



MEMORANDUM
EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Schlossberg, Helgeson, Brown and Carlson
FROM: Lena Kostopulos, Chief Human Resources Officer
DATE: April 24, 2020
SUBJECT: Annual Evaluation of the General Manager's Performance for Year 2019

In accordance with the terms of the General Manager's Amended Employment Agreement, this memorandum provides information to support the Board's annual evaluation of the General Manager's performance and its consideration of any associated compensation award.

Situation

In December, 2019, the Board and GM Lawson negotiated and adopted an Amended Employment Agreement including conditions specifically addressing annual compensation and performance review.

The following citations or excerpts of citations, B. Salary, items 1, 3, 4, & 5 and D. Performance Review, from the General Manager's Amended Employment Agreement are those which are specifically relevant to compensation and/or performance evaluation, and are pertinent to the Board's 2020 annual performance evaluation process, and consideration of a merit award. A full copy of the Amended Agreement is available upon request.

B. Salary

1. The General Manager's base salary shall be \$311,827.00 per year effective at the beginning of the first full pay period following the execution of this Amended Agreement.
3. For so long as a majority of the currently elected Board of Commissioners serves on the EWEB Board, the General Manager's base salary shall be adjusted annually in January using the Consumer Price Index (CPI) escalator applied to non-represented EWEB Employees, but is limited to a minimum of 2% (two percent) escalation and a maximum of 4% (four percent) escalation as applied to the base salary at the close of the previous calendar year.
4. The Board has discretion to approve or not approve a merit award based upon the General Manager's prior calendar year's performance assessment and upon the average merit award issued to non-represented EWEB Employees. The Board may implement any such award by increase to base salary or lump sum payment. The timing of merit award under this provision shall coincide with

the timing of the non-represented EWEB employee merit process. The effective date of any earned merit will be applied to the first pay period following Board authorization, or as otherwise established by the Board.

5. During the term of this Amended Agreement, in the discretion of the Board, the General Manager may receive one or more awards in addition to or separate from the base salary adjustment provided in Section B.3 or B.4.

D. Performance Review

EWEB's Board of Commissioners shall conduct an annual General Manager's performance review based upon the Board's General Managers Process (GM Performance Process: Goal Setting, Performance and Salary Adjustments) to occur in April of each year to coincide with the reporting of the utility's final results for the previous calendar year.

Background

In previous years, the performance review process was conducted during the month of March and was followed by a separate compensation review in April. That compensation review was intended to ensure EWEB's General Manager's salary was sufficiently aligned with those of comparable public utilities in the region. Historically, these reviews were focused on market competitiveness and did not include additional specific consideration of the General Manager's performance.

As reflected in the preceding citations, the Amended Agreement increased the General Manager's annual salary in December 2019 and introduced an automatic annual salary escalation consistent with that applied to EWEB's MAPT salary structure. To that end, in January, GM Lawson received a 2.42% salary adjustment, bringing his base compensation to \$319,373.21 per year. The automatic annual salary escalation makes the Board's previous annual market-based review and alignment of EWEB's General Manager's salary unnecessary.

Conclusion

In addition to the regular annual performance review process, the Amended Agreement now also requires the Board's consideration of a merit award to be based on the General Manager's job performance and the average merit award issued to MAPT employees. For performance year 2019, the average MAPT merit award, for those receiving it, was 2.4%. The issuance of any merit award is entirely at the Board's discretion as is the form; an adjustment to base salary, paid as a one-time award or, some combination of both.

The General Manager's Amended Employment Agreement stipulates the timing of the annual performance evaluation and the payment of any merit award. EWEB's focus on its Coronavirus response planning resulted in a mutually agreed-upon one-month delay in the timing of the 2019 performance evaluation process. While the Board may elect to make any merit award retroactive to an earlier date, there is no need to adjust the timing of the effective date as the Amended Agreement makes this the first pay period following the Board's authorization.

Board Action

Pursuant to the General Manager's Amended Employment Agreement, the Board should meet with General Manager Lawson during Executive Session to provide direct feedback and comment regarding his achievement of the Board's goals and his job performance for year 2019. During Public Session, the Board should discuss the results of the annual evaluation and deliberate and decide on the matter of an associated merit award. If the Board determines that a merit award is appropriate, the amount, the form in which it should be issued and, the effective date of the award should be included in the Board's decision.

The Board's individual performance evaluation ratings and comments have been consolidated into a single evaluation document which, is attached for the Board's reference in its Executive Session dialogue with General Manager Lawson and its Public Session deliberations and decisions pertaining to a merit award.

EWEB Board of Commissioners
General Manager's Performance Evaluation, Year 2019

OVERVIEW & INSTRUCTIONS

Competency Categories

There are three basic competency categories which are common to every EWEB employee. They are: *Business, Personal and, Interpersonal Effectiveness*. These have been adapted to align with the requirements of the GM job. Each competency is accompanied by a brief description.

A fourth competency is added for leadership roles. For the GM, this is *Executive Leadership Effectiveness*.

