



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Mital, Schlossberg, Helgeson, Brown and Carlson  
FROM: Susan Ackerman, Chief Energy Officer, Megan Capper, Portfolio Management Supervisor  
DATE: July 7, 2020  
SUBJECT: 2020 Annual IRP Update  
OBJECTIVE: Information Only

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## **Issue**

The intent of this 2020 Integrated Resource Plan (IRP) update is to provide high-level context and an update to the 2011 Action Items.

## **Background**

Integrated Resource Plans are tools to assist utilities in making long-term generation resource decisions under various scenarios. EWEB completed its last IRP in 2011. Since then, staff have updated the Board annually on the resulting action items. With no immediate need for new power resources, EWEB management and Board of Commissioners determined in March 2020 that an electrification study will be the focus of the utility's near-term planning efforts. Once complete, staff will be ready to direct its efforts back to Integrated Resource Planning. We expect to take up the next IRP in 2023.

## **Discussion**

### Summary of 2011 Action Items and 2020 Update

In the 2011 IRP, EWEB concluded it had no immediate need for new resources, recommending reliance on conservation programs to meet future customer load growth, augmented by market purchases in the event of a new large load. The only instance in which EWEB was forecast to have a potential supply shortage over the 20-year study period was during an extreme (one-in-ten) weather event.<sup>1</sup> Below, we highlight the most relevant changes from our last update. At this time, EWEB's portfolio remains adequate for meeting our resource adequacy needs for at least the next 5 years.

### Update to Action Items since 2011 IRP

Below is a summary of each adopted action item with discussion of adaptations to fit with current industry, market, and affordability trends.

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<sup>1</sup> Peak demand due to cold temperatures.

<b>2011 IRP Action Items:</b>	<b>2020 IRP Update:</b>
Meet load growth with conservation.	We have been meeting this action item.
Work with our customers to avoid peaking power plants by using new demand-side management programs.	If the regional generation supply tightens with early coal generation retirements, EWEB will look at both supply-side resources and demand-side opportunities to serve peaking needs.
Continue to cultivate regional partnerships.	We continue to work with regional partners to influence regulatory and policy outcomes that reflect our customers’ interests.
Enact a new large load strategy, if needed.	We have a tariff in place for any new large load.
Annually update key planning assumptions and look for material changes.	The updating of assumptions is ongoing. We are configuring and implementing new planning models and adopting best practices to address recent industry changes.

Meet Forecast Load Growth with Conservation

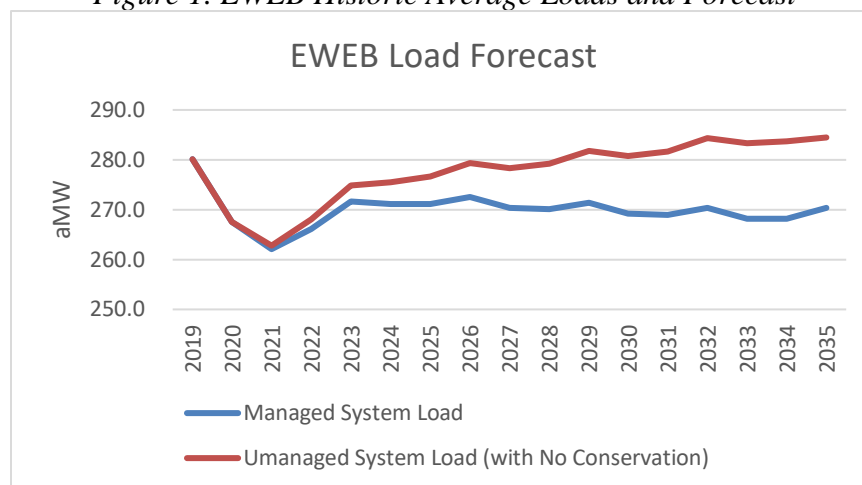
EWEB continues to meet all load growth with conservation.

