

# License Compliance & Lands Services 2022 Review / 2023 Preview

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Grant PUD Commission Meeting – January 10, 2023



Powering our way of life.

# Departmental Purpose and Goal

- In alignment with Grant PUD's safety, financial, and compliance goals, the License Compliance & Lands Services Department is responsible for the protection of Grant PUD's natural resources through implementation of the Priest Rapids Project license, management of Grant PUD's lands and waters within the Project Boundary, and in providing company-wide real property, permitting, and geographic information system (GIS) services.



# 2022 Business Review



- Safety
  - Recordable incidents = 0
  - Injuries = 1
  - Non-recordable incidents = 4
  - Job briefs = 92
  - Safety meeting attendance = 99%
  - Job Site Reviews = 16
  - LMS training = 100%
- Regulatory Review
  - FERC filings by Grant PUD = 3
  - Filings by third-parties = 1
  - FERC approvals/orders/notices = 0

# License Compliance & Lands Services

## 2022 Achievements

- Succession plan implementation (two retirements, five position backfills)
- Reservoir safety assessment
- Project Scoping Tool and permitting basics training
- 21 easements obtained for Red Rock transmission project
- Monument Hill/South Ephrata property acquisitions
- BNSF, irrigation district permitting roadblocks cleared for fiber expansion projects
- Refinement of Crescent Bar leaseholder project approval process
- Safe and successful recreation season
- Issued Land-use authorization for upgraded Sunland dock



New Sunland cove public trail

# License Compliance & Lands Services 2023 Goals

- Conduct all work in a manner that sends everyone home safely at the end of the day
- Support District projects with high-quality real estate, permitting, and GIS services
- Partner with Public Affairs on Big 3 Key Priority for recreation marketing campaign and website improvements
- Develop a service request procedure for real estate services
- Provide support to users of Grant PUD's new Project Scoping Tool
- Provide permitting education Districtwide
- Identify and resolve reservoir safety issues
- Complete and communicate 5-year analysis for Crescent Bar Golf Course
- Conduct and analyze recreation in-person visitor surveys and usage data

# Lands, Permitting & GIS Services 2023 Focus

- **Wholesale Fiber and Power Delivery** – QTEP and DB2 transmission projects, multiple substations (Red Rock, Sabey/West Canal, etc), and fiber expansion projects
- **Power Production** – Priest Rapids Right Embankment project, Crescent Bar residential lease management, and multiple project monitoring and permitting activities
- **Internal Services** – ongoing property assessments/appraisals and lease support for Facilities Master Plan
- **Alternative Resources** – Feasibility analysis
- **Other -**
  - Implementation of the project review/permitting process
  - Development of real estate services request procedure
  - Hire Lands Specialist to support ongoing real estate work
  - Ensure easement processing and environmental permitting support for QTEP, other projects
  - Ag leases – orchard removal process

# License Implementation 2023 Focus

- Recreation Monitoring Activities – visitor surveys
- Project-wide shoreline encroachment removals
- Ongoing communication with neighboring homeowners' associations
  - Engagement with Sunland Fire Safety Committee
  - Columbia Cliffs shoreline land-use authorization
- Summer recreation season preparation
  - Impact monitoring
  - Security planning
  - Crew hiring/training
- Other
  - Crescent Bar Golf Course analysis
  - Kayak launching alternatives at Crescent Bar

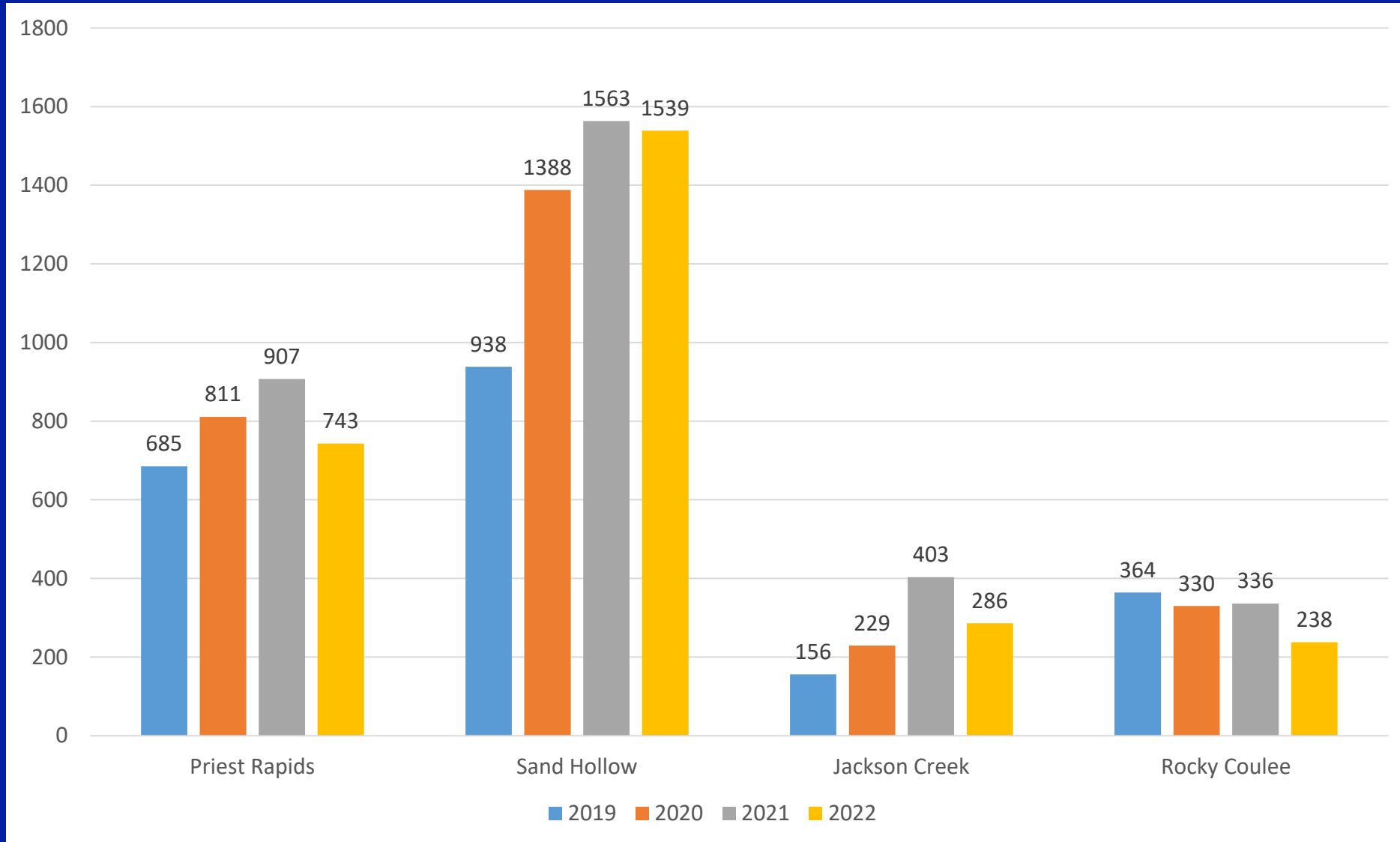
# Crescent Bar Kayak/Paddleboard launching options

- Potential options for easier launching
  - Gravel or concrete path from loading zone to Riverbend beach
  - Make carts available for transport