Performance Ratings

The GM performance ratings are also the same ones used for all EWEB employees. They are: *Exceptional, Fully-Performing, Developing, and Under-Performing*.

Please consider the General Manager's performance in each competency category separately and assign the rating you think best fits each. The same rating scale is used in assessing the General Manager in goal achievement and for his overall performance at the end of the evaluation.

A rating key appears on the following page to help you determine your ratings.

Comments

Explanatory and additional general comments are encouraged and add meaning to the evaluation. General Manager Lawson is asking for your specific and direct feedback about what you believe he is doing well and what he could do differently to improve his individual performance as a means to drive the Utility's results.

You might consider noting a specific example of a situation or a behavioral observation to illustrate a particular strength or development opportunity. Also, some raters choose to include qualifying remarks describing the reasoning for their rating.

EVALUATION RATING KEY

There is an internal EWEB cultural understanding pertaining to performance ratings. The rating categories are taken quite literally which may be different from what you have experienced with other employers. To that end, the following descriptions are provided to enable some calibration between Commissioners.

The individual rating categories are not a discrete point on scale. Rather, they should be thought of as ranges.

EXCEPTIONAL

Excels in virtually all aspects of the competency or overall; Achieves *top* performance and results on a routine and sustained basis; Performance or skill level *far exceeds* what is necessary for success in the role. Considered to have advanced skill or expertise in one or more aspects of the competency or within the profession or occupation; May have delivered some particularly extraordinary outcome during the rating period, achieved a significant result with respect to a large initiative or major project, or demonstrated sustained and extraordinary effort to reach an objective. (Approximately 10-15% of EWEB employees are rated “Exceptionally Skilled” overall.)

PERFORMING

Solidly skilled and performs commendably in most or nearly all aspects of the competency or overall; Performance is generally very good and results routinely fully meet and often exceed expectations; Performance and skill level fulfill what is required for success in the role. Deliverables are as expected for an individual at the executive level; Professional skill and expertise are sufficiently broad and deep and may be approaching comprehensive or expert levels in one or more aspects of the competency or within the profession. (The majority of EWEB employees are generally rated as “Fully-Performing” overall)

IMPORTANT NOTE: Performing is a very favorable rating and is not considered “average” or a “C-grade.”

DEVELOPING

Performance is acceptable and as expected at this time, generally good and meeting expectations; Increasing in knowledge, proficiency and confidence as experience builds; Solid foundational expertise with steady advancement expected; Performance and skill level may be somewhat less than what is required for success in the role but this is not unexpected and is considered to be a temporary and purely developmental state. (Newly hired or promoted, probationary service employees are often rated “Developing” overall. Likewise, employees who are undertaking new initiatives or work in some unfamiliar discipline are often given “Developing” ratings.)

NOTE: Developing is a perfectly acceptable rating, often indicating a developmental opportunity area in one or more aspects of a competency or limited experience with regard to overall performance. It is not considered a “bad” rating.

UNDERPERFORMING

Performance is unacceptable and far less than what is required for success in the role. An “underperforming” rating in any entire competency category results in an “underperforming” rating for overall performance and requires immediate corrective action.

PERFORMANCE EVALUATION, EWEB GENERAL MANAGER

General Manager: Frank Lawson	Rating Period: 1/01/2019 – 12/31/2019
EWEB Commissioner:	

BUSINESS EFFECTIVENESS

Demonstrates strategic and operational understanding and technical expertise required for EWEB oversight, management and evolution of its infrastructure, stewardship of its assets and finances, and the organization and deployment of its workforce; Solid business acumen; Knowledgeable in current best practices; Maintains awareness of shifts in industry and economic conditions; Anticipates future consequences and creates breakthrough strategies and plans; Thinks both critically and creatively, Readily poses future scenarios and likely outcomes; Demonstrates unconventional thinking and encourages and inspires creativity in others; Solicits and demonstrates openness to ideas from all organizational levels and from expert sources inside and outside the utility industry; Applies good judgment in projecting how potential ideas may play out; Copes effectively with ambiguity and capably manages change and uncertainty;

Advanced skill in complex problem-solving and decision-making; Uses rigorous logic and honest analysis to evaluate problems; Anticipates and identifies hidden challenges; Looks behind the obvious and doesn't stop at the first or easiest solution; Makes sound decisions based on a combination of analysis, wisdom, experience and sophisticated judgment; Evaluates and accepts well-calculated risk; Anticipates potential "down-sides" of decisions and makes necessary contingency plans; Engages in vigorous debate and thorough study but appropriately senses when enough discussion and analysis has occurred or when further study is impractical or offers little additional value; Unafraid to make decisions and to accept responsibility and accountability for decisive actions.

Vigorously advocates for EWEB's interests; Engages actively with regional and national professional industry associations and groups to monitor trends, Remains apprised of and understands the effects of emerging legislation and regulatory standards and ensures EWEB is fully represented in stakeholder forums; Participates with local leaders and community groups and represents EWEB at community events.

