

# 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.

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. When the assets are placed in service in the accounting system, the costs shift on the Balance Sheet from Construction Work in Progress to Plant in Service, depreciation begins, and the costs are recovered in rates and/or by contract. Thus, it is vital that in-servicing occurs timely to ensure proper classification of costs within the financial statements as well as cost recovery.

## 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).
- 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

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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 and allowable construction cost is complete for each individual work order.
- E. **In-Service Date (ISD):** The point in time 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).

The Project Manager and assigned 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 Analyst using the Work Order Decision Tree (see [Appendix B](#)) to determine whether the work order could be split, then gathers and provides additional information to management, who will determine whether the work order should be completed and a

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separate work order created for ongoing work. If additional questions exist, management consults with the Analyst, Project Manager, and Accounting to determine the appropriate ISD date for processing/completing the construction work order as needed. Consideration for delays includes, but is not limited to, 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. See BPA Policy 212-10 Fish and Wildlife Capitalization, BPA Policy 212-2 Accounting for Regulatory Assets and Liabilities, and BPA Policy 212-7 Software Capitalization and Expense for more information.

## 7. Responsibilities

- A. **The Executive Vice President and Chief Financial Officer (CFO):** Delegated the authority by the Administrator to set accounting policies 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.
- B. **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.
- C. **Accounting and Reporting Managers:**
  - 1. Provide functional guidance for and oversight of BPA’s financial management systems.
  - 2. Establish BPA and Federal Columbia River Power System (FCRPS) accounting requirements and reporting mechanisms in compliance with applicable policies, laws, and regulations.
- D. **All BPA Managers:** Establish operations, procedures, practices and relevant training to ensure that work results conform to established BPA policies.

## 8. Standards & Procedures

- A. PeopleSoft Financials is used to track work order expenditures for financial reporting purposes. See [Appendix A](#) for BES Work Order Status.
- B. Capital work orders are created in Asset Suite by the various organizations. The Project Manager (PM) and the Analyst for each capital construction work order are responsible for tracking the accuracy of the charges and monitoring the RIU and ISD dates.

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- C. The work is monitored until the major units are considered ready for intended use (RIU); at this point the PM and Analyst complete a final review of the costs and validate major units installed. The 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 the costs from Construction Work-in-Progress to Plant in-Service on the Balance Sheet when the Asset Accounting group runs the month end closing processes. This is the point where Allowance for Funds Used During Construction (AFUDC; capitalized interest) stops and the depreciation of the physical assets begin, thus allowing recovery through rates and/or by contract.
1. If not, all assets are considered RIU, see [Appendix B](#) for guidance pertaining to whether the work order can be completed or an alternate course of action should be considered.

## 9. Performance & Monitoring

On a monthly basis, Project Managers and Analysts work together to monitor the status of work orders which have reached their RIU date to ensure that they are being placed in service timely. Additionally, automated reports notify analysts when a work order is past due for completion.

On a quarterly basis, Asset Accounting monitors work orders that are on hold or which are active but have not recently been charged to verify with Analysts whether the work orders should be taken off hold or completed.

Capital management portfolio teams perform Management Assertions, which are 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.

## 10. Authorities & References

- A. Code of Federal Regulation 18, Part 101 (FERC Uniform System of Accounts)
- 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 five years from the most recent publication date.

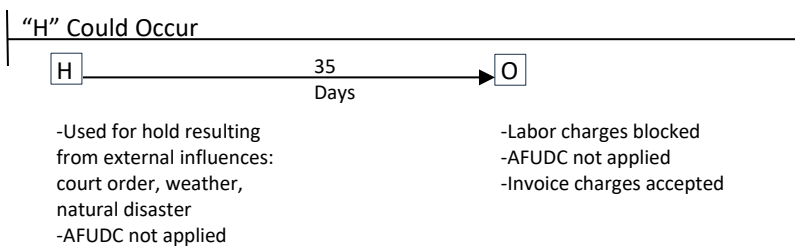
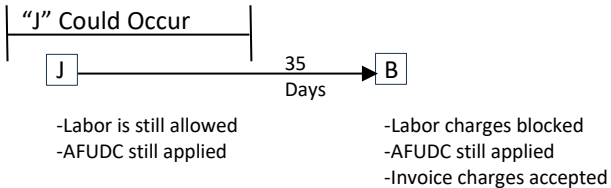
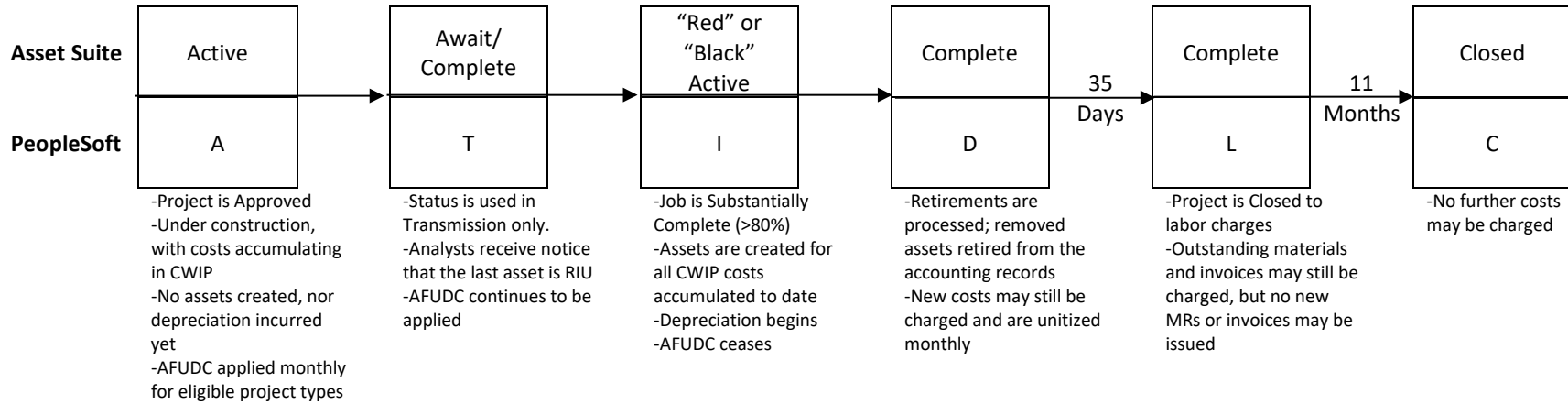
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## 12. Revision History

