

# BPA Procedure 460-3-1

## Business Case Development and Authorization

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# 1. Introduction

## 1.1 Purpose

This procedure establishes Bonneville Power Administration (BPA) guidelines for the creation and authorization of capital project business cases.

## 1.2 Point of Contact

The coordinating organization for Policy 460-3 and its procedures is the Capital Investment Management (FAC) group within Finance. For additional information contact Capital Investment Management.

## 1.3 Applicability

This procedure applies to all business cases required under BPA Policy 460-3.

## 1.4 Terms, Definitions and Acronyms

Reference BPA Policy 460-3.

## 1.5 Procedure Exceptions

Fish and Wildlife projects under \$5 million in direct capital costs as well as projects committed to prior to the development of the 460-3 policy series are not subject to the requirements of this procedure. For projects that are \$5 million or greater, Fish and Wildlife must engage with the ACPRT early in the project's development to ensure that the requirements of this procedure can be met in a meaningful manner or adjustments made.

Energy Northwest asset Columbia Generating Station is not classified as an asset category under this policy.

Environment (EP) is not classified as an asset category under this policy and is not subject to the business case requirements.

## 1.6 Roles and Responsibilities

- A. **Business Case Preparers** – The business case preparer is responsible for preparing a business case that satisfies the requirements contained in this procedure.
- B. **Project Sponsors/Project Managers** – May assist the business case preparers in developing and presenting the business case for authorization.
- C. **Capital Investment Management (FAC)** – The Capital Investment Management group is responsible for managing the capital project review and authorization process.
- D. **Agency Capital Project Review Team (ACPRT)** – Reviews proposed business cases, authorizes or remands them and makes recommendations to the Finance Committee for those business cases exceeding the ACPRT authorization limits. Decisions are made in accordance with the team charter.
- E. **Finance Committee (FC)** – Delegates capital project authorization authority to the ACPRT up to the limits specified in Appendix A of this procedure and exercises the authority above the ACPRT limits. Decisions are made in accordance with the committee charter.

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## 2. Procedure

### 2.1 Prerequisites

The submission of a business case for authorization should follow the inclusion of that investment in the asset category's asset plan. Project sponsors are required to demonstrate that the investment was included in the asset plan.

### 2.2 Output and Organizational Impacts

The outputs of this procedure are:

1. A completed and authorized business case on the standard agency template or approved variant; and
2. Decision document(s) from the ACPRT and FC for those business cases meeting the specified thresholds.

### 2.3 Procedure Steps

- A. An investment or project is identified as being ready to proceed to authorization and execution.
- B. The business case preparer completes a business case template that conforms to the standards in Section 4.1 and the requirements in Appendix A.
- C. Prior to authorization, the business case must be submitted to Asset Accounting for a capital vs. expense determination. Expense components may be present in the business case, even with a capital determination. Those components must be segregated in the business case template and the Asset Accounting review documented as provided in the template.
- D. The business case is submitted for authorization:
  - a. At a minimum, authorization requires business unit executive authorization. It may require ACPRT and FC authorization per Appendix A.
  - b. In each case, a "yes" moves it forward to either execution or to the next authorization level, as required.
  - c. A "no" returns it for reconsideration within the context of the asset plan.
- E. For projects subject to an Environmental Impact Statement (EIS) under the National Environmental Policy Act (NEPA), the timing of the authorization must be carefully managed to avoid predetermining BPA's decision at the conclusion of the NEPA process to select any particular alternative being considered in the EIS. A business case must only be presented for authorization after the final EIS is filed but before the issuance of the Record of Decision (ROD) announcing the project will proceed. The business case authorization will be contingent upon issuance of the ROD. If a project requires an Environmental Assessment (EA), the same care should be exercised if there is some expectation that the EA will not result in a Finding of No Significant Impact (FONSI).
- F. Business cases requiring ACPRT or FC approval should be submitted for that approval with as mature a design and estimate as possible, but before commitment to the project, contractual or otherwise. Ordering material/equipment that is unique or the "heart and soul" to a project is considered a commitment to that project and business case authorization should occur first. Reach out to FAC if you have a question on if an action would be considered an agency commitment or not.

