



MEMORANDUM
EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Brown, Manning and Helgeson
FROM: Roger Kline, Enterprise Risk & Internal Controls Manager
DATE: July 24, 2015
SUBJECT: 2015 Organizational Performance, Q2 Results–Key Performance Indicators (KPI)
OBJECTIVE: Information Only

Issue

EWEB Management submits the *EWEB Performance Dashboard Report* quarterly to reflect organizational performance and to convey to the Board the general health of the utility. The attached report provides *Q2* results.

Background

Beginning in 2013, Management created a new format to report out organizational performance and strategic goals. This dashboard and the specific *Perform* and *Transform* aspects have continued to evolve since that time to focus on the Board’s adopted *Strategic Plan*. In February of this year the Board accepted Management’s recommendations for 2015 KPI’s and goals which are attached and explained herein.

Discussion

Q2 2015 results

Within the four reporting perspectives of *Customer & Stakeholder; Financial; Operational, Continuous Improvement and Efficiency; and, People/Cultural*, Q2 results presented in the attached dashboard report indicates that of the 28 discrete *Perform* organizational goals identified for 2015, the management team believes we are either doing well or excelling in 17, and keeping a cautionary eye (or aiming to do better) on 9. In addition, the attached stoplight dashboard report indicates that of the 7 *Transform* initiatives identified for 2015, the management team believes we are either doing well or excelling in 3, and keeping a cautionary eye (or aiming to do better) on 4. There are 2 areas that management has flagged for causing an elevated concern for significant additional attention which will be further explained herein.

Throughout the dashboard report, the trend column indicates where we see performance heading 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.


Overall, the general operation of both utilities remained effective into Q2 2015. 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 Metrics – Electric Utility (Reserves, DCS, etc.)
- Financial Health Recover Plan Implementation
- Financial Metrics – Water Utility (Reserves, DCS, etc.)
- Regulatory Compliance & Self-Reporting

 Areas of Notable Concern:

- Carmen Smith Relicensing Project
- Work and Asset Management (WAM)

 Areas to Watch:

- Management of Real Property
- Sale of Surplus Riverfront Property
- Customer Service Operations
- Water Reliability Initiative

 Areas Recognized as Too Early to Tell:

Financial Metrics – Both Utilities & Financial Health Recovery Plan Implementation

Financial performance for both utilities continues to trend as expected for the second quarter. Reporting information and data collection was standardized and enabled early in Q2.

Management wishes to clearly signal that less than projected *contribution to margin* is expected due to the recently experienced warm winter, and low wholesale power prices. Neither this expectation nor trend has changed since the Q1 report.

Carmen Smith Relicensing Project

The final known procedural requirement before license issuance has been completed. License may be issued as soon as August, 2015. Significant concerns regarding the economic and strategic value of Carmen-Smith are being re-evaluated due to deterioration of power value and increasing overall costs. The Board will be briefed on this separately as appropriate.

Work & Asset Management (WAM) Business Stabilization Project

The core team continues to make progress on WAM “business stabilization” issues and refining business processes that interact with WAM. However, the capabilities and benefits of WAM have not been fully implemented, or efficiencies realized, warranting further tactical focus and strategic review.

In order to further the Board's approved Strategic Plan; the organization has focused on specific transformative goals to support this effort. Highlighted below are both call-out successes and areas of concern within the subcategory of *Transform*, either due to current state or because we believe they may be trending down.

 Areas of Notable Success:


- Financial Position
- Risk Management

 Areas of Notable Concern:

- No transformative areas of notable concern for Q2

 Areas to Watch:

- Process Efficiencies

 Areas Recognized as Too Early to Tell:

Financial Position

The 2017 financial gap has been eliminated under current LTFP assumptions. The organization still needs to identify on-going financial improvements of \$400k and \$173k for electric and water, respectively.

Risk Management

An effort to collect and normalize the severity of the several of risks and opportunities across the enterprise continues to proceed and progress. Policy work continued in Q2 as did internal audits of the IS Division and Fleet/Transportation Programs. Formal Board adoption of an *enterprise risk policy* and a discussion of *risk appetite* for the organization will be completed in Q3.

Process Improvement

Benchmark(s) for various business functions are being collected and utilized by the specific business units. Overall process efficiency work has been focused in Electric Operations via a dedicated resource.

TBL Assessment

No TBL assessment was conducted for the quarterly update.

