



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Barofsky, Schlossberg, Carlson, Brown, and Morris

FROM: Diedre Williams, Chief People Officer; Sarah Gorseigner, Business Continuity Manager; and Ken Baldwin, Enterprise Risk Management Supervisor

DATE: July 2, 2025

SUBJECT: SD20 Annual Enterprise Risk Management (ERM) Update

OBJECTIVE: Information Only

Issue

Board Policy SD20 requires a periodic report on the status of Enterprise Risk Management (ERM) activities. This memo provides ERM information for the past year.

Background

Board Policy SD20 outlines EWEB's commitment to an enterprise-wide approach to risk management. As a practice, ERM supports the achievement of operational and strategic objectives, including safety, reliability, responsible stewardship of our customer-owners' financial and natural resources, and regulatory compliance. Managing risk is an integral part of decision-making across EWEB and is not a stand-alone activity. EWEB's strategic risk management efforts include cross-functional partnerships with the Safety, Cyber Security, Dam Safety, and Physical Security programs; the Water Division's Risk and Resiliency Assessment and Mitigation Plan; Wildfire Mitigation and Natural Hazard Mitigation Plans; Human Resources Compliance; Leaburg Dam Complex decommissioning planning; and the Power Risk Management Committee. ERM staff coordinates EWEB's risk management efforts, which includes identifying and analyzing existing risks, monitoring emerging risks, creating and implementing mitigation strategies, and reviewing those strategies to ensure that decisions are risk-informed and the risk retained is acceptable.

Discussion

At the end of 2024 and during the first quarter of 2025, our annual risk analysis was completed to determine which risks ERM should focus on from an organization-wide perspective. Top risks were identified based on analysis of risk tracking data, and feedback received from the Executive Team and Managers.

The topics addressed below focus on business continuity risk with a focus on risks that could impact our ability to provide the critical water and electrical service and meet our compulsory obligations to provide those services. Strategic risks, while important, have less potential to interrupt critical services and leadership has more time to address and impact these issues. Areas of strategic risk include organizational culture, strategy deployment, and customer confidence.

While the main business continuity risk themes for 2025 remain largely consistent with 2024, substantial work has been done in the theme of Technology and Catastrophic Loss of Data, therefore

the primary focus in the area of technology has shifted towards Cyber Security:

- Workforce Planning and Employee Retention
- Technology and Cyber Security
- Financial
- Operational
- Natural Disaster
- Information and Records Life Cycle Management
- Compliance and Regulatory Risk

These risk themes are broadly categorized under resiliency, alignment, and modernization risk families. These broad categories often demonstrate overlap between risk families which may elevate the urgency of mitigation efforts. All these risks are being tracked, and project and routine work have been identified to mitigate many of the risks. After analyzing risk treatments, ERM Staff have evaluated the residual risks and have identified areas and recommendations to address the remaining concerns.

A consultant was hired to assist with a Business Impact Analysis (BIA) to explore challenges and opportunities related to continuity of operations, developing an organizational risk threshold for leadership, and socializing the concepts of resiliency at every level. Staff will use the information and tools developed during subject matter expert workshops to develop tactical and strategic processes to plan for and respond to significant disruption events. Their collaborative work products will guide staff at every level to ensure the impact of crossover and organization-wide decisions support the larger goals of maintaining critical infrastructure services during disruptive or catastrophic events. A preliminary report from the BIA will be prepared by the end of 2025. This BIA effort touches upon nearly all the identified risk themes and can be leveraged for any emerging projects, threats, or situations that may put pressure on EWEB's resources or capabilities.

Workforce Planning and Employee Retention: Entry level and customer-facing positions continue to enjoy a robust hiring pool and EWEB continues to be a sought-out employer. Advanced-level and technical positions such as Engineers, Senior Cyber Security Specialists, Dam Safety Analysts, and Meter Technicians continue to be challenging to fill as high demand is seen throughout the labor market. Balancing employee development with hiring an experienced workforce is a tension that impacts employee morale as well as the overall skills and experience of work teams. Competitive total compensation packages and work practices are areas to continue to monitor and evaluate.

