



MEMORANDUM
EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson

FROM: Roger Gray, General Manager
EWEB Leadership Team

DATE: July 25, 2014

SUBJECT: Second Quarter 2014 Operating Dashboard & Management Letter Findings
Dashboard

OBJECTIVE: Information Only (report of KPIs & Management Letter Findings)
Action (approval of KPIs & Management Letter Findings)

Issue

EWEB Management submits the EWEB Performance Dashboard Report quarterly to provide a comprehensive, high-level view of EWEB's organizational performance and indicate progress on implementation of the annual operating plan. The attached report provides Q2 results. In addition, and as a result of the Management Letter Findings from the 2013 Moss Adams Audit, EWEB Management also submits the EWEB Management Letter Findings Dashboard Report quarterly.

Background

As EWEB moves forward following a challenging couple of years, we continue to refine basic business priorities in accordance with the Board-adopted strategic plan. These include a greater emphasis on financial health, product affordability, and preparation for an increasingly uncertain future. The 2014 operating plan better links organizational goals to the strategic plan and the EWEB Performance Dashboard has been further refined to reflect what we believe is an appropriate level of detail to best gauge the overall health of the utility today and in preparation for future transformation.

Discussion

Q2 2014 results

Within the 4 reporting perspectives of Customer & Stakeholder; Financial, Operational; Continuous Improvement and Efficiency; and, People/Cultural, in keeping with EWEB's Strategic Plan the reporting indicators are split in to the two sub categories of *Perform* and *Transform*. Q2 results presented in the attached stoplight dashboard report indicates that of the 30 discrete *Perform* organizational goals identified for 2014, the management team believes we are either doing well or excelling in 24, and keeping a cautionary eye (or aiming to do better) on 6. In addition, the attached stoplight dashboard report indicates that of the 16 *Transform* initiatives identified for 2014, the management team believes we are either doing well or excelling in 9, and keeping a cautionary eye (or aiming to do better) on 3. No goals or initiatives are currently causing an elevated concern for significant additional attention, and 4 are categorized as too early to tell. Throughout the dashboard report, the trend column indicates where we see performance headed for a given metric over the coming quarters. It is important to take these individual metrics and to put them into an overall assessment and context.

In 2012 and 2013, EWEB went through some very tough challenges to effectively manage its financial situation. Significant effort has been taken by LT and staff alike to rise to the presenting challenges and the resulting positive outcomes are evident in the metrics. Through the identified initiatives, opportunities

continue to present to embrace future challenges faced by our utility that has the best value and outcomes for our customers and beyond.

Overall, the general operation of both utilities remained solid into Q2 2014. Highlighted below are both call-out successes and areas of concern within the subcategory of *Perform*, either due to current state or because we believe they may be trending down.



Areas of Notable Success :

- Financial Contribution of Trading Operations
- Capital Improvement Program Implementation
- Work Asset Management
- Employee Engagement
- Workforce Performance



Areas of Notable Concern:

No areas of notable concern in Q2



Areas to Watch:

- Sale of Real Property Assets
- Product Delivery – Electric Service
- Regulatory Compliance & Self Reporting (sideways to up)**
- Plan for Internal Audit & Process Improvement Function (sideways to up)**



Areas Recognized as Too Early to Tell:

No Perform issues within this category.

Financial Contribution of Trading Operations

Excellent results to date in client services, hydro optimization, transmission and trade performance that stabilized forecasted financial contributions of Trading Operations, reflected in the dashboard by an horizontal trending arrow in Q2 2014 from a previously anticipated downward trend forecasted in Q3 2013.

Capital Improvement Program Implementation

Project work previously identified as having concerns have now been resolved, indicated by an overall change from a yellow to green light and stability going forward recognized by a horizontal trend direction. Specific projects impacted are now mostly tracking in or towards a green light status.

Work Asset Management

This project is both slated to be on time and on budget, demonstrated by a horizontally trending arrow, and a completion date of end of September 2014. Previously the trend was upwards recognizing the significant work staff had undertaken to steer the course of this project to ensure a successful completion.

