

Capital Planning and Execution Metrics

BPA Financial Plan Refresh Forum – March 9, 2022

Public Power Council
Snohomish County PUD

Disclaimer

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Who are we?

- The Public Power Council (PPC) is the largest trade association of Northwest public power utilities that are eligible public power customers of BPA.
 - PPC members rely on BPA's wholesale power and transmission products to provide reliable, economic and environmentally responsible power to their communities at cost
- Snohomish County PUD is BPA's largest power customer and also a significant purchaser of wholesale transmission. Snohomish serves 360,000 electric customers and covers a territory of over 2,200 square miles.

Roadmap for Today

- Public Power concerns regarding capital execution
- Snohomish PUD's Capital Planning and Execution Journey
- Proposed Capital Planning and Execution Metrics for BPA

Concerns Regarding Capital Planning and Execution

- Vested interest in long-term health and value of the BPA power and transmission systems
- Clear need to replace aging infrastructure and execute expansions to meet customer needs
- There has been a long-term trend of substantial under-execution of the planned capital program
- Projects deemed necessary for the long-term health of the system are not being completed as planned

Why a focus on metrics?

- We believe a set of focused performance metrics for capital planning and execution would have multiple benefits
- Increased understanding of root causes
- Enhanced accountability for continuous process improvement
- Transparency and buy-in for customers

Snohomish PUD Capital Planning and Execution Experience

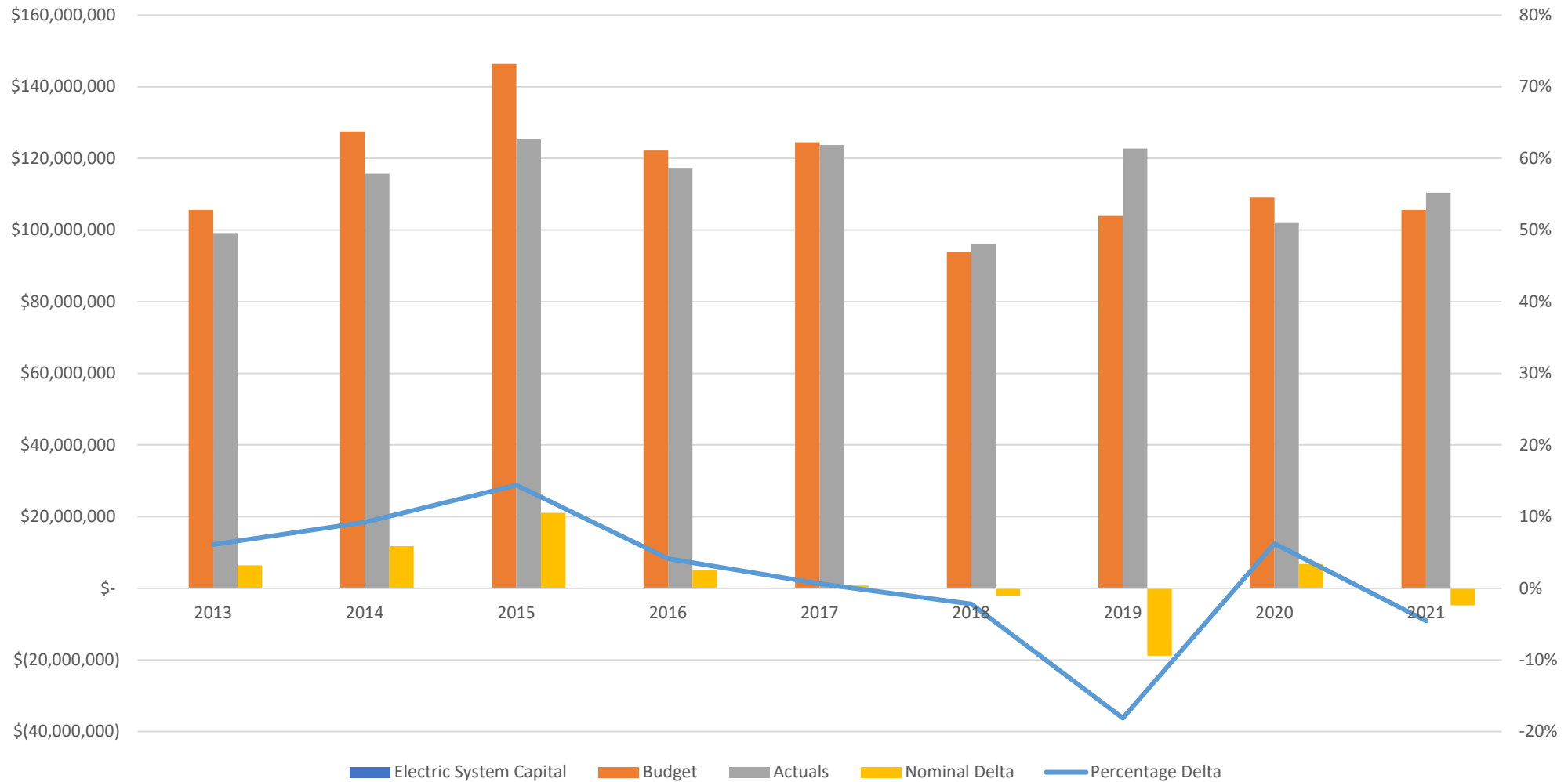
- Started with culture change
 - Management support for accurate budgeting coupled with budget execution
 - Goal to be within +/- 2% of budget
- Budget process changes
 - Elimination of contingencies
 - Identified discretionary/non-discretionary work
- Budget tracking
 - Developed Key Performance Indicators (KPIs)
 - Developed options to increase/decrease budget burn rate throughout the year

Budget Tracking through the Year

- Moved to monthly forecasting and tracking of budget
- Included Division wide Major Project meetings
 - PowerBI dashboard utilized to track projects
- Adjusted spending throughout year at division and company level
- Developed options to increase/decrease budget burn rate throughout the year
 - Asset management work: switches, porcelain insulators and bells

Turning the dial on a historically underspent Capital Budget

Electric System Capital Budget v Actuals (2013-2021)



Requests for Metric Enhancements

- ***Budget Execution*** – set an initial goal of +/- 10% execution, moving towards +/- 5% or lower over time
 - Calibrate for factors outside of BPA control
- ***Project Execution*** – clear tracking in QBR of actual projects executed, compared to annual Asset Management Plan
 - Thresholds to increase reliance on Secondary Capacity Model?
- ***Planning Capability*** – commitment to ongoing engagement to share progress on planning prioritization
 - Establish process to calibrate projects from SAMPs/AMPs to capacity to complete work
 - Track accuracy of project cost estimates over time
- ***Costs*** – benchmarking of project costs to other entities

Conclusion and Summary

- Budget and project execution are a critical leg of the Financial Management stool
- Perfect execution in other areas with under-executed budgets, ultimately over collects from customers or redistributes funds to other purposes
- Supporting needed BPA investments and looking for high rates of budget execution and project execution are complementary, not antithetical

Questions/Discussion