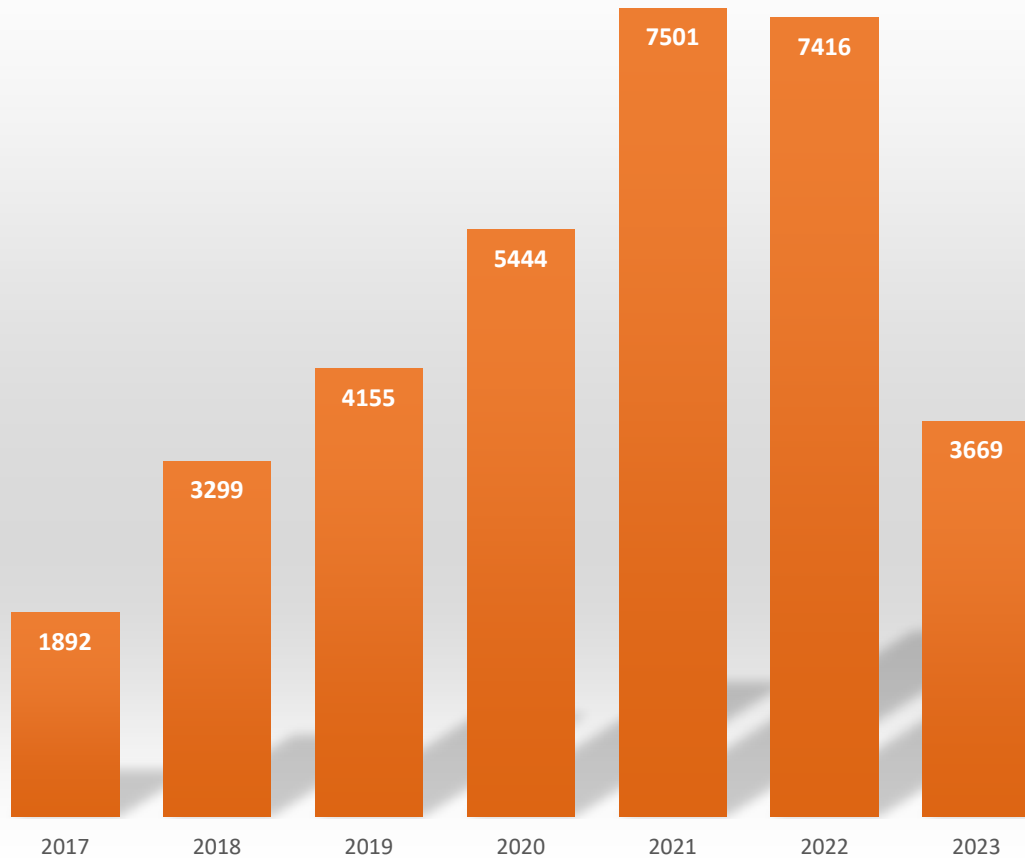


# Non-Crescent Bar Campground Usage



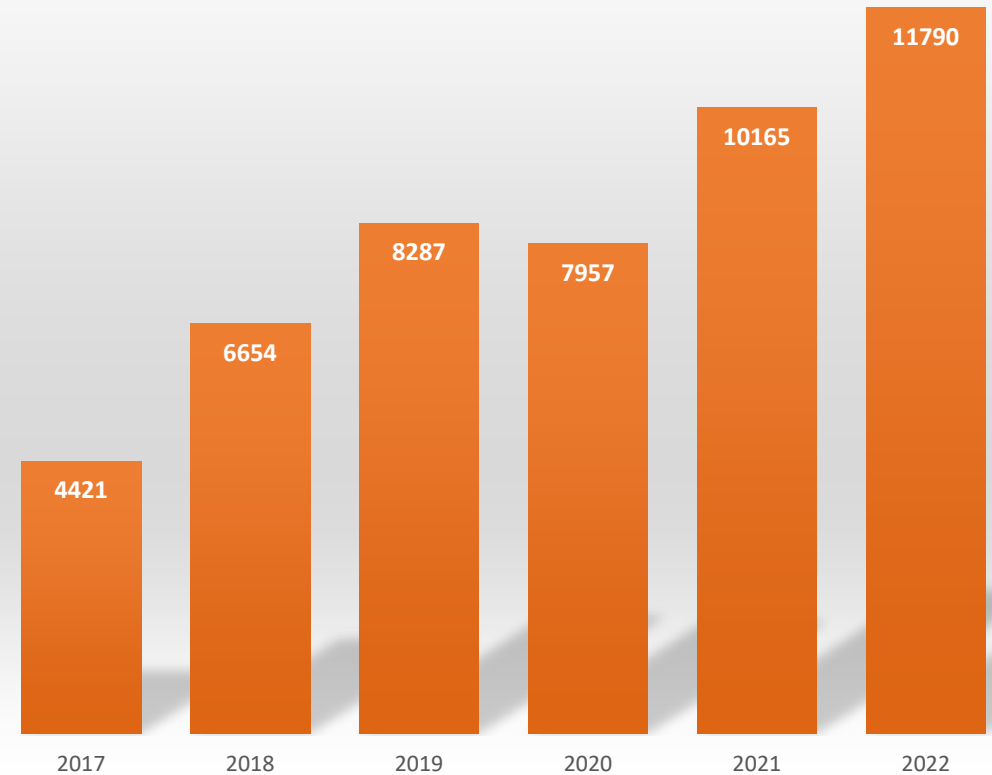
# Crescent Bar Recreation Area Usage

## Campground Occupancy



2023 = Reservations prepaid in 2022

## Golf Course Rounds



2020 includes 67-day COVID-19 closure

# Crescent Bar Financials – 2020 Expenses/Revenues Actuals

2020 Crescent Bar - Actual Expenses and Revenues					
	CWVG Expenses	KARE Solutions Expenses	Grant PUD Direct Expenses	Total Expenses	Total Revenues
Campground and day-use areas	\$339,604			\$339,604	\$409,136
Marina & fuel	\$63,530		\$72,440	\$135,970	\$170,358
Golf course	\$407,447			\$407,447	\$134,756
CWVG admin, overhead, etc.*	\$285,377			\$285,377	
Non-CWVG O&M (public works repairs, security, office trailer rental)			\$136,888	\$136,888	
Grant PUD staff labor (L&R, LRMs, other)			\$112,155	\$112,155	
Water/wastewater system O&M		\$140,190		\$140,190	
Special events					\$9,214
<b>Total 2020</b>	<b>\$1,095,958</b>	<b>\$140,190</b>	<b>\$321,483</b>	<b>\$1,557,631</b>	<b>\$723,464</b>

\*excludes taxes

# Crescent Bar Financials – 2021 Expenses/Revenues Actuals

2021 Crescent Bar - Expenses and Revenues					
	CWMG Expenses	KARE Solutions Expenses	Grant PUD Direct Expenses	Total Expenses	Total Revenues
Campground and day-use areas	\$352,324			\$352,324	\$377,202
Marina & fuel	\$71,971		\$72,993	\$144,964	\$159,262
Golf course	\$484,865			\$484,865	\$185,012
CWMG admin, overhead, etc.*	\$327,600			\$327,600	
Non-CWMG O&M (public works repairs/services and security)			\$202,912	\$202,912	
Grant PUD staff labor (L&R, LRMs, other)			\$76,772	\$76,772	
Water/wastewater system O&M		\$174,704	\$13,506	\$188,210	
Special events					\$17,084
<b>Total 2021</b>	<b>\$1,236,760</b>	<b>\$174,704</b>	<b>\$343,256</b>	<b>\$1,777,647</b>	<b>\$738,560</b>

\*excludes taxes

# Crescent Bar Financials – 2022 Expenses/Revenues Estimates

2022 Crescent Bar - Estimated Expenses and Revenues					
	CWMG Expenses	KARE Solutions Expenses	Grant PUD Direct Expenses	Total Expenses	Total Revenues
Campground and day-use area	\$484,776			\$484,776	\$333,556
Marina & fuel	\$63,586		\$136,478	\$200,064	\$161,279
Golf course	\$513,809			\$513,809	\$207,204
CWMG admin, overhead, etc.*	\$311,481			\$311,481	
Non-CWMG O&M (public works repairs/services and security)			\$179,801	\$179,801	
Grant PUD staff labor (L&R, LRMs, other)			\$76,524	\$76,524	
Water/wastewater system O&M		\$153,663	\$29,765	\$183,428	
Concessionaires and special events					\$32,419
<b>Total 2022</b>	<b>\$1,373,652</b>	<b>\$153,663</b>	<b>\$422,568</b>	<b>\$1,949,883</b>	<b>\$734,458</b>

\*excludes taxes

# Crescent Bar Financials – 2022 Revenues

<b>2022 Crescent Bar – Residential Lease-Related Revenues</b>	
	<b>Total 2022 Revenues</b>
Leases (rent and utilities)	\$1,553,684
Water/wastewater system reimbursement payments	\$451,965
<b>Total 2022</b>	<b>\$2,005,649</b>

# Capital Project Status

- Priest Rapids Rec Area (Desert Aire) Boat Launch dredging and bank stabilization
  - Purpose: To remove sediment which has settled into the boat launch basin since construction was completed in 2013 and to protect 60 feet of shoreline immediately south of the basin from further erosion
  - Scope:
    - Remove 1,250 cubic yards of sediment and deepen the boat basin
    - Place angular rock at the toe of the ramp to prevent prop wash/scour from undermining ramp slabs
    - Armor shoreline south of boat ramp with 180 cubic yards of rip-rap
  - Contractor: KRCl
  - Cost Estimate: \$663,229
  - Schedule: January 2 - February 28, 2023

# Other Projects:

- Vantage Marina Removal Phase II
  - Purpose & Scope: Remove remaining in-water elements of Riverstone Marina, install buoy line to keep boats out of the swim area, remove inoperable fountain pump
  - Contractor: TBD
  - Cost Estimate: \$TBD
  - Schedule: Complete prior to 2023 recreation season
- Crescent Bar Recreation Area Trail Repairs
  - Purpose & Scope: Resurface/rebuild trail where tree roots have broken up asphalt
  - Contractor: TBD
  - Cost Estimate: \$TBD
  - Schedule: Complete prior to 2023 recreation season



# Thank you!





# Wholesale Fiber

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Quarter 4

2022 Business Report

January 10, 2023



Powering our way of life.

# Strategic Plan – Objective 7

## Develop A Sustainable Fiber Optic Network

We are committed to expanding and maintaining our wholesale fiber optic network to all the people of Grant County. We seek to identify and offer services that meet customers' needs and increase network revenue for the utility. As with all utility services, we make decisions that best serve present and future generations of customers.