BUSINESS EFFECTIVENESS RATING

Rater 1	Rater 2	Rater 3	Rater 4	Rater 5
✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming

COMMENTS

Rater 1: Frank continues to be an industry leader on a local as well as a regional basis. I'm continually impressed with his ability to understand and communicate complex issues and bring them to a Board level for our consideration.

Rater 2: Frank is very engaged with other regional players and seems to have taken an active role in working towards resource adequacy and emergency preparedness. EWEB has an excellent reputation, some of which precedes Frank, but he has done a great job in upholding that reputation and probably even enhancing it.

Rater 3: Frank has a solid understanding of the various business aspects of the utility and has worked with his team to develop appropriate systems, make sound judgements about new courses of action for programs, and has developed metrics to track progress and evaluate performance. He has further professionalized the organization, established best practices, and has helped continue to make EWEB a leader in the region with forethought and attention to cost drivers. The areas where I continue to see challenges that may need more attention are in Information

Systems, Rollout of AMI, and Leaburg Dam action. I think these projects are plodding along, but that they represent a few areas where some struggles seem to be occurring and it isn't clear that the path has been established that addresses each of the underlying risks. On the whole, however, Frank has built a quality team, and together they help EWEB be a highly functioning organization, that this community has more pride and respect for each year.

Rater 4: This area is a real strength of Frank's. He appears fully knowledgeable about all major aspects of EWEB's operations, not just the engineering section he managed prior to assuming the GM role. He is knowledgeable about low-income programs, customer service, IT systems, HR issues, and source water protection, to name a few. He has initiated major reviews of McKenzie dams, low-income support programs, relationships with the City of Eugene, and business development programs that demonstrate his interest in making EWEB more sensitive and responsive to the changing regulatory, business, and community environment.

Frank also shows a willingness to make tough decisions, including tough personnel decisions that can be wrenching - and that many executives avoid - but that are necessary to progress.

The quarterly reports he and his team produce have added a level of accountability previously lacking.

I feel we are better positioned now than we were prior to Frank's tenure as GM.

Rater 5: Frank is skilled and knowledgeable in all key aspects of executive management and utility operations. He understands organizational imperatives, and at the same time is open to new ways and encourages creative solutions to business problems. He continues to demonstrate sound judgement and an ability to assess complex issues and take appropriate actions with organizational support and alignment. He is increasingly involved in regional affairs, and represents EWEB well in various external forums. He is also maintaining positive working relationships with community leaders and stakeholders.

PERSONAL EFFECTIVENESS

Personally organized, high-functioning and productive; Sets effective prioritized objectives; Establishes plans and organizes for execution; Sets clear expectations and high standards for deliverables and outcomes; Accomplishes work through others by appropriately delegating duties and responsibilities and empowering direct reports; Establishes relevant and quantifiable goals, Establishes measures and monitors process, progress, and results; Communicates organizational, divisional and individual progress; Milestones and targets are generally reached as agreed upon and within prescribed time frames; Proactive in informing when conditions demand course correction or renegotiated time lines are necessary;

Creates a structure and environment designed to enable accountability and performance; Recognizes and acknowledges success of direct reports and appropriately and promptly intervenes when correction is necessary; Models perseverance and a drive for results; Encourages and directs process improvement, continuously challenges organizational status quo, and motivates others to achieve better outcomes;

Accepts individual accountability and responsibility for his authority and the Utility's results; Informs proactively and responsibly regarding emerging controversies, critical business developments, and emergencies; Creates or leverages opportunities to represent EWEB interests and to interact with customers, community partners and stakeholders to receive input to enable better service delivery, respond to criticism and complaints; Accessible and actively engages with media representatives to proactively influence a balanced tone in reporting on EWEB matters.

PERSONAL EFFECTIVENESS RATING

Rater 1	Rater 2	Rater 3	Rater 4	Rater 5
✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming

COMMENTS

Rater 1: I believe Frank continues to “challenge the organizational status quo...” and as a result EWEB continues to get better as time progresses.

Rater 2: Frank seems extremely organized and goal oriented. He engages with community partners and looks to create mutually beneficial opportunities that enhance our community overall.

Rater 3: Frank is organized, has prioritized objectives, has effectively used the strategic plan to guide the organization, and uses that tool to evaluate decisions and set expectations for staff, which has led to exceptional outcomes. I appreciate Frank's ability to pivot when presented with new information that dictates course modification. While I think Frank's approach is appropriate, I did see less outreach during this last year to the community through neighborhood meetings. I also note that EWEB lost main contacts at the city and with the local media so those relationships will need to be rebuilt over time. Frank has established systems to enable accountability and performance and is quick to recognize staff accomplishments and achievements.

Rater 4: Frank developed a process whereby he sets annual organizational goals derived, in large part, from board level discussion. He then clearly states those goals early in the year and has asked that his own annual evaluation be based on the organization's success delivering on these goals. This sets an important and admirable example of leadership, commitment, and responsibility.

Frank is also a solid extemporaneous speaker, clear thinker and writer, and focused, disciplined, and organized leader. He's also approachable and down-to-earth and can easily relate to a wide range of people. All these speak to his personal effectiveness and ability to command respect and therefore lead-by-example.

