



**MEMORANDUM**  
EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown

FROM: Roger Gray, General Manager  
EWEB Leadership Team

DATE: February 05, 2015

SUBJECT: 2014 Quarter 4 Operating Plan Dashboard Results & 2014 Quarter 4 Management Letter Findings Dashboard Results

OBJECTIVE: Information Only (report of KPIs & Management Letter Findings)

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**Issue**

EWEB Management submits the EWEB Performance Dashboard Report quarterly to provide a comprehensive, high-level view of EWEB's organizational performance and progress on implementation of the annual operating plan. The attached report provides Q4 results. In addition, and as a result of the Management Letter Findings from the 2013 Moss Adams Audit, EWEB Management also submits the EWEB Management Letter Findings Dashboard Report quarterly. This is the final Management Letter Findings Report from the 2013 Audit.

**Background**

EWEB continues to refine business processes, operations, and other continuous improvements in accordance with the Board-adopted strategic plan. These include a greater emphasis on financial health, product affordability, and preparation for an uncertain future. The 2014 operating plan better links organizational goals to the strategic plan and the EWEB Performance Dashboard continues to be further refined to reflect what we believe is an appropriate level of detail to best gauge the overall health of the utility today and in preparation for future transformation.

**Discussion**

Q4 2014 results

Within the 4 reporting perspectives of Customer & Stakeholder; Financial, Operational; Continuous Improvement and Efficiency; and, People/Cultural, in keeping with EWEB's Strategic Plan the reporting is split in to the two sub-categories of *Perform* and *Transform*. Q4 results presented in the attached spotlight dashboard report indicates that of the 30 discrete *Perform* organizational goals identified for 2014, the management team believes we are either doing well or excelling in 26, and keeping a cautionary eye (or aiming to do better) on 4. In addition, the attached spotlight dashboard report indicates that of the 16 *Transform* initiatives identified for 2014, the management team believes we are either doing well or excelling in 11, and keeping a cautionary eye (or aiming to do better) on 4. No goals or initiatives are currently causing an elevated concern for significant additional attention, and only 1 is categorized as too early to tell. Throughout the dashboard report, the trend column indicates where we see performance heading for a given metric over the coming quarters. It is important to take these individual metrics and to put them into an overall assessment and context.

In 2012 and 2013, EWEB went through some very tough challenges to effectively manage its financial situation. Significant effort has been taken by LT and staff alike to rise to the present challenges and the resulting positive outcomes are evident in the metrics. Through the identified initiatives, opportunities continue to present to embrace future challenges faced by our utility that has the best value and outcomes for our customers and beyond.

Overall, the general operation of both utilities remained solid through the final quarter of 2014. Highlighted below are both call-out successes and areas of concern within the subcategory of *Perform*, either due to current state or because we believe they may be trending down.



Areas of Notable Success:

- Financial Contribution of Trading Operations
- Financial Metrics – Both Utilities
- Sale & Management of Real Property
- Product Delivery – Electric Service
- Sale of Generating Assets
- Organizational Benchmarking



Areas of Notable Concern:

No areas of notable concern in Q4



Areas to Watch:

- Product Delivery – Water
- Water Reliability Initiative
- Generation Asset Efficacy



Areas Recognized as Too Early to Tell:

No Perform issues within this category.

*Financial Contribution of Trading Operations*

Continued excellent year to date results in client services, hydro optimization, transmission savings, and trade performance leading to increased financial contributions of the Trading Operations, reflected in the dashboard by a continued horizontal trending arrow in Q4 2014.

*Financial Metrics – Both Utilities*

Financial performance of both utilities remained strong in the fourth quarter. Water sales have increased compared to last year at this time due to 2013 and 2014 rate increases and increased pumping volumes of about 3.7% over 2013 levels. Electric retail sales are expected to continue to be under budget at year end based on reduced consumption and unseasonable weather, however wholesale sales continue to be higher than budgeted resulting in an overall projected positive contribution margin of near \$6 million. With the transition to WAM a full budgetary reporting for Q4 will not be available.

*Product Delivery – Electric Service*

Following February's extreme weather event that held significant impact upon the electric utility operations, product delivery has improved, with the SAIFI metrics now lower than the 5-year average. SAIDI metrics trending closer to the 5-year average. Overall this is reflected by a change of trend arrow from horizontal to up and a return to a green light.

*Sale of Generation Assets*

The potential Smith Creek sale is ever progressing with several potential buyers visiting the site in 2014. The final group of qualified bidders have submitted their proposals and staff is now in the evaluation phase of those proposals.