Annual conservation targets are based on our 5-year average load growth forecasts. This methodology has reduced conservation acquisition targets significantly from the 2011 IRP. In 2017, EWEB began targeting conservation measures that also reduced EWEB’s forecasted peaks in customer consumption. Both energy and peak targets are established as minimums.

In the 2019 update, we reported a 0.3% load growth and a conservation target of 9,500 MWh. For 2020, using the existing 5-year methodology would target a significant increase in conservation for a few years as we project the economy to recover from the impacts of COVID. Given that conservation programs are more efficiently delivered with relatively steady targets, we will maintain our current level of acquisition to ensure the long-term stability of our program. This amount of conservation also meets the minimum level of activity required to be reimbursed for our conservation investment in BPA. In addition, it allows us to meet the “natural demand” for our conservation programs, accommodating customers and contractors who bring projects to us. Finally, this level of conservation is needed to meet other EWEB goals, such as carbon reduction, limited income self-sufficiency, and the goal of helping customers in inefficient rental units.

EWEB is planning for several COVID impact scenarios. The forecast in Figure 1 demonstrates the load impact based on an expected case with moderate recovery in loads by 2022.

*Figure 1. EWEB Historic Average Loads and Forecast*



### Partner with Customers to Avoid New Peaking Power Plants

EWEB has conducted seven demand response (DR) demonstration projects (four residential and three commercial/industrial). These projects demonstrated that control technologies generally work well, but metering, telemetry, and validation methods are required. In pursuing these projects, staff discovered that weak wholesale market price signals, both to justify upfront costs and to incentivize meaningful customer behavior, makes DR a suboptimal solution at this time. However, EWEB will continue regional advocacy for stronger capacity market pricing to maximize the potential of DR products in the future. Until then, staff will continue working with customers and developing high-level DR opportunities, such as the Business Growth and Retention tariff.

At the regional level, EWEB is involved in the Northwest Power Pool's (NWPP) Resource Adequacy Evaluation effort, intended to ensure sufficient capacity at a time of increasing coal retirements and shifts toward renewable energy in the West. EWEB is represented on the Executive Advisory Team and at the Committee level. The initiative is moving from the preliminary program design phase to the detailed program design phase this fall. NWPP is hiring an experienced program consultant to support this phase. The intent is to begin implementation of a nonbinding standard in late 2023 or 2024.

Finally, wholesale markets for both energy and capacity continue to be liquid. When needed, EWEB utilizes the market to meet higher than expected energy and capacity needs caused by extreme weather events. If needed, markets may continue to be a stop gap solution in lieu of a peaking power plant.

### Continue to Leverage Regional Partnerships

EWEB staff continues to advocate on behalf of customer owners to preserve and enhance the value of our power portfolio, consistent with our community's values. Building upon decades of successful partnership, EWEB influences BPA decision-making through regular input at the policy and rate case levels. Additionally, EWEB staff engages with decision makers at the state, regional, and federal levels on energy and transmission policy.

### Pursue New Large Load Strategy, if Needed

A key discussion in the 2011 IRP was how to serve a new large load, since it is unlikely conservation could ramp up quickly enough to offset such load growth. The IRP recommendation was to rely on existing resources, conservation (where possible), and market purchases to meet the increased demand. We have also established a new tariff for these loads.

### Annually Update Key Planning Assumptions

Staff have spent the past year configuring and validating new resource planning models. These tools are kept up to date as new information and assumptions become available, reflecting the best available data to inform resource decisions as they arise.

### 2020 IRP Update – Next Steps

Management is providing this annual update as part of its commitment to the 2011 IRP. Staff will continue to exercise the flexibility inherent in the 2011 IRP to meeting its objectives, including supporting EWEB's affordability goals. This includes monitoring, engagement, and a comprehensive review of all action items and drivers discussed in this report.

