

# BPA Policy 212-11

## Work Order Completion and Asset Unitization

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## 1. Purpose & Background

It is BPA's policy to provide reliable financial information to all internal and external users and ensure that BPA's assets are recorded timely and accurately in PeopleSoft Financials.

This policy document clarifies the meaning of "in-service date" as it applies to capital programs in the agency and documents the various stages of capital construction as they tie to actions taken within the financial system.

Capital management portfolio teams perform quarterly reviews of all work orders associated with their programs to affirm that the capital costs incurred are expected to result in assets at the completion of the project. These reviews ensure that:

1. All reported capital work orders are valid and represent a future benefit to BPA's ratepayers.
2. Unless otherwise noted, there is no plan to cancel the work order either partially or in its entirety.
3. There are no known events that would result in the cancellation of the project resulting in a capital to expense adjustment for financial reporting purposes.

The in-servicing of a project's assets occurs at the point at which the last asset is ready for its intended use for each capital work order.

## 2. Policy Owner

BPA's Chief Financial Officer has overall responsibility for this policy and assigns responsibility for its implementation to BPA's Accounting Officer (AO).

## 3. Applicability

This policy is applicable to all capital programs within the agency, including Transmission, Facilities, Environment, and Security programs.

## 4. Terms & Definitions

- A. **Asset:** Probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events.
- B. **Capital Work Order:** The written authorization for an organization to do certain specified work in connection with a plant. Work orders are established at the beginning of an activity permitting the expenditure of money for labor, contracts, and materials. The title "work order" is used in Asset Suite. PeopleSoft uses the title "Project ID." The work order is a summary level of the Tasks beneath it. (See, definition of Task below.)

|                                |   |                            |                       |        |
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| <b>Author</b><br>Lorinda Limpf | <b>Approved by</b><br>CFO - Mary Hawken                     | <b>Date</b><br>3/19/2019   | <b>Version</b><br>2.0 | Page 2 |

- C. **Construction Project:** A major endeavor within a BPA program. A Construction Project has:
1. A specific objective or product.
  2. Scheduled beginning, intermediate and ending milestone dates.
  3. Prescribed performance requirements.
  4. Cost management, financial planning, and control programs.
- A construction project is accomplished through the completion of one or many work orders.
- D. **Due by Date (DBD):** The point-in-time when all applicable capital work on a work order is complete.
- E. **In-Service Date (ISD):** The point-in-time, defined by Agency Construction Managers, when all Major Units on a work order are considered to be Ready for Intended Use. This is when the unitization process starts.
- F. **Major Unit of Property (Major Unit):** Also referred to as a *retirement unit of property*. A Major Unit is the smallest item of property, which when replaced or removed from service, must be retired from an electric plant’s accounts. See, BPA’s *Plant Unit Catalog* for a list of Major Units.
- G. **Minor Item of Property (Minor Item):** The associated parts or items of which Major Units of Property are composed. Typically, Minor Items are capitalized when originally installed as part of a Major Unit of Property and expensed when replaced independently.
- H. **Ready for Intended Use (RIU):** The point-in-time, defined by Agency Management, when each individual Major Unit on a work order is considered to be ready for its intended use – when a Major Unit is operational and/or released to operations.
- I. **Task:** A subset categorization that is part of a work order. A Task is the level at which estimates are created and actual costs are collected. It identifies the specific activities of the work being performed. The field in Asset Suite is “Task.” PeopleSoft uses the field “Activity ID.”
- J. **Unitization:** The classification of capital assets, retirement of capital assets, cost of removal and salvage values for retired assets, and representation of those assets in the agency’s financial records.

## 5. Policy

Timely unitization begins when all Major Units on a work order are considered ready for their intended use (RIU). At that point, the work order closing process must start and follow the agreed upon timelines as documented in Appendix A (BES Project Status).

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The Project Manager and assigned project analyst are responsible for monitoring and evaluating financial and physical aspects of assets associated with capital construction projects (work orders). These activities are used to ensure the In Service Date (ISD) and Unitization occurs without delay.

Sometimes Capital Work Orders are delayed, stopped, or require long construction periods. When any of these occur, a Capital Work Order is evaluated by the Project Manager and the project analyst using the Work Order Decision Tree. (See, Appendix B.) If additional questions exist, the project analyst consults management and accounting to determine the appropriate ISD date for processing/completing the construction work order as needed. Consideration for delays includes the review of prior, agreed-upon practices for specific scenarios. (See, Appendix C.)

