



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners McRae, Barofsky, Carlson, Schlossberg, and Brown  
FROM: Rodney Price, Assistant General Manager; Sarah Gorsegner, Business Continuity Manager; and Ken Baldwin, Enterprise Risk Management Supervisor  
DATE: June 27, 2024  
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, 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; 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 2023 and during the first quarter of 2024, 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 during interviews with 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.

The main business continuity risk themes that emerged this year remain consistent with last year's assessment and include:

- Workforce Planning and Employee Retention
- Technology and Catastrophic Loss of Data Center
- 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.

**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 operational phases, key personnel who contributed to the success may become much sought after in the market. EWEB should strive to retain those persons and leverage their experience for future projects. Feedback from the second employee survey 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 to our community.

Specific areas Management considers 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 project winds 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 Workforce Services team did a compensation review in the Fall of 2022 to align the compensation to market; continuing to review in a 3-year cycle is encouraged to maintain our position in the market.

**Technology and Catastrophic Loss of Data Center:** Technology risks include aging software and infrastructure such as old operating systems and servers that limit our ability to integrate and maintain professional support. As EWEB continues to become more reliant on technology, loss of access to that technology or data for any reason including a cyber event such as malware or ransomware create challenges for EWEB to provide not only power and water services, but customer account services, power planning, fiscal services, and other core functions due to said loss. As the technology industry evolves EWEB must keep pace with the industry and continue to maintain our technology footprint.

**Mitigation Recommendations:** Several projects are underway to address technology concerns. Some examples are the EWEB Enterprise Solutions (EES) project aimed at modernizing our customer information system and financial system, upgrades to our backup and recovery solution. 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, and creating a Tier I Cyber Security Policy will establish safeguards and guidelines for all staff to help manage those efforts. Data should be categorized, an accurate system inventory needs to be maintained, and all EWEB staff should practice recovery from the backup tools as well as having

tested plans in place to operate in the absence of technology. Lastly, we should seek alignment across the organization by developing more robust training and have effective socialization to ensure all employees are educated on the risks to our technology and how they can help protect it, so we are not relying entirely on tools to manage our risk.

**Financial:** EWEB has had several years with limited rate increases and financial stability while maintaining 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 predictions and demonstrated 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 understanding 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 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 scheme seeks to transfer some financial risk to the global insurance pool allowing EWEB more flexibility in managing operational costs and modernization efforts.

**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, 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, if any, in operational performance. Management should continue supporting significant project work such as the second 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. This may be achieved by hiring or retaining a specialized contract law attorney admitted to the Oregon Bar to review and approve the increasingly complex contractual clauses we have seen over the past few years.

**Natural Disaster:** Natural Disasters can cause significant damage to infrastructure, while limiting access to staffing, communication, equipment and supplies, and other resources. Natural disasters could range from (in order of likelihood) wind events, ice and snowstorms, excessive heat, flooding, wildfire, seismic activity, and others. EWEB has experience restoring service and responding to smaller disasters where most infrastructure can be restored quickly and with minimal outside resource. During recent extreme events, EWEB staff demonstrated that same remarkable resiliency and dedication to restoring services on a larger scope and scale. In addition to acute disasters where the impact is quick and response is needed immediately, other challenges could be slower to develop, and staff should actively manage and review response plans and procedures.

**Mitigation Recommendations:** EWEB has recently engaged in several mitigation steps to prepare and implement efforts for emergency preparedness including hiring an Emergency Management Analyst, drafting a Resiliency Policy, developing a policy for incident response training, and developing Public Safety Power Shutoff protocols. Under the Incident Command System (ICS) Training Policy (9/01/2023) all EWEB staff and Board members 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. Developing a Continuity of Operations Plan will provide a framework and strategies for allowing critical services to continue across a range of challenging events.

**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:** ERM recommends an enterprise-wide Data Management/Governance plan which will help to direct staff for meeting operational and retention requirements. 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. This enterprise-wide program is well underway, and the as-is conditions are being documented for development of the action plan to follow.

**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 be prepared for meeting our compliance obligations, many of the requirements are intended to improve reliability and resiliency of our services. Two examples follow:

Dams regulated by Federal Energy Regulatory Commission (FERC) must be maintained and operated in ways to prioritize public safety. As a holder of hydropower licenses under FERC, EWEB has responded to regulation changes to 18 CFR Part 12, Safety of Water Power Projects and Project Works, which became effective April 11, 2022 and our enhanced dam safety program and continuous inspection and compliance strategies are helping identify means to lower risk factors across multiple areas.

