

Meaningful Asset Management in Tough Times



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Everyone's feeling the economic pinch. Utilities are no exception. And the uncertainty is affecting our bottom line. The credit crunch, increased energy costs, loss and lower demand of large