## 6. Policy Exceptions

This policy is not applicable to Federal Hydro, IT Software, or Regulatory assets, including those regulatory assets that pertain to Fish & Wildlife projects or Spacer Dampers.

## 7. Responsibilities

- A. **The Administrator:** Has the authority to make accounting policy that is delegated to the Executive Vice President and Chief Financial Officer (CFO).
- B. **BPA’s Chief Financial Officer (CFO):** Delegated the authority by the Administrator to provide, on a BPA-wide basis, those financial management systems, policies, and procedures deemed necessary to keep complete and accurate accounts of operations, including all funds expended and received in connection with acquisition, transmission, and sale of electric energy and other BPA services.
- C. **BPA’s Accounting Officer (AO):** Establishes policy, operational procedures and practices that implement reporting and accounting guidance. Oversees relevant training, and ensures that the work results conform to the established policies.
- D. **Accounting and Financial Reporting Managers:** Provide functional guidance and oversight to BPA’s financial management systems and establish BPA and Federal Columbia River Power System requirements and reporting mechanisms, ensuring adequacy of internal controls and compliance with applicable laws, regulations, and internal directives.
- E. **BPA Staff:** Follow this policy as part of their work in support of BPA’s various capital programs.
- F. **BPA Asset Management Organizations:** Establish operations, procedures, and practices and relevant training, to ensure that the work results conform to the established policy.

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## 8. Standards & Procedures

- A. PeopleSoft Financials is used to track work order expenditures for financial reporting purposes.
  - 1. All capital work orders start in “Approved” status and end at “Closed” or “Cancelled” status depending on the final outcome of the work performed. See, Appendix A for BES work order status.
  - 2. T status is used only by Transmission as a measurement tool to ensure work orders are completed within 90 days from the RIU date. There is a TEBI management review and escalation process for projects that exceed 90 days and have not unitized (See process – TEBI 4.0 Work Order Completion). This process is set to ensure material impacts to the financial statement related to untimely unitization are detected and addressed.
- B. Capital work orders are created in Asset Suite by the various organizations. The Project manager (PM) and the project analyst for each capital construction work order are responsible for tracking the accuracy of the charges and monitoring the RIU and ISD dates.
- C. The work is monitored until the major units are considered ready for intended use (RIU); at this point the PM and project analyst complete a final review of the cost and validate major units installed. The project analyst is responsible for assigning the major units in PeopleSoft financials. Once the major units are entered, the analyst executes the work order unitization process. The process of executing work orders allows the system to move construction work-in-progress to plant-in-service. This is the point where Allowance for Funds Used During Construction (interest) stops and the depreciation of the physical assets begin.

## 9. Performance & Monitoring

The monthly, quarterly, or annual review of work order status is documented within A-123 Appendix A sub-process 3.C.1.a Work Order Monthly Review.

## 10. Authorities & References

- A. FERC Electric Plant Instruction 18 pt. 101
- B. PwC Chapter 12 – Utility Guide
- C. Plant Unit Catalog –  
<https://finance.bud.bpa.gov/FR/FRP/Plant%20Unit%20Closing/Forms/AllItems.aspx>

## 11. Review

This policy is scheduled for review in 2023.