### **Requested Board Action**

This update is for informational purposes only.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Mital, Schlossberg, Helgeson, Brown and Carlson  
 FROM: Julie McGaughey, Chief Customer Officer  
 DATE: June 29, 2020  
 SUBJECT: Customer Service Policy Revisions  
 OBJECTIVE: Information

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### Issue

Management periodically reviews Board policy and recommends revisions to align with updated laws, regulations, conditions in the field, and/or strategic direction. Based on conversations by Executive Team and guidance from legal counsel around increasing the psychological safety of EWEB’s field staff, Management reviewed EWEB’s Customer Service policies and is recommending revisions.

### Background

The current exceptions allowed to Smart Meter deployment, listed in Section 4.2, do not allow EWEB to mandate a Smart Meter in the event of speech or conduct by a customer that is harassing or discriminatory, unless it is objectively not safe. EWEB is proposing an additional condition that allows for greater utility discretion around required Smart Meter installation

### Discussion

Management is proposing the following two edits to the Customer Service Policy - All Utilities. Below is the existing policy and the proposed change in red:

<p><b>4.2 Advanced Meter Deployment</b>          With a few exceptions, any Account Holder can Opt Out of an advanced meter Deployment by contacting EWEB’s Customer Service department. Customers who chose to Opt Out will not have access to advanced services that require communicating meters. Advanced services include, but are not limited to, automated power outage reporting, water leak detection, detailed Consumption information, time-of-use metering, or prepaid services. Exceptions to the Opt-Out option are if any of the following conditions apply:</p> <ol style="list-style-type: none"> <li>1. Customer or Account Holder has Tampered with EWEB Facilities or Diverted Utility Services.</li> </ol>	<p><b>4.2 Advanced Meter Deployment</b>          With a few exceptions, any Account Holder can Opt Out of an advanced meter Deployment by contacting EWEB’s Customer Service department. Customers who chose to Opt Out will not have access to advanced services that require communicating meters. Advanced services include, but are not limited to, automated power outage reporting, water leak detection, detailed Consumption information, time-of-use metering, or prepaid services. Exceptions to the Opt-Out option are if any of the following conditions apply:</p> <ol style="list-style-type: none"> <li>1. Customer or Account Holder has Tampered with EWEB Facilities or Diverted Utility Services.</li> </ol>
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<p>2. Customer or Account Holder has not provided safe and necessary access to meters.</p>	<p>2. Customer or Account Holder has not provided safe and necessary access to meters.</p> <p>3. A condition on the property or conduct of the Customer, or anyone under the Customer’s reasonable control, significantly affects an employee’s ability to perform work related functions due to a protected status such as, but not limited to, race or sex.</p>
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If a Customer meeting the third exception wants to Opt Out of Smart Meter deployment, and EWEB agrees, EWEB would have the right to estimate usage instead of sending a meter reader to the property. In this case, section 2.1 would need to be changed slightly as noted below:

<p><b>2.1 General Billing Information</b>  EWEB will issue bills on a periodic basis based on actual Consumption. Reference to “one month’s service” relates to the billing period but does not necessarily correlate to a calendar month. EWEB reserves the right to read meters and present bills for longer or shorter periods. In the event that a meter is inaccessible for any reason, EWEB reserves the right to estimate the water and/or electric Consumption and to issue bills calculated upon estimated usage and applicable fees. Opening and closing bills will be prorated to reflect actual usage.</p>	<p><b>2.1 General Billing Information</b>  EWEB will issue bills on a periodic basis based on actual Consumption. Reference to “one month’s service” relates to the billing period but does not necessarily correlate to a calendar month. EWEB reserves the right to read meters and present bills for longer or shorter periods. In the event that a meter is inaccessible for any reason, <b>or the Customer has opted out of advanced meter services and the meter cannot be read for any reason</b>, EWEB reserves the right to estimate the water and/or electric Consumption and to issue bills calculated upon estimated usage and applicable fees. Opening and closing bills will be prorated to reflect actual usage.</p>
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The proposed revisions have been reviewed and suggested by legal counsel. After Board review, this policy update will be brought to the Board for approval.