Recommendation

These reports are provided for information only.



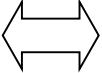











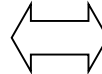
Requested Board Action

Review reports and direct comments, concerns or questions to Management.

EWEB ORGANIZATIONAL PERFORMANCE DASHBOARD - CY2015
QUARTERLY REPORT

Customer & Stakeholder Perspective									
	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Owner	Trend	Expected Finish	Comments	Sources
PERFORM									
Customer Engagement & Satisfaction					LR		Ongoing		Public Affairs 2015 Operational Plan
Customer Service Operations					MF		Ongoing	Some metrics out of parameter. However this is expected during the busy summer months. These typically normalize in Q4	CS&EMS 2015 Operational Plan
Environmental Stewardship					SN		Ongoing		Environmental 2015 Operating Plan
Product Delivery – Conservation, DR, & EE					MF		Ongoing	On Track	CS&EMS 2015 Operational Plan
Product Delivery – Electric Service					TS		Ongoing	On Track	Electric 2015 Operational Plan
Product Delivery - Water					BT		Ongoing	All available data and metrics tracking according to operational plans	Water 2015 Operational Plan
Water Reliability Initiative: Emergency/Provisional, and Alternative Water Source (AWS)					BT		Ongoing	Property acquisition is behind schedule. Recent activities suggest this is improving.	Water 2015 Operational Plan
Financial Perspective									
	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Owner	Trend	Expected Finish	Comments	Sources
















PERFORM									
Budget Adherence – Electric Utility					SF		In progress	Budget adherence continues to trend within parameter	Q2 Avail to Bd in August
Budget Adherence – Water Utility					SF		In progress	Budget adherence continues to trend within parameter	Q2 Avail to Bd in August
Sale of Smith Creek					DC		Q4	Sale delayed due to fire. Received bids for repair of unit, negotiating with insurance provider / buyer. On pace to conclude transaction in 2015.	Asset sales plan
Management of Real Property					SN		Ongoing	Successful negotiation of 3 rd St Property. Execution in Q3	Policy and GIS in development
Sale of Surplus Riverfront Property (~ 17 acres; does not include HQ)					SN		Ongoing	Focus adjusted to incorporate City of Eugene and new Master Developer	MOU with City of Eugene
Financial Contribution of Trading Operations					DC		Ongoing	TF performing well relative to goals but wholesale revenues depressed due to low hydro conditions.	Power Operations 2015 Operational Plan
Financial Health Recovery Plan Implementation					SF		In progress	Significant portion of O&M savings for 2016/2017 already identified as shared at the 7/21 meeting	Long Term Financial Plan to Bd in July
Financial Metrics – Electric Utility (Reserves, DSC, etc.)					SF		In progress	Unusually warm weather has resulted in loads lower than budget and decreased generation. Contribution margin projected to be \$7 million below budget. Additional \$5M placed in power reserves to partially offset projected shortfall.	Q2 Available in August
Financial Metrics – Water Utility (Reserves, DSC, etc.)					SF		In progress	All indications are that 2015 will be another strong year for the Water Utility	Q2 Available in August
Operational, Continuous Improvement and Efficiency Perspective									






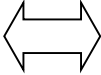



	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Owner	Trend	Expected Finish	Comments	Sources
PERFORM									
AMI/MDM Projects					EE		Opt-in phase thru 2017	Network design and permitting underway. Currently on schedule.	I.S. 2015 Operational Plan
Capital Improvement Program Implementation					MD		Ongoing	EL-1 reports due in a couple of weeks. Schedule slippage on several projects. LTD EmX will keep electric occupied. Many projects going smoothly too. Water looking good. Electric designs for Holden Creek, CS Sub are progressing. Hilyard Sub upgrade going good.	Engineering 2015 Operational Plan
Carmen Smith Relicensing Project					MM		Ongoing	The final known procedural requirement before license issuance has been completed. License may be issued as soon as August, 2015. Significant issues regarding the economic and strategic value of Carmen-Smith are being re-evaluated due to deterioration of power value and increasing cost.	Generation 2015 Operational Plan
Generation Asset Efficacy					MM		Ongoing	Generation assets continue to perform well; repairs at Leaburg are progressing on schedule. Low water conditions are limiting generation and the future outlook appears to be similar or worse.	Generation 2015 Operational Plan
IS Project Execution					EE		Ongoing	Project timelines have been adjusted to accommodate WAM stabilization. IS is beginning to leverage external	I.S. 2015 Operational Plan





