



MEMORANDUM
EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Roger Gray, General Manager
EWEB Leadership Team
DATE: July 25, 2013
SUBJECT: 2013 Quarter 2 Operating Plan Dashboard Results
OBJECTION: General Business Update, Information Only

Issue

EWEB Management submits the previously modified EWEB Dashboard Report to reflect: 1) a higher level and more comprehensive view of EWEB health, and 2) progress on the annual operating plan. The attached reports provide Q2 results in this format.

Background

EWEB has gone through a challenging couple of years and continues to adjust basic business priorities in accordance with the Board-adopted strategic plan. These include a greater emphasis on financial health, product affordability, and preparation for an increasingly uncertain future. The 2013 operating plan was created to better link organizational goals to the strategic plan and the dashboard was refined through discussion with the Board in prior sessions in order to reflect what we believe is an appropriate level of detail to best understand and gauge the overall health of the utility.

Discussion

Q2 2013 results

Q2 results presented in the attached spotlight dashboard report indicate that of the 30 discrete organizational goals and initiatives identified for 2013, the management team believes we are either doing well or excelling in 17, keeping a cautionary eye (or aiming to do better) on 11, feel a need to do much better in 1 (employee engagement), and have concluded that an additional 1 is recognized as being too early to tell (customer satisfaction). The trend column indicates where we see performance headed for a given metric over the coming quarters. It is important to take all of these individual metrics and to put them in to an overall assessment and context.

As stated above, EWEB has been through some very tough challenges largely due to its financial situation. EWEB Management and Board made very tough decisions to address these challenges and overall we have “righted the ship.” General operation of the electric and water utilities remains solid although we did run in to some specific challenges in the customer service metrics area. Steps were quickly taken to turn those around and we appear to be headed back in the right direction.

Layoffs, lack of pay increases for some employees, and working harder in general has taken a toll on employee morale. Management recognizes the critical importance of workforce morale. While we are certainly not out of the woods, it does appear that progress is being made. While we generally believe that trends are improving we did not feel that “across the board” positive adjustments were merited at this time.

Highlighted below are both call-out successes and areas of concern, either due to current state or because we believe they may be trending down.



Areas of Notable Success for both Water and Electric:

- Budget Adherence
- Financial Health Recovery Plan Implementation



Areas of Notable Concern:

- Employee Engagement



Areas to Watch:

- Product Delivery – Conservation, DR & EE
- Customer Communication & Engagement Initiative
- Carmen Smith Relicensing Project



Areas Recognized as Too Early to Tell:

- Customer Satisfaction

Budget Adherence / Financial Health Recovery Plan Implementation

EWEB management and staff have worked very hard to identify cost cuts and manage ongoing expenses. This effort is paying off and we now have a solid path forward to improve organizational finances. A measure of our commitment to this effort can be seen in our budget performance, which is presently 10-11% below pro-rated expected for O&M 2nd QTR and 12-13% below pro-rated expected for capital 2nd QTR due both to cost containment and better than budgeted contribution to margin.

Employee Engagement

While we don't have measurements to quantify the perceived change, anecdotal evidence suggests that some, but not all, employee engagement is low and Management is concerned. However, indications of an upward trend are supported through an experienced slowdown in unionization activity and a reduction in staffing turnover in Q2. Mitigation of ethics concerns raised in the most recent audit has been addressed through policy review and corporate wide policy and procedural information awareness. While there is certainly anecdotal evidence that supports a conclusion of low morale there is also increasing anecdotal evidence (e.g. positive employee comments, etc.) that supports a conclusion that morale is improving at least among some employees.

Product Delivery – Conservation, DR & EE

The Energy Management Services (EMS) Redesign/Transformation Team has been tasked with the design and implementation of a program suite to value and accommodate all aspects of demand-side management (DSM) - including energy efficiency (EE), conservation, and demand response (DR) - in order to meet the acquisition goals established by the IERP, but also to recognize and accommodate the strong role DSM programs play in customer service and low income bill support. During this transition, existing programs have been paused for new customer participation. As we anticipate the upcoming heating season, the re-launch of a limited number of residential measures will take effect from October 1, 2013. Following completion of the redesign effort, a full program portfolio will be launched in January 2014.