**Recommendation and Requested Board Action**

There is no requested Board action at this time. After incorporating feedback from the board, Management will propose a resolution at the August board meeting.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Human Resources Division



TO: Commissioners Mital, Schlossberg, Helgeson, Brown and Carlson  
FROM: Lena Kostopulos, Chief Workforce Officer  
DATE: June 26, 2020  
SUBJECT: Process to Ensure Competitive General Manager Salary  
OBJECTIVE: Informational Only

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## **Introduction**

This memo is intended as a response to the Board's request, through Commissioner Helgeson during the May 05, 2020 Board of Commissioners Meeting, for a document which fully describes the process now in place for the Board's management of GM Lawson's compensation. This document is intended for the Board Record and also for referential use by current and future EWEB Commissioners.

## **Background**

In 2019, GM Lawson and the Board renegotiated the General Manager's Employment Agreement. In addition to aligning his annual base salary with the regional average at the time, GM Lawson also sought to establish an ongoing compensation management process which matched, to the extent possible, that which is used to maintain market-competitive salaries for EWEB's MAPT (management, administrative, professional & technical) employees. The outcome of the negotiation yielded some parallels to the approach used to manage MAPT compensation but also some notable contractual departures as they relate to GM Lawson's Employment Agreement.

As a framework to enable the Board's understanding, I have included a high-level description of the MAPT salary structure, and the three foundational components used to manage it, followed by a brief discussion of how each parallels or departs with respect to the Board's management of GM Lawson's compensation.

This memorandum concludes with a summary of the Board's options for the management of GM Lawson's compensation and a brief overview of its annual responsibilities.

## **Discussion**

### **Structure**

**MAPT** - Jobs are arrayed in a vertical salary structure containing horizontal bands of pay ranges for each level. All non-bargained jobs, from the most entry-level positions to those having the highest level of organizational responsibility are contained in this single structure. The structural design supports legislated pay equity compliance in that it distinguishes the compensable relationship of one job or level to another

**GM** - Only the General Manager's position is outside this structure. There is no predetermined "salary range" for the General Manager. Rather, the Board has always selected a discrete salary point which

represents a percentage of the average of actual base salaries paid to GM's within the Board's historical comparator group.

In addition to GM Lawson's annual base salary, the Board authorized the establishment of an Executive Deferred Compensation Plan 401(a), in which he is the single plan participant. The terms of the plan were "fixed" at the time of its inception in accordance with IRS guidelines and require no recurring action by the Board.

Outside IRS regulations governing the 401(a) plan and the terms of the GM Employment Agreement, there are no legal requirements governing the Board's determination regarding the amount or manner of GM Lawson's compensation

### Market Pricing

**MAPT** - Individual jobs or job families are priced mainly using Milliman's published survey data which is sliced to compare to northwest public utilities. The survey has been adopted for use by the NWPPA's Labor & Employee Relations Group and its subset, Milliman Northwest Utilities Compensation and Benefits Survey Committee. When sufficient job matches cannot be found within the public utilities data set, other Milliman surveys and/or other published salary data sources are used.

MAPT job pricing is revisited at naturally occurring opportunities, such as when a vacancy occurs. A cursory review occurs annually to track trending compensation. A detailed job-by-job analysis is done every three years. The last detailed study was completed in November 2019.

**GM** - Historically, a GM salary review was conducted annually using the same Milliman survey. While the survey has been a reliable information source, the timing of the previous GM evaluation process lagged the published survey data by nearly a year, producing a corresponding lag in EWEB's GM salary. This condition was one factor in the impetus for the renegotiation of the Agreement.

To address the gap, rather than relying solely on published survey information, EWEB sent public records requests to the comparator utilities asking for actual GM salary agreements and other detailed compensation information in effect as of July 2019. The resulting information was compiled and became the basis for the December 2019 adjustment of GM Lawson's salary.