I do want to note that there have been occasional board presentations given by his staff that have been less than clear and useful. While I appreciate Frank's willingness to provide staff training opportunities to present directly to the Board and in front of their colleagues, it also seems that these staff have - just a few times - lacked the support and clear direction needed to fully succeed.

Rater 5: Personal effectiveness in an executive role requires an ability to prioritize effectively, maintain a focus on the big picture, while appreciating details and nuance. It also requires setting clear and consistent expectations, delegating work and authority to others, and taking overall responsibility while holding others accountable for contributing to overall results. Effective leadership also requires personal integrity and a natural ability to model the values and behaviors expected in others. I regularly observe Frank demonstrating these skills and attributes which are major factors in his continuing success as EWEB's General Manager.

INTERPERSONAL EFFECTIVENESS

Approachable, respectful, relates well, and builds rapport with others throughout the organization; Cultivates constructive and productive relationships with Commissioners, EWEB customers, community leaders, industry peers, and other stakeholders; Maintains an awareness of prevailing or developing attitudes, senses potential conflict or difficulty and takes proactive mitigation steps; Maintains composure and behaves diplomatically in difficult situations; Solicits input and seeks opportunities to interact with others, both within and outside EWEB; Listens with genuine curiosity and demonstrates interest in and respect for the opinions and experiences of others;

Understands the importance and value workforce diversity to EWEB and to the community; Seeks to understand the perspectives of others and the origin of their thinking; Embraces the viewpoints and contributions of individuals of different genders, sexual orientation, abilities, culture, ethnicity and racial backgrounds; Demonstrates interest in and regard for individuals across economic and educational strata and all age groups; Sponsors, supports or participates in efforts to build cultural competency for organizational as well as personal development; Sets clear and unyielding expectations for respectful conduct; and models appropriate behavior; Intervenes to prevent or stop any discriminatory behaviors and to ensure workforce conduct comports with EWEB policies, values and the law

INTERPERSONAL EFFECTIVENESS RATING

Rater 1	Rater 2	Rater 3	Rater 4	Rater 5
✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming

COMMENTS

Rater 1: EWEB's successes in financial aid and weatherization of lower income/rental properties is but one example of Frank's leadership in this category. Working with Frank on a Board/GM level is the most productive working relationship I have had in decades of participating in Board/GM/ Executive Director relationships. He listens, explains and understands.

Rater 2: Frank is always very friendly and seems open to differing viewpoints. He is respectful, especially at meetings when things may not always go according to plan. Specifically, when the Board was somewhat disappointed in the IRP presentation at the Board meeting, Frank kept his cool and was able to realize that a new plan needed to be made. He was respectful of the staff who were presenting (and were put in an uncomfortable position). Additionally, he doesn't seem to shy away from talking with people who may have differing opinions or want more of him. He did a nice job talking at the 350eug forum and doesn't shy away from tough questions. He is open, fair and honest. Staff have also appreciated his Tour de Franks and would like to see them continued.

Rater 3: Frank, has a calm and humble demeanor. He approaches problems and challenges with an open mind and seems to respect and value staff feedback from all levels throughout the organization. I believe Frank is seen as approachable, reasonable, and level headed and that allows staff to bring new information and challenges forward to tackle in a positive and productive way to the benefit of the organization.

Rater 4: Frank creates an open, trusting relationships with commissioners, city leaders, reporters, business community, and activists. His ability to establish a wide network of stakeholders to bounce ideas off of and get valuable feedback is a real strength.

Frank's ability to set a respectful workplace tone is somewhat difficult for me as a board member to fully observe. Having said that, my sense is that EWEB continues to be challenged

to respond to some diversity issues. But I believe Frank is fully aware of these challenges and taking steps to address them. He certainly has not shied away from taking meaningful actions, including punitive action, that demonstrate our organizational value of respecting diversity in the workplace.

Rater 5: Frank is an authentic communicator who is calm, approachable, empathetic, and demonstrably caring of other people. He is good at cultivating and maintaining relationships both inside and outside the organization. He is deliberate and intentional in this regard. His respect for others and interest in diversity and broad perspective is shown through commitment, action, and results. He can point out opportunities for improvement without putting others on the defensive, is willing to admit his own mistakes, and also gives subordinates space to approach work with their own initiative and creativity without prejudging outcomes. At the same time he is quick to recognize accomplishments and contributions of others, and to intervene when he encounters behavior or activities not conducive to organizational success.

