Capital Planning and Execution Metrics

BPA Financial Plan Refresh Forum – March 9, 2022

Public Power Council
Snohomish County PUD
Disclaimer

The views and opinions expressed in this presentation are those of the stakeholder. Use of this forum to present these materials does not constitute either BPA’s approval for or opposition to any policies, positions, or recommendations made by the stakeholder in its presentation.
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)

- Electric System Capital
- Budget
- Actuals
- Nominal Delta
- Percentage Delta
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