								resources to complete 2015 Project Portfolio.	
Work Asset Management Project (WAM) business stabilization and phase II planning.					EE		In progress	The core team continues to make progress on WAM “business stabilization” issues and refining business processes that interact with WAM. However, the capabilities and benefits of WAM have not been fully implemented, or efficiencies realized, warranting further tactical focus and strategic review.	Roger Gray initiated a 6-month WAM Business Stabilization effort in Q1 due to concerns with roll-out of new system.
Regulatory Compliance and Self Reporting					RK		Ongoing	WECC Audit and other programmatic reviews are showing continued success	ER/IC Operational Plan
Vehicle Safety and Property Preservation					MM		Ongoing	No issues to report	Generation 2015 Operational Plan

People/Cultural Perspective

	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Owner	Trend	Expected Finish	Comments	Sources
PERFORM									
Employee Engagement					LK		Ongoing	Next survey Q3.	Public Affairs 2015 Operational Plan Human Resources 2015 Operational Plan
Employee Safety, Health, & Wellness					LK		Ongoing	Positive supporting metrics (OSHA Recordables, Absence Management, Vehicle Incidents etc)	Human Resources 2015 Operational Plan
Workforce Composition					LK		Ongoing	Numbers remain aligned with community demographics.	Human Resources 2015 Operational Plan

Workforce Performance					LK		Ongoing	Next metric available will be outcome of mid-year reviews in Q3.	Human Resources 2015 Operational Plan
TRANSFORM									
	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Owner	Trend	Expected Finish	Comments	Sources
Financial Position Narrow the current 2017 budget gap in 2015 through increased revenue generation, cost reduction, and rate design changes that accumulate to a 2015 net gain of \$2 million for electric and \$350 thousand for water.					SF			2017 gap has been eliminated under current LTFP assumptions. Still need to identify on-going financial improvements of \$400k and \$173k for electric and water, respectively.	EWEB Enterprise LTFP to Board in July
Balancing Demand and Supply to Enhance Customer Value In 2015, focus efforts on the demand side of demand-supply balance by exploring partnerships with customers that help to create more flexibility in customer demand by providing data on consumption, time or situation dependent price signals, and the use of technology to automate customer response					EE			Work underway to reassess and reprioritize pilot work. A proposal is expected in Q3.	Electric Supply Water Customer (Facing) Services
Risk Management By the end of 2015, specifically define and measure (baseline) our formal risk tolerance(s) in all operating departments (divisions), including a comparison of risk exposure to risk tolerance in "key" processes.					RK			SD-20 to board as well as upcoming discussion. Risk review inserted into IS Div Project Planning process	EWEB Enterprise
Process Efficiencies Optimize our human and financial resources by using "lean" tools to reduce waste and costs that don't provide customer value. In 2015, benchmark our performance to reasonable comparators, focusing on areas we are aiming to improve, and seek to execute a continuous improvement process.					RK			Currently focus is in Electric Operations group. Further process work will be realized in Q3 via XLR8 team.	EWEB Enterprise

<p>Asset Management / Planning Update water and electric T&D master plans in 2015 and create a path to integrate source, delivery, demand, and IRP planning processes into the electric plan. Get Board approval of the Water Master Plan by the end of Q2.</p>					MD			Water Master Plan approved by Board June 2, 2015. All good. Electric master Plan starting to lag due to DT Network.	Electric Supply Electric Load (T&D) Water
<p>Workforce Development Create, adopt, and begin implementation of a long-term Workforce Development Plan that fosters the flexible and skilled workforce needed to meet future business needs.</p>					LK			Deferred. This will be connected to strategic planning horizontal team activities.	EWEB Enterprise
<p>Information Systems Plan and implement technology solutions supporting parent business lines (Water, Power Generation, Transmission & Distribution, Customer Services, and Shared Services) and refine work intake process to be prioritized by operational or strategic value by the end of 2015.</p>					EE			IS is in the process of creating a Strategic Plan to better align the 10 year project plan with the EWEB strategic plan. IS is also working on a formal Operational Plan for general operations and maintenance work in an effort to reduce the amount of resources dedicated to maintaining existing systems through creating and capturing efficiencies. A proposal is expected by the end of the year.	I.S. 2015 Operational Plan

-  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.