EXECUTIVE LEADERSHIP EFFECTIVENESS

Formulates and communicates a compelling vision. Demonstrates a sense of purpose by anticipating present and future customer expectations and a drive to meet or exceed what is required; Focuses on possibilities, conveys optimism and, builds confidence in others;

Models well-considered risk taking and encourages exploration; Invites and encourages vigorous, but appropriate debate; Creates an atmosphere which enables free thinking and disparate views with no fear of reprisal for respectfully expressed contrary opinions; Portrays appropriate confidence balanced with humility; Secure in understanding what he does not know, seeking advice from subject matter experts at any level and, giving credit to others for their efforts and contributions; Demonstrates a willingness to work side-by-side with anyone at any level of the organization;

Models continuous learning and readily accepts unfamiliar challenges; Admits mistakes, accepts responsibility, offers apology when appropriate and, makes corrections; Translate mistakes into learning opportunities which he shares for the benefit of others;

Faces adversity with resolve and courage, readily and capably addresses conflict and accepts his responsibility to take unpopular action when necessary; Communicates directly and truthfully; Not a “yes man” – respectfully speaks up when in disagreement with Commissioners, community or industry leaders; Articulate in explaining his position; Senses when concession or compromise is necessary and is able to move on without difficulty;

Acts with integrity, maintains confidentiality and models honest and ethical conduct;

EXECUTIVE LEADERSHIP EFFECTIVENESS RATING

Rater 1	Rater 2	Rater 3	Rater 4	Rater 5
✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming

COMMENTS

Rater 1: The upcoming IRP and the challenges surrounding Leaburg/Waltermville, College Hill, HQ/MGP and the implementation of AMI will continue to test Frank in this category. At this time I can give Frank an exceptional rating and in another year we will have more experience to see how some of these challenges have been met and how that aligns with Board expectations.

Rater 2: Frank definitely seems to have a clear vision and is able to articulate it well. When he doesn't know the answer, he isn't afraid to say so and he is good about getting back to people with the answer once he's figured it out. He is also able to pivot when things don't go according to plan (IRP, e.g.). One critique I did hear is that he occasionally bypasses executive staff to ask other staff members to work on specific projects. This can create some confusion in terms of the chain of command and priorities.

Rater 3: Executive Leadership effectiveness is tested most during times of shock or crisis when emotions are heightened. In 2019, we saw the major February snow storm that really tested the leadership and vision of resiliency of the organization. Again, Frank led a team to achieve outstanding outcomes. It was clear that lessons learned from the previous ice storm had been taken into account and that leadership was proactive about trying new approaches. When new approaches were effective those methods and tactics were applied elsewhere in the organization and when new approaches were not as successful, then those were reevaluated and lessons were learned and new strategies were engaged. Frank acts with integrity, honesty, and ethics and that shines through in his expectations of staff and the behavior they model as well.

Rater 4: Overall, Frank is an exceptional GM. It's not easy satisfying five bosses as well as dealing with the constant barrage of criticism coming from special interests in the community. Frank manages to respond to each very well while maintaining a vision for the utility and driving closer the organization closer to it each day.

Rater5: Frank's strong management experience combined with his business, personal, and interpersonal skills all contribute to his overall effectiveness as EWEB's General Manager. Frank's style is one of capable, confident leader and competent utility professional. He is a straightforward leader with a clearly articulated vision for EWEB which provides common context and objectives for organizational collaboration and performance.

Frank has an excellent relationship with the Board. He is respectful and comfortable navigating situations where there is ambiguity or disagreement, and has no trouble asserting the staff or his own viewpoint on matters of important consideration. His communication is direct and straightforward, and his ability to explain and translate complex issues in simple terms is noteworthy. He is confident, but open to different views, and willing to adjust course or take a different approach when called for.

GOAL ACHIEVEMENT

The degree to which the General Manager has demonstrated his ability to advance or achieve the following goals:

(A copy of the General Manager's written report, entitled, 2019 Strategic & Operational Report and Goal Achievement Assessment which was presented at the March 3, 2020 Board Meeting is attached for your reference.)

GOAL ACHIEVEMENT RATING

Rater 1	Rater 2	Rater 3	Rater 4	Rater 5
✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming

COMMENTS

Rater 1: There are goals that appear to not have been met however in my opinion none of those instances were the particular fault of the GM's policies or leadership. Leaburg canal issues and SADI/SAFI metrics were totally out of Frank's control. Not meeting the goals of AMI is the result of "better late than wrong" as technical challenges are not totally unexpected. Reliability and affordability were major goals and I believe we met both of those under challenging circumstances.

Rater 2: None

Rater 3: It appears that some goals were "Achieved" many were "Partially or Substantially Achieved," and there was one that was "Not Achieved". While the balance appears that there was still a bit left standing at years end, I think the goals prioritized were the right ones given the constraints and challenges that arose along the way.

Rater 4: I am deeply appreciative of the annual goals statement and evaluation.

Rater 5: I find Frank's attached review of 2019 Operational Performance and Goals Attainment to be a fair and candid assessment that speaks for itself. Although results were acknowledged to be somewhat variable, most operational targets were met or exceeded, and progress was made in all goal areas, although some goals were not fully realized.

I'm pleased that actions taken in 2019 and prior have allowed us to maintain a strong financial position and have afforded another year of managing BPA and internal operating costs without raising rates. I'm also particularly proud of EWEB's continuing strong performance in Employee Safety and Wellness, as well as major capital improvement projects completed during the year (e.g. On Site Chlorine Generation, Downtown Network Improvements, Carmen Powerhouse Upgrades, etc.). It is also clear that there has been a significant improvement in the administrative efficiency and effectiveness of EWEB's Low Income Assistance programs.