# 2022 Priorities



## **PRIORITY 1:** Upgrade Network Core

Core links to each distribution node at least 100G with built-in expansion capability to at least 400G



## **PRIORITY 2:** Net Zero

Revenue should cover Connect the Customer, Line Extensions and Renewal / Replacement



## **PRIORITY 3:** Expand the Network

Complete areas 20, 21, 22, 23, 24, ~~25~~ and ~~26~~



## **PRIORITY 4:** Increase the Take Rate of Services on the Network

Increase take rate to 70%



## **PRIORITY 5:** Achieve Average System Uptime

Meet or exceed 99.98%

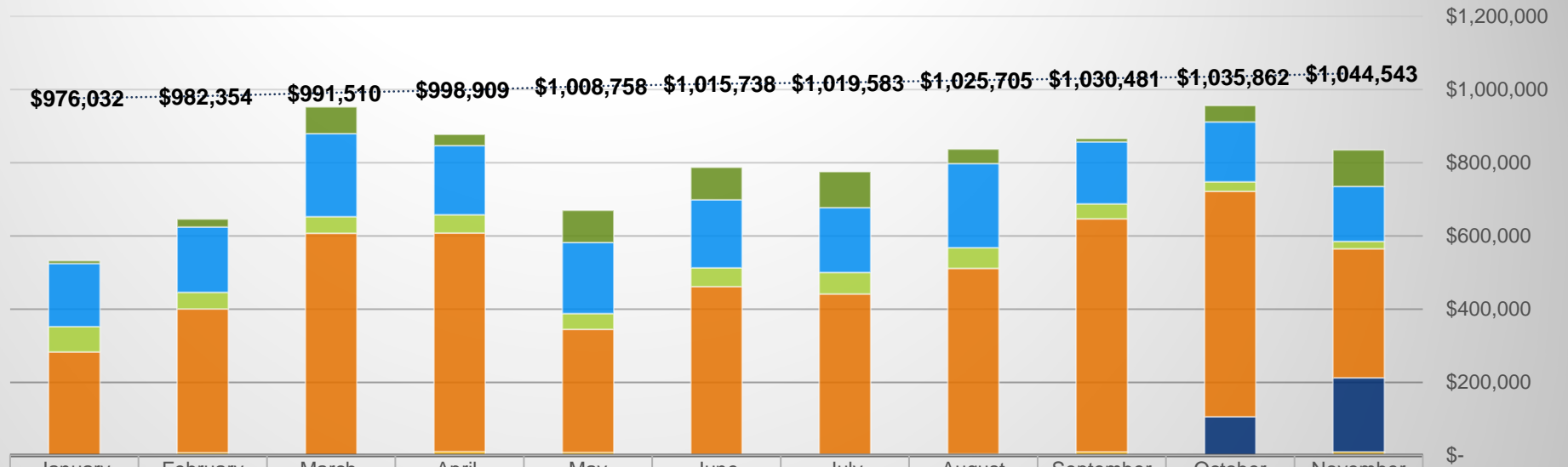
# Telecom Engineering

- Network Core Replacement Project
- PON Proof of Concept

Workshop  
scheduled for  
January 17,  
2023

# Net Zero as of November 2022

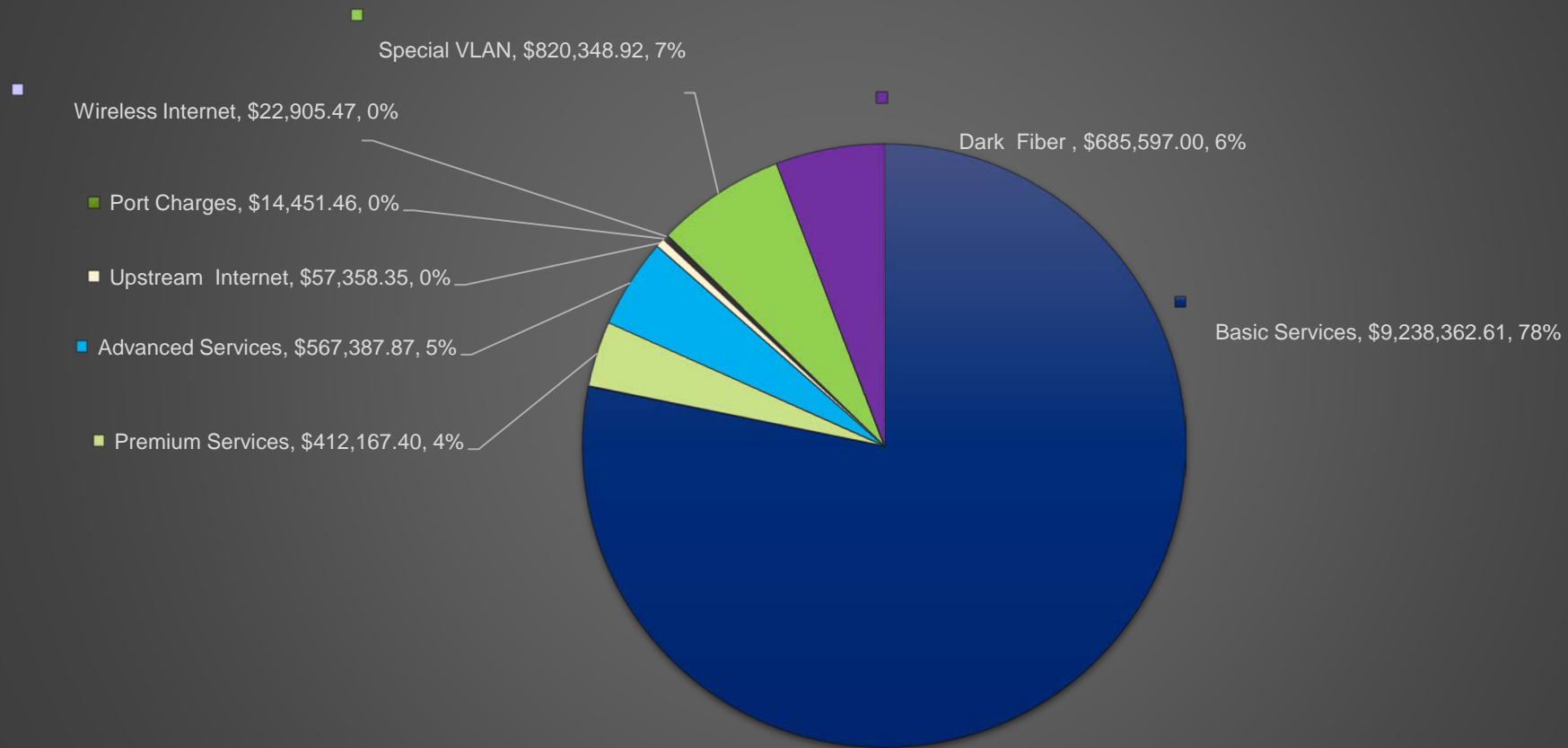
## 2022 Net Zero Priority



	January	February	March	April	May	June	July	August	September	October	November
O&M Equipment	\$7,098	\$22,027	\$72,699	\$30,241	\$87,827	\$88,370	\$97,830	\$39,906	\$9,257	\$45,091	\$100,000
O&M Labor	\$172,878	\$178,298	\$226,510	\$189,295	\$194,330	\$185,761	\$177,392	\$229,582	\$169,607	\$163,681	\$150,000
Capital OSS / BSS Project	\$69,424	\$45,623	\$45,872	\$49,924	\$43,042	\$51,394	\$58,929	\$56,361	\$41,278	\$25,473	\$20,462
Capital Connect the Customer	\$282,742	\$400,185	\$607,192	\$607,873	\$344,987	\$461,513	\$441,202	\$511,678	\$646,456	\$616,479	\$352,328
Capital Cable Replacement										105,731	212,279
O&M Purchased Services	\$600	\$7,606	\$1,382	\$10,615	\$8,717	\$2,413	\$3,528	\$4,076	\$9,774	\$-	\$10,000
Wholesale Fiber Revenue	\$976,032	\$982,354	\$991,510	\$998,909	\$1,008,758	\$1,015,738	\$1,019,583	\$1,025,705	\$1,030,481	\$1,035,862	\$1,044,543

# Grant Fiber Billed Revenue as of November 2022

## YTD 2022 Broadband Billed Revenue by Service



# Fiber Expansion

Update

Area	Location	Date
25	Warden Area	2/15/2023
26	North, East and South of Quincy	3/23/2023
27	NW/SW Quincy	6/2/2023
28	Rd A SE/Smyrna	7/11/2023
29	Jericho	10/3/2023
30	Dodson to Frenchman	10/17/2023
31	Wahluke Area East to Mattawa	11/24/2023
32	Desert Aire to Rd O	12/15/2023



# Participation

Fiber Subscriber Participation Report as of 11/30/22			
Area	Potential Subscribers	Actual Subscribers	Participation Actual
Coulee City	985	921	93.50%
Desert Air	1142	1072	93.87%
Electric City	767	511	66.62%
Ephrata	5054	3427	67.81%
Grand Coulee	663	429	64.71%
Hartline	181	120	66.30%
Mardon	683	441	64.57%
Mattawa	1847	1291	69.90%
Moses Lake	18374	12547	68.29%
Quincy	3690	2983	80.84%
Royal City	1031	910	88.26%
Soap Lake	2541	1565	61.59%
Warden	961	547	56.92%
Wilson Creek	163	95	58.28%
George-Burke	1052	634	60.27%
	<b>39,134</b>	<b>27,493</b>	<b>70.25%</b>

Fiber Subscriber Participation Report as of 11/30/21			
Area	Potential Subscribers	Actual Subscribers	Participation Actual
Coulee City	985	469	47.61%
Desert Air	1142	1028	90.02%
Electric City	767	490	63.89%
Ephrata	5054	3523	69.71%
Grand Coulee	663	421	63.50%
Hartline	164	88	53.66%
Mardon	683	414	60.61%
Mattawa	1394	1160	83.21%
Moses Lake	18374	12139	66.07%
Quincy	3689	2471	66.98%
Royal City	768	611	79.56%
Soap Lake	2443	1462	59.84%
Warden	961	505	52.55%
Wilson Creek	163	91	55.83%
George-Burke	1052	633	60.17%
	<b>38,302</b>	<b>25,505</b>	<b>66.59%</b>

Take Rate Target:  
**70%**

# Achieve Average System Uptime

## Meet or exceed 99.98%

Equipment	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
MPLS Core Uptime	100.00%	100.00%	99.55%	99.78%	99.78%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Distribution Uptime	100.00%	100.00%	99.66%	99.92%	100.00%	100.00%	100.00%	100.00%	100.00%	99.94%	99.94%
Hub Uptime	100.00%	100.00%	99.82%	100.00%	99.99%	100.00%	99.99%	100.00%	100.00%	99.96%	99.94%
MPLS Core, Distribution and Hub Uptime	100.00%	100.00%	99.78%	99.98%	99.98%	100.00%	99.99%	100.00%	100.00%	99.95%	99.94%

**99.97%**

# Grant Fiber Operations

## Updates

- Capital Renewal - Hub 55 Update
- Telecommunication Customer Service Policy Updates – January 24, 2023

# Questions



Powering our way of life.