There is no contractual requirement that GM Lawson's salary be re-evaluated or "market-priced" each year. That said, Milliman data or other published salary information may still be useful to the Board, if only as a simple indicator of how EWEB's GM salary is tracking against the rate of year-over-year regional GM salary escalation. Likewise, the public records request process could be repeated to coincide with the 3-year detailed analysis of MAPT salaries or, at some other time as the Board deems necessary.

GM Lawson's Employment Agreement does include an automatically occurring mechanism for annual salary escalation, discussed in the following section.

### Structural Adjustment

**MAPT** - The salary structure is adjusted annually to keep pace with the regional salaries. There is no pre-determined minimum or maximum threshold. The adjustment is primarily driven by the CPI-U & W indices along with consideration of other economic indicators and EWEB financial conditions. The Portland/Salem regional index was used until it was discontinued in 2018. EWEB has since adopted the West, Class B/C regional index, as the replacement.

MAPT employees, excepting those who are not meeting performance expectations, receive the structural adjustment in January.

**GM** - GM Lawson's Employment Agreement now aligns with this annual practice. However, GM's Lawson's Agreement stipulates a minimum and maximum threshold, 2% and 4% respectively. Further, there is no contractual language connecting the annual escalation adjustment to performance so, it cannot be withheld unless by mutual agreement between the Board and GM Lawson.

In as much as the increase is "automatic," there is no required action by the Board. Since the rate of the 2020 MAPT structure adjustment was within the thresholds of the GM Lawson's Agreement, the rate of adjustment was the same for each. The percentage of increase was reported to the Board as a brief information item contained in the March Board Meeting materials as part of the GM Lawson's update correspondence.

Since GM Lawson's Agreement includes minimum and maximum thresholds and the MAPT structure adjustment does not, it is likely the rate of adjustment applied to the MAPT structure and GM Lawson's base salary will differ in the future. In that event, the CHRO or designee will submit a brief information item to the Board specifically regarding the adjustment applied to GM Lawson's annual base salary.

#### Progression/Merit/Recognition

**MAPT** – The MAPT compensation system also considers "progression" toward competency in a job as well as merit for exceptional performance and/or one-time awards for particular accomplishments.

*Progression* refers to an employee's level of competency as they advance from entry in the job to the point at which they are considered to be fully performing. As a general practice, MAPT employees are initially hired or promoted into pay rates which are below 100% of the job's assigned compensation rate. At the time of annual performance evaluation, employees are eligible for pay increases recognizing their progression toward 100% of the salary range assigned to their jobs. These increases are made as adjustments to base pay. The upper threshold of base pay is generally limited to 105% of the pay range.

*Merit* refers to recognition of employees who routinely demonstrate exceptional performance. These awards are limited and are not to be considered entitlements. Employees who are considered for these awards are those who have already reached, or are very near, full performance or 100% of their pay range. For those employees positioned under 105% of the salary range, merit awards can be made as either an adjustment to base pay or as a one-time payment. For employees whose compensation has reached 105% of the salary range, merit awards are given only as one-time payments.

*One-time recognition* awards can also be made in acknowledgment of some extraordinary - but likely non-recurring - effort or accomplishment. These recognition awards can be made to any employee regardless of their salary range position.

There are annual budgetary thresholds and guidance set by the Finance and Human Resources Divisions, governing the amount allowed to be issued for merit and recognition awards.

Unless no alternative exists, it is recommended that progression increases should not be withheld as a budgetary response to economic pressures. However, merit awards and one-time recognition awards



have been specifically tied to EWEB's ability to pay and have been withheld in the past.

**GM** - GM Lawson's Employment Agreement now also includes a provision requiring the Board to associate the consideration of a merit award as a component of his annual performance evaluation. However, the Board is not *required* to make any merit award.

In May of this year, the Board conducted GM Lawson's performance review and elected to forgo a merit award. This was in accordance with the Employment Agreement and also consistent with EWEB's principal regarding "ability to pay." In spite of a very favorable performance evaluation, the Board withheld the award based on projected financial impacts and surrounding economic conditions related to the COVID-19 pandemic.