The Environmental Protection Agency (EPA) released Lead and Copper Rule Revisions (LCRR) requiring a lead service line inventory of both utility-owned and customer-owned services on December 19, 2021, with final compliance due to Oregon Health Authority by October 16, 2024. Assessments were completed in early 2024 of all customer-owned services and a percentage of the customer-owned services as identified within the required statistical analysis. After decades of inspections and testing, EWEB can declare there is no known lead in the water that enters the distribution system, and no known lead components in EWEB-owned distribution pipelines. There is still potential for lead contained in the customer-owned side of water delivery. When discovered, EWEB will notify customers of any services out of alignment with industry regulations and assist with monitoring, filtering, and implementing recommended solutions.

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, claims, insurance procurement, and responses to subpoenas. In 2023 EWEB addressed 45 public record requests and EWEB has received 32 so far in 2024, compared to only 19 at this time in 2023. There were 85 new liability claims processed in 2023, and 71 recovery claims. Most liability and recovery claims EWEB experiences are within the self-insurance threshold and are resolved internally. ERM also manages and facilitates legal proceedings; there are two active legal actions filed against EWEB that ERM is working with legal counsel to address. 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. ERM staff also manage the Contract Governance program which is designed to address non-standard contracts developed outside the Purchasing department. Presently, nearly 290 active contracts are being tracked. 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 2023-March 2024 Insurance program covering property, casualty, fiduciary, cyber, crime and employment practices risk: \$2,160,000  
2023 ERM Staff: \$489,000  
2023 ERM General Counsel: \$105,000 \*\*  
2023 Claims paid: \$208,000  
2023 Claims recovered: \$290,000

Total Risk Management Costs for Insurance, Staff, ERM Legal Counsel, and Claims in 2023: \*\*\$2,672,000

\*\*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.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners McRae, Barofsky, Schlossberg, Brown, and Carlson  
FROM: Mike Masters, Water Operations Manager; Karen Kelley, Chief Operations Officer  
DATE: June 14, 2024  
SUBJECT: Lead and Copper Rule Revisions Compliance Update  
OBJECTIVE: For Information

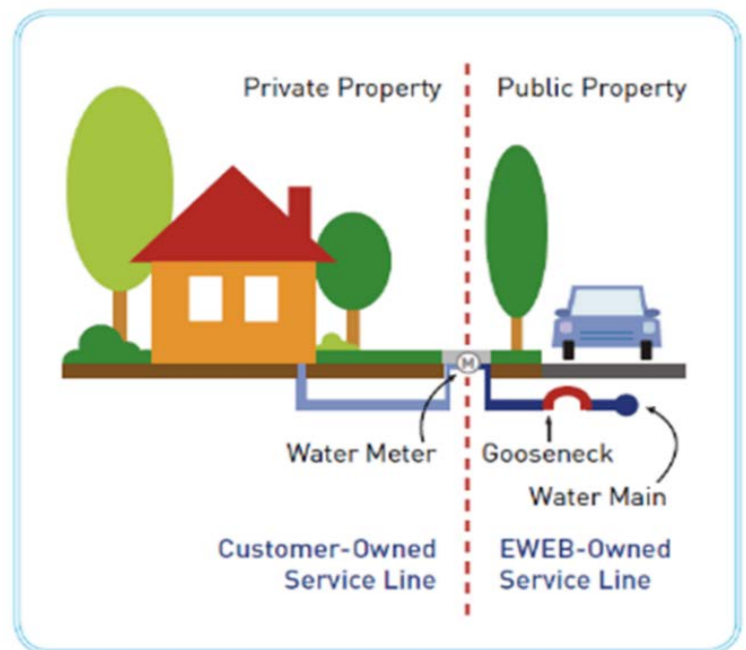
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## Issue

There are updated drinking water regulations regarding the Lead and Copper Rule Revisions that will impact several of the departments in Water Operations. The following is a summary of those revisions and the Water Division's current plan for compliance.

## Background

In December 2021 the US Environmental Protection Agency finalized revisions to the Lead and Copper Rule. On February 1, 2023, the Oregon Health Authority (OHA) permanently amended Oregon Administrative Rules to add lead service line inventory requirements. EWEB must submit a lead service line inventory no later than October 16, 2024. This inventory includes **both the utility side of the meter and the customer, or privately owned, side of the meter**. Further rule improvements, known as the Lead and Copper Rule Improvements (LCRI) were proposed on November 30, 2023. EPA is currently reviewing public comments and the final rule is expected from EPA sometime near the service line inventory deadline of October 2024. The Oregon Health Authority has indicated that they will continue to adopt these improvements as they are released by EPA. Water Operations will be working to comply with all parts of this revised rule for several years to meet the compliance requirements.