### *Product Delivery – Water*

The water operations staff has prioritized resources toward customer-driven work, including EmX. The move from green to yellow represents the potential deferring of maintenance work on the EWEB system contained in 2014 goals, including valve exercising, along with some capital work such as large meter replacement. While no direct quality issues have resulted to-date, this work is classified as preventative, and warrants additional scrutiny in this category. The water utility has worked diligently to complete all delayed tasks and is very nearly ready to transition this KPI back to a green status.

As previously mentioned, the subcategory of metrics under the *Transform* sections of the dashboard report are new for 2014 and reflect the desired direction of the Board-adopted Strategic Plan. These initiatives are progressive and dynamic over time, and planning efforts have begun in many of the identified business functions. While some transform areas are progressing, several of these metrics carry a gray stoplight as they are in the early conceptual stages of development and it is simply too early to know at this stage how they will perform. Others reflect ongoing metrics important to the long term vision, transformation and health of the organization where efforts have already begun, and monitoring is ongoing.

### Q4 2014 External Audit [2013] Management Letter results

#### *Inventory Purchases Outside of Inventory System*

The project to identify and standardize purchases of *consumable items* has been successfully implemented throughout the majority of the organization. The final areas of implementation have interdependencies with the *Work & Asset Management (WAM)* project and will be completed during 2015.

#### *Linux Administrator*

The previously in place Linux Administrator resigned the position in December (Q4). Duties to support this function have been dispersed amongst current staff with other logistical and resource plans underway.

#### **TBL Assessment**

No TBL assessment was conducted for the quarterly update.

#### **Recommendation**

These reports are provided for information only.

#### **Requested Board Action**

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

**EWEB ORGANIZATIONAL PERFORMANCE DASHBOARD - CY2014**  
**QUARTERLY REPORT**

Customer & Stakeholder Perspective									
	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Owner	Trend	Expected Finish	Comments	Sources
<b>PERFORM</b>									
<b>Customer Communication &amp; Engagement</b>					LR		Ongoing	Annual customer survey resulted in mean of 7.7 out of 10; just below target of 8.0 but decline not statistically meaningful unless downward trend continues. Customer engagement very high.	Public Affairs 2014 Operational Plan
<b>Customer Satisfaction</b>					LR		Ongoing	Annual customer survey resulted in mean of 7.7 out of 10; just below target of 8.0 but decline not statistically meaningful unless downward trend continues. Customer engagement very high.	Public Affairs 2014 Operational Plan
<b>Customer Service Operations</b>					MF		Ongoing	All goals met or exceeded when the February storm is not included. All but one goal met when the storm is included.	CS&EMS 2014 Operational Plan
<b>Environmental Stewardship</b>					SN		Ongoing	Issues early in the year have been resolved without violations and fines	Environmental 2014 Operating Plan
<b>Product Delivery – Conservation, DR, &amp; EE</b>					MF		Ongoing	Due to WAM changes unable to run year end reports. Our best calculations are that we will be within 10% or our goals.	CS&EMS 2014 Operational Plan
<b>Product Delivery – Electric Service</b>					TS		Ongoing	SAIFI/SAIDI slightly higher than 5 year average but met targets. Tree Trimming/PUC work caught up from Feb Storm and met targets.	Electric 2014 Operational Plan

<b>Product Delivery - Water</b>					BT		Ongoing	Operational metrics around maintenance activities where impacted by customer driven work in 2Q and 3Q. We have rebounded from this trend during 4Q, but it has not returned to "Green" yet.	Water 2014 Operational Plan
<b>Water Reliability Initiative: Emergency</b>					BT		Ongoing	Manifold completed to facilitate water distribution from trailers. Three trailers have been obtained.	Water 2014 Operational Plan
<b>TRANSFORM</b>									
Redefine and price the products and services that today's customers value over the next three years, in order to help prepare EWEB and the community for the utility of the future.									
Partner with customers of both utilities to redefine services, pricing and options that include increasing levels of customer-side DR and DM for both the Electric Utility and Water Utility to develop balanced, adequately diverse, and cost effective resource portfolio that include demand management strategies and appropriately size and maintain reliable delivery infrastructure systems.					EE		Ongoing	TOU pilot launched Q4.	R&D Pilot Programs Quarterly Reporting Board Backgrounder. AMI Re-Planning Team documentation.
Refine product definitions and pricing for both utilities (un and repackage services to accurately reflect customer services such as back-up, storage/banking, delivery, supply) over the next three years to enable customers to more clearly respond to the cost and value of the products and services we offer.					EE		Ongoing	In the workplan for 2015.	<a href="http://www.eweb.org/public/commissioners/meetings/2014/141007/M11_2015ElectricRateDesignProposal.pdf">http://www.eweb.org/public/commissioners/meetings/2014/141007/M11_2015ElectricRateDesignProposal.pdf</a>
Water Reliability Initiative: AWS					BT		Ongoing	Property acquisition is taking longer than expected.	Water Operations Manager