# Reliability Compliance

## January 10, 2023

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Gene Austin  
Compliance Manager

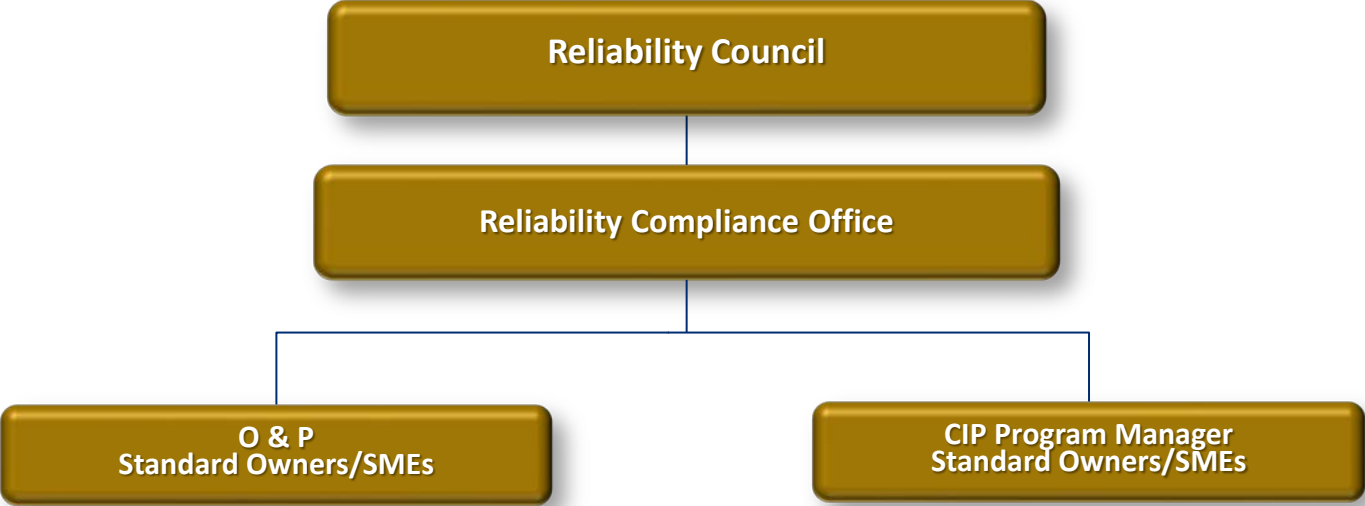


Powering our way of life.

# Agenda

- **GCPD Reliability Organization**
- **Reliability Compliance**
  - 2022 Year-In-Review
  - 2023 Work Plan
- **Big 3 Initiatives**
  - Internal Controls
  - Audit Readiness
  - Separation/Transfer Notification
- **‘Potential Non-Compliance’ Status**

# GCPD's Reliability Organization



**Reliability Council**

- Chief Compliance Officer\*** (CFO/ CCO) – Bonnie Overfield
- CIP Senior Manager\*** (GM/ CEO) – Richard Wallen
- O&P Sr. Manager/ COO – Jeff Grizzel
- Chief Customer Officer (CCO) – Dave Churchman
- Managing Director Power Production – Ty Ehrman
- Managing Director Power Delivery – Ron Alexander
- Primary Compliance Contact\* (Chair) – Gene Austin**

**\* NERC Required Positions**

Reliability Council – provides the leadership, guidance, and direction for GCPD's NERC Reliability Program

Chief Compliance Officer has overall responsibility for achieving NERC expectations

CIP Senior Manager is the executive responsible for Compliance with NERC CIP Standards

O&P Senior Manager is the executive responsible for Compliance with NERC O&P Standards

Reliability Compliance Office implements the direction of the *Reliability Council*

# Reliability Compliance

## 2022 Year-In-Review

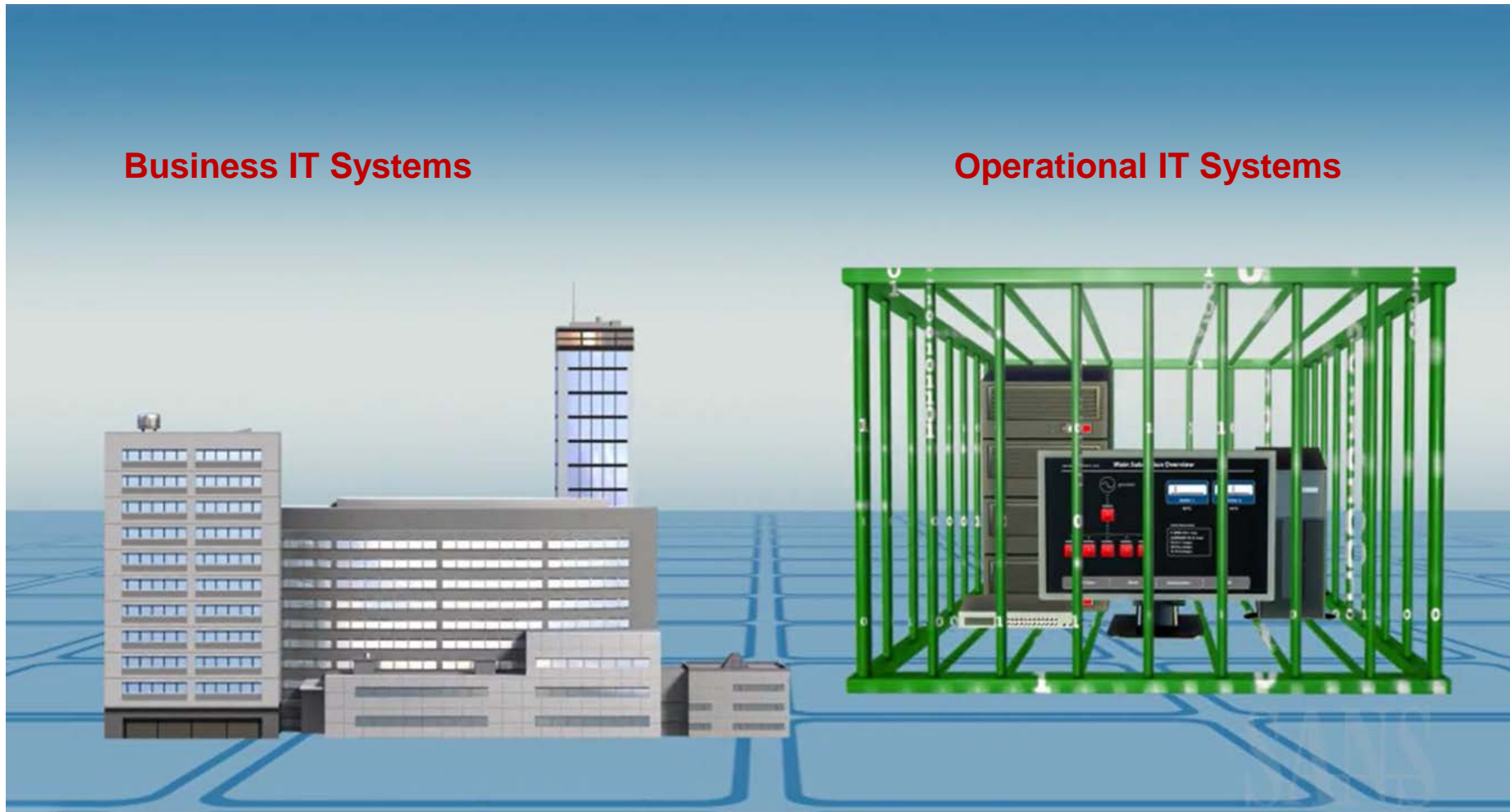
***‘Reliability Compliance Program’ – provides the foundation for District compliance with NERC Reliability Standards***

- **100% Self-Certification all Standards/ Reqmts**
- **CIP Annual Training**
- **Routine Report Submittals – Monthly, Quarterly, Annual**
- **Qualification Card Program (CIP SMEs)**
- **Training for the non-CIP Managers/ Supervisors**
- **CIP Internal Controls Inventory/ Validation**
- **New/ Revised Standard Implementation**

	Approved NERC Standards
<b>CIP-012-1</b>	Communication between Control Centers
<b>CIP-005-7</b>	Electronic Security Perimeter(s)
<b>CIP-010-4</b>	Config. Change Mgmt & Vulnerability Assessments
<b>CIP-013-2</b>	Supply Chain Risk Management
<b>PRC-024-3</b>	Frequency and Voltage Protection Settings for Generating Resources