## **Conclusion**

### **Compensation Management**

**MAPT** - The combination of annually tracking published survey data, the 3-year detailed analysis, and the annual CPI-based adjustment of the MAPT structure has been a reliable approach to maintaining market competitiveness and has aligned with EWEB's financial projections. For example, in 2018, a legally mandated detailed pay-equity study of EWEB jobs resulted in total adjustments of approximately only \$8,000. The scheduled three-year study completed in November 2019 yielded adjustments of only 0.7% of EWEB's total labor expense.

**GM** - GM Lawson's Employment Agreement calls out the Board's intention that the General Manager's salary will be kept competitive with comparable northwest utilities. The December 2019 adjustment of GM Lawson's annual base salary, combined with an annual escalation adjustment, is a theoretically solid approach to ensuring the EWEB's GM compensation is sufficient to be considered competitive in the region. The consideration and potential of a merit award may also be a good tool in terms of keeping pace with other utilities.

There are numerous conditions affecting GM salary levels. In particular, when regional GM vacancies occur, the "going rate" for a GM salary can change significantly depending on the degree to which an EWEB comparator must reach to attract and hire a qualified candidate. Often, vacancies occur in regional cycles and can create a cascading and amplifying effect.

The Board has another avenue to address compensation if it should determine that the GM salary has become insufficient for any reason, including falling out of step with regional pay.

GM Lawson's Employee Agreement provides for the Board's ability to make additional compensation awards at its discretion. This is an option the Board could leverage for any reason as the Agreement does not stipulate its nature (adjustment to base or one-time) or the reason for such an award.

### **Annual Performance Evaluation and Merit Consideration Process**

The Board is required to conduct GM's Lawson's performance evaluation in April of each year. The timing of the review is intended to follow GM Lawson's written report and presentation to the Board regarding EWEB's results for the previous year. This presentation is typically scheduled to occur during the March Board Meeting.

In the week following the March meeting, Commissioners are provided with an annual evaluation form in which to document their performance ratings and remarks. The forms are completed independently of other Commissioners and submitted to Human Resources where the information is

consolidated into a single document. The consolidated evaluation form is sent to Commissioners for their review and as an opportunity to “calibrate” their ratings and comments against those of other Commissioners. Changes are submitted to Human Resources and incorporated into the consolidated evaluation form which is reviewed again by Commissioners before it is finalized. A copy of the final evaluation is provided to Commissioners and to GM Lawson for use during their performance results discussion. This discussion between Commissioners and GM Lawson is permitted to occur in Executive Session. The discussion must be limited to performance only and cannot include any deliberation in support of a final decision related to the potential merit award.

An overview of the Board’s performance evaluation results must be discussed during Public Session. Consideration, deliberation and a final determination pertaining to a merit award must also be a public discussion.

Finally, the Board can direct Human Resources to provide information or to conduct and present analysis regarding GM salary at any time. Regardless of the format in which such information may be delivered to the Board, the information is considered public. Should the Board decide to consider the option of an additional compensation award, any related discussion, deliberation and decision-making must be done publicly.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Mital, Schlossberg, Helgeson, Brown, and Carlson  
 FROM: Deborah Hart, Chief Financial Officer;  
 Sarah Gorsegner, Purchasing & Warehouse Supervisor  
 DATE: June 26, 2020  
 SUBJECT: Proposed Changes to the Task Order Approval Process for Contract 080-2018  
 OBJECTIVE: Informational Only

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### Issue

When the Carmen Smith Fish Passage Facilities contract was proposed for approval at the April 2, 2019 Board Meeting, the contract scope of work was not fully defined and the contract was set up as a task order based contract. Individual task orders were intended to be presented to the Board for approval as the scope of work was further defined.

### Background

The original contract was awarded for \$10 million, and the scope of work has now been developed. The table below includes the tasks that are expected based on the scope of work. Tasks that were included in the original contract approved by the Board are noted as such. Also include in the table are the awards to date for each of those tasks.