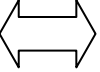
Financial Perspective									
	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Owner	Trend	Expected Finish	Comments	Sources
<b>PERFORM</b>									
Budget Adherence – Electric Utility					CB		In progress		Q4 Available in February
Budget Adherence – Water Utility					CB		In progress		Q4 Available in February
Sale of Generating Assets					DC		Q3 2015	Bids received, now in analysis phase.	Asset sales plan
Sale & Management of Real Property Assets (Includes Riverfront Property and Asset Utilization Efforts)					SN		Ongoing	Riverfront property disposition on track to meet Board goals and objectives	In development
Financial Contribution of Trading Operations					DC		Ongoing	Completed year with record results in trade performance and transmission savings.	Power Operations 2014 Operational Plan
Financial Health Recovery Plan Implementation					CB		In progress		Long Term Financial Plan
Financial Metrics – Electric Utility (Reserves, DSC, etc.)					CB		In progress		Q4 Available in February
Financial Metrics – Water Utility (Reserves, DSC, etc.)					CB		In progress		Q4 Available in February
<b>TRANSFORM</b>									
Increase customer value within the next five years for both utilities by targeting a competitive comparator position at the middle of the pack when compared to industry peers.									

Improve our comparator position among peer electric utilities to at least 10% below Oregon-based IOUs within 5 years. Improve our relative comparator position among NW-based COUs by moving closer to 50th percentile within 5 years.					CB Finance & Budget Horizontal Team		In progress		Long-term Financial Plan and comparator graph
Maintain our comparator position among peer water utilities to no more than the 50th percentile after implementing alternative water supply.					CB Finance & Budget Horizontal Team		In progress		Long-term Financial Plan and comparator graph
<b>Operational, Continuous Improvement and Efficiency Perspective</b>									
	<b>Q1 Status</b>	<b>Q2 Status</b>	<b>Q3 Status</b>	<b>Q4 Status</b>	<b>Owner</b>	<b>Trend</b>	<b>Expected Finish</b>	<b>Comments</b>	<b>Sources</b>
<b>PERFORM</b>									
<b>AMI/MDM Projects</b>					EE		Planning complete EOY	Project is at completion of planning phase, and staff expects to begin execution/construction efforts by Q2, 2015, subject to Board approval of contracts in Feb, 2015.	I.S. 2014 Operational Plan
<b>Capital Improvement Program Implementation</b>					MD		Ongoing	Failure of Roll Gate 1 will impact Generation schedule; full impact and assessment to be determined. Issues with LTD EmX construction; there are several unknown factors within the schedule at this time.	Engineering 2014 Operational Plan
<b>Carmen Smith Relicensing Project</b>					MM		Ongoing	FERC process continues at a slow pace. No FERC action before mid-2015.	Generation 2014 Operational Plan

<b>Generation Asset Efficacy</b>					MM		Ongoing	Transformer rehab at Carmen and failure of a second roll gate at Leaburg has hurt production.	Generation 2014 Operational Plan
<b>IS Project Execution</b>					MS		Ongoing	38% Increase in year over year project completion.	I.S. 2014 Operational Plan
<b>Regulatory Compliance and Self Reporting</b>					RK		Ongoing	Transitioned to ER/IC Function Q4	Engineering 2014 Operational Plan
<b>Vehicle Safety and Property Preservation</b>					MM		Ongoing	Vehicle incidents are down 10% from last year.	Generation 2014 Operational Plan
<b>Work Asset Management Project (WAM)</b>					CB / RK Steering Committee		11/03/2014	Project "GO LIVE" Nov 3, 2014. Working through new processes	Quarterly capital plan update
<b>Plan for Internal Audit and Process Improvement Function</b>					RG		12/31/14	Program(s) launched.	Roger Kline, Roger Gray
<b>TRANSFORM</b>									
Increase organizational efficiency over the next five years by using technology, business process improvements, partnerships, and other mechanisms to manage costs, improve service, and increase customer value.									
Develop and implement tools to reduce waste and reduce or eliminate costs that don't provide customer value within the next two years.					RK		Ongoing		Department Operational Plans
Build and fully implement the 10 year information systems plan meeting scope, cost and schedule. More continued below.					MS		Ongoing	The 10 year plan anticipates timely replacement of aging infrastructure (run), and establishes funding and timing targets for strategic (transform) initiatives such as AMI,WAM, etc. The plan	I.T. Manager