Mitigation Recommendations: These risks are addressed in the Organization Goals to build and inspire the workforce and workplace culture, evolve our Dynamic Workforce Model, and retain experienced talent. As the EWEB Enterprise Solutions (EES) project and SAP deployment work enters the second operational phases, key personnel who contributed to the success may become sought after in the market. EWEB should strive to retain those people and leverage their experience for future projects. Feedback from previous employee surveys demonstrated some improvement across the organization in critical areas and efforts should continue to focus on nurturing a respectful and positive workplace where staff want to be a part of the greater purpose within our community. Retention and internal staff development efforts continue to be led by the Human Resources Department with a focus on leadership workshops to develop and enhance emerging and existing leaders.

Specific areas that Management considers are key to the retention effort are cross-training, employee pipeline development for specific roles, and succession planning development. Several divisions have leveraged the opportunities created by the EES project to move staff into temporary assignments, including leadership roles. When the EES/SAP projects wind down, many staff will return to their previous functions, but many more will have experience and cross training to support lateral movement and promotion to new roles. The HR Team will conduct a compensation review beginning in Fall 2025 to benchmark salaries and align to industry compensation.

Technology and Cyber Security: In previous years, considerable focus has been put into identifying and mitigating organizational risk in the areas of information systems infrastructure and applications, as well as the security of our organizational data. Completed projects have migrated sensitive data, systems, and backup capabilities to fully redundant cloud environments, added new redundancy within our data center, and further safeguarded EWEB systems through use of Multi-Factor Authentication (MFA). The most notable improvement was the successful completion of EWEB Enterprise Solutions (EES) Season 1, that included implementing SAP for our Customer Information System and Financial System. Although the risk of catastrophic data center loss has been mitigated, we must remain vigilant with the security and reliability of our on-premises technology footprint. While we will continue to monitor aging software and infrastructure from a risk perspective, our focus in this area will now pivot to the creation of an enhanced cyber security program. Cyber events such as malware or ransomware could create challenges for EWEB to efficiently provide power and water services. As the technology industry and cyber risk evolves EWEB must keep pace with these changes and continue to maintain our technology footprint and improve our security posture.

Mitigation Recommendations: Several projects are underway to address technology concerns. While direct technology risks have been largely mitigated through completed work on the EES project, the final stages of the project will further strengthen systems security and reliability through modernization of the Work & Asset Management (WAM) system. In addition, controls need to continue to be managed and matured as technology and security requirements change. Cyber Security resources need to evolve with changing vulnerabilities. An enhanced Cyber Security Policy is being finalized and will establish safeguards and guidelines for all staff to help manage those efforts. As part of multi-year cyber security and overall data asset security efforts, data will be categorized and maintained within an accurate system inventory. In conjunction with Business Continuity planning, EWEB will practice data and systems recovery from backup tools, as well as having tested plans in place to operate in the absence of technology. Lastly, we will align the organization by developing more robust training on cyber and data security expectations and practices to ensure all employees are educated on the risks to our technology and how they can help protect it, thus mitigating the human element of cyber risk.

Financial: EWEB has adopted rate increases to ensure financial stability while maintaining the Board designated financial metrics. Over the next 10 years, significant project work, as well as inflation and increasing costs to borrow, may challenge our ability to meet metrics and maintain a rate trajectory at or below general inflation. Contractual risk could impact EWEB's ability to meet our service and financial obligations for both market access and pricing constraints. New power markets will require accurate forecasts and demonstrate adaptability to market shifts, political priorities, and consumer behavior regarding electrification choices.

Mitigation Recommendations: The Organization Goals and Strategic Plan both address financial planning including keeping Cost/Efficiency (Affordability) aligned with societal levels of inflation, planning for electric resource contracts, and managing EWEB owned resources, and rate design work. Planning and developing asset management strategies will be critical for financial planning and communicating with our customers to help them understand rates and resource requirements. Diversifying our power portfolio, negotiating long term contracts, and advocating for resource availability are areas to consider in our purchased power contracts. Predictions for loss of load events in the Pacific Northwest are trending high if there are no new viable sources for power developed, resulting in loss of service for some period(s) of time, customer confidence, and revenue. Exploration of local, dispatchable resources may be necessary to overcome the predicted shortfall across the region.