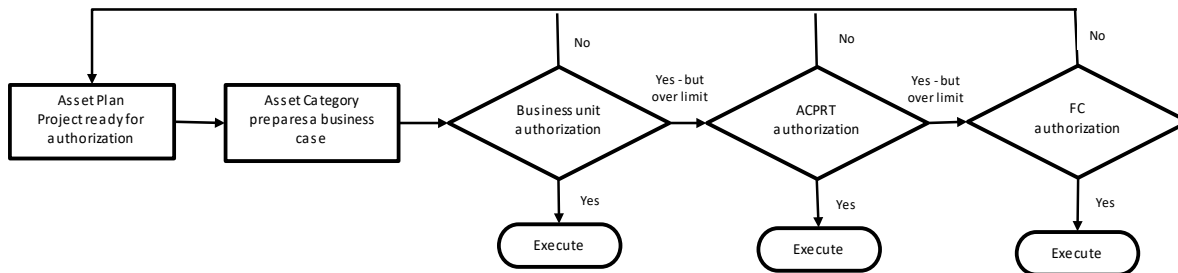
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- a. For TSEP/Cluster Study projects the business case authorization is not needed until the commitment to construction is going to take place. Commitment of scoping, environmental work, and design can be authorized by the business unit executive.
  - b. For long-lead time material/equipment: If ordering of unique or “heart and soul” material/equipment of a project needs to occur prior to having a completed business case, asset categories can request authorization specifically to order the long lead time materials/equipment prior to full business case authorization. To request long lead time material/equipment authorization, contact FAC. Full business case authorization would still be done at the normal timeframe.
- G. When the ACPRT or FC authorizes a project, FAC will issue and post a decision document that records the authorization and clearly establishes reporting parameters for cost and schedule. Scope is generally required to be delivered as described in the business case.
- H. Reauthorization due to significant variances in project execution is provided for in BPA Policy 460-3, but is not mandated. The form of reauthorization may retrace the steps in this procedure or it may be more limited as determined by the senior reauthorizing entity involved. Significant changes in scope should be reviewed with Asset Accounting to reaffirm the capital vs. expense determination, even if no reauthorization action is required. Failure to do so may result in an unanticipated transfer of costs to expense at project close out.

## 2.4 Information Governance

Capital Investment Management will maintain the standard agency business case template, ACPRT and FC decision documents, etc. - on this SharePoint [site](#).

## 3. Process Map



## 4. References

### 4.1 Standards

- A. Business cases must demonstrate a business need for the investment; assess financial and nonfinancial implications and risks; evaluate alternatives; establish project execution parameters for cost, schedule and scope; and otherwise justify the capital project. Business cases must demonstrate that the capital project is consistent with the priorities in the asset category’s asset plan.

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- B. Business cases must identify the key assumptions that are used to justify the project. Business cases must employ the agency’s common planning assumptions when they are applicable to a project. Common planning assumptions include economic or financial assumptions, such as market price forecast, inflation forecast, and discount rate assumptions.
- C. Business cases must include an assessment of a project’s life cycle costs and benefits. Life cycle costs are to be measured in terms of cash expenditures or savings that would accrue from the investment on a mean probable or expected basis and include capital as well as expense. Life cycle costs and benefits must encompass not only the impact on the business unit that sponsors the project, but also the impact on the agency and the interconnected power and transmission system when applicable.
- D. When more than one viable alternative exists, the alternative with the least life cycle cost should be selected. A project alternative is deemed to be viable if it is technically sound from a design and operational perspective. A higher cost alternative may be selected if the assessment of risks or nonfinancial factors in the business case demonstrates that reliability, adequacy, availability, or other long-term outcomes would be better served.
- E. Business cases must be prepared on the agency standard template and all sections of that template must be completed.
  - a. Federal Hydro may utilize the grandfathered template that was initially approved by the ACPRT. However, the business case must provide all the information that is required by the agency standard template.
  - b. For sustain business cases, if information requested in a section is in an Asset Plan, providing an Asset Plan section reference instead of copying and pasting the information in the business case template is acceptable.
- F. Programmatic business cases can be submitted for sustain/replacement work such as Transmission and Fleet replacement programs and are required to include typical information such as issue, objective(s), project cost, scope, schedule, risks, and performance metrics, but have different standards on the following requirements:
  - a. Programmatic business cases do not need to be for a single project addressing a single issue. The business case can include a bundle of projects addressing similar issues such as wood pole replacements across the system, or replacements in a certain geographic area due to condition, or replacements needed at a particular dam, substation, or transmission line. In the instance of the Fleet asset category, a programmatic business case revolves around the purchase of vehicles as opposed to a project building.
  - b. Programmatic business cases need to include specific scope, timeline, and assets to be replaced as part of the business case so that the work can be tracked through completion. The scope of assets to be replaced can include work to occur over multiple years’, but incomplete scope should not roll from one programmatic business case to another. As with all business cases, only new start projects should be included and tracked to completion.
  - c. Programs that include multiple types of assets with different risk profiles should develop separate programmatic business cases for each set of like assets with similar risk profiles. For example, a programmatic business case focused on steel poles should be separate from wood poles or conductor as each of those assets have different risk profiles. If you did a business case based on a specific geographic location or transmission line, you can group all assets to be replaced in a single business case even if they have different risk profiles.

