRM requirements and supply accreditation standards; FERC 2222. How technology can help LES shape the future electric ecosystem that the business will be operating in.

Identified 6 strategic focus areas

Generation resources, financial plan, technology strategy, grid modernization, customer experience, and organizational readiness.

Identified key topics through workshop discussions

Political uncertainty, infrastructure disruptions, power cost, load growth, technology, customer expectations

Task 2a: Macro Trends

Defining the electric utility “state of play”

The macro trends analysis established a common understanding and foundational knowledge on the national electric utility “state of play”. This included:

- Industry macro headwinds and tailwinds
- Insights into how utilities are addressing macro trends

Why this is important:

Macro trends are not discrete and are very much interdependent. The analysis provided a starting point for discussion on the trends LES believes is most relevant to its future business.

Industry macro trends can impact the way LES operates or plans for the future. Navigating the energy transition requires utilities to balance the energy trilemma of providing affordable, reliable, and environmentally responsible service to customers.

The report identified the following industry trends, and outlined how utilities are navigating these trends.

Decarbonization of Power



Replacement of Aging Infrastructure



Evolving Market Design



Resiliency and Reliability



Decentralization



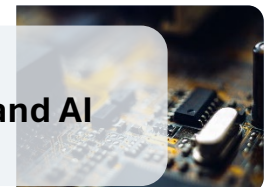
Affordability and a Just Transition



Block Load Growth



Digitization, Automation, and AI



Task 2b: Current State Assessment

LES's internal environment is shaped by six key focus areas

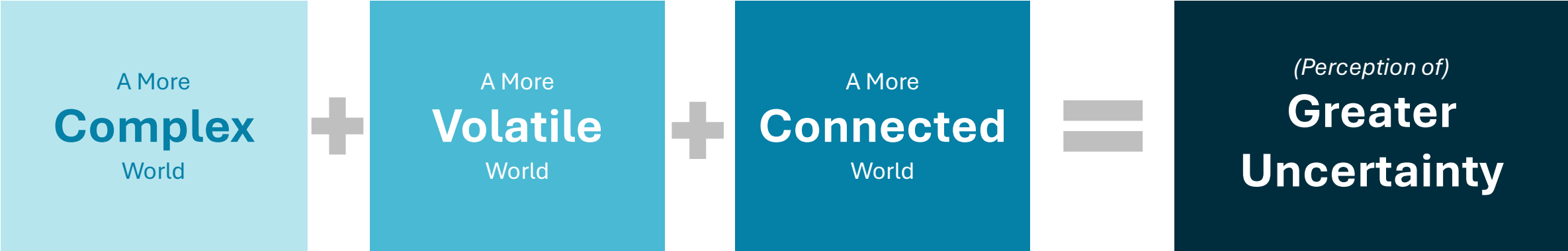
Why this is important: The analysis established a baseline understanding between PA and LES, ensuring full alignment on LES's business environment and organizational structure. The analysis also highlights key challenges and opportunities to address in the strategic planning process.



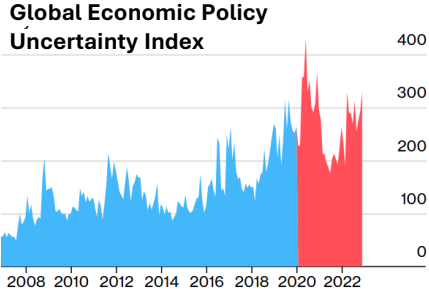
Task 2c: Scenario Development

Strategic planning & uncertainty

The potential for industry disruption drives uncertainty. We used the industry macro trends and the current state analysis to frame conversations around future disruption, opportunities, and risks to help shape potential future scenarios in the year 2035.



90% of the world's data was generated in the last two years alone.