## Discussion

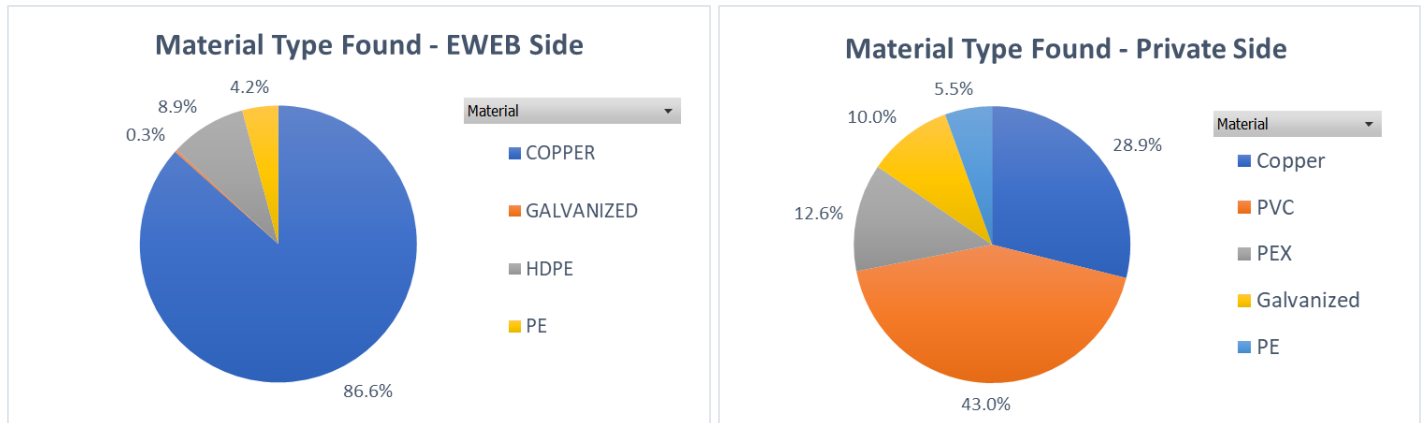
EWEB has approximately 64,000 service lines in our distribution system, each line having 2 sides, both utility and customer for a total of approximately 128,000 sections. We have no **known** lead service lines in our system. We have been working on identifying all Unknown Material Service Lines for many years. EWEB has discovered a small number of lead goosenecks over the last 3 decades. These lead goosenecks were found on properties developed prior to 1940 and were immediately replaced. These types of connectors are not considered lead service lines under the EPA Lead and Copper Rule Revisions.

The Oregon Health Authority approved Statistical Analysis by Random Selection as a way of completing the initial service line inventory. Water systems are required to physically verify enough Unknown material lines to reach a minimum 95%

confidence level that no lead exists in the system. EWEB completed the Statistical Analysis in early 2024 as summarized below.

Using our Service Line map application, built by EWEB’s GIS department, we calculated our 95% confidence value, generated a random list of the 381 services and systematically inspected each of those services. No lead was identified in this sampling pool. All data was entered into our service line map application and is permanently stored in our GIS system.

The following material types were identified during the inspections.



GALVANIZED = steel or iron pipes dipped in a zinc coating; HDPE = High Density Polyethylene; PE = Polyethylene; PVC = Polyvinylchloride; PEX = cross-linked polyethylene

To comply with the rule, we are focused on final data cleanup and export to the Oregon Health Authority data management system by the October 2024 deadline. OHA recommends that all systems continue identifying the statistically generated service line material types “during the course of normal operations” to ultimately create a complete inventory with all service line types identified. This recommendation will most likely turn into a requirement when the Lead and Copper Rule Improvements are finalized. Currently, EWEB is required to resubmit a report every 3 years detailing this progress. EWEB plans to make the service line inventory publicly available as required.

This summer we are also performing our every 3-year Lead and Copper compliance monitoring. These results will be available later this year.

**Recommendation**

This memo is for information and awareness only. As we work towards compliance, communication and collaboration with our customers will increase. We will keep the Board routinely apprised of progress.

**Requested Board Action**

No action requested as this is for information only.