Customer Communication & Engagement Initiative

While it is agreed that statistically valid data to measure these initiatives is sparse, considerable efforts by staff and Executive Management in several arenas has supported a significant investment in communication and customer engagement in Q2. Initiatives such as the College Hill Reservoir neighborhood watch effort; the AMI RF public information meeting; and, the EWEB Budget Workshop are a few examples of a wider portfolio of customer-centric efforts.

Carmen Smith Relicensing Project

Although no change to status and trend in Q2, a positive meeting was held with Settlement Parties on July 18 that resulted in an agreed-upon path forward in two areas:

(1) McKenzie Wild & Scenic River Corridor – EWEB will submit a letter to FERC regarding the Settlement Agreement actions in the MWSR corridor and the policy considerations supporting the importance of the actions and requesting a technical conference with FERC. Included with the draft letter will be a summary of the legal analysis supporting FERC including the actions in the license. It is anticipated that this letter will be supported by the Settlement Parties, including the Forest Service, although they will assume the role as a silent supporter.

(2) The parties expressed willingness to explore EWEBs proposed concept of an alternate to the Trail Bridge Fish screen to provide downstream passage: EWEB will revive monthly Fisheries Work Group to start working on the technical details associated with the concept.

Customer Satisfaction

The Current status of this metric has been changed to gray for Q2, indicating that it is too early to define its status since the annual customer survey upon which the metric is measured has yet to be conducted. The annual customer survey will be released late August/early September. Executive Management believes that recent mitigation of rate increases (to the proposed 4% electric utility and 3% water utility) supported by the Board of Commissioners goes a long way to securing positive outcomes of customer satisfaction.

TBL Assessment

No TBL assessment was conducted for the quarterly update.

Recommendation

This report is provided for information only.

Requested Board Action

None at this time.

Eugene Water & Electric Board – 2013 Q2 Organizational Dashboard

Customer & Stakeholder Perspective

Goal or Initiative	Current Status	Trend	Expected Finish	Comments
Affordability – Electric Rate Trends			Ongoing	Trend is up due to recent work to manage costs.
Affordability – Water Rate Trends			Ongoing	Trend is up due to recent work to manage costs.
Customer Communication & Engagement Initiative			Ongoing	Initiatives taken Q2 include: College Hill Reservoir neighborhood watch effort (ongoing); AMI RF public information meeting (7/23); EWEB Budget Workshop (7/9).
Customer Satisfaction			Ongoing	Annual survey scheduled to be completed by late August or early September.
Customer Service Operations			New Reps trained by end of Q2	Marked 26% improvement in lost calls for May & June from Q1 since new analysts became independent on the phones.
Environmental Stewardship			Ongoing	Tracking 4 minor issues associated with regulatory changes or EWEB process changes
Product Delivery – Conservation, DR, & EE			Delivery is ongoing. Redesign complete by 9/1/2013	Anticipating limited residential measures by October 1, 2013. Full program re-launch in Jan 2014.
Product Delivery – Electric Service			Ongoing	Reliability and revenue are above targets.
Product Delivery - Water			Ongoing	Water production and sales are ahead of projections. Tracking well with benchmarking around reliability.
Water Reliability Initiative (Emergency/Provisional and Second Source)			1 st Trailer in service by end of Q2	Trailer operational. First exercise held. Second exercise planned in 3 rd quarter. Webpage is up and running.