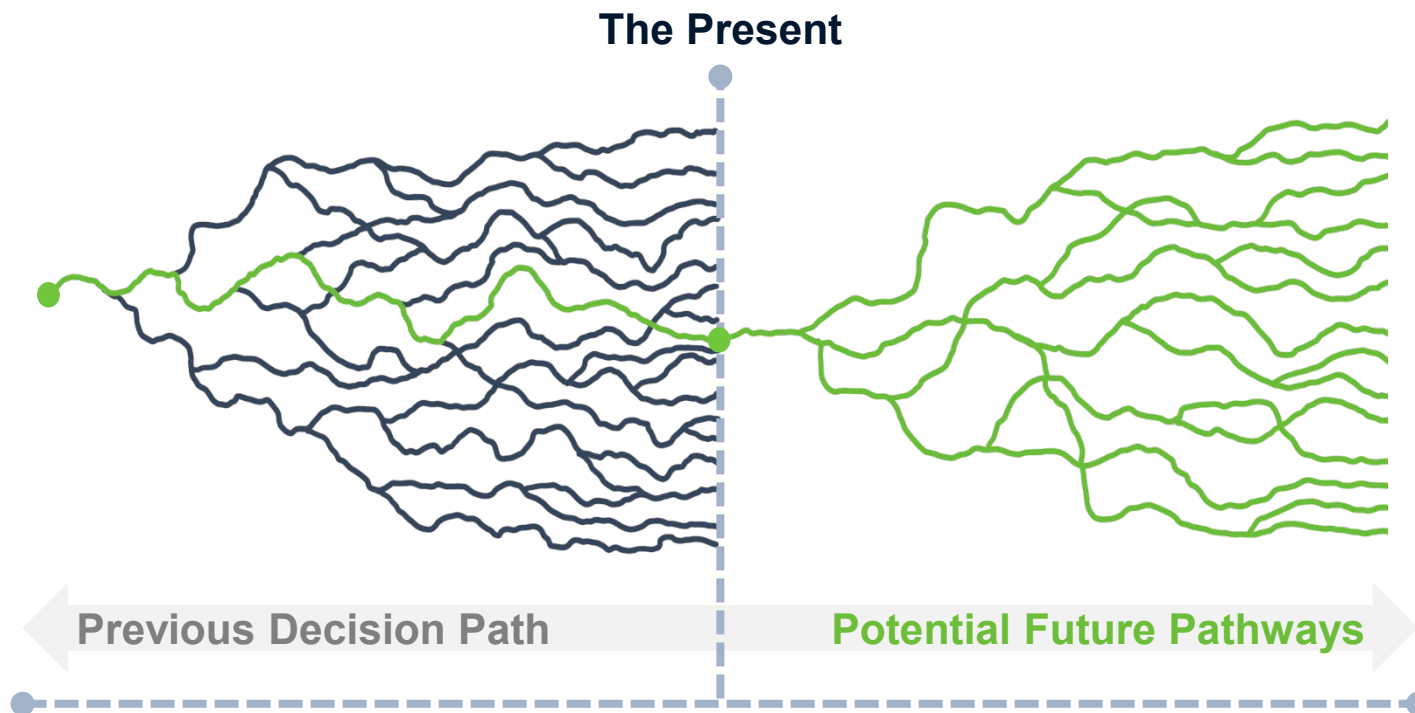


Average number of interactions per connected person per day worldwide was 85 in 2010 and is now to 4,785 in 2025

Task 2c: Scenario Development

Strategic planning & uncertainty

Why this is important: The future will always be more complex than you think. Scenario development is not about prediction; it is about provocation. We challenge current assumptions to support decision-making today that will help the organization to create the practical strategies that incorporate future uncertainty.



- **Possible Futures:** alternative scenarios that exist within the 'bounds of possibility'.
- ? • **Probable Future:** the most likely future based on current assumptions and extrapolation.
- ? • **Preferred Future:** the future scenario that the organization actively desires, yet acknowledges the need for contingencies.

Considering **wildcards** outside the bounds of plausibility makes for more resilient strategy.

Task 2c: Scenario Development

Workshop 1

In this workshop we explored the role of LES as the energy transition is expected to unfold through 2035. From this, we developed four future scenarios to guide the organization and its effort to define the 2035 plan over the next five months.