Fish Passage Design Task	Included as an expected task in the original contract	Total including Amendments awarded thru June 2020
U1 Upstream Passage - Attraction Water Supply route selection.	X	\$51,307
U2 Upstream Passage - Trap and Haul Facility design	X	\$1,314,802
U3 Spawning Channel Improvements design	X	\$184,043
Tailrace Barrier Demolition design	X	
D1 Downstream Passage - Spillway Gate Modification Alternative Evaluation	X	\$610,956
D2 Downstream Passage - Spillway Gate and Hoist design	X	\$1,953,308
D3 Downstream Passage - Spillway surface modification design	X	
B1 Bypass Valve and Smith Probable Maximum Flood (PMF)		\$535,346
Total all Task Orders		\$4,639,762

**Discussion**

To align with other contract approval processes and with the refined scope of work, staff proposes that the work previously included as an expected task as outlined in the table, including the Tailrace Barrier Demolition Design and Spillway Surface Modification Design, be authorized under the prior approval of the Master Services Agreement provided by the Board in April 2019.

For any other work, if Task Orders amounts exceed \$500,000 or cause the anticipated amount of the contract to exceed the previously approved contract value by more than 25%, the contract will be presented to the Board for Approval as required by policy.

**Recommendation**

No action is required. Please submit any questions to Sarah Gorsegner, 541-685-7348 or [sarah.gorsegner@eweb.org](mailto:sarah.gorsegner@eweb.org)



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Mital, Schlossberg, Helgeson, Brown, and Carlson  
FROM: Deborah Hart, Chief Financial Officer; Sarah Creighton, Enterprise Risk Supervisor  
DATE: July 1, 2020  
SUBJECT: SD20 Annual Enterprise Risk Management (ERM) Update  
OBJECTIVE: Information Only

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## **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 risk management efforts include the Safety program, Cyber Security program, Dam Safety program, and the Power Risk Management Committee (RMC). 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 2019, an updated risk analysis was completed by staff and Management to determine which risks ERM should focus on from an organization-wide perspective. Top risks were selected based on projected impact and likelihood of occurrence after mitigation strategies were applied. These risks were determined to be:

- Agile risk-aware culture
- Security of cyber and physical assets
- Natural disasters and climate change

Last year's SD20 update reflected that "complying with contracts other than those for goods and services" and "legal and regulatory compliance" were identified as top risks. Since that time, staff's efforts to standardize contract governance and continuous improvement of the compliance program have led to a more consistent approach with more predictable outputs. While both risks remain a top priority, effective mitigation strategies have reduced the likelihood of negative outcomes and provided bandwidth to focus on other top risks.

Agile Risk-Aware Culture: The utility industry is changing rapidly; new risks emerge with very little notice, and new technologies arise that may require skills that are in short supply. EWEB needs a

workforce with the requisite talent and skills needed to think creatively and nimbly in a rapidly changing digital marketplace, execute high-performance business models, and implement increasingly demanding strategies.

An organizational culture that fosters resistance to change and foregoes the timely identification and escalation of critical risks can lead to missed opportunities, decision-makers losing touch with business realities, and failure to achieve strategic objectives. Conversely, an organization that fosters psychological safety creates the foundation of effective risk management and continuous improvement, seeking to empower employees and remove fear of speaking up. Teams that operate at the high levels of trust brought about by an environment of psychological safety can work together more efficiently and creatively.

Supporting an effective risk-aware culture is being accomplished in a variety of ways. Diversity, equity and inclusion tools are being utilized to more intentionally reinforce psychological safety across the organization. The Continuous Improvement team's suite of tools includes the Empowerment Tree, which helps leaders empower employees to make appropriate decisions. The Dam Safety department is developing a Risk Informed Decision Making (RIDM) process to more effectively address risks at our generation facilities. ERM staff have created and implemented risk-aware decision-making tools that walk users through the risk assessment process to help ensure decisions are made by considering a variety of perspectives and potential outcomes. ERM staff also support risk-based decisions and prioritization by consulting on various projects across the utility and seeking to further engage more front-line employees in thinking critically about the risks they face. ERM continues to spend time with each new employee within their first six months at EWEB to provide an overview of ERM areas with the intent of supporting a cultural narrative that risk issues can and should be escalated and addressed.