Employee Engagement

Following a highly successful mid-year employee survey, employee engagement is reported to be at an improved level from the 2013 all employee survey, with 85% of those surveyed in 2014 identifying with EWEB as a great place to work. This is recognized with a now upward trending arrow.

Workforce Performance

Following the significant miss of inputting employee annual goals in to the Performance Management system within certain parameters, Human Resources staff developed and implemented strategies to mitigate this going forward. All employee goals are now in the system and Mid-Year reviews my Managers and Supervisors are on track for a timely completion. This success is indicated by the upwardly trending arrow, and a change from a red to a green light.

Sale of Real Property Assets

A change from a green to yellow stoplight reflects the direct result of multiple additional encroachment issues staff is addressing.

Product Delivery – Electric Service

Following February's extreme weather event that held significant impact upon the electric utility operations, product delivery has improved, with the SAIFI metrics now lower than the 5-year average. SAIDI metrics remain higher than the 5-year average. Overall this is reflected by a change of trend arrow from downward to horizontal.

Regulatory Compliance & Self Reporting

Several self reporting issues have arose over Q1 and again two in Q2, both minor. With Leaburg having two potential environmental issues that are currently being addressed, the stoplight remains yellow with an upwardly trending arrow to reflect mitigation and reporting work completed.

Plan for Internal Audit & Process Improvement Function

This is a new metric for 2014, borne out of the findings of the 2013 Year-End Audit by Moss Adams. A draft plan has been developed to move this metric upward from a yellow stoplight. Additional training was delivered in July to managers & supervisors and other key operational areas related to internal controls best practices and methodologies. In addition, the release of the Work Asset Management (WAM) system later this year will afford EWEB significant modernization of business processes to further strengthen plant, purchasing and inventory controls going forward. While the stoplight remains yellow, the trend arrow is now upward as a result of work undertaken.

As previously mentioned, the subcategory of metrics under the *Transform* sections of the dashboard report are new for 2014 and reflect the desired direction of the Board-adopted Strategic Plan. These initiatives are progressive and dynamic over time, and planning efforts have begun in many of the identified business functions. Several of these metrics carry a gray stoplight as they are in the early conceptual stages of development and it is simply too early to know at this stage how they will perform. Others reflect ongoing metrics important to the long term vision, transformation and health of the organization where efforts have already begun, and monitoring is ongoing.

TBL Assessment

No TBL assessment was conducted for the quarterly update.

Recommendation



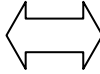


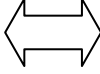








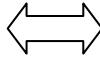
This report is provided for information only; however, the Board deferred formal approval of the KPI dashboard at the last meeting. Management recommends approval of the 2014 KPI dashboard.

Requested Board Motion/Action

A Motion is set form to approve the 2014 KPI dashboard.
















**EWEB ORGANIZATIONAL PERFORMANCE DASHBOARD - CY2014
QUARTERLY REPORT**

Customer & Stakeholder Perspective								
	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Trend	Expected Finish	Comments	Sources
PERFORM								
Customer Communication & Engagement						Ongoing	Survey results meet target metric of 8.0; third customer engagement panel completed.	Public Affairs 2014 Operational Plan
Customer Satisfaction						Ongoing	Most recent general survey shows overall satisfaction of 8.0, meeting target.	Public Affairs 2014 Operational Plan
Customer Service Operations						Ongoing	Lost calls are improving. Bad debt is a concern. Currently trending for a 20% over run. May be partially offset by increase in miscellaneous fees and charges revenue.	CS&EMS 2014 Operational Plan
Environmental Stewardship						Ongoing	Tracking two active compliance issues (LB ladder attraction water, LB canal silt release). No longer pursuing GHG reduction goals and regional partnerships for climate risk mitigation and adaptation.	Environmental 2014 Operating Plan
Product Delivery – Conservation, DR, & EE						Ongoing	Sno-temp may require exception from target due to potential impact.	CS&EMS 2014 Operational Plan
Product Delivery – Electric Service						Ongoing	SAIFI is lower than 5-year average / SAIDI is higher than 5-year average.	Electric 2014 Operational Plan