The scenarios and strategic plan will chart a path for how LES as an organization will need to evolve or transform to serve customers and the community in 2035.



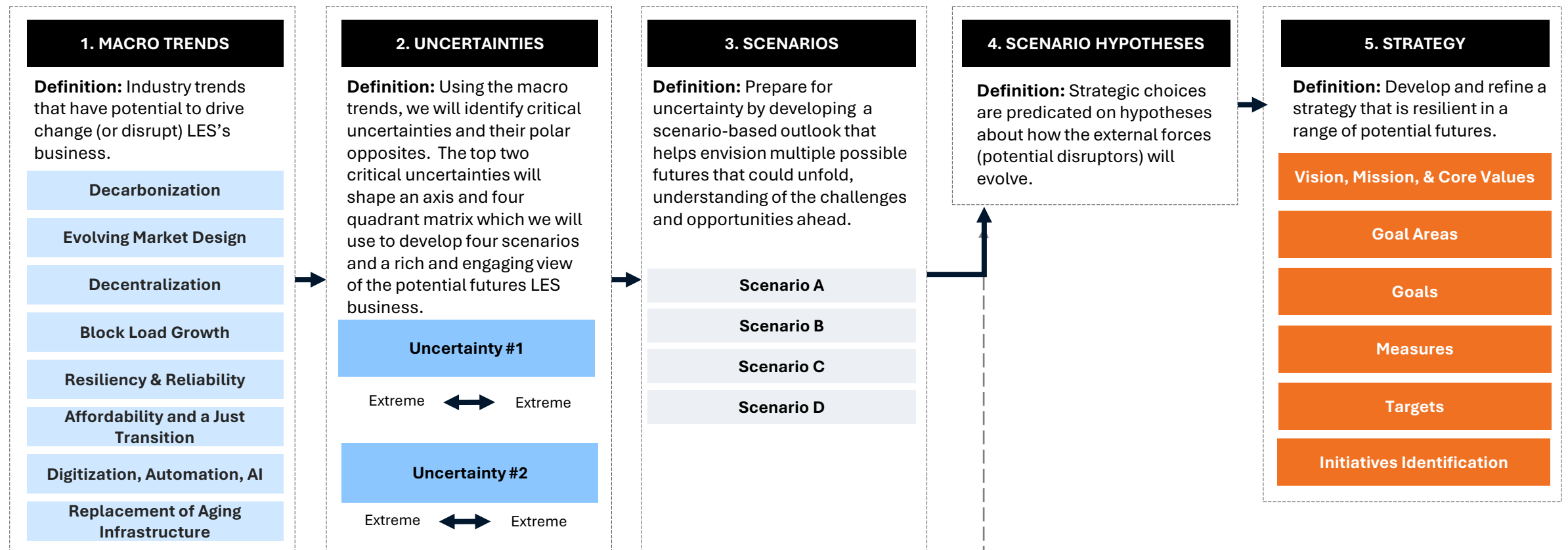
03

Next Steps and Discussion



Scenario Development and How it Supports the Strategic Planning Process

The **strategy** is predicated on the **hypotheses** about how industry **macro trends** will evolve into the four future **scenarios**



Analysis of relevant macro trends is recommended to best inform the hypotheses. Once the scenarios are developed, these should be periodically refreshed in alignment with the utility planning cycle.