Security of Cyber and Physical Assets: Cyberattacks specifically targeting automated power systems are increasing, including industrial control (SCADA) systems. Much of EWEB's critical energy infrastructure is physical assets, susceptible to physical attacks that would not only have severe implications for reliable electric service over a large geographic area but also involve assets that have lengthy lead times to replace. Any compromise of utility assets would create a negative customer and community impact.

Employee awareness is a critical component of both cyber and physical security. ERM staff employs a variety of communication methods including posters, emails, articles, and training to help keep security in the forefront of EWEB employees' minds. The Water utility recently completed a Risk and Resilience Assessment, as required by America's Water Infrastructure Act of 2018, which considered an all-hazards approach to identifying relevant threats and developed a prioritized implementation plan to mitigate identified risks to EWEB's critical water infrastructure assets. Staff is working on a physical and cyber security assessment of the ROC this year. EWEB's phishing response processes have been refined, including implementing a warning banner for external emails, and additional phishing mitigation efforts are being explored.

Privacy of employee and customer personal information remains a high priority. Annual identity theft prevention training, required for staff whose jobs require access to personal information, includes a strong focus on physical and cyber security. Teaching users to know when something does not look right is an integral piece of the ongoing cyber security strategy. The Privacy Committee continues to investigate and respond to potential breaches of personal information. Over the past year, no potential events were reported.

Natural Disasters and Climate Change: These two risks are interrelated, as climate change leads to increasing extremes in natural disasters. Climate-change driven water shortages foreseen in the West have implications for hydroelectric power production as well as source water sufficiency. Peak loads may shift, stressing resource adequacy and infrastructure resiliency. Larger impact and longer duration wind, snow and ice storms can cause damage to electrical infrastructure and increase time of restoration and repair. There may also be shifts in wildfire patterns with implications to our infrastructure and community. In the case of a subduction zone earthquake, widespread and long duration electric outages could occur as a result of damage.

There is work underway to address these risks. Recruitment is underway for an Emergency Manager to serve as the point person for EWEB's response to natural and other types of emergencies. EWEB participated in the regional Natural Hazard Mitigation Plan. Water staff are actively partnering with SUB to explore options for a second water treatment plant to mitigate the risk of a natural disaster. Electric staff have begun working toward adoption of a wildfire mitigation plan by gathering information and lessons learned from peer utilities, attending utility group meetings, and staying up-to-date on pending legislative changes. Additionally, Electric staff have completed continuous improvement efforts related to EWEB's ICS response to storms to reduce restoration times and move restoration procedures to a more modern format, less reliant on paper and allowing for more real-time transparency and communication to customers around their specific situation in an outage. Electric staff have engaged with consultants to analyze backup power recovery possibilities for critical loads through use of local generation. This information will be used to formalize a critical load restoration procedure to be used in a disaster scenario. Learnings from ICS and emergency preparedness have helped inform planning efforts in response to the recent COVID-19 pandemic, and staff continues to monitor the health, safety, and financial effects EWEB is experiencing.

Other Functions: ERM staff are responsible for compliance with public records archival and request laws, claims, insurance procurement, and responses to subpoenas. The majority of liability and recovery claims EWEB experiences are within the \$2 million self-insurance threshold and are resolved internally. EWEB maintains a broad portfolio of insurance policies to cover a variety of other exposures. 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, helping to ensure real time conversations on compliance opportunities. ERM staff also manage the Contract Governance program, designed to address non-standard contracts developed outside the Purchasing department. Presently, over 250 active contracts are being tracked. Training continues to be a strong focus, including comprehensive ethics training for all new hires and refresher ethics training for all employees.

### **Requested Board Action**

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