

# BPA Policy 240-1

## Asset Management

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## 1. Purpose & Background

This policy provides direction for managing physical assets in Transmission, Federal Hydro, Facilities, Information Technology (IT), Fish and Wildlife, Energy Efficiency, and other capital program areas. This policy is supported by implementation policies, in particular, policies on developing asset management strategies (BPA Policy 240-2) and proposing, authorizing, and monitoring capital projects (BPA Policy 240-3).

Physical assets – such as transmission lines and substations, hydroelectric dams, non-electric facilities, information systems, and investment in fish and wildlife mitigation – enable BPA to deliver its mission, vision, and strategic priorities. BPA’s mission is to provide an adequate, efficient, economical and reliable power supply and transmission system and to mitigate impacts on fish and wildlife. The four pillars of BPA’s vision to achieve this mission are system reliability, low rates consistent with sound business principles, responsible environmental stewardship, and regional accountability. BPA’s strategic priorities include preserving and enhancing the economic, environmental and operational value of federal generation and transmission assets, and implementing Endangered Species Act and NW Power Act energy efficiency requirements.

## 2. Policy Owner

The Chief Financial Officer working through the Deputy Chief Financial Officer and the Finance Committee has overall responsibility for monitoring, evaluating, and proposing revisions to this policy.

## 3. Applicability

This policy applies to the management of physical assets, including regulatory assets, over their life cycle. The assets covered include assets in transmission, federal hydro, facilities, information technology, energy efficiency, and fish and wildlife. This policy does not apply to the management of financial assets, such as management of financial reserves.

## 4. Terms & Definitions

- A. Assets: Plant, machinery, property, buildings, vehicles, hardware and software applications and other items and programs, whether or not the assets are owned by BPA, that provide operational and economic value to BPA and its Federal Columbia River Power System (FCRPS) partners.
- B. Life cycle: The phases of an asset’s life, beginning with identifying the need for an asset and ending with disposal (decommissioning, retirement, sale) of the asset. The main stages of an asset’s life cycle include: create/acquire, operate, maintain and renew/dispose.

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- C. Total economic costs: Total costs to the region, including costs to the federal power and transmission system, to BPA’s customers, and to other stakeholders. Examples of economic costs including equipment and materials costs, labor costs, replacement power costs if hydroelectric generation is lost due to equipment failure, and costs borne by customers in the event of a BPA transmission outage or derate.

## 5. Policy

- A. BPA’s objective is to maximize the long-term operational and economic value of federal power and transmission system assets for the Northwest. This will be accomplished by maintaining and investing in the system so that:

1. BPA’s strategic direction is successfully delivered;
2. Assets operate efficiently and effectively and provide the capacity and capabilities needed to meet reliability, availability, environmental, health and safety, security and other standards; and
3. Total economic costs are minimized over the long-term.

This objective must be accomplished in a manner that is sustainable from a long-term power and transmission rate, cost structure, and financing perspective.

- B. BPA processes are found on the Capital Portfolio Management site for managing assets that reflect leading practices. The processes are standardized, transparent, and risk-informed in accordance with BPA Policy 231-1 – Enterprise Risk Management. The process includes internal controls that are robust, balanced, and adhered to. The processes covers:

1. Developing and implementing long-term asset management strategies;
2. Providing ready access to information on asset demographics, health condition, performance history, and cost history;
3. Prioritizing capital investments;
4. Maintaining assets;
5. Authorizing capital projects and programs and managing their execution; and
6. Evaluating investment performance after being placed in service.

## 6. Policy Exceptions

None

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## 7. Responsibilities

- A. The Capital Portfolio Management team leads the development and implementation of agency-level strategies, processes, and policies.
- B. Asset category executives serve as executive sponsors for their respective asset categories. They 1) steer improvements in processes, 2) allocate staff and other resources, 3) approve asset strategies, investment portfolios, and capital projects for their organizations, and 4) provide top-down direction and communications to embed sound asset management principles and practices.
- C. The Asset Management Council (AMC) develops, recommends and monitors BPA asset management strategies, policies and processes.
- D. The Finance Committee oversees, guides, and otherwise steers agency-level processes and policies and gives final approval to asset management strategies, investment portfolios, and large capital projects.
- E. Category Asset Managers (CAM) develop and implement asset strategies, investment portfolios, and capital projects in a manner consistent with BPA policy and executive direction. CAMs play a key role in formulating strategies, policies and processes, in part through membership on the Asset Management Council.

## 8. Standards & Procedures

- A. BPA Policy 240-2, Asset Management Strategies, provides BPA’s policy and framework for developing, reviewing, and maintaining asset management strategies.
- B. AMC Asset Plan Guidance provides guidelines for developing and maintaining asset management plans.
- C. BPA Policy 240-3, Capital Project Authorization, establishes the responsibilities, process requirements and evaluation criteria for (1) proposing, evaluating, and approving capital projects, (2) setting project implementation targets and reporting on variances during a project’s construction phase, and (3) evaluating projects after they have been placed in service.

## 9. Performance & Monitoring

Implementation of this policy is determined through asset performance objectives and metrics that are set through asset strategies and approved capital projects.

## 10. Authorities & References

- A. Asset Management EPIP (Enterprise Process Improvement Program, January 17, 2006
- B. Publicly Available Specifications PAS 55-1 & PAS 55-2, November 2008

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- C. OMB (Office of Management and Budget) Circular A-123, December 21, 2004
- D. Agency Asset Management web-site
- E. Asset Category Management web-site

## 11. Review

This policy will be reviewed by the AMC, at minimum, on a 4-year cycle.

## 12. Revision History

Version	Issue Date	Description of Change
1	03/19/09	Original policy
2	08/01/2012	Reviewed by AMC, but no revisions made
3	03/31/2014	Paragraphs 660.1, 660.4, 660.5, 660.7, and 660.9 are restated. The policy is also reformatted
3.1	03/10/2016	Ownership of policy transferred from Corporate Strategy to Finance. Document references updated.

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