The ERM team has engaged in leveraging a more robust commercial insurance portfolio with higher coverage limits, lower deductibles, and expanded coverage options, with marginally higher premiums year over year. This insurance program seeks to transfer financial risk to the global insurance pool limiting EWEB's financial risk for liability, property, and operational exposures.

Operational: To continue to improve our operational effectiveness across the Utility, we will be required to maintain or improve the quality, safety, resiliency, and modernization of systems. EWEB's infrastructure continues to age with some equipment at the end of its useful life, thus capital and resource replacement planning must continue so that system replacement work can be spread over multiple years as opposed to happening at one time. In addition, planning for a second water source and treatment plant and adapting systems to minimize disruptive events can help meet resiliency efforts. Supply chains for the utility industry are limited, and availability and cost can limit our ability to provide products and services. Staff will also need to consider tools and resources to operate within the direction of Greenhouse Gas (GHG) Reduction goals under SD15, EWEB's Climate Change Policy.

Mitigation Recommendations: The Organization Goals and Strategic Plan address resiliency, safety and security including protection of life assets and property. The Organization should continue to refine key performance indicators that demonstrate the organization is meeting Board direction and improve quarterly reporting to better capture where there are gaps in meeting our values and goals, if any, in operational performance. Management should continue supporting significant project work such as mitigating risk from a single water source, reservoirs, substation rebuilds, and dam safety and license compliance. To minimize impacts of the limited availability of materials and equipment, staff should continue to expect longer lead times, store higher quantities of key materials, consider alternative options to complete the work, and develop vendor relationships with a variety of suppliers. Modernizing the asset management software and processes through the EES project and developing an asset management strategy will allow reliability and resiliency to be more predictable and manageable. EWEB has increased its transparency in implementing SD15 through the development of the Climate Guidebook, which has been well received by internal and external partners and will continue to measure and report on EWEB GHG emissions from operations annually. Additionally, ERM recommends all business units give additional scrutiny to contract terms, scopes, and risk transfer to contractors. EWEB has retained specialized contract law attorneys to review and approve complex contractual clauses.

Natural Disaster: Natural Disasters can cause significant damage to infrastructure, while limiting access to staffing, communications, equipment and materials such as fuel supplies. Natural disasters could include severe weather events, wildfire, seismic activity, flooding and landslides, and even volcanic activity impacting the watershed. EWEB has strong experience restoring service and responding to incidents where most infrastructure can be repaired quickly and with limited outside resources. During recent extreme events, EWEB staff demonstrated remarkable resiliency and dedication to restoring services on a larger scope and scale. These events, while challenging, provide real-world experience in managing complex incidents while offering opportunities to refine plans, procedures, tools and training. In addition to acute disasters where the response is needed immediately, other challenges could be slower to develop, and staff should actively manage and review response plans and procedures. Finally, with ever changing Federal Government policy adjustments and State and local agency responses, many grant opportunities EWEB had planned to leverage have been canceled or paused.

Mitigation Recommendations: The Board recently approved the EWEB annex to the 2024-2029 Natural Hazard Mitigation Plan (which has been subsequently approved by FEMA). The annex describes nearly \$100M in both electric and water division capital improvement projects designed to harden EWEB infrastructure and increase resiliency to natural hazards. In addition, the Resiliency and Emergency Management department promotes operational readiness to disruptions through plan development and implementation, such as the 2025 Wildfire Mitigation plan and training activities. This includes various drills and exercises to test plans and procedures, such as emergency alerts, Public Safety Power Shutoff procedures and Dam Safety response. Under the Incident Command System (ICS) Training Policy all EWEB staff are required to complete entry level ICS training. Those assigned to leadership or specialized roles under the ICS are required to undergo advanced training within the FEMA system to ensure qualified personnel are directing staff in emergent events. The department has set an ambitious goal of 90% compliance with the ICS policy by year-end and offers in-house refresher training to maintain familiarity with key concepts.

