



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Barofsky, McRae, and Schlossberg  
FROM: Rod Price, Assistant General Manager and Deborah Hart, Chief Financial Officer  
DATE: June 29, 2022  
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 2021, 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. These are the same top risks identified in last year's annual SD20 report, although the ways these risks are being experienced and mitigated have changed.

## Resilience

As a provider of community-critical utilities, EWEB has an obligation to prepare for the unexpected. While we cannot see the future, we can create an organization that is flexible and adaptable to the risks of today and the potential risks of the future.

The effects of the pandemic are still being felt most strongly in staffing, our customers' ability to pay, and supply chain constraints. Other risks threatening EWEB's resilience include employee-related matters, contracting, natural disasters, dam safety, water quality, capital planning and equipment failure, data governance, and security of our physical and digital assets.

Employee-related risks rise to the top, as recruitment and retention of qualified staff is key to accomplishing our goals and objectives. Leaders must be developed, as not every stellar employee will naturally become a compelling leader. While staff transitions are inevitable, bench strength, succession plans, and documented processes for knowledge transfer are imperative to maintain quality of work during staff transitions. Investment in employees is crucial, from teaching new skills and use of modern technologies to supporting physical and psychological safety.

Contract risk remains a top priority for resilience as well. Well-written project RFPs lead to higher quality results, which benefits both staff and the community. Providing staff with the tools and resources to proactively manage contracts is also an area of opportunity. Grant management (including finding grants, applying, managing grant obligations, and fulfilling reporting requirements) is an emerging risk due to increased number of grants for which EWEB may qualify.

There is much work underway to address these risks. Workforce Services staff are proactively supporting internal staffing capacity with creative recruiting methods. A Strategic Program manager was hired to focus on coordinating operational resiliency programs and projects. Work is underway for a second water treatment plant. Electric staff are on track toward adoption of a wildfire mitigation plan this July. A new Grants Specialist is paying particular attention to the growing grant-related opportunities and risks. There are increasing opportunities to intentionally carve out time for training and development of frontline staff and leadership, both hard and soft skills.

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 one potential event was reported, and an investigation revealed no personal information was compromised.

### Alignment

One key method to achieve effective resilience is with an aligned staff. Our shared mission, vision, and objectives don't always translate into alignment on big questions such as prioritization of resources across divisions, management and use of data, and leadership's philosophy on taking risks. The way these big questions are approached can, and should, change with adjustments in leadership direction, Board membership, and the environment we operate within, and it can be hard for staff to continually adapt their processes in response.

There is a need for cohesiveness across the organization and alignment to guiding principles. This disconnect is also felt between departments. One example is the occurrences of "shadow IS", when a department engages in technology solutions outside of EWEB and without the guidance from Information Services. Issues such as this may arise from a lack of desire to collaborate or a lack of awareness the stakeholders. Risks arising from inaccurate stakeholder identification and engagement did come up in interviews several times. In general staff want to communicate and collaborate with the right people, but siloed work coupled with our current dynamic workforce environment means that many of us haven't seen one another face to face in two years or more.

Supporting an aligned culture is being accomplished in a variety of ways. The Executive Team has been intentionally focused on Diversity, Equity, and Inclusion (DEI), and there is work underway at the Board level to adopt an actionable Board Diversity, Equity, and Inclusion policy. Continuous Improvement (CI) staff are

gearing up to play an active role in supporting the upcoming EWEB Enterprise Solutions project to replace legacy information systems. ERM continues 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. Workforce Services is expanding the new employee orientation program to include similar exposure to other areas of policy, compliance and cultures. Finally, in April, a new Business Continuity division was created to consolidate enterprise-wide focused departments and functions to provide a framework that will identify and provide solutions to maintain the security and continuity of our organization, both in the short and the long term. Bringing dispersed functions together under a focused leadership will optimize EWEB's ability to maintain security, manage risks, and provide support to Managers and Supervisors for the continuity of their operations.

### Modernization

EWEB experiences risks outside of our direct control including changes in power markets, legislation, and weather and consumption pattern shifts. There are many big decisions that will have impacts for years to come, including watershed recovery and protection, decisions on the future of the lower McKenzie River hydroelectric projects, a Willamette drinking water treatment plant, wildfire mitigation planning, Integrated Resource Plan, transition to a customer portal, and the EWEB Enterprise Solutions (EES) project. EWEB must modernize to maintain relevance and industry influence. Making big decisions and responding to outside influences requires a modernized approach toward asset and data management to make these decisions. These changes will also change the way staff performs their work, including new tools, new processes, and new expectations.

As EWEB modernizes and takes on numerous big projects, the need to effectively manage our resources to implement them efficiently and successfully is imperative. A new Strategic Program Management Office (SPMO) was formed last year and is in the process of building project management standards and resources as well as developing a framework to plan and prioritize multiple EWEB enterprise projects.

Transitions like modernization can be disorienting and uncomfortable. Stacking numerous changes together has the potential to induce change fatigue. Although we refer to it as the soft side of change, managing the people side of change is often the most challenging and critical component of organizational transformation. Increasing the change management in our project work is now included in the SPMO group and improving the management of the people side of organizational efforts will pay off in the end in terms of EWEB's success and avoiding the numerous costs that plague poorly managed change. Leveraging a structured process of project management and set of tools for leading the people side of change will be critical to achieve the desired outcome.

A modern approach also includes an intentional focus on DEI. As mentioned above, the Executive Team has had a recent focus on how to operationalize these ideals. There are further opportunities to review our customer programs and employee policies through a DEI lens, and this work is in the discovery and planning stages.

### Other Functions:

ERM staff are responsible for compliance with public records archival and request laws, claims, insurance procurement, and responses to subpoenas. In 2021 EWEB addressed 34 public record requests and EWEB has received 20 so far in 2022. 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 current 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.