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- G. At certain investment levels, the requirement to complete all sections of the business case template is modified as noted in Appendix A. Additionally:
  - a. Asset categories may develop a “lite” business case template for investments that are under the ACPRT threshold specified in Appendix A. However, the content must meet the minimum requirements in Appendix A.
  - b. Business cases for projects funded in advance (PFIA) may satisfy the *Risks Addressed by this Project* section of the business case with standard language provided by Enterprise Risk Management.
  - c. Transmission sustain business cases can use TEC model results in conjunction with CHR/Value Framework information to meet the Financial Analysis requirement. Still fill out the cost section of either the basic or enhanced model templates and paste the “summary of results” table into section 4 of the business case template. If benefits are not quantifiable or don’t exist, only fill out cost sections. Describe any quantitative and qualitative (intangible) benefits in narrative form in the financial section of the business case.
- H. The site referenced in Section 4.3 also includes an example business case. The business case template itself includes more detailed instructions. Business case preparers are strongly encouraged to review the business case instructions and the example business case before completing their business case.
- I. The Capital Investment Management (FAC) group is responsible for maintaining the standard template and providing training on its use. The ACPRT shall ensure that the template is consistent with the requirements of the agency decision framework.

## 4.2 Guidelines

- A. **Contingency** – The inclusion of contingency in the business case project estimate is permissible and generally expected. Contingency amounts must be:
  - a. Clearly identified. The business case template provides a contingency line and any contingent amounts must be entered on that line.
  - b. Reasonably supported. Contingency should be closely related to the project execution risks identified in the business case. It is preferable for contingency amounts to be supported by quantitative analysis where possible.
  - c. Appropriately limited. Contingency is not intended to cover all possible outcomes. It should consider the execution risks that are specific to the project and the probability of those risks materializing.

## 4.3 Forms, Templates and Checklists

The business case template is available at this SharePoint [site](#).

## 4.4 Training

Capital Investment Management (FAC) offers Business Case 101 and 201 training on at least a semi-annual basis. The Business Case 101 training will provide a solid foundation in business case fundamentals and the Business Case 201 course is a detailed technical training on how to do an enhanced financial analysis for business cases that are required or requested to use one.

## 5. Review

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## 5.1 Procedure Evaluation

Capital Investment Management (FAC) in conjunction with the ACPRT will monitor compliance with this procedure. The Finance Committee will be notified quarterly of any project performance issues.

## 5.2 Review Timeline

This procedure will be reviewed each time BPA Policy 460-3 is reviewed. The Chief Financial Officer, in consultation with the Asset Management Council and ACPRT, is authorized to modify and reissue this procedure as necessary.

## 6. Revision History

This chart contains a history of the revisions and reviews made to this document.

