



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM: Sue Fahey, Finance Manager; Sarah Creighton, Enterprise Risk Management
Supervisor
DATE: August 2, 2016
SUBJECT: SD20 Enterprise Risk Management (ERM) Update
OBJECTIVE: Information Only

Issue

SD20, effective July 21, 2015, calls for a periodic report on the status of Enterprise Risk Management (ERM) activities. The following is a status report on projects staff have completed, are in progress, and planned.

Background

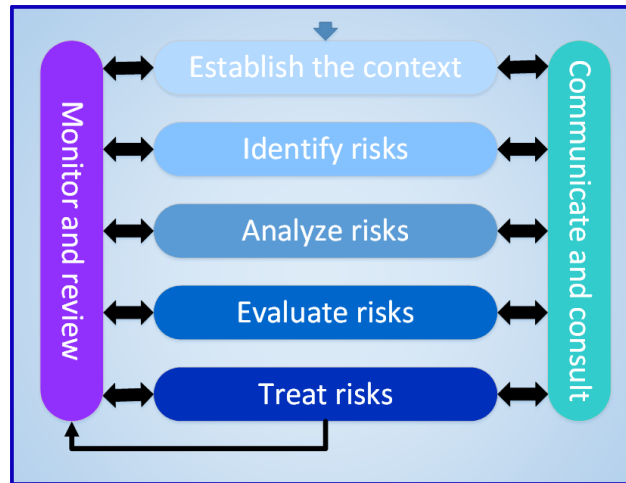
EWEB over the years has used various techniques to address potential risks to meet our strategic directions and business objectives. Mature examples include (but are not limited to) a robust Safety program, Power Risk Management Committee (RMC), post-failure root cause analyses and involvement with regional disaster preparedness groups.

Traditionally, the Risk Management function at EWEB focused on claims and insurance procurement along with managing contract risk in contracts for operational materials and services. With the adoption of SD20, EWEB began moving toward the practice of an enterprise-wide approach to identify, mitigate and manage business risks including those related to contract management (other than operational materials and services) and compliance/regulatory issues. ERM staff is also responsible for claims, records retention/requests, and internal reviews/audits.

Discussion

The ERM team has adopted the ISO 31000 framework (see Figure 1) as the foundation for the structure by which risks are identified and managed. ISO 31000 is an internationally-recognized standard which provides principles, a framework and process for managing risk.

Figure 1



ERM staff established the context by reviewing EWEB’s internal and external environments to more fully understand key drivers and trends. Staff have been assigned to divisions and are currently consulting with subject matter experts to identify and analyze risks that arise from both internal and external factors, determine what risk management strategies are in place, and which treatment(s) would be most effective. Best practices will be discussed as well as coordinating mitigation efforts across the organization. Each step of this process is done in communication and consultation with internal stakeholders.

The next phase of work will evaluate what other steps should be taken to ensure risk treatments are in line with current risk tolerances.

While compiling and analyzing the risk data, evaluation is underway to determine which risks ERM staff will focus on from an organization-wide perspective and those that will be managed at the department level and monitored by ERM.

In addition to risk identification work, risk mitigation efforts in 2016 have included purchasing EWEB’s first Cyber insurance policy, revising several policies/procedures to mitigate a variety of regulatory compliance risks, and enhancing internal controls. Internal policies revised to date include those pertaining to Claims practices and payments, Delegated Signature Authority, Petty Cash, Ethics, and Telephone Consumer Protection Act of 1991 (TCPA) Compliance. Policies currently under revision include Records Retention and Inspection of Public Records.

To improve contract and compliance management, a Contract Governance Assurance Team consisting of stakeholders from across the utility was created to develop and implement a program to appropriately manage non-Purchasing contracts. This program is expected to be piloted by the fourth quarter. A compliance management program has been created and is being incorporated into the quarterly division meetings.

Other functions of the ERM team include:

- Internal Audit, which is currently focusing on assessing internal controls for upcoming software purchases and implementation.
- Records Retention, whose staff provide both long-term storage and document retrieval of archived documents, as well as training department staff on best practices for records storage and management. Staff also respond to Public Records Requests.
- The Privacy Committee, which is chaired by ERM staff and works to ensure Personally Identifiable Information is protected in support of the Fair Accurate Credit Transactions Act and the Oregon Consumer Identity Theft Protection Act. This committee was created by Board Resolution 913.
- Claims, tasked with the responsibility to respond to liability claims as well as recover funds from parties or entities who have caused damage to EWEB facilities. Ninety-five claims have been reported so far in 2016.

The ERM team also takes lead on ensuring utility staff understand and comply with Oregon Government Ethics Laws and is developing employee training on this subject.

EWEB's ERM model is to instill risk awareness and management throughout the Utility where "Everyone's a Risk Manager" with all strategic and operational decisions being made by considering the operational, financial, technology, reputation, environmental, legal, regulatory, and strategic risks. By enabling everyone to be a risk manager, a fully-integrated ERM culture will be achieved at EWEB which will enhance our strategic and operational decision-making capabilities and achieve appropriate risk-based capital allocation.

Recommendation

This is for information only.

Requested Board Action

No action is requested at this time.