Product Delivery - Water						Ongoing	The operational metrics are at or above target.	Water 2014 Operational Plan
Water Reliability Initiative: Emergency						Ongoing	Working continues on outfitting two new trailers with response equipment.	Water 2014 Operational Plan
TRANSFORM								
Redefine and price the products and services that today's customers value over the next three years, in order to help prepare EWEB and the community for the utility of the future.								
Partner with customers of both utilities to redefine services, pricing and options that include increasing levels of customer-side DR and DM for both the Electric Utility and Water Utility to develop balanced, adequately diverse, and cost effective resource portfolio that include demand management strategies and appropriately size and maintain reliable delivery infrastructure systems.						Ongoing	Cross functional R&D team re-planning program offerings to support AMI Opt-in strategy. Residential-TOU pilot and Commercial Aggregator pilot slated for Fall go-live customer engagement & execution.	R&D Pilot Programs Quarterly Reporting Board Backgrounder. AMI Re-Planning Team documentation.
Refine product definitions and pricing for both utilities (un and repackage services to accurately reflect customer services such as back-up, storage/banking, delivery, supply) over the next three years to enable customers to more clearly respond to the cost and value of the products and services we offer.						Ongoing	To be addressed in subsequent rate proceedings	Work not yet begun
Water Reliability Initiative: AWS						Ongoing	Working on property transactions.	Water Operations Manager













Financial Perspective								
	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Trend	Expected Finish	Comments	Sources
PERFORM								
Budget Adherence – Electric Utility						In progress	On-going	Q2 Electric Financial Statements – Aug Bd Run
Budget Adherence – Water Utility						In progress	On-going	Q2 Water Financial Statements – Aug Bd Run
Explore Sale of Generating Assets						Ongoing	Tours completed; responses due July 29 th .	Asset sales plan
Sale of Real Property Assets (Includes Riverfront Property and Asset Utilization Efforts)						Ongoing	Riverfront RFQ is on track. Multiple encroachment issues. Policy under development.	In development
Financial Contribution of Trading Operations						Ongoing	Excellent results to date in all four metrics – client services, hydro optimization, transmission, and trade performance.	Power Operations 2014 Operational Plan
Financial Health Recovery Plan Implementation						In progress	Board endorsed LTFF at 7/22/2014 meeting.	Long Term Financial Plan
Financial Metrics – Electric Utility (Reserves, DSC, etc.)						In progress	On-going	Q2 Electric Financial Statements – Aug Bd Run
Financial Metrics - Water Utility (Reserves, DSC, etc.)						In progress	On-going	Q2 Water Financial Statements – Aug Board Run

TRANSFORM								
Increase customer value within the next five years for both utilities by targeting a competitive comparator position at the middle of the pack when compared to industry peers.								
Improve our comparator position among peer electric utilities to at least 10% below Oregon-based IOUs within 5 years. Improve our relative comparator position among NW-based COUs by moving closer to 50th percentile within 5 years.						In progress	Board endorsed LTFP at 7/22/2014 meeting.	Long-term Financial Plan and comparator graph
Maintain our comparator position among peer water utilities to no more than the 50th percentile after implementing alternative water supply.						In progress	Board endorsed LTFP at 7/22/2014 meeting, with increase less than CPI. Anticipated peer water utilities will be greater than CPI.	Long-term Financial Plan and comparator graph
Operational, Continuous Improvement and Efficiency Perspective								
	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Trend	Expected Finish	Comments	Sources
PERFORM								
AMI/MDM Projects						Planning complete EOY	Plan in progress. Overall objectives and targets set. Policy guideline established. Plan development continues	I.S. 2014 Operational Plan
Capital Improvement Program Implementation						Ongoing	Past project work with issues has been resolved and they are moving forward. Most projects now tracking in green or towards green.	Engineering 2014 Operational Plan
Carmen Smith Relicensing Project						Ongoing	FERC has requested consultation with action agencies for items "outside" W&S boundary. Further action may be a result.	Generation 2014 Operational Plan
Generation Asset Efficacy						Ongoing	CS U2 XFMR concern increasing "forced outage" #'s.	Generation 2014 Operational Plan

