



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Schlossberg, Brown, Carlson, Barofsky, and McRae  
FROM: Deborah Hart, Chief Financial Officer; Sarah Creighton, Enterprise Risk Program Manager  
DATE: July 6, 2021  
SUBJECT: SD20 Annual Enterprise Risk Management (ERM) Update  
OBJECTIVE: Information Only

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## **Issue**

Board Policy SD20 requires a periodic report on the status of Enterprise Risk Management (ERM) activities. This memo provides ERM information for the past year.

## **Background**

Board Policy SD20 outlines EWEB's commitment to an enterprise-wide approach to risk management. As a practice, ERM supports the achievement of operational and strategic objectives, including safety, reliability, responsible stewardship of our customer-owners' financial and natural resources, and regulatory compliance. Managing risk is an integral part of decision-making across EWEB and is not a stand-alone activity. EWEB's risk management efforts include the Safety program, Cyber Security program, Dam Safety program, Physical Security program, the Water Division's Risk and Resiliency Assessment and Mitigation Plan, and the Power Risk Management Committee. ERM staff coordinates EWEB's risk management efforts, which includes identifying and analyzing existing risks, monitoring emerging risks, creating and implementing mitigation strategies, and reviewing those strategies to ensure that decisions are risk-informed and the risk retained is acceptable.

## **Discussion**

At the end of 2020, an updated risk analysis was completed by Staff and Management to determine which risks ERM should focus on from an organization-wide perspective. Top risks were selected based on projected impact and likelihood of occurrence after mitigation strategies were applied. These risks were determined to be resilience, alignment, and modernization.

## Resilience

Events of 2020 highlighted the need to be prepared for whatever arises, be that a pandemic, wildfire or other natural disaster, social unrest, or cyber security event. Widespread events including social unrest, displacement due to wildfire, and economic impacts of a lengthy pandemic can negatively influence the resilience of the communities we serve. These events may affect customers' ability to pay or their level of engagement with new products and services staff are working hard to develop. This level of resiliency requires flexibility and adaptability both from an individual as well as an organizational level as not every scenario can be imagined and planned for. Employees must be recruited, trained, and retained for current jobs as well as the jobs of the future. Maintaining this

resilience with a distributed workforce raises its own challenges. Bench strength, succession plans, and documented processes for knowledge transfer are inconsistent across the utility, and there are opportunities for improvement here.

Psychological safety creates an environment in which staff can learn from mistakes, incorporating lessons learned into the next iterations of systems and processes, which will enable a workplace where staff can effectively “fail forward”. How these lessons are socialized and transferred to others will play a key role in ensuring future staff can benefit from lessons learned.

Privacy of employee and customer personal information remains a high priority. Annual identity theft prevention training, required for staff whose jobs require access to personal information, includes a strong focus on physical and cyber security. Teaching users to know when something does not look right is an integral piece of the ongoing cyber security strategy, and phishing tests have become part of this education. The Privacy Committee continues to investigate and respond to potential breaches of personal information. Over the past year, no potential events were reported.

There is much work underway to address these risks. Working from home is becoming more robust with policies and technology supporting effective connection among employees, and planning is underway to thoughtfully reintroduce staff into the office. A security assessment was recently completed by a cross-functional team of ERM, Physical Security, and Cyber Security staff, which led to recommendations to create further physical and cyber security resiliency. Workforce Services staff are proactively supporting internal staffing capacity. Water staff are actively planning for a second water treatment plant. Electric staff have begun working toward adoption of a wildfire mitigation plan as discussed in the May 18, 2021, Work Session. Recruitment is planned for an Emergency Manager to serve as the point person for EWEB’s plans for and response to natural and other types of emergencies. Many of these items have been moved to the forefront in the 2021 goals.

### Alignment

One key method to achieving effective resilience is with an aligned staff. We are “one EWEB” with a shared mission, vision, and objectives, and historically parts of the organization have felt at odds with one another. Prioritization of resources across divisions poses a challenge when people are speaking past each other, each more intent on achieving their own goals than compromising in the best interest of our customer-owners. True resilience is found when an organization is all rowing in the same direction and where people feel comfortable speaking up to share an opinion that may not be popular. Staff at all levels could benefit from a clear, unified approach to various broad issues, such as management and use of big data and long-term utility-wide goals.

Supporting an aligned culture is being accomplished in a variety of ways. Continuous Improvement (CI) staff are embedded in both the Advanced Meter Infrastructure and Customer Experience Improvement projects, helping to support and encourage continuous improvement and change management practices. As this project work comes to an end in favor of operationalizing these projects, CI staff are gearing up to play an active role in supporting the upcoming Enterprise Resource Planning (ERP) project that was discussed at the June 2021 Board meeting.

ERM staff have worked to steadily mature EWEB’s holistic risk management efforts. EWEB staff have created and implemented several risk-aware decision-making tools that walk users through the risk assessment process to help ensure decisions are made by considering a variety of perspectives and potential outcomes. ERM staff continue to spend time with each new employee within their first six

months at EWEB to provide an overview of ERM areas and supporting a cultural narrative that risk issues can and should be escalated and addressed. ERM staff have created a holistic Risk Strategy document to provide guidance for all levels of the organization on ways to align purposes and focus across the organization; make informed, intentional decisions; and actively collaborate on which risks are acceptable.

#### Modernization

EWEB is facing myriad large decisions that will impact the utility for many years, including watershed recovery and protection, work on the lower McKenzie River hydroelectric projects, a Willamette drinking water treatment plant, wildfire mitigation planning, ERP selection and implementation, and BPA contract negotiations. As our customers increasingly expect a modern approach, EWEB must modernize to maintain relevance and industry influence.

It is nearly impossible to make data-driven decisions if we have bad data, irrelevant data, or do not know what data we have. Making big decisions requires a modernized approach toward asset and data management to make these decisions. Staff implementing these decisions must also have adequate data and appropriate systems to support the outcomes of these decisions. Effective data management requires systems that interact well with one another. A move towards off-the-shelf solutions instead of home-grown solutions will support effective streamlining of these processes. Modern technology creates opportunities in what staff can offer to customers, resource and asset management effectiveness, and cybersecurity. The upcoming work on and subsequent execution of the Information System Technology Investment Plan and Asset Management Plans are necessary to ensure alignment towards modernization.

#### Other Functions:

ERM staff are responsible for compliance with public records archival and request laws, claims, insurance procurement, and responses to subpoenas. Most liability and recovery claims EWEB experiences are within the \$2 million self-insurance threshold and are resolved internally. EWEB maintains a broad portfolio of insurance policies to cover a variety of other exposures. This portfolio is evaluated at least annually to ensure the types and levels of coverage purchased continue to be adequate to mitigate risk. ERM staff report quarterly to Management on compliance activities, helping to ensure real time conversations on compliance opportunities. ERM staff also manage the Contract Governance program, designed to address non-standard contracts developed outside the Purchasing department. Presently, nearly 270 active contracts are being tracked. Training continues to be a strong focus, including comprehensive ethics training for all new hires and refresher ethics training for all employees.

#### **Requested Board Action**

This item is information only and accordingly there is no requested Board action.