Version Number	Issue Date	Brief Description of Change or Review
1.0	4/20/2018	Initial publication
2.0	3/19/2019	Added additional procedures information.
3.0	6/17/2024	Sunset review performed with stakeholders. Revisions to enhance clarity and align with current business practice capabilities and considerations, both in the body of the policy and in the appendix. Main areas revised: Purpose & Background, Performance & Monitoring, Standards & Procedures, and the appendices.

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# Appendix A – BES Work Order Status

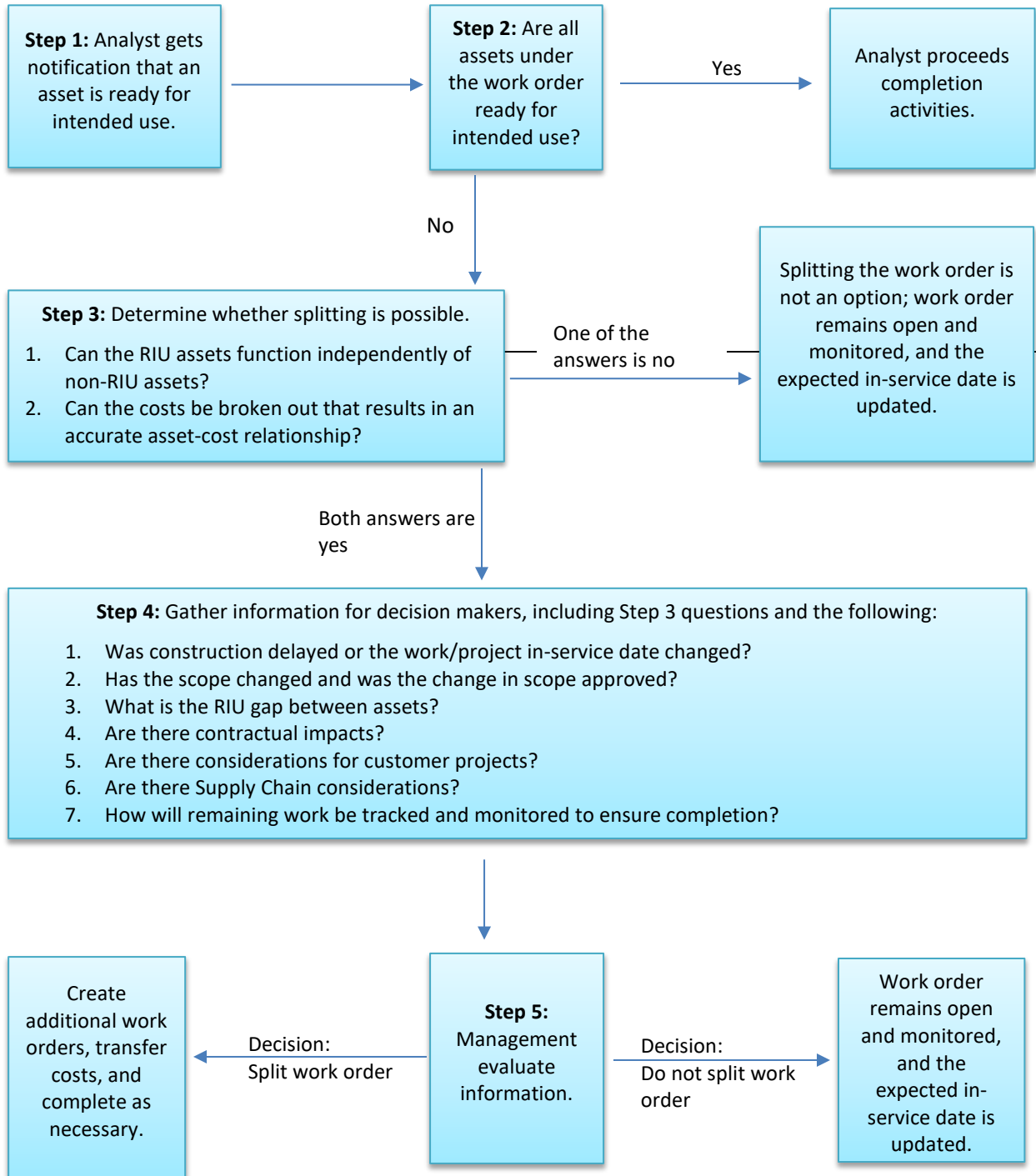


**Project Status**

“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” TPW Hold  
 “O” Labor Hold  
 “T” Completion in Progress  
 “X” Canceled



## Appendix B – Work Order Splitting Decision Tree





## 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 within 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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