							Risk mitigation.	
IS Project Execution						Ongoing	Projects closed: PCI, Budget replacement, Win 7 Rollout, Second ISP, F5 Firewall Replacement & Upgrade. Projects cancelled: CIS Ventyx Upgrade and Mobile Work Management. Overall objectives and targets set. Policy guideline established.	I.S. 2014 Operational Plan
Regulatory Compliance and Self Reporting						Ongoing	Two self reports arose in Q2 for compliance work. Both are considered minor. Leaburg has two potential environmental issues that are currently being addressed.	Engineering 2014 Operational Plan
Vehicle Safety and Property Preservation						Ongoing	Stable and within targets	Generation 2014 Operational Plan
Work Asset Management Project (WAM)						09/30/2014	On time and on budget.	Quarterly capital plan update
Plan for Internal Audit and Process Improvement Function						In progress	<ol style="list-style-type: none"> 1. WAM modernizes business processes & ensure internal controls for plant, purchasing, & inventory & reviewed by Baker Tilly and Moss Adams 2. Training provided in July for managers & supervisors and key operational areas regarding internal controls. 3. Plan drafted 	

TRANSFORM



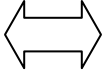


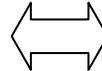


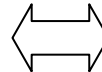
Increase organizational efficiency over the next five years by using technology, business process improvements, partnerships, and other mechanisms to manage costs, improve service, and increase customer value.



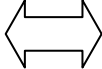
<p>Develop and implement tools to reduce waste and reduce or eliminate costs that don't provide customer value within the next two years.</p>						<p>Ongoing</p>	<p>All departments looking at ways to around improve processes to reduce waste, costs, increase efficiencies and revenue to realize the \$2M reductions in 2 years identified by the LTFP. We will report out in subsequent quarters.</p>	<p>Department Operational Plans</p>
<p>Build and fully implement the 10 year Information Systems plan meeting scope, cost and schedule.</p>						<p>Ongoing</p>	<p>We are formalizing architectural and business system planning horizontal teams to help influence planning.</p>	<p>I.T. Manager</p>
<p>Use technology and business systems to improve customer experience and information flow, beginning now.</p>						<p>Ongoing</p>	<p>We have updated the 10-year plan and developed an IT roadmap that includes deploying technologies in support of retail customer services. Funding is uncertain at this time.</p>	<p>I.T. Manager</p>
<p>Adopt benchmarking as a standard EWEB practice to measure and assess efficiency of all EWEB work processes and functions by EOY 2014.</p>						<p>End of year</p>	<p>Efforts underway to roll out comprehensive metric-centric benchmarking.</p>	<p>Power Planning gathering industry benchmarks across all business functions</p>





People/Cultural Perspective

	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Trend	Expected Finish	Comments	Sources
PERFORM								
Employee Engagement						Ongoing	<p>Engagement Survey * Survey: 70 percent of all employees would recommend EWEB as "a great place to work."</p> <p>Mid-year survey (one-half of employees): 85 percent of employees would recommend EWEB as "a great place to work."</p> <p>Grievances/ULP * None filed for 2014</p> <p>Filed Complaints * None filed for 2014</p>	<p>Public Affairs 2014 Operational Plan</p> <p>Human Resources 2014 Operational Plan</p>
Employee Safety, Health, & Wellness						Ongoing	<p>Annual sick days are well below target (5) with an average of 2.1 days. OSHA recordables and lost days remain low.</p>	<p>Human Resources 2014 Operational Plan</p>
Workforce Composition						Ongoing	<p>We continue to meet or exceed county population benchmarks for minorities, females, and age demographics 5.5% (1/18) of new hires for 2014 were diversity hires.</p> <p>Succession Planning templates are in place. Departmental conversations will occur in July.</p>	<p>Human Resources 2014 Operational Plan</p>