# Re-alignment under 'CSE'



# Reliability Compliance – 2023

## 1) Staff Development

- RC Staff “Certified NERC Compliance Professional”
- Authorized Worker Qualification Program
- CIP On-site Training – February

## 2) Big Three Initiatives

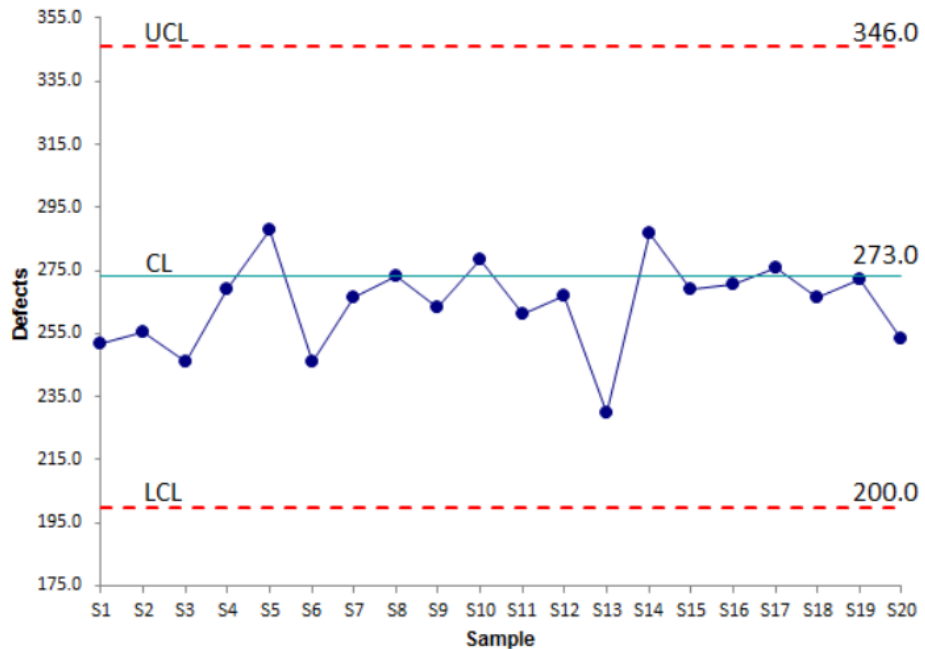
- Internal Controls Program
- Audit Readiness
- Separation/ Transfer Notification

## 3) NERC Compliance Deliverables

- Self-Certification
- Audit June 5<sup>th</sup> – 16<sup>th</sup>
- New/ Revised Standard Implementation
- Routine tracking, monitoring, and reporting

# Internal Controls

Framework to: Design, Develop, Implement, Monitor, and Evaluate ICs



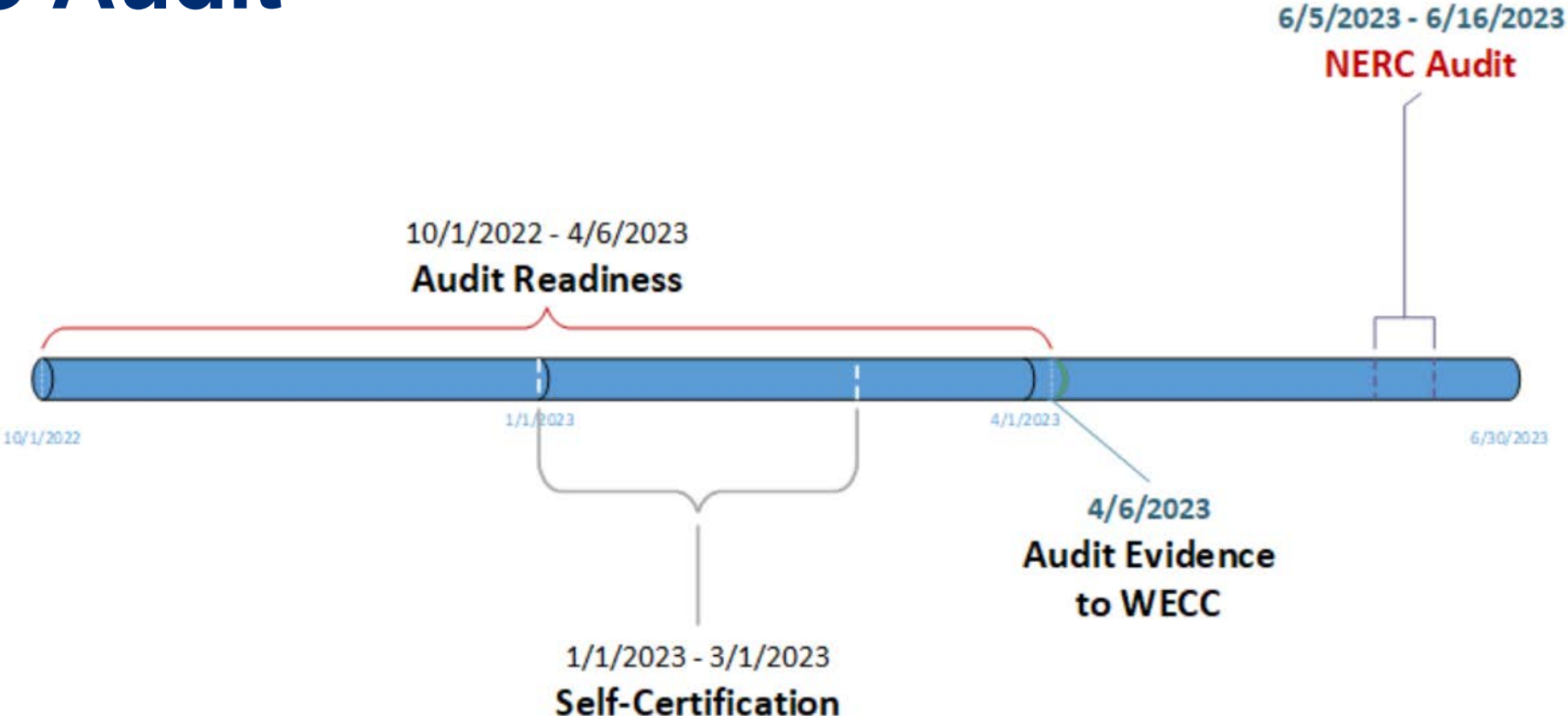
## Types of Controls :

- Preventive – Reduce likelihood of a failed event/ activity
- Detective – identify irregularities that occurred
- Corrective – utilized to correct errors that have occurred

“**Compliance Controls**” ensure procedures & work processes:

- Are implemented and followed as intended
- Meet the requirements of the Standards, and
- Reduce Reliability Risk to the BES

# 2023 NERC Audit



## 2023 Audit

- June 5<sup>th</sup> – June 16<sup>th</sup>
- Scope – 15 Stds/ 21 Reqmts
- Audit Period May 12, 2020 – Feb 3, 2023

# Separation/ Transfer Notification

**Standardize the process used by Managers and Supervisors to provide notification of employees who transfer internally or separate from the District.**

# 'Potential Non-Compliance' – PNCs

## 7 Open PNC's

- 2 Audit Findings PNCs – 2020
- 2 Self-Reported PNCs – 2020
- 2 Self-Reported PNCs – 2019
- 1 Self-Reported PNC – 2022

7 'Potential Non-compliances'



MOSSADAMS

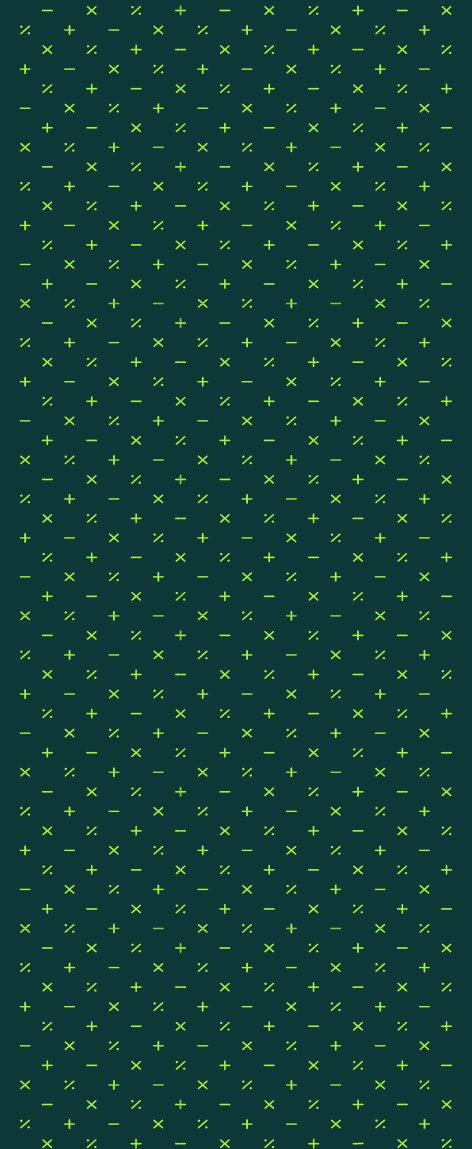
# Grant County Public Utility District

**2022 AUDIT PLANNING**

**January 10, 2023**

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Presentation to Management and  
Those Charged with Governance



# Scope of Services

- Audit and report on the financial statements for Grant County Public Utility District
- Audit and report on internal control and compliance over financial reporting in accordance with *Government Auditing Standards*
- Issue a management letter of recommendations and observations, as necessary

## Annual Audit



- Annual financial statement audit for the year ending December 31, 2022
- Annual report on internal control in accordance with *Government Auditing Standards*

## Limited Procedures



- Management discussion and analysis
- Schedule of the District's proportionate share of the net pension liability
- Schedule of the District's pension contributions
- Schedule of changes in the total OPEB liability and related ratios



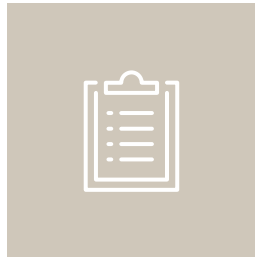


# Audit Deliverables

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**Report of Independent Auditors**  
on financial statements for the year  
ended December 31, 2022



**Report on Internal Controls**  
**(GAGAS)**



# Auditor's Responsibilities in a Financial Statement Audit

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- Auditor is responsible for:
  - forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in conformity with applicable financial reporting framework
  - communicating significant matters, as defined by professional standards, arising during the audit that are relevant to you
  - when applicable, communicating particular matters required by law or regulation, by agreement with you, or by other requirements applicable to the engagement
- The audit of the financial statements does not relieve management or you of your responsibilities.
- The auditor is not responsible for designing procedures for the purpose of identifying other matters to communicate to you.