Strategic Planning Program

Next steps

Workshop 1

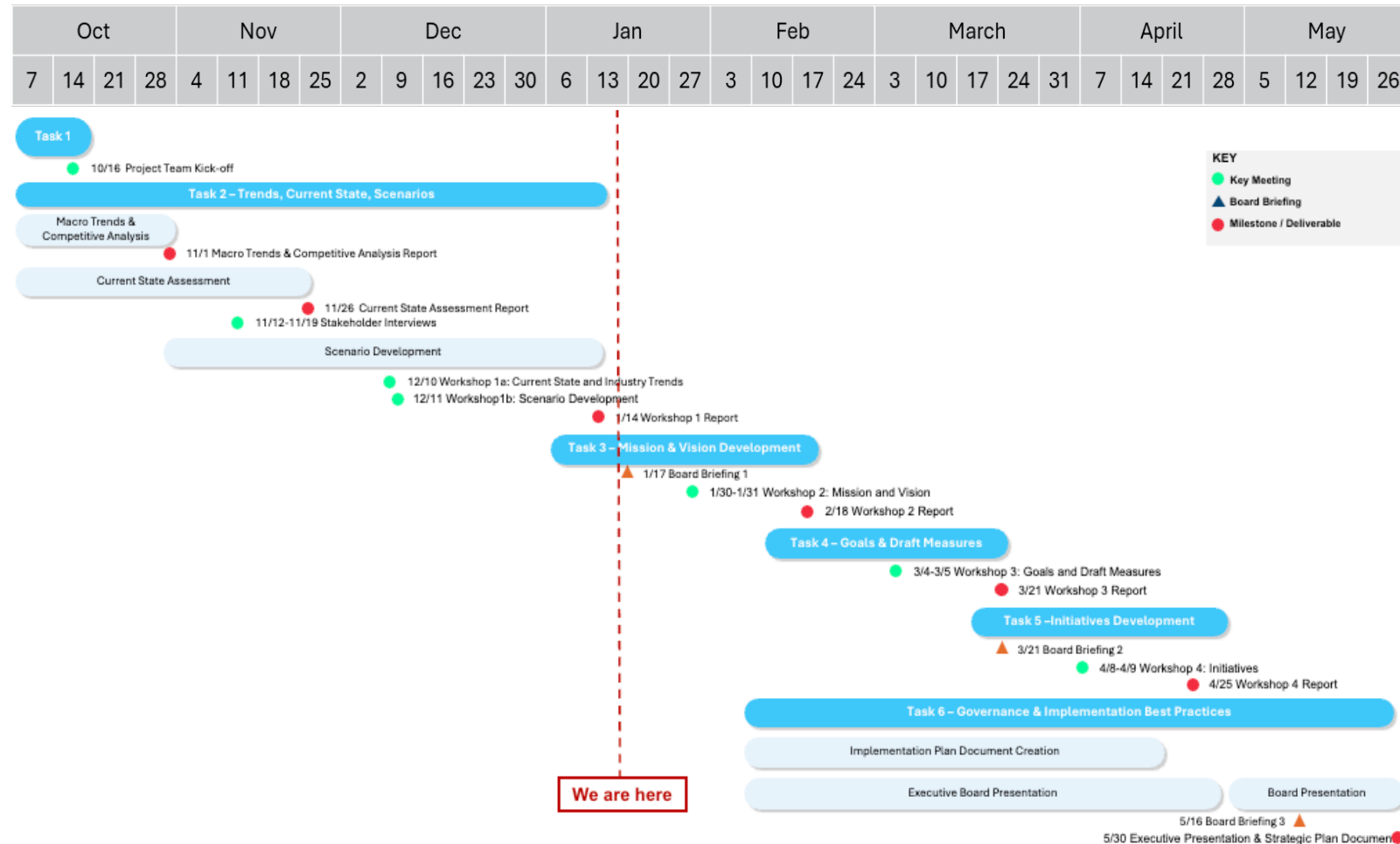
- **1/7** PA provided V1 of the Workshop 1 report for LES's review and feedback

Workshop 2

- **1/17-1/22** PA to provide pre-Workshop 2 survey and pre-read materials
- **1/30-1/31** PA to conduct on-site Workshop 2: Vision & Mission

Program updates

- **1/17** Next Monthly Program Update with LES ELT – Review Workshop 1 report feedback and provide Workshop 2 overview
- **3/21** Next Board Briefing



04

Appendix



Glossary

LES – Lincoln Electric System

AI – Artificial Intelligence

ERP – Enterprise Resource Planning

FERC – Federal Energy Regulatory Commission

KPI – Key Performance Indicator

PRM – Planning Reserve Margin

SME – Subject Matter Expert

SPP – Southwest Power Pool

T&D – Transmission & Distribution

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