								anticipates ~10% of resources for emergent work, often classified as (grow). To keep pace, the 2015 increment of the 10 year plan anticipates completion of 28 run and transform initiatives in 2015. It appears there are sufficient resources to complete these efforts, however, it appears there is little/no capacity to take on ~13 additional discretionary (grow) initiatives needed by various business units. Also the largest 10 year plan effort (CIS replacement) is on hold at this time, which will cause a ripple effect through the plan cycle.	
Use technology and business systems to improve customer experience and information flow, beginning now.					MS		Ongoing	HVMS and DEAS delivered in calendar year 2014.	I.T. Manager
Adopt benchmarking as a standard EWEB practice to measure and assess efficiency of all EWEB work processes and functions by EOY 2014.					EE		End of year	Draft completed and turned over to new IC function for refinement in 2015.	Power Planning gathering industry benchmarks across all business functions
<b>People/Cultural Perspective</b>									
	<b>Q1 Status</b>	<b>Q2 Status</b>	<b>Q3 Status</b>	<b>Q4 Status</b>	<b>Owner</b>	<b>Trend</b>	<b>Expected Finish</b>	<b>Comments</b>	<b>Sources</b>
<b>PERFORM</b>									
<b>Employee Engagement</b>					LK		Ongoing	Employee Engagement levels remain high. The 2014 Q4 survey showed an increase level of engagement.	Public Affairs 2014 Operational Plan Human Resources 2014 Operational Plan

<p><b>Employee Safety, Health, &amp; Wellness</b></p>					<p>LK</p>		<p>Ongoing</p>	<p>Injuries spiked in Q3 but dropped in Q4. Represented largely non-serious incidents with no particular common cause. Indicates potential complacency around basics. Q4 training/meetings targeted safety fundamentals &amp; tailboards and emphasis on individual employee focus on safety practices.</p> <p>Work Comp</p> <ul style="list-style-type: none"> <li>ER Mod rate for 2015 remains @ .71, same as 2014</li> <li>On top of \$161K in dividends during 2014, we also leveraged Employer At Injury Program (EAIP) reimbursements of nearly \$65K for early return to work incentives &amp; worksite modifications (tools/equipment purchases)</li> </ul> <p>Absence</p> <ul style="list-style-type: none"> <li>Average non-FMLA/Personal Crisis sick days for 2014 = 4/yr</li> <li>68% of employees used 5 days of less</li> <li>5% of employees used more than 10 days</li> <li>49% of employees accessed some form of FMLA/OFLA during the year (including sick child leave)</li> </ul>	<p>Human Resources 2014 Operational Plan</p>
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<b>Workforce Composition</b>					LK		Ongoing	37.5% diverse (includes minority and women) hires in 2014	Human Resources 2014 Operational Plan
<b>Workforce Performance</b>					LK		Ongoing	All Performance Reviews submitted on time	Human Resources 2014 Operational Plan
<b>Workforce Development</b>					LK		Ongoing	Development of <i>Working Better Together</i> training complete. Delivery to Staff begins in January of 2015  Purchased and installed Talent LMS in anticipation of Integrated Training Plan	Human Resources 2014 Operational Plan

**TRANSFORM**

Leverage the power of our people to create and implement flexible and resilient business plans over the course of this strategic plan to allow EWEB to better adapt and thrive as the future changes.

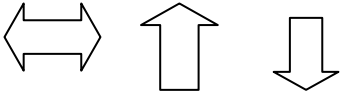
Assess and enhance employee engagement, awareness of EWEB's strategic direction, alignment with current EWEB and department goals, and willingness and ability to embrace change.					LK		Ongoing	Employee Survey continues to show strong results in this area	Employee surveys
Effectively implement scenario-based planning that includes broader horizons ranging from traditional centralized to decentralized utility futures and considers enterprise risk management.					EE		Ongoing	Gaining traction across the organization.	2014 Strategic Plan update
Ensure major work processes and functions can scale up and down more flexibly without disruption to business or people.					RK		Ongoing		Business Unit Operating Plans; LTFP
EWEB people receive increasing levels of (re)training to perform EWEB work now and in the future and are hired and retained for ability to adapt and learn over time.					LK		Ongoing	310 EE's received safety training; Total time invested 3630 hours	Safety Training Dashboard

Refine our focus over the course of this strategic plan to clearly reflect the vision and values of EWEB employees and the community we serve in the work that we do each day, while we transform vital aspects of our business.