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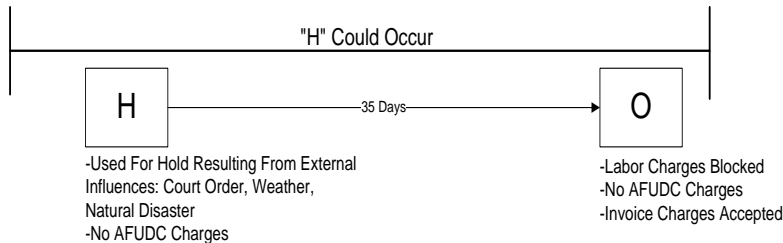
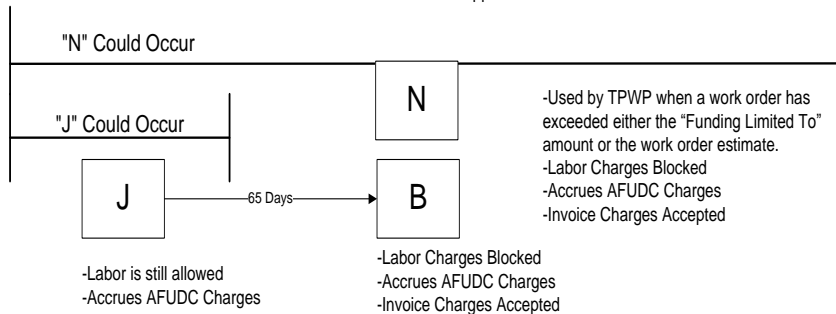
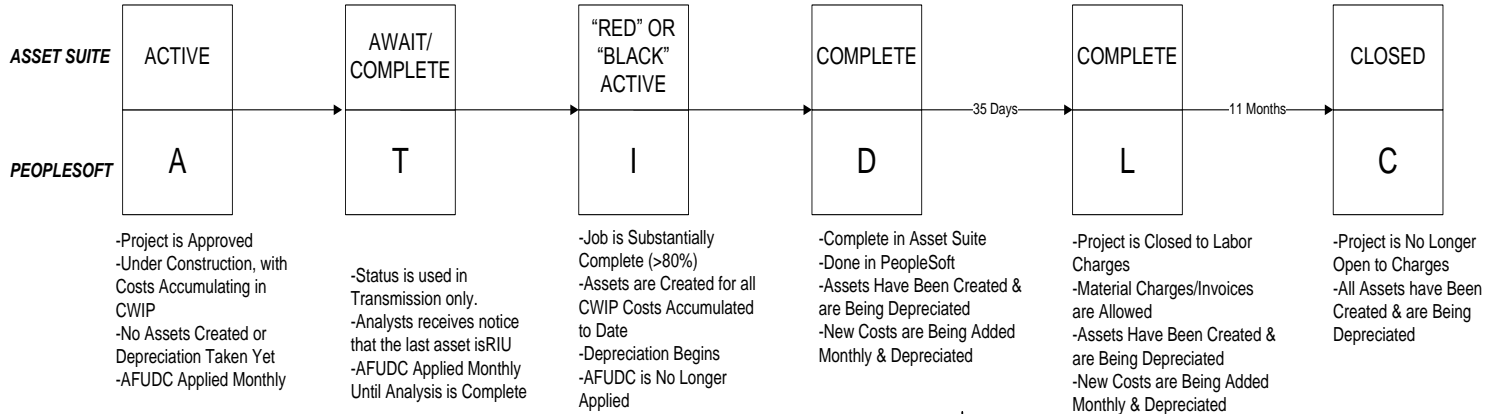
## 12. Revision History

| <b>Version Number</b> | <b>Issue Date</b> | <b>Brief Description of Change or Review</b> |
|-----------------------|-------------------|--|
| 1.0                   | 4/20/2018         | Initial publication                          |
| 2.0                   | 3/19/2019         | Added additional procedures information.     |
|                       |                   |  |

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# Appendix A – Work Order Status