# Management's Responsibilities in a Financial Statement Audit

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- Prepare the financial statements
- Provide requested schedules to auditors
- Internal control structure
- Make staff available to auditors
- Representation letter



# Our Relationship with the Commission

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- The Commission serves as ‘Those Charged with Governance’
- Our primary responsibility is to report to the Commission
- We will:
  - Ask you to approve our audit plan
  - Communicate any material weaknesses in internal control or material irregularities as soon as they arise
  - Report on status throughout the audit
  - Provide an exit conference summarizing results of the audit
  - Be available to the Commission members at any time



# Significant Audit Areas




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- Capital assets and construction in process
- Implementation of the new leases standard; accounting for 'right to use' assets
- Bonds payable and related accounts
- Power sales transactions – wholesale and sales to other utilities
- Retail energy sales
- Net position (equity) classification
- Internal controls related to financial systems and financial statements
- General computer controls
- Note disclosures



# Consideration of Fraud in a Financial Statement Audit

Auditor's responsibility: Obtain reasonable assurance that the financial statements as a whole are free from material misstatement – whether caused by fraud or error

	<b>Procedures to address the risk of fraud</b>	Engagement team discussion
	<b>Identify the risks of material misstatement due to fraud</b>	Perform procedures to address identified risks
	<b>Unavoidable risk exists that some material misstatements may not be detected</b>	Inherent limitation of an audit



# What is Materiality?

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It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements.



It's calculated using certain **quantitative** (total assets or total revenues) and **qualitative** factors (covenants, expectations of ratepayers and stakeholders, and industry factors)

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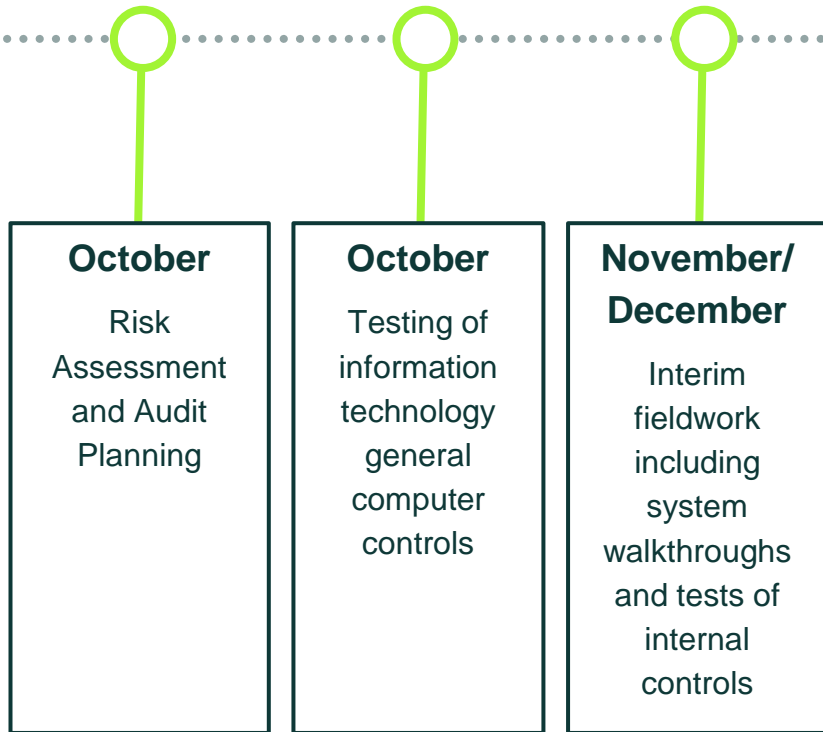
It identifies:

- 1 Significant risk areas
- 2 Nature, timing, extent, and scope of test work
- 3 Findings or misstatements

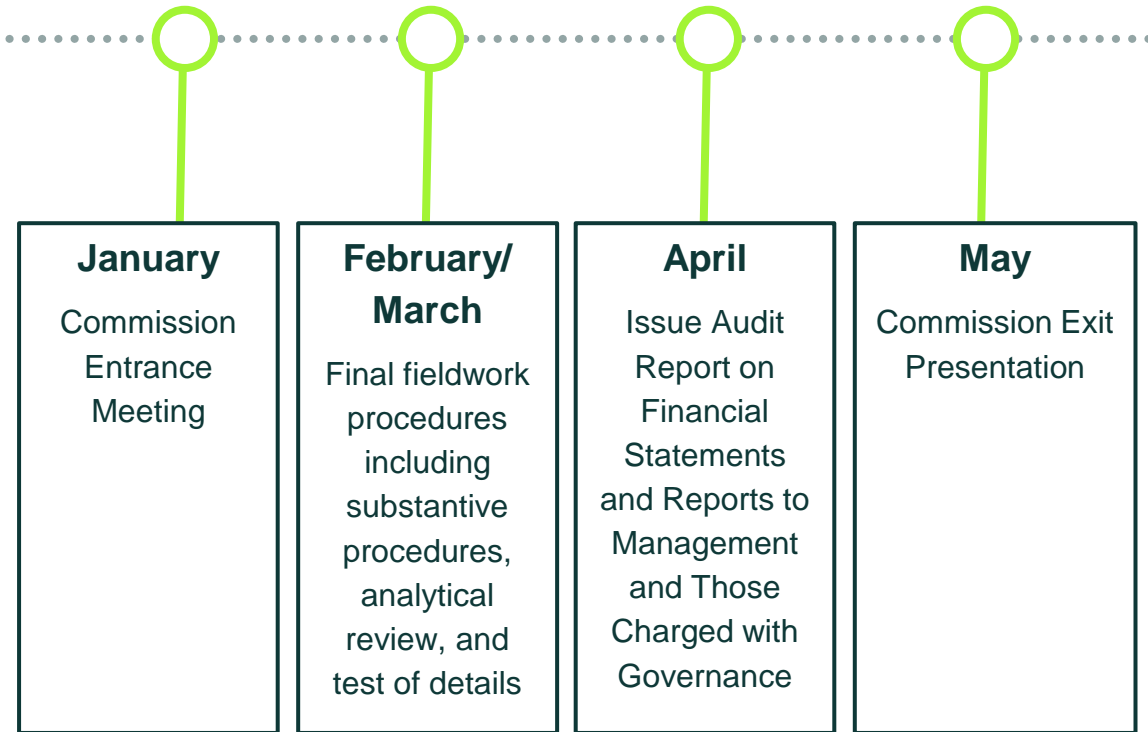


# Audit Timeline

2022



2023





# Recent Accounting Developments 2022

**GASB 87** – *Leases (effective in 2022)*: Addresses the accounting change for the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the underlying contract. Impact will be to record leases on the balance sheet. We are working with management to assist in implementation of this standard in 2022.

**GASB 91** - *Conduit Debt Obligations (effective in 2022)*: This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. Management does not believe that this statement is applicable to GCPUD.

**GASB 92** - *Omnibus 2020 (effective in 2022)*: Enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This likely will not have a material impact to GCPUD.



# Future Accounting Developments 2023 - 24

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**GASB 94** - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (effective 2023)*: Improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management is assessing the potential impact of this standard.

**GASB 96** - *Subscription-Based Information Technology Arrangements (effective 2023)*: Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The standard establishes that a SBITA results in 'right to use' asset and requires note disclosures. Management is assessing the potential impact of this standard.

**GASB 100** – *Accounting Changes and Error Corrections (effective 2024)*: Enhances accounting and financial reporting for accounting changes and error corrections to be more relevant and consistent and also requires certain note disclosures. Management is assessing the potential impact of this standard.

**GASB 101** – *Compensated Absences (effective 2024)*: Updates the recognition and measurement guidance for compensated absences by using a unified model and amending the required disclosures. Management is assessing the potential impact of this standard.