Information gleaned from the above-mentioned Business Impact Analysis will aid in developing a Continuity of Operations Plan that will provide a framework and redundancy strategies to enable EWEB to perform critical functions across a range of challenging events. Staff will continue monitoring grant opportunities and work with partners in the Finance division to capture those hazard mitigation funding resources as federal government restrictions are lifted.

Information and Records Life Cycle Management: Technology resources have made tools available to store information and data in a variety of locations including both in the cloud and on EWEB networks. Information becomes increasingly hard to find, and awareness and accessibility are challenged. It can also be challenging to determine if the right data is stored and if it is accurate. As data is captured in disparate systems, we must consider how we use that data to help Management make informed and confident business decisions. Most records created by EWEB staff are a public record and are required to follow records retention programs.

Mitigation Recommendations: A Data Management/Governance plan which will help to direct staff in meeting operational and retention requirements is under development. Elements that are being addressed include defining where to store information, defining master data, categorizing and managing confidential and non-confidential information, creating a quality control program, identifying opportunities to evaluate system data overlap and synergies, and purging obsolete data.

The program has developed training for Data Owners, Stewards, and Custodians to be delivered in alignment with policy.

Compliance & Regulatory: Legislative changes, compliance requirements, and regulatory policies continue to impact EWEB work. More requirements and regulations require resources to record information, train, report, and in some situations revise operations. Anticipating and responding to these evolving challenges will help us meet our compliance obligations, many of the requirements are intended to improve reliability and resiliency of our services.

Mitigation Recommendations: Knowledge of industry developments is key to addressing emerging regulations and compliance obligations. Knowledge can be developed through participation in industry training, tracking proposed legislative bills, and working with regulating agencies. Tracking proposed regulations and anticipating impacts and then incorporating the changes into operational workplans as the proposed changes are adopted will help to meet compliance and regulatory obligations.

Other Functions of ERM Team:

ERM staff are responsible for compliance with public records archival and request laws, liability and recovery claims, workers' compensation claims, insurance procurement, and responses to subpoenas. In 2024 EWEB addressed 51 public record requests and EWEB has received 30 so far in 2025, similar to the 32 received by this time last year. There were 136 new liability claims processed in 2024 (a 62% increase), and 61 recovery claims. With rare exceptions, liability and recovery claims EWEB experiences are within the self-insurance threshold and are resolved internally. ERM also manages and facilitates certain legal proceedings; there are several legal actions filed against EWEB that ERM is working with management and legal counsel to address. EWEB maintains a broad portfolio of insurance policies to cover a variety of other exposures and transfer risk when possible. This portfolio is evaluated at least annually to ensure the types and levels of coverage purchased continue to be adequate to mitigate risk. ERM staff report quarterly to Management on compliance activities. ERM staff manage the Contract Governance program which is designed to address non-standard contracts developed outside the Purchasing department. At present, nearly 230 active contracts are being managed. Training continues to be a strong focus, including comprehensive ethics training for all new hires, risk assessment tools and strategies, and refresher ethics training for all employees.

Cost of Enterprise Risk Management Team Activities at EWEB:

April 2024-March 2025 Insurance program covering property, casualty, fiduciary, cyber, crime, and employment practices liability: \$2,433,000
2024 ERM Staff: \$489,000
2024 ERM General Counsel: \$101,000 **
2024 Claims paid: \$133,000
2024 Claims recovered: \$328,000

Net Risk Management Costs for Insurance, Staff, ERM Legal Counsel, and Claims in 2024: **\$2,828,000**. This is an increase from the Net-Cost of \$2,672,000 in 2023.

**Excludes Holiday Farm Fire Legal Fees which are currently funded through EWEB's excess liability insurance.

Requested Board Action

This item is information only and accordingly there is no requested Board action.