## BES Project Status

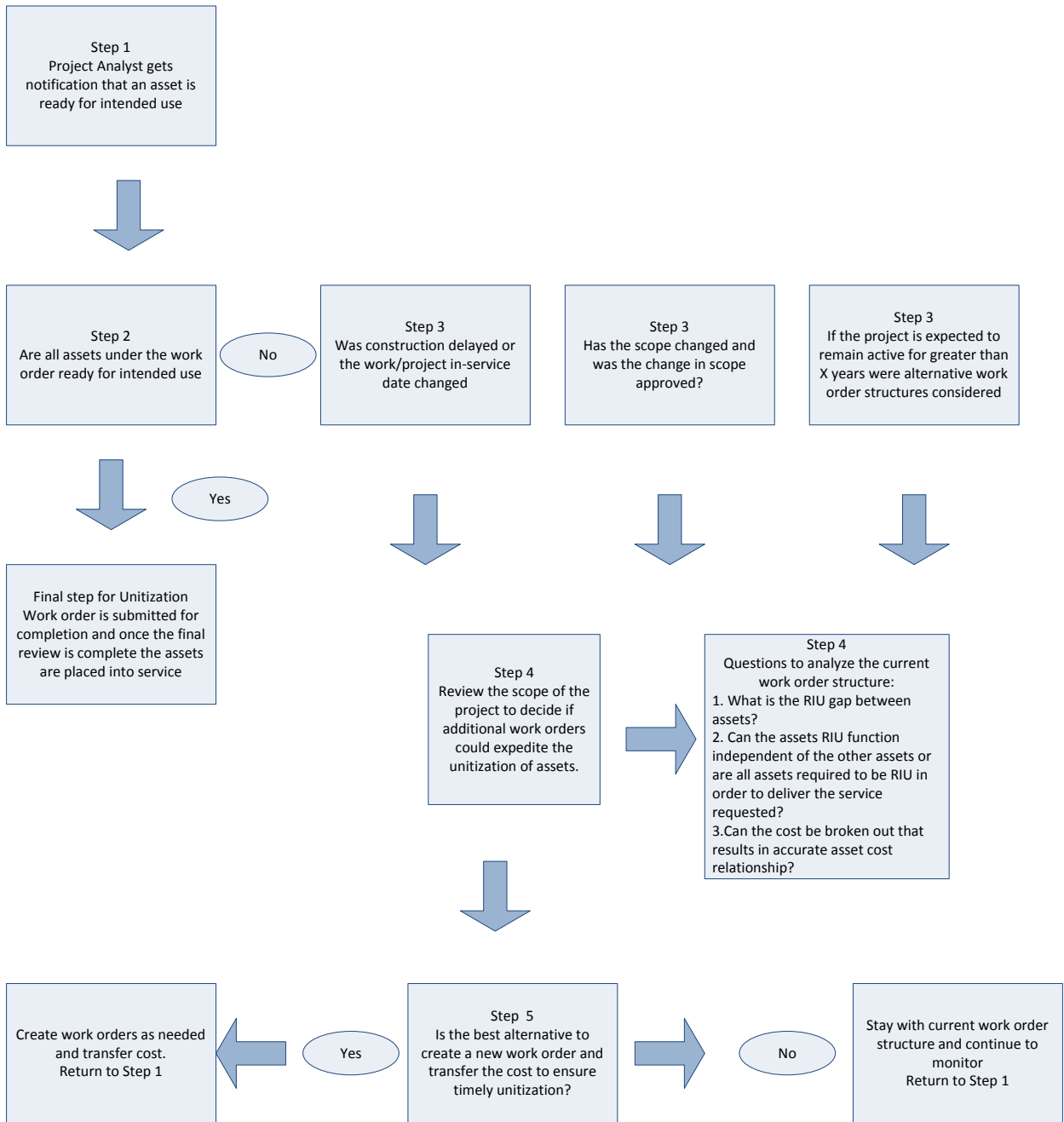


| Project Status                        |
|---------------------------------------|
| "A" Approved                          |
| "B" Labor Hold for Tolerance Analysis |
| "C" Closed                            |
| "D" Complete                          |
| "H" Hold                              |
| "I" In-Service                        |
| "J" Hold for Tolerance Analysis       |
| "L" Labor Complete                    |
| "N" TPWP Hold                         |
| "O" Labor Hold                        |
| "T" Completion in Process             |
| "X" Canceled                          |

Revised November 2017

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# Appendix B – Work Order Decision Tree



|                                |  |   |  |                            |  |
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## Appendix C – Scenarios for Unitization

- A. **Scenario 1:** Under the current capital sustain program, it was identified that four breakers need replaced at Garrison Substation. One work order is created to capture the cost of the retirements and associated replacements. The projected ISD for the project and for each of the breakers (RIU) is October 2017. An earlier than expected winter storm hits the region resulting in the delay of one breaker installation. Three breakers have met the criteria for RIU at the time the crews are forced to leave the area for their safety.

**Outcome:** In this scenario, given three breakers are RIU, the project manager should submit the work order for completion (ISD) and request the remaining funds be transferred to a new capital work order for the completion of the fourth breaker in the spring.

- B. **Scenario 2:** Under the expand program, a new line rebuild was identified for the Garrison-Taft No.1 500kV line. The line is 159 circuit miles requiring five outages over a five-year period to complete the rebuild. The line rebuild will be completed in five sections based on the current outage schedule. Each section will be re-energized at the completion of work.

**Outcome:** In this scenario, project management should create five work orders for each of the line section rebuilds.

- C. **Scenario 3:** A new business case is submitted for a multi-year customer project requesting additional load. The work includes adding a new bay and the associated assets at Ponderosa and adding a new tap line between Bakeoven and Ponderosa. The assets will not be used to serve any other load request, and the customer will receive transmission credits that begin six months after the service starts.

**Outcome:** In this scenario, the customer is funding the project and the assets are not intended for any purpose other than to service the load to the customer. This project would result in two work orders: 1) a Capital Work Order for the new bay; and 2) a Capital Work Order for the new tap. If the RIU varies in the bay, consideration would be given on whether or not additional work orders are required because none of the assets would be ready to serve the customer until all assets are “In-Service” (ISD).

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