

BPA Policy 211-3

IT Budget Flexibility

Table of Contents

1. Purpose & Background.....	2
2. Policy Owner.....	2
3. Applicability.....	2
4. Terms & Definitions.....	2
5. Policy	3
6. Policy Exceptions.....	3
7. Responsibilities.....	3
8. Standards & Procedures.....	4
9. Performance & Monitoring.....	4
10. Authorities & References.....	4
11. Review	4
12. Revision History.....	5



1. Purpose & Background

This policy gives guidance for budget flexibility between capital and expense accounting for Information Technology projects in certain circumstances.

Bonneville’s IT organizations are subject to rules and guidance which impact how projects are budgeted, because the need for capital or expense dollars cannot be determined until projects reach their final stages. For example, The Office of Management and Budget’s (OMB) “Cloud First” directive instructs agencies to reduce the number of datacenters and promote cloud based solutions whenever a secure, reliable, and cost- effective cloud option exists. Based on this direction, Bonneville is moving towards adopting X as a Service (XaaS) when doing so is consistent with sound business principles. The potential decision to adopt cloud based services instead of on-site solutions as part of an IT project is based on business needs, reliability, and total cost of ownership calculations. This means that currently, whether capital (on-site software and hardware) or expense (XaaS) dollars are needed cannot be determined until the alternatives have been assessed, after a project has been approved to proceed. Given the uncertainty in the type of funding that will be needed to complete a project, capital funding is programmed based on traditional on premise solutions.

Bonneville does not have a mechanism in place to provide expense funds to deliver a cloud based solution when capital funds have been programmed to provide a traditional on premise solution. Allowing more budget flexibility by allowing the budget for software costs to be fungible between capital and expense would provide for this uncertainty. It should be noted that this solution will not, however, alleviate the uncertainty resulting from shifts in funding from capital to expense in a given year, which can create an immediate and unexpected impact on Power and Transmission net revenues and financial results.

2. Policy Owner

Bonneville’s Chief Financial Officer (CFO) is the owner of this policy.

3. Applicability

This policy applies to the Information Technology (J) organization and the Transmission Technology Services (TT) organization and is applicable only to the budget treatment of computer software costs at Bonneville.

4. Terms & Definitions

- A. **Computer Software:** Software developed and used to support Bonneville’s internal business functions. Software can be acquired, internally developed, or modified to run on general purpose hardware. Software types include: application and operating system

Organization Financial Office	Title IT Budget Flexibility Policy	Unique ID 211-3		
Author A. Roth	Approved by CFO	Date 11/13/2023	Version 1.1	Page 2

Programs, databases or data warehouses, procedures, rules, and associated documentation pertaining to the operation of a computer system.

- B. **X as a Service (XaaS):** This is a delivery model in which software and associated data are centrally hosted on an external cloud. XaaS is typically accessed by users via a web browser. XaaS includes: Software-SaaS/Platform-PaaS/Infrastructure-IaaS/Desktop-DaaS.

5. Policy

Budgets for computer software projects are fungible between capital and expense in certain circumstances. This is necessary due to the unique nature of determining expense or capital treatment when the budgets for computer software project costs are initially set. Computer software operations and maintenance is always treated as expense and budgeted accordingly.

To facilitate annual Federal and internal budgeting and Federal apportionment requirements, any movement of funds between capital and expense must be communicated via email by the Chief Information Officer to the Budget Officer each quarter during the fiscal year.

The movement of budgeted funds between capital and expense under the requirements of this policy must be approved of by the Manager of Financial Planning and Analysis (Budget Officer) and reported at Bonneville Finance Committee (FC) meetings as an “inform” item.

The items below were considered when determining IT budget flexibility for computer software project costs:

1. **Impact to Rates/Reserves:** Computer software costs are a minor part of Bonneville’s total capital budget. In addition, IT assets are depreciated over a short time frame, typically five years. Given the small dollar amount and short depreciation period, expensing costs that were originally budgeted as capital results in negligible rate impact and minor impact on reserves.
2. **Federal Budget:** This policy has no negative impact to the Federal budget.
3. **Capitalization Policy:** The capitalization policies and thresholds are set by the Accounting organization and the IT Budget Flexibility Policy does not impact or change the capitalization policies.
4. **IT Capital Approval Process:** The IT Budget Flexibility Policy does not impact or override the IT Capital Approval Process.

Organization Financial Office		Title IT Budget Flexibility Policy		Unique ID 211-3	
Author A. Roth		Approved by CFO		Date 11/13/2023	
				Version 1.1	
				Page 3	

6. Policy Exceptions

Bonneville’s Chief Financial Officer has the discretion to deny the provisions of this policy.

7. Responsibilities

- A. **Manager of Budget Planning and Forecasting (Budget Officer):** Establishes policy, operational procedures and practices for Federal and internal budgeting, forecasting, and analysis.
- B. **The Chief Information Officer (CIO):** Provides strategic planning and leadership over Bonneville’s IT budget and is responsible for following procedures and practices in accordance with this policy.
- C. **IT Staff, Managers, and Subject Matter Experts:** Follow procedures and practices in accordance with this policy.

8. Standards & Procedures

Procedures on implementing this policy can be found in the Bonneville Budget Handbook. The Budget Operations (FAB) organization should be consulted for detailed guidance on the IT budget flexibility process.

9. Performance & Monitoring

Oversight of the proper development and implementation of the policy is the responsibility of the Chief Financial Officer, working with the Budget Officer.

10. Authorities & References

- A. Bonneville Budget Handbook
- B. Bonneville Policy 212-1, Property, Plant and Equipment Capitalization
- C. Bonneville Policy 212-7, Software Capitalization and Expense
- D. Bonneville Policy 212-4, Personal Property Capitalization
- E. OMB 2010 Cloud First Directive
- F. Data Center Optimization Initiative
- G. DOE Order 200.1A
- H. OMB Memo M-16-19
- I. OMB Cloud Directives: In 2010, the Office of Management and Budget (OMB) issued a directive that required Federal agencies to shift to a “Cloud First” policy by implementing cloud based solutions whenever a secure, reliable, and cost-effective cloud option exists. This directive was updated to “Cloud Smart” in 2017.

Organization Financial Office	Title IT Budget Flexibility Policy	Unique ID 211-3		
Author A. Roth	Approved by CFO	Date 11/13/2023	Version 1.1	Page 4

11. Review

Review of this policy is conducted every five years.

12. Revision History

Version Number	Issue Date	Brief Description of Change or Review
1.0	7/7/2017	New Policy
1.1	11/13/2023	Sunset review. Minor revisions, primarily clarification.

Organization Financial Office	Title IT Budget Flexibility Policy	Unique ID 211-3		
Author A. Roth	Approved by CFO	Date 11/13/2023	Version 1.1	Page 5