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

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

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

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

Improving, positive trend

No changes or status quo

deteriorating, negative trend

Eugene Water & Electric Board – 2013 Q2 Organizational Dashboard

Financial Perspective

Goal or Initiative	Current Status	Trend	Expected Finish	Comments
Budget Adherence – Electric Utility			12/31/2013	Running under budget due to vacancies and cost containment measures.
Budget Adherence – Water Utility			12/31/2013	Running under budget due to vacancies and cost containment measures.
Explore Sale of Generating Assets			Ongoing	Project Plan developed. Smith Falls RFP anticipated to release by end of year. Currently in process to select engineering consultant to evaluate facility. PURPA sales investigated and eliminated as an immediate viable alternative.
Explore Sale of Real Property Assets (Includes Riverfront Property and Asset Utilization Efforts)			2014	Lots of activity on multiple fronts: Riverfront re-zoning approved by City Council 7/8. HQ lease on verge of completion.
Financial Contribution of Trading Operations			Ongoing	Strong Trade Performance more than offsetting weak Slice Resource Optimization.
Financial Health Recovery Plan Implementation			To Board at financial retreat 7/16/2013	Long term financial plan assumes the metrics presented and approved by the Board July 16 th . Follow up with budget October 1 st .
Financial Metrics – Electric Utility (Reserves, DSC, etc.)			Ongoing	New metrics approved; healthy financial outlook under single “A” rating.
Financial Metrics - Water Utility (Reserves, DSC, etc.)			Ongoing	Fitch rating agency confirmed AA rating; healthy financial outlook.



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Internal Operations Perspective

Goal or Initiative	Current Status	Trend	Expected Finish	Comments
AMI/MDM Projects			To be determined	Global roll up of AMI/MDM program. The Board meeting on AMI was moved to August - the business case is being updated.
Capital Improvement Program Implementation			12/31/2013	A couple of isolated issues to be handled in Q3.
Carmen Smith Relicensing Project			Unclear	Met with SA participants 7/18/13. Progress made on path forward
Generation Asset Efficacy			Ongoing	No known issues.
IT Project Execution			12/31/2013	Q2: 0 completed; 23 in planning/execution phases. Large number on schedule for Q3 completion. Most projects kick-off based on annual budget cycle, and seem to be closing out around the same time.
Organizational Efficiency, Effectiveness & Flexibility Initiative			Ongoing	Efficiency projects are in process.
Regulatory Compliance and Self Reporting			Ongoing	No compliance violations in Q2.
Vehicle Safety and Property Preservation			Ongoing	Q2 trend for vehicle incidents and property claims within acceptable tolerances.
Work Asset Management Project (WAM)			To be determined	WAM re-planning underway – Steering Team in process. KPI tracking to begin second half of 2013.



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




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Eugene Water & Electric Board – 2013 Q2 Organizational Dashboard

People & Culture Perspective

Goal or Initiative	Current Status	Trend	Expected Finish	Comments
Employee Engagement			Ongoing	Employee survey being redesigned - scheduled for Q4 deployment. Organizing activity slowed; turnover down.
Public and Employee Safety			Ongoing	Employee Safety stats are strong. No public safety issues YTD.
Workforce Composition			12/31/2013	Organizational Diversity Work is in redesign. Succession Planning work is launching.





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Eugene Water & Electric Board – 2013 Organizational Dashboard Quarterly Recap

Customer/Stakeholder Perspective	Q1	Q2	Q3	Q4	Projected Year End
Affordability – Electric Rate Trends					
Affordability – Water Rate Trends					
Customer Communication & Engagement Initiative					
Customer Satisfaction					
Customer Service Operations					
Environmental Stewardship					
Product Delivery – Conservation, DR, & EE					
Product Delivery – Electric Service					
Product Delivery - Water					
Water Reliability Initiative (Emergency/Provisional and Second Source)					
Financial Perspective	Q1	Q2	Q3	Q4	Projected Year End
Budget Adherence – Electric Utility					
Budget Adherence – Water Utility					
Explore Sale of Generating Assets					
Explore Sale of Real Property Assets (Includes Riverfront Property and Asset Utilization Efforts)					
Financial Contribution of Trading Operations					
Financial Health Recovery Plan Implementation					
Financial Metrics – Electric Utility (Reserves, DSC, etc.)					
Financial Metrics - Water Utility (Reserves, DSC, etc.)					

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AMI/MDM Projects					
Capital Improvement Program Implementation					
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Generation Asset Efficacy					
IT Project Execution					
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People & Culture Perspective					
Employee Engagement					
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