Areas of potential concern include a slowdown in AMI deployment, lack of clear progress on various property matters, and difficulty in overcoming IT and related technical challenges in the implementation of enhanced customer service offerings. I'm also wondering how ongoing issues with our Leaburg/Waltermville project will be addressed in the coming year. With that said, I want to acknowledge that the goals we set each year should be appropriately challenging, and not necessarily accomplished in full each and every year. In fact if they were, I would strongly suspect that they were not worthy goals.

For that reason, and despite some variability in results, I rate last year's overall performance and goals accomplished as "fully performing."

OVERALL PERFORMANCE RATING

Rater 1	Rater 2	Rater 3	Rater 4	Rater 5
✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	✓ Exceptional Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming	Exceptional ✓ Fully Performing Developing Underperforming

OVERALL PERFORMANCE COMMENTS

Rater 1: I'm very impressed on what EWEB has done in the past year and with the leadership that has taken us to be one of the best utilities in the region if not the US.

Rater 2: None.

Rater 2: Frank continues to be a charismatic, compassionate, and positive leader for the organization through good times and troubled times. I appreciate his perspective and am thankful to have him and the team he has built and organized as we move into the unprecedented challenges that 2020 has brought us.

Rater 4: None.

Rater 5: EWEB remains on a trajectory consistent with Board direction and the goals and initiatives identified in our Strategic Plan. While progress in some project areas fell short of full expectations, most operational metrics for 2019 were well within appropriate target ranges. I am confident that under Frank's leadership EWEB continues on the right path and is focused on the critical work that will sustain responsive and affordable utility service into the future. Moving forward, I'd like to see further definition of and planning for phases two and three of the strategic plan.

I continue to appreciate Frank's leadership and EWEB's organizational performance over this past year. In summary, my overall assessment of Frank's individual performance is that he continues to be fully performing in all respects. I remain confident in EWEB's Executive Leadership Team and the Board's working relationship with staff, and I look forward to working together during the remainder of 2020.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Mital, Schlossberg, Helgeson, Brown and Carlson
 FROM: Frank Lawson, General Manager
 DATE: March 3, 2020
 SUBJECT: 2019 Strategic & Operational Report and Goal Achievement Assessment
 OBJECTIVE: Information

Issue

On behalf of EWEB management and staff, the General Manager will present the organization’s prior-year results along with an assessment of strategic progress.

Background

Board Policy provides that the Board has responsibility for establishing its priorities for the coming year and providing that direction to the General Manager, who will draft the annual organizational goals. At the beginning of last year, the Board approved the goals whose status is reported herein. Additionally, EWEB’s Strategic Plan was adopted by the Board of Commissioners on August 2, 2017, and updated July 10, 2018.

Discussion

Utility management provides the Board and members of the public with regular Quarterly Strategic & Operational Reports, which includes the attached version covering the details of the final quarter and prior year-end results.

Goal Achievement

The General Manager reports the status of the prior year’s organizational goals as follows:

<i>Goal #1 – Manage utility operations in a manner consistent with Board direction and by-laws, implementing resolutions and policies established by the Board, including but not limited to approved budgets and financial policies, strategic direction, and organizational values.</i>	
Overall Status: Substantially Achieved	
Key Indicators & Measurements	
Safety & Workforce	Oregon’s Healthiest Employer (<500 Employees); #4 Nationally “Good Catch” Prevention Reports Up 100% v. 2018 (59 v. 28) Injuries & Lost Days Below 3-Year Averages, 27% & 75% Respectively Year-End Headcount: 473 FTE Positive New Management Recruitments/Appointments
Electric Reliability	Outage Frequency & Duration Above 5-Year Averages (SAIFI, 0.45; SAIDI, 75 minutes) Equipment Outages (e.g. Dillard) & Planned Outages Higher Completed 14 of 16 FEMA Reliability-Improvement Projects
Water Quality & Reliability	Recruitment of Karen Kelley, Water Manager Excellent Water Quality (Added Biofiltration Process, Reduced Disinfection Bi-Products, Cyanotoxin Preparedness, ~85,000 Samples) Undetectable PFAS in Raw/Finished Water (<2 ppt) Solid Delivery/Reliability Metrics v. AWWA Benchmarks (Breaks/100 Miles over benchmark, Repair Time better than benchmark)