Clearly define and then deliver the unique benefits of being a public utility within 2 years to better leverage the value of the public utility business model.					LR		Ongoing	Customer surveys show strong support for local ownership and benefits of public utility: Overall satisfaction at or near 8.0; also, quarterly customer panel results indicate strong support for EWEB as a public utility.	Public & Stakeholder input.
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Position EWEB as a competitive employer within the next 5 years.					LK		Ongoing	The Health and Wellness Committee is making good progress on evaluating our current and future benefits	HR metrics
Make EWEB a “Great Place to Work” right now, with people who are highly engaged and committed to our customers.					LK		Ongoing	Employee Engagement continues to be strong with good survey participation	Employee survey

- Red Light = Significant actual or projected miss in cost, scope or schedule. Issues that will likely cause material impacts.
- Yellow Light = Potential or minor miss with respect to cost, scope or schedule. No major impacts in spite of miss.
- Gray Light = too early to tell; metrics in process of being defined or collected.
- Green Light = Completed or projected to complete with respect to cost, scope or schedule. Results exceed or expected to exceed objective.



**EWEB MONITORING AND REPORT OF MANAGEMENT LETTER FINDINGS - CY2014  
QUARTERLY REPORT**

<u>2013 Moss Adams Management Letter</u>	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Trend	Expected Finish	Comments	Assigned to
<b>2013 MANAGEMENT LETTER FINDINGS – CONTROL DEFICIENCY/MATERIAL WEAKNESS</b>								
Internal Audit	n/a				↔	12/31/2014	Program development continues. Desktop internal audit of Engineering CIP projects completed.	Roger Gray, Roger Kline
IT Circumvention of Controls	n/a				↔	Ongoing	Formal staff training was completed in 2014. Dedicated IS internal controls monitor in place, operational refinements continue.	Matt Sayre, Roger Gray
Inventory Purchases Outside of Inventory System	n/a				↑	4 <sup>th</sup> Qtr 2015	Consumables project is operational in majority of departments, implementation for remainder will be complete in 2015, WAM dependant.	Todd Simmons
Approval of Pay Rate Changes	n/a				↔	1/1/2014	Complete	Lena Kostopulos
Purchasing Card Purchases that should go through PO Process	n/a				↑	Completed	Met with each LT, M/S and provided instruction & follow up.	Gail Murray
<b>2013 MANAGEMENT LETTER FINDINGS – CONTROL DEFICIENCY</b>								
Timely Bank Reconciliations	n/a				↑	Q3 2014	All bank reconciliations are completed thru Nov 30, 2014.	Susan Eicher
Breach of EWEB Policy for Procurement Threshold	n/a				↑	Completed	Met with each LT, M/S and provided instruction & follow up. New process of reporting out to Board any threshold breach included in quarterly contract report.	Gail Murray

Timeliness of Loan Receivable Reconciliation	n/a					Bi-monthly	Complete - Accounting & Loan Administrator to reconcile jointly at least bi-monthly. Process defined.	Mark Freeman
<b>2013 MANAGEMENT LETTER FINDINGS – OTHER MATTERS</b>								
Linux Administrator Position	n/a					Ongoing	Linux Administrator resigned in Q4. Currently Linux Admin duties are being integrated with existing staff. Multiple recruitment efforts underway.	Matt Sayre
Service Level Agreements with Third Party Vendors	n/a					Completed	Share Point Site has been established and is active.	Matt Sayre
<b>2012 MANAGEMENT LETTER FINDINGS – CONTROL DEFICIENCY</b>								
Update of Purchasing Card Policy and Review of Number of Credit Card Users	n/a					Completed	Revised P&P and Cardholder & Supervisor Agreement forms – Met with each LT M/S and provided instruction & follow up. # of cards & limits adjusted as requested. All complete by 10/10/14.	Gail Murray
Review of Customer Adjustments Report/Adjustments to CIS	n/a					Ongoing monthly	Complete, occurring monthly	Mark Freeman
IT Active Directory Account Review	n/a					Ongoing	There is an established procedure for monthly review.	Matt Sayre

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- 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