							% of employees eligible to retire within: <ul style="list-style-type: none"> • 1 year – 25% • 3 years – 35% • 5 years – 46% 	
Workforce Performance						Ongoing	All employees have goals in the system. Managers and Supervisors are making excellent progress on Mid-Year Reviews.	Human Resources 2014 Operational Plan
Workforce Development						Ongoing	Working Better Together Train the Trainer Sessions complete. Organization wide delivery expected to start this year and conclude in 2015.	Human Resources 2014 Operational Plan
TRANSFORM								
Leverage the power of our people to create and implement flexible and resilient business plans over the course of this strategic plan to allow EWEB to better adapt and thrive as the future changes.								
Assess and enhance employee engagement, awareness of EWEB’s strategic direction, alignment with current EWEB and department goals, and willingness and ability to embrace change.						Ongoing	Employee Engagement continues to be very strong. Mid-Year survey showed an increase in almost all areas. Employees have goals in place to support the Strategic Plan.	Employee surveys
Effectively implement scenario-based planning that includes broader horizons ranging from traditional centralized to decentralized utility futures and considers enterprise risk management.						Ongoing	Scenario based strategic plan adopted and implementation underway.	2014 Strategic Plan update
Ensure major work processes and functions can scale up and down more flexibly without disruption to business or people.						Ongoing	Operating units in process of assessing opportunities to enhance flexibility.	Business Unit Operating Plans; LTFF



<p>EWEB people receive increasing levels of (re)training to perform EWEB work now and in the future and are hired and retained for ability to adapt and learn over time.</p>						<p>Ongoing</p>	<p>Key Training statistics for Q2:</p> <ul style="list-style-type: none"> • 363 EE's have received safety trainings. Total time invested was 1742 hours. • Cohort training groups continue to meet and learn new topics. <p>Working Better Together Diversity and Inclusion</p> <ul style="list-style-type: none"> • 'Train the Trainer' sessions complete. 18 employees participated. 576 hours of training were accumulated • Expected organization wide delivery over 2014 & 2015. 	<p>Safety Training Dashboard</p>
<p>Refine our focus over the course of this strategic plan to clearly reflect the vision and values of EWEB employees and the community we serve in the work that we do each day, while we transform vital aspects of our business.</p>								
<p>Clearly define and then deliver the unique benefits of being a public utility within 2 years to better leverage the value of the public utility business model.</p>						<p>Ongoing</p>	<p>Quarterly "community research panel" successfully launched. Work on track for completion of a "community investment strategy" for launch in 2015. Community engagement remains high. Significant work accomplished to promote value of public utility in the areas of water quality, emergency preparedness, responsiveness, development of alternate water source and re-development of riverfront property.</p>	<p>Public & Stakeholder input.</p>
<p>Position EWEB as a competitive employer within the next 5 years by evolving our workplace management policies, practices,</p>						<p>Ongoing</p>	<ul style="list-style-type: none"> • Benefits Committee has been formed and begun meeting • Managers and Supervisors are delivering mid-year reviews. 	<p>HR metrics</p>

<p>& safe working conditions to attract, develop, & retain the next generation of skilled, dedicated, & highly performing employees to carry out the mission & goals of the water & electric utilities.</p>							<p>• First internship with Kalapuya High student very successful. Looking to expand the program.</p>	
<p>Make EWEB a “Great Place to Work” right now, with people who are highly engaged and committed to our customers.</p>						<p>Ongoing</p>	<p>Workforce continues to show high levels engagement.</p> <p>Morning coffee sessions with LT sessions were started recently to improve communication, increase understanding of work, and give employees opportunities to network with peers and LT members</p> <p>Planning for an employee All Hands meeting</p>	<p>Employee survey</p>

-  Red Light = Significant actual or projected miss in cost, scope or schedule. Issues that will likely cause material impacts.
-  Yellow Light = Potential or minor miss with respect to cost, scope or schedule. No major impacts in spite of miss.
-  Gray Light = too early to tell; metrics in process of being defined or collected.
-  Green Light = Completed or projected to complete with respect to cost, scope or schedule. Results exceed or expected to exceed objective.