Budget/Cost	<p>All Financial Metrics Within Board Policy, Except Electric “Rate of Return” due to proactive decisions impacting Net Income (e.g. PERS Investment)</p> <p>Some Fiscal Pressure – Electric Utility Contribution Margin lower than expected because of hydro availability, storm impact, high market during early year peak demand period</p> <p>Financial Performance – Water Utility Net Income Favorable to Budget</p> <p>No Overall Revenue Increase for Water or Electricity in 2020</p> <p>PERS Side Account Investment Savings of ~\$2.5MM/Annually (20 years); 4.88% Pension Rate Savings</p> <p>Footo Creek Sale - \$3MM Favorable NPV</p> <p>ROC Consolidation Progressing</p>
Generation	<p>Carmen-Smith Hydroelectric Operating License Received & Power House Rebuilt (Environmentally Friendly Transformers)</p> <p>24% EWEB Hydroelectric Availability Factor (AF) Below Target of 90% (Carmen Smith Construction, Leaburg Canal)</p>
Dam Safety	<p>Increasing Dam Safety Program Investments - Improving Relationship with Regulator (Dam Safety Engineer Daniel Huang)</p> <p>Carmen Diversion – Operating at Reduced Levels (Sinkholes)</p> <p>Leaburg Canal Assessment Continues</p> <p>Smith Dam Probable Maximum Flood (PMF) Evaluation Proceeding</p>

<p><i>Goal #2 – Pursuant to Resolution 1811, execute the Advanced Metering Services (Infrastructure) project in accordance with approved plans and budgets and all applicable EWEB values, policies, and procedures; safely installing 46,000 meters in 2019.</i></p>	
<p>Overall Status: Not Achieved</p>	
<p>Key Indicators & Measurements</p>	
<p>Approximately 29,000 meters installed in 2019 with 18,000 electric and 11,000 water (45,000 installed to-date)</p> <p style="text-align: center;">Opt-Out Rate is 2.4%</p> <p style="text-align: center;">98.28% Read-Billing Success</p> <p style="text-align: center;">ISSUE: Slowed Electric Meter Installation Rate due to Communication/Bandwidth Limitations (4 New Sites, and 4 Taller Sites in process)</p> <p style="text-align: center;">ISSUE: Identified Technical/Process Needs to Scale (e.g. Standard Work, RNI (Radio Network Interface) Version Upgrade)</p> <p style="text-align: center;">9% Post-Installation Survey Response Rate - 70% Very/Somewhat Satisfied, 20% Neutral</p> <p>Over 600 customers have been contacted about leaks – annualized potential savings are approximately 110 million gallons</p>	

<p><i>Goal #3 – Use Continuous Improvement, Lean Principles, and financial management to improve the customer experience, adding customer self-service capability, avoiding revenue requirement increases through 2020.</i></p>	
<p>Overall Status: Partially Achieved</p>	
<p>Key Indicators & Measurements</p>	

Revenue Requirement	No Increase in Revenue Requirement Impacting Water or Electric Utility Rates Utility Burden Down to 3.59 (from 4.25 in 2016) – 15.5% Reduction
Customer Self-Service Capability (CEI)	NOT ACHIEVED: Customer Self-Service was not developed/launched to EWEB customers in 2019 Project Kick Off on November 4 th Foundational/Pre-Launch Accomplishments included Development Environment Installed/Configured, Server Construction Complete (on premise and cloud-based) Amazon Web Services Portal was setup and configured with a 2-way encrypted communication path to EWEB’s local resources
Customer Experience	Customer Distribution Engineering Response Time Worsened (2 Weeks to 5 Weeks) as Project Inquiries Doubled Developed Published ADU Rates Amended Downtown Network Connection Charges Completed EUGNet Downtown Fiber Project

<i>Goal #4 – Improve emergency preparedness and recovery by enhancing system resiliency, with a near-term focus on distributed emergency options/resources (water and electric), completing two additional emergency sites and an electric system black-start assessment in 2019.</i>	
Overall Status: Partially Achieved – One of Two Sites Completed	
Key Indicators & Measurements	
Emergency Water Sites	Eugene Science Center Site Commissioned – December Public Directional Signage Approved/Posted (10 Installed) Sheldon Site; Permitting Delays, Well Drilled – To Be Completed Q1 2020 Lane Events Center – To Be Completed Q1 2020 Red Cross contact work started Water System Federally-Mandated Risk and Reliability Assessment Initiated; Due March 2020.
Black Start Assessment	Qualified Leaburg & University of Oregon Generators (some) as Blackstart Local Resources Started Financial Investment – Additional Blackstart Facilities
Other Resiliency-Enhancements	New Chlorine System and Emergency Generator at Hayden Bridge Water Treatment Facility Downtown Network Switches Added (Connects Networks – Improves Restoration from days to hours) Electric Outage Map Upgraded (V2) with Colors and GIS Links
Customer Resiliency	Pledge-to-Prepare Campaign Launched Generator Loan Program
<i>Goal #5 – Community (Limited Income): In 2019, reduce non-pay residential service disruptions (disconnects) by 10% from the 2018 benchmark of 6,300 with continuing progress toward a 50% reduction by 2023 (5-year).</i>	
Overall Status: Fully Achieved	
Key Indicators & Measurements	
Non-Payment Disconnects Reduced 44% over 2018 Benchmark	

Account Write-Offs Down 20% from 2018
 EWEB Customer Care (ECC) Distributed \$1,087,475 to 4,000 Customers
 Administered \$1,065,000 LIHEAP Assistance Funds
 Over 315 Limited Income Energy Education Visits

Goal #6 –Pursuant to GP15 Climate Change Policy, execute Resolution 1827 supporting State carbon pricing policy, and achieve conservation/energy efficiency reductions of 9,500 MWh (annual) in combination with smart electrification to equitably and cost-effectively reduce community/regional carbon emissions by 7,500 MTCO_{2e}.

