

factsheet

January 2006

Asset Management EPIP study final report

BPA's Business Operation Board has approved the final report of the Asset Management Enterprise Process Improvement Program. The study team was composed of members from each of the business lines including Corporate working with a KEMA consultant. This fact sheet summarizes the report's findings and recommendations and outlines next steps.

The report defines asset management as "... the systematic and coordinated activities and practices through which BPA optimally manages its physical assets and the associated performance, risks and expenditures over the asset's life cycle."

Goal and purpose of the study

There were two primary goals of the study:

1. Demonstrate to ourselves and our stakeholders/customers that BPA has a transparent repeatable process for managing the physical assets of the Federal Columbia River Power System as efficiently as possible and at the lowest cost consistent with sound business principles.
2. Ensure that asset-related decisions advance strategic goals of making better decisions and using resources efficiently.

The purpose of the study was to make recommendations for an integrated BPA asset management framework that can be applied across all asset areas. There are seven major asset areas discussed in the report: hydro, Columbia Generating Station (nuclear plant), transmission, information technology, energy efficiency, fish and wildlife, and buildings.

Current state

BPA's approach to asset management was shaped by various pieces of legislation and regulations that were created since the passage of the Bonneville Project Act of 1937. As a result, different asset management prac-

tices were implemented at different times for different categories of assets reflecting the priorities of the time. The overall result is that BPA's approach to asset management is not aligned or cohesive across the agency.

Best practices

The past decade has seen substantial evolution in the utility industry's approach to managing physical assets. The result of this evolution is a set of practices and principles that are at the core of modern asset management.

The team's recommendations for process improvement were based on an asset management framework with the following qualities:

- Holistically oriented leading to decisions that are well-suited to the organization as a whole as expressed in its goals and strategies.
- Systematically applied in a way that is repeatable and auditable.
- Systemic in outlook viewing assets as part of a system rather than in isolation.
- Structured so that roles and responsibilities are clear.
- Risk-based and oriented toward priorities that support agency goals and strategies.
- Optimal, combining the best trade-offs among performance, cost and risk over the asset life cycle.
- Sustainable by incorporating achievable levels of service delivery, capital spending and operation and maintenance.
- Process driven requiring loyalty to one process that is aligned across the organization.



A core principle that the Asset Management EPIP Team identified is the importance of a “line of sight” between stakeholder interests and BPA’s corporate strategy, planning and implementation. BPA’s goal is an approach to asset management that is transparent to stakeholders.

The team envisions that executive management would assess stakeholder and corporate objectives to provide guidance for asset planning. The business units with direct asset responsibilities would prepare specific asset plans. The business units would then implement the plans within the available budget. The specific asset plans and their implementation would all be consolidated into a “one BPA” asset plan.

Benefits

The agency now has the opportunity to apply the industry’s improved approaches and practices in asset management to maximize the value of the Federal Columbia River Power System assets for our stakeholders. BPA can expect to achieve tangible benefits such as cost reductions, improved performance of our assets, lower rates, and improved environmental results and compliance. It is too early in the process to quantify these benefits.

Recommendations

The specific recommendations developed by the Asset Management EPIP Team span nearly six pages. Among the key recommendations are:

Governance

- BPA establishes an agency asset manager and asset managers for each asset category that together with the Chief Risk Officer make up the Asset Management Council.
- The Asset Management Council has responsibilities for asset planning and performance.

Strategy and vision

- The BPA strategic planning group develops the agency strategy and asset plan based upon the asset category plans.
- The asset managers prepare asset strategies for the asset categories.

Operations

- Hydro and transmission prepare prototype asset plans in 2006.
- Prepare an inventory of non-electric buildings and a condition assessment plan in 2006.
- Pending a review of the asset management program in the first quarter of 2007, implementation of BPA-wide asset management would begin in 2007 with full implementation in 2009.
- Prepare the first comprehensive BPA-wide asset plan in 2008.

Stakeholder

- Adopt a routine, periodic and integrated process for interacting with stakeholders on asset management issues.

Spending Framework/Capital Allocation

- Standardize financial analysis requirements across asset categories.
- Integrate capital and expense planning with lifecycle analyses that also account for risk management.
- Assign the management of the spending framework to the Capital Allocation Board.

Next steps

Implementation of the asset management function in 2006 may require four full-time employees. The study team estimated that both Transmission and Power will need to spend about \$350,000 to implement the recommendations not counting the cost to acquire and implement agency strategy and capital allocation software.

- Two new asset management positions will be filled.
- Strategic physical assets will be defined.
- Two prototype asset plans will be prepared in early 2006.
- The progress of asset management implementation will be evaluated in the first quarter of FY 2007.
- Draft Asset Management policy is created and submitted to the BPA approval process.