**EWEB MONITORING AND REPORT OF MANAGEMENT LETTER FINDINGS - CY2014
QUARTERLY REPORT**

<u>2013 Moss Adams Management Letter</u>	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Trend	Expected Finish	Comments	Assigned to
2013 MANAGEMENT LETTER FINDINGS – CONTROL DEFICIENCY/MATERIAL WEAKNESS								
Internal Audit	n/a				⇔	12/31/2014	Current plan to implement IA function combined with ERM and performance efficiency. Position Description is being developed.	Roger Gray
IT Circumvention of Controls	n/a				⇔	Ongoing	100% of applicable staff attending IC Training. IT is partnering with Finance to develop IC education and auditing procedures. It is also building a centralized IC site for dissemination of IC Policies and related information.	Matt Sayre, Roger Gray
Inventory Purchases Outside of Inventory System	n/a				⇔	4 th Qtr 2014	WAM Inventory configuration decisions complete. Current inventory items will go live with WAM. New inventory to be entered in 4 th Qtr 2014.	Todd Simmons
Approval of Pay Rate Changes	n/a				⇔	1/1/2014	Processes have been put into place that will prevent this from happening in the rare event EWEB undergoes a large scale compensation project in the future.	Lena Kostopulos
Purchasing Card Purchases that should go through PO Process	n/a				↑	Q3 2014	Join LT & Supervisors meetings to discuss July & August	Gail Murray
2013 MANAGEMENT LETTER FINDINGS – CONTROL DEFICIENCY								
Timely Bank Reconciliations	n/a				↑	Q3 2014	Progress being made.	Susan Eicher

Breach of EWEB Policy for Procurement Threshold	n/a				↑	Q3 2014	Join LT & Supervisors meetings to discuss July & August	Gail Murray
Timeliness of Loan Receivable Reconciliation	n/a				↔	Bi-monthly	Accounting & Loan Administrator to reconcile jointly at least bi-monthly. Process defined.	Mark Freeman

2013 MANAGEMENT LETTER FINDINGS – OTHER MATTERS								
Linux Administrator Position	n/a				↑	Ongoing	Position filled. Cross training peers continues. Incumbent is documenting all build processes.	Matt Sayre
Service Level Agreements with Third Party Vendors	n/a				↑	Completed	The I.S. department has embraced the ITIL framework for all new and upgraded hardware and software services. I.S. has trained and certified over 60% of I.S. employees in the ITIL model. Prior to promoting new systems, replacements or upgrades to operations, the I.S. Department now follows the ITIL Services Transition process which requires a review and validation of SLAs. The SLA will clarify support performance levels as well as contract enforcement. This information will stored in a SharePoint location and reviewed upon each contract renewal.	Matt Sayre
2012 MANAGEMENT LETTER FINDINGS – CONTROL DEFICIENCY								
Update of Purchasing Card Policy and Review of Number of Credit Card Users	n/a				↑	Q3 2014	Policy approved LT 7/16/14. New Policy being rolled out to LT M/S staff July & August	Gail Murray
Review of Customer Adjustments Report/Adjustments to CIS	n/a				↔	Ongoing monthly	Completed	Mark Freeman
IT Active Directory Account Review	n/a				↑	Ongoing	We have automated scripting and reporting monthly for reviewing active accounts. Stakeholders are convening to review new hire, staff transfer processes.	Matt Sayre



Red Light = Significant actual or projected miss in cost, scope or schedule. Issues that will likely cause material impacts.

Yellow Light = Potential or minor miss with respect to cost, scope or schedule. No major impacts in spite of miss.

Gray Light = too early to tell; metrics in process of being defined or collected.

Green Light = Completed or projected to complete with respect to cost, scope or schedule. Results exceed or expected to exceed objective.

↑ Improving, positive trend

↔ No changes or status quo

↓ deteriorating, negative trend