# Your Moss Adams Audit Service Team Leaders

Team Members	Responsibilities
<p><b>Laurie Tish, Partner</b>  <a href="mailto:laurie.tish@mossadams.com">laurie.tish@mossadams.com</a>            206. 302-6466</p> 	<p>Engagement Reviewer – Laurie will serve as your lead client service partner, overseeing all projects we perform for the District. Laurie is the Firm’s National Practice Leader for Government Services and has over 30 years of experience serving municipal electric utilities.</p>
<p><b>Kim Koch, Partner</b>  <a href="mailto:kim.koch@mossadams.com">kim.koch@mossadams.com</a>            509. 777-0107</p> 	<p>IT Partner – Kim will lead our procedures over the IT general computer controls.</p>
<p><b>Olga Darlington, Partner</b>  <a href="mailto:olga.darlington@mossadams.com">olga.darlington@mossadams.com</a>            425. 551-5712</p> 	<p>Concurring Reviewer – Olga will serve as a second partner reviewer, approving our audit plan and serving as a resource to the audit team. Olga specializes in serving municipal electric utilities.</p>
<p><b>Keith Simovic, Partner</b>  <a href="mailto:keith.simovic@mossadams.com">keith.simovic@mossadams.com</a>            503. 478-2284</p> 	<p>Keith will be managing our audit and assisting Laurie with review of our audit files. Keith specializes in serving municipal electric utilities.</p>
<p><b>Daniel Roberts, Senior Manager</b>  <a href="mailto:Daniel.roberts@mossadams.com">Daniel.roberts@mossadams.com</a>            425. 551-5729</p> 	<p>Dan will supervise our staff and be our primary point of contact during audit fieldwork. Dan specializes in serving municipal electric utilities</p>



# Questions?

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**THANK  
YOU**



# Enterprise Risk Management

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2022 ERM Semi-Annual Report

January 10, 2023



Powering our way of life.

- Executive Summary
- ERM Key Concepts
- ERM Successes in 2022
- Top 10 Risks by Key Business Units
- Evolving Risks



# Executive Summary

- ERM Triad – Consistent / Personal / Useful
- Top evolving risks
  - Load Uncertainty
  - Our Changing Climate
  - Changing State Regulations
  - Global Market Uncertainty
  - Resource Adequacy and Reliability
  - Physical Asset Security
- Successful Insurance Renewals
  - Inspection results were positive
  - Renewal costs in line with expectations
- Risk Register Updates for Top Risk Business Units
  - License Compliance & Lands Services
  - Dam Operations (Wanapum & Priest Rapids)
  - Dam Maintenance
  - Accounting/Accounts Payable
  - Procurement
  - Warehouse
  - Safety

Key Conclusion: We are seeing a significant increase in accountability of risks by business units, and our ability to connect risks across all business units resulting from the enhanced enterprise risk culture we are promoting.





# What was new for Grant PUD Risk Management in 2022?

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Improvements made in ERM  
process



# Improvements made in ERM 2022

- Key work initiatives that were added this year to improve the ERM process:
  - Our team includes Tracy Johnson – ERM Lead, Michael Reimers – Insurance Risk Lead, and Jerrod Estell – Quantitative Risk Analysis Lead
  - Risk Register development in eight key business units
  - Positive insurance inspections and renewals resulting in clean reports and lower than average premiums
  - Personalized ERM approach to GC PUD needs – Contract risk management, ERM support of policy/procedure development, business case support, GCPUD site visits, and risk analytics
- Upcoming work initiatives that will be the focus for ERM improvements in 2023:
  - Continued practical engagement with Risk Owners to improve awareness of risk management techniques
  - Complete next round of key business unit Risk Register development
  - Automation of *Insurance Claim Management* and *Market Risk Reporting* processes
  - Expansion of our team's risk assessment capabilities used to support risk-based business unit initiatives

By Business Unit

# Top 10 Residual Risks



**Know what's below.**

**811 before you dig.**

# License Compliance and Land Services



Top risks include corporate support, governance, authority, and health and safety risks.

Risk Category	Risk Subcategory	Risk Indicator	Inherent Index	Residual Index
Strategic Internal Risks	Corporate Support Risk	Inaccurate or ineffective risk identification and assessment	81 I: 9 / L: 9	40.5 M: 5
Operations Compliance Risks	Health and Safety Risk	Inaccurate or ineffective risk identification and assessment	72 I: 8 / L: 9	36 M: 5
Operations People Risks	Leadership Risk	Inadequate organizational support	72 I: 8 / L: 9	36 M: 5
Strategic Internal Risks	Commission Governance Risk	Inadequate or insufficient written policies and procedures for monitoring/reviewing	64 I: 8 / L: 8	32 M: 5
Strategic Internal Risks	Corporate Support Risk	Inadequate analyses and corrective actions for handling deficiencies	72 I: 9 / L: 8	28.8 M: 4
Operations People Risks	Governance Risk	Inadequate accountability for and enforcement of policies and procedures	48 I: 6 / L: 8	28.8 M: 6
Operations Compliance Risks	Health and Safety Risk	Inadequate analyses and corrective actions for handling deficiencies	56 I: 8 / L: 7	28 M: 5
Operations People Risks	Governance Risk	Unable to proactively identify safety concerns	64 I: 8 / L: 8	25.6 M: 4
Operations Compliance Risks	Health and Safety Risk	Activity- related hazards	48 I: 8 / L: 6	24 M: 5
Operations People Risks	Authority Risk	Willful noncompliance with policies, procedures, standards	42 I: 7 / L: 6	21 M: 5

Key to scoring shown on slides 19 and 20

# Dam Operations

Risk Category	Risk Subcategory	Risk Indicator	Inherent Index	Residual Index
Strategic Internal Risks	Partnering/Alliances and Other Affiliates Risk	Damage from third party construction or excavation	81 I: 9 / L: 9	72.9 M: 9
Strategic Internal Risks	Partnering/Alliances and Other Affiliates Risk	Errors or task mis-performance	81 I: 9 / L: 9	72.9 M: 9
Operations Process Risks	Supply Chain/Sourcing Risk	Failure to establish action plans to treat identified risks	56 I: 7 / L: 8	44.8 M: 8
Finance Treasury Risks	Financing Risk	Major cost over runs on operations or strategic projects	54 I: 6 / L: 9	43.2 M: 8
Strategic Internal Risks	Organizational Structure Risk	Conflicting priorities or agendas	48 I: 6 / L: 8	43.2 M: 9
Strategic Internal Risks	Corporate Support Risk	Conflicting priorities or agendas	45 I: 5 / L: 9	40.5 M: 9
Strategic External Risks	Legal and Regulatory Change Risk	New FERC regulatory requirements	63 I: 7 / L: 9	37.8 M: 6
Operations Compliance Risks	Health and Safety Risk	Inadequate or insufficient written policies and procedures for monitoring/reviewing	50 I: 5 / L: 10	35 M: 7
Operations Process Risks	Business Interruption Risk	Failure to establish action plans to treat identified risks	54 I: 6 / L: 9	32.4 M: 6
Operations Compliance Risks	Health and Safety Risk	Non-compliance with safety procedures	64 I: 8 / L: 8	32 M: 5

Key to scoring shown on slides 19 and 20



Top risks are strategic and operations risks, risks of conflicting priorities, errors or task mis-performance, and inadequate policies and procedures.

# Accounting & Accounts Payable



Top risks are information risks due to dependency on manual processes in accounting procedures.

Risk Category	Risk Subcategory	Risk Indicator	Inherent Index	Residual Index
Information Reporting Risks	Accounting Risk	Data collection is incomplete	80 I: 8 / L: 10	48 M: 6
Information Reporting Risks	Accounting Risk	Difficulties in integrating data or e-processes	80 I: 8 / L: 10	48 M: 6
Information Reporting Risks	Financial Reporting Risk	Insufficient security over internal data	60 I: 6 / L: 10	48 M: 8
Information Reporting Risks	Accounting Risk	Non-existent or inadequate backup plan and procedures	60 I: 6 / L: 10	42 M: 7
Information Technological Risks	Data Integrity Risk	IT and business priorities are not aligned	60 I: 6 / L: 10	42 M: 7
Information Reporting Risks	Financial Reporting Risk	Inability to organize data sufficiently for analysis	54 I: 6 / L: 9	37.8 M: 7
Information Reporting Risks	Financial Reporting Risk	Inconsistent data definitions in use	60 I: 6 / L: 10	36 M: 6
Information Technological Risks	Cybersecurity Risk	Non-existent or inadequate backup plan and procedures	60 I: 6 / L: 10	36 M: 6
Information Technological Risks	Data Integrity Risk	Systems do not meet expectations or design requirements	70 I: 7 / L: 10	35 M: 5
Information Reporting Risks	Accounting Risk	Inadequate or insufficient written policies and procedures for monitoring/reviewing	50 I: 5 / L: 10	35 M: 7

Key to scoring shown on slides 19 and 20

# Procurement / Warehouse



Top risks include information and data integrity risks, unavailable or inadequate materials - including raw materials, and lack of readily accessible policies & procedures.

Risk Category	Risk Subcategory	Risk Indicator	Inherent Index	Residual Index
Information Operational Risks	Performance Measurement	No management action when trends are unfavorable	80 I: 8 / L: 10	56 M: 7
Operations Process Risks	Business Interruption Risk	Inadequate Business Impact Analysis for key disruption risks and unknown tolerance to key disruptions	81 I: 9 / L: 9	48.6 M: 6
Information Operational Risks	Commitment Risk	Noncompliance with contract terms and conditions	72 I: 8 / L: 9	43.2 M: 6
Information Technological Risks	Data Integrity	Inability of systems or infrastructure to support future growth	72 I: 8 / L: 9	43.2 M: 6
Information Operational Risks	Economic Decision Risk	Inadequate documentation standards	60 I: 6 / L: 10	42 M: 7
Strategic External Risks	Legal & Regulatory Change Risk	Lack of readily accessible policies & procedures to meet changing or new regulatory requirements	54 I: 6 / L: 9	37.8 M: 7
Information Operational Risks	Performance Measurement Risk	Inadequate or inappropriate use of "leading" and "lagging" indicators	72 I: 8 / L: 9	36 M: 5
Operations Process Risks	Business Interruption Risk	Inadequate business continuity plans	49 I: 7 / L: 7	34.3 M: 7
Strategic Internal Risks	Strategic Planning Risk	Unavailable or inadequate materials, including raw materials	42 I: 6 / L: 7	33.6 M: 8
Strategic Internal Risks	Corporate Support	Conflicting priorities or agendas	54 I: 6 / L: 9	32.4 M: 6

Key to scoring shown on slides 19 and 20

# Safety

Risk Category	Risk Subcategory	Risk Indicator	Inherent Index	Residual Index
Operations People Risks	Governance Risk	Conflict over how rules to be enforced	80 I: 8 / L: 10	80 M: 10
Operations People Risks	Governance Risk	Inadequate accountability for and enforcement of policies and procedures	72 I: 8 / L: 9	64.8 M: 9
Operations Compliance Risks	Health and Safety Risk	Ineffective key risk and performance metrics	56 I: 8 / L: 7	50.4 M: 9
Operations People Risks	Performance Risk	Overworked staff	56 I: 8 / L: 7	50.4 M: 9
Operations People Risks	Leadership Risk	Ineffective coordination or communications	64 I: 8 / L: 8	44.8 M: 7
Operations People Risks	Leadership Risk	Resistance to change	64 I: 8 / L: 8	44.8 M: 7
Operations People Risks	Performance Risk	Ineffective coordination or communications	64 I: 8 / L: 8	44.8 M: 7
Strategic Internal Risks	Corporate Support Risk	Ineffective coordination or communications	64 I: 8 / L: 8	44.8 M: 7
Strategic Internal Risks	Corporate Support Risk	Resistance to change	64 I: 8 / L: 8	44.8 M: 7
Operations Compliance Risks	Health and Safety Risk	Winter operations risk	72 I: 8 / L: 9	43.2 M: 6

Key to scoring shown on slides 19 and 20



Top risks are operational risks created by the need to improve the culture of enforcement , controls, and setting the tone from the top.





# Grant PUD Evolving Risks

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Our Look Ahead

# Top 5 Evolving Risks

## ■ Load Uncertainty

- Causes uncertainty in quantifying our future resource needs
- Planning needs to consider multiple forecast load scenarios

## ■ Changing State Regulations

- Creates significant risks to the stability of Grant PUD's rates
- Proactive planning is needed on rate pricing, wholesale market, resource procurement & deliverability

## ■ Global Market Uncertainty

- Increases uncertainty in wholesale activities, contracts, costs of debt
- Planning for variability in our O&M costs, capital project costs, and delays due to supply chain disruptions

## ■ Resource Adequacy and the Reliability

- Affects our reserves to balance supply & demand across the grid
- Mitigation strategy may include joining WRAP upon the expiration of our pooling agreement

## ■ Our Changing Climate

- Impacts water availability, load requirements and power delivery reliability
- Risk mitigation including asset hardening, redundancy, and increased capacity are likely to be needed

# Other Evolving Risks Closer to Home

## ▪ Embankment Work

- We are halfway through the Priest Rapids' right embankment improvement project and are in the process of evaluating Wanapum's right embankment for potential mitigations
- Projects of this complexity present Grant PUD with significant risks in many categories including cost variances, regulatory uncertainty, financing risks, and numerous operational risks

## ▪ Physical Asset Security

- Recent grid vandalism/attacks clearly show the risks utilities, and their customers, face when people destroy transmission grid assets – particularly transformer assets
- Key risk owners are developing mitigations to address issues such as security, asset hardening, and equipment redundancy to reduce the likelihood of a single point of failure that can be exploited

## ▪ Recreation Liability

- Grant PUD is working with legislators to clarify liability protections associated with public recreation use of land or waters under a hydroelectric license issued by FERC.
- The LCLS business unit is working to develop an inventory of known man-made structures contained within the Priest Rapids project boundaries that will be evaluated for risk significance and potential mitigation

# Thank You



Powering our way of life.

# APPENDIX



# ERM Key Concepts

2022 ERM process

# Key concepts

- Inherent vs Residual risk
  - **Inherent Risk** – risks that are accepted as a result of the intrinsic nature of operations, materials, features, or activities being undertaken and for which no mitigation has yet been applied
  - **Residual Risk** – those risks that remain after mitigations have been implemented
- Measuring Risk
  - **Impact** (Consequence or Severity) – financial, operational, reputational, health & safety, objectives
  - **Likelihood** (Probability or Frequency) – How likely to happen in next 5 years
  - **Mitigation** (Assurance) – How effective the current mitigations are for lowering Impact/Likelihood
- Risk Categories
  - **Strategic**: Events or circumstances impacted from our strategic vision/priorities
  - **Operations**: Events or circumstances relating to the day-to-day business
  - **Finance**: Events or circumstances relating to financial controls, investments, capital & cash management
  - **Information**: Events or circumstances impacted from how data is gathered, stored, analyzed, checked, & shared

# Impact from Occurrence (e.g., consequence or severity)

Rating	Generic Meaning	Financial Loss	Legal/Compliance	Reputation
<b>1-2 – Insignificant</b>	Little or no impact on the achievement of goals or capability	< \$500K	Minor legal & compliance issues. Unsubstantiated, or substantiated, low impact, low profile	Minor, adverse local public attention or complaints
<b>3-4 – Minor</b>	May degrade the achievement of some goals or capability	\$500K - \$2.5M		Attention from media and/or heightened concern by local community
<b>5-6 – Moderate</b>	Will degrade the achievement of some goals or capability	\$2.5M - \$30M	Serious breach of regulation with investigation or report to authority and/or moderate fine possible	Significant adverse national media/public/NGO attention
<b>7-8 – Major</b>	Significantly degrades the achievement of goals or capability	\$30M - \$100M	Major breach of regulation or major litigation	Serious public or media outcry, loss of customer/investor confidence
<b>9-10 – Catastrophic</b>	Significant capability loss and the achievement of goals is unlikely	> \$100M	Significant prosecution and fines. Very serious litigation including class action.	Complete loss of public, customer, and/or investor confidence



# Effectiveness of Mitigations Table (e.g., assurance)

Rating	Generic Meaning	Effectiveness	Quality	Controls	Accountability
<b>10-9 – Ineffective</b>	Mitigation effectiveness is not driven by the PUD but is dependent on each individual's background & standard	Ineffective and fragmented mitigations	No written guidance for performing tasks	Controls are mostly manual	No documented accountability/ ownership
<b>8-7 – Poor</b>	Values & behavior expectations are not well defined or consistently understood beyond management	Mitigations are only partially effective & the area copes as best they can	Some written task guidance in various forms, but may not be immediately available due to inconsistent format and unapproved status		
<b>6-5 – Could be Improved</b>	Policy statements on values and behavior expectations are published to all	Some written standards exist, but may not be comprehensive	Written task guidance for important aspects	Controls are mostly manual and hybrid	Accountability/ ownership is not enforced
<b>4-3 – Good</b>	Cultural norms ensure compliance with PUD values and policies at all levels	Mitigations are effective and followed on most occasions	Written task guidance is comprehensive, including (i) how and when to perform tasks; (ii) what tasks are supposed to achieve; (iii) how to handle exceptions	Controls are a combination of automated, hybrid and manual	Clear ownership of mitigation responsibility
<b>2-1 – Effective</b>	Board, management, & employees demonstrate through actions that behavior outside of organizational values is unacceptable	Mitigations are effective, followed & documented		Controls are primarily automated and hybrid	Accountability/ Ownership at all levels is culturally driven

# Grant PUD Risk Universe

## Strategic Risks

Events or circumstances impacted from Grant PUD's strategic vision/priorities

**Internal Risks:** Corporate Support, Partnering/Alliances, Governance, Product Development

**External Risks:** Industry, Economy, Regulatory, Environmental Volatility, Competitor, Customer Needs

## Operations Risks

Events or circumstances relating to the day-to-day business of Grant PUD

**Process Risks:** Infrastructure, Supply Chain, Business Disruption, Quality, Customer Satisfaction, Security

**Compliance Risks:** Regulatory, Environmental, Health & Safety, Litigation, Third Party

**People Risks:** Governance, Authority, Performance, Integrity, Human Capital, Leadership

## Finance Risks

Events or circumstances relating to financial controls, investments, capital & cash management

**Treasury Risks:** Financing, Cash Flow, Foreign Exchange

**Credit Risks:** Bank Covenants Compliance, Collateral, Default, Capital Market

**Price Risks:** Commodity Price

## Information Risks

Events or circumstances impacted from how information is gathered, stored, analyzed, checked, and shared within Grant PUD

**Reporting Risks:** Accounting, Budgeting, Financial Reporting, Taxation

**Operational Risks:** Commitment, Performance Measurement, Operational Reporting, Economic Decision

**Technological Risks:** Cybersecurity, Data Integrity, Technology Relevance/Availability/Infrastructure