Version Number	Issue Date	Brief Description of Change or Review
1.1	3/20/2020	Document number changed from 240-3-1 to 460-3-1. This is a minor revision. Effective date not changed.
1.2	12/12/2024	<ul style="list-style-type: none"><li>• Clarified procedure on Sustain business cases</li><li>• Added procedure exemptions</li><li>• Clarified authorization timing as well as long lead time authorization procedure prior to full business case authorization</li></ul>

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# Appendix A: Business Case Requirements

## Summary of Results to be provided with any Financial Analysis

Investment Summary -										
Thousands of Dollars	Prior Years (Sunk Costs)	2023	2024	2025	2026	2027	Future Years	Nominal Total (W Sunk)	Present Value Cost @6.81%	
Assumes Base assumptions in Model										
Direct Capital Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Direct Capital Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Indirects and Overheads	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AFUDC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Capital Cost</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expense Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Investment</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ongoing Maintenance and Repair (Net Benefit)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Benefits (Future Avoided Costs)										
Non-Cash Benefits (Economic Benefits)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BPA Cash Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Benefits</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NPV - Economic Benefits</b>		\$ -		Includes cash and non-cash benefits and costs						
<b>Net Economic Benefit Ratio (NEBR)</b>		0.00								
<b>NPV - BPA Cash Costs and Benefits</b>		\$ -		Includes only BPA cash benefits and costs						
<b>BPA Net Cash Ratio</b>		0.00								
<b>Transmission Revenue Requirement</b>		\$0		Unfavorable (Favorable) to customer rates						
<b>Rate Impact (Expected Life)</b>		0.00%		Expected Life of Asset is: 0 Years						
<b>Revenue Credit Payback Period</b>										

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## Business Case Authorization Requirements

	Business Unit Executive <sup>1</sup>	ACPRT	FC <sup>3</sup>
IT, Facilities, Fleet <sup>2</sup> , Security, F&W	Yes	≥ \$5 M	≥ \$10 M
Federal Hydro, Transmission <sup>2</sup>	Yes	≥ \$10 M	≥ \$25 M
Projects Funded In Advance (PFIA)	Yes	≥ \$10 M	N/A

<sup>1</sup>Executive or designated capital review committee

<sup>2</sup> Each sustain investment program may be authorized in a single business case

<sup>3</sup>Projects of any size may be referred to the FC if the ACPRT deems them significant

## Business Case Content Requirements – IT, Facilities, Fleet, Security, Fish & Wildlife

Direct Capital Cost	Alternatives Analysis			Financial Analysis <sup>2</sup>		Risk Analysis		Post Project Metrics
	Rec.	Next Best	Status Quo <sup>1</sup>	Basic (Deterministic)	Enhanced (Probabilistic)	Business	Project Execution	
< \$1M <sup>3</sup>	X							
\$1 - \$5M <sup>3</sup>	X	X	X	X		X	X	
> \$5M	X	X	X		X	X	X	
> \$10M	X	X	X		X	X <sup>4</sup>	X <sup>4</sup>	X

<sup>1</sup>Unless the next best alternative is the status quo

<sup>2</sup>If benefits are not quantifiable or don't exist, only fill out cost sections. Describe qualitative (intangible) benefits in narrative form in the financial section of the business case.

<sup>3</sup>Fish and Wildlife is exempt per Section 1.5

<sup>4</sup>Enterprise Risk Management sign-off required prior to submission to ACPRT

## Business Case Content Requirements – Federal Hydro, Transmission

Direct Capital Cost	Alternatives Analysis			Financial Analysis <sup>2</sup>		Risk Analysis		Post Project Metrics
	Rec.	Next Best	Status Quo <sup>1</sup>	Basic (Deterministic)	Enhanced (Probabilistic)	Business	Project Execution	
< \$1M	X							
\$1 - \$10 M	X	X	X	X		X	X	
> \$10 M	X	X	X		X	X	X	X
> \$25 M	X	X	X		X	X <sup>3</sup>	X <sup>3</sup>	X

<sup>1</sup>Unless the next best alternative is the status quo

<sup>2</sup>Transmission sustain business cases can use TEC model results in conjunction with CHR/Value Framework information to meet the Financial Analysis requirement. Still fill out the cost section of either the basic or enhanced model templates and paste the “summary of results” table into section 4 of the business case template. If benefits are not quantifiable or don't exist, only fill out cost sections. Describe any quantitative and qualitative (intangible) benefits in narrative form in the financial section of the business case.

<sup>3</sup>Enterprise Risk Management sign-off required prior to submission to ACPRT

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