Overall Status: Fully Achieved

Key Indicators & Measurements	
Policy	EWEB was highly engaged in HB2020, working with State Officials in support of Cap & Trade legislation.
Conservation & Energy Efficiency	<p style="text-align: center;">Energy Savings of 10,958 MWh</p> <p style="text-align: center;">Limited Income Represented 17% of Residential Efficiency Projects & 59% of Residential Incentive Spending</p> <p style="text-align: center;">19% of Residential Efficiency Projects were Rentals (Projects & MWh Savings)</p> <p style="text-align: center;">Supplier-Direct Heat Pump Water Heater Program Launched (60 Projects in 2019)</p>
Electrification	Electric Vehicle/Charging Incentives (148 Customers)
Carbon Reduction	8,400 MTCO _{2e} Reduction

Strategic Assessment

According to our strategy, the 10-year priorities include Emergency Preparedness & Disaster Recovery, and Electric Supply Resources. The most significant issues facing EWEB in the next decade involve the sustained delivery of safe, reliable, affordable, and environmentally responsible services in the midst of a changing climate, new technology, developing markets, political and regulatory flux, natural and human threats, and evolving and diverse community expectations.

The result of this strategy will be a refined “synchronized resilient delivery model”, which is the integration of enhanced consumption flexibility, resilient delivery, and integrated supplies. The strategy denotes the impact of near-term performance and the role of our customers in pursuing our 10-Year strategic priorities. It is expected that our strategy will evolve as we progress through several phases over the next decade, the first being “Foster Customer Confidence”.

The objective of this first phase has been to cultivate customer confidence using a structured Continuous Improvement approach in the following areas.

1. Delivery Performance (Safety & Reliability)
2. Cost/Efficiency (Affordability)
3. Service/Responsiveness (Community)

Over the past two years, EWEB has been focused on “activities and investments” designed to foster customer confidence through our day-to-day performance, as well as invest in our long-term future. By improving storm response, installing emergency water sites, responding to cyanotoxin and other watershed threats, and investing in improved reliability of our systems, the confidence of customers improves. By holding prices steady, we have improved affordability as the economy (and median household income) slightly improves.

Customer Survey(s)

While the Board has been an active participant in many of these discussions and decisions, another method of gauging customer confidence, and therefore strategic progress, is to ask them directly. Attached as Appendix G and H to the Quarterly Strategic and Operational Report are the details of both a quantitative and qualitative customer survey.

Some general conclusions can be drawn from the combination of the two surveys including the following.

- Confidence has increased, both qualitatively and quantitatively. In 2017, 29% of customers used “negative” words to describe EWEB, while according to the latest survey only 10% used similar descriptors. Additionally, 83% of customers said their confidence in EWEB has increased. From direct comments, EWEB is being perceived to now better “stick to their core” than in prior years.
- The important issues remain important, especially water quality and delivery, and electric service reliability and outage restoration. EWEB also performs well in these categories, and the community assumes that we are preparing for the future. “Reliable electricity and water supply and disaster preparedness is unequivocally the top priority...top mission assignment”.
- The importance placed on all categories dropped some, especially in “efforts to control cost”. Given the performance was viewed similarly, the gap narrowed from 3.0 to 1.8 (Importance-Satisfaction) from 2017 to 2019.
- While the surveys generally reveal that most customers are pleased with EWEB, several opportunities to improve exist. The largest gaps that still exist are our efforts to control cost, in how we help customers reduce their energy use, and our efforts to protect the environment. Some customers provided feedback that EWEB has “gotten very quiet, perhaps too quiet” and should reinstate some targeted communication around the major initiatives and plans.

Summary/Conclusion

The entire workforce of EWEB is responsible for the operational and strategic progress of the organization. While we can point to specific incidences of accomplishment, struggle, and occasional failure, our intentional and deliberate pursuit of objectives, with purpose and guidance from the Board, allows us to continue to learn and improve.

Over the past three years, we have used our day-to-day performance as a “ticket” to pursue longer-term strategic endeavors. While holding prices steady, we have invested in emergency preparedness, customer programs and services, and steadily improved our transparent and proactive communication with customers. We are becoming more and more responsive.

Our work will continue to focus on our customers, with a goal of fostering confidence. But based on the activity and results so far, we recognize that our path has taken us clearly into “Phase 2 - Consumption Flexibility” of our strategy. The goal of this phase is to create products, services, and infrastructure that facilitate consumption flexibility, including advanced metering & technology upgrades, consumption and time-based products & services (water & electric), and time-based energy efficiency and conservation (water & electric) and to further increase our resilience to a changing climate, new technology, developing markets, political and regulatory flux, natural and human threats, and evolving and diverse community expectations.

Recommendation/Board Action

The information provided herein offers a perspective on the operational and strategic performance of the organization, which is reflective of the General Manager, and is recommended for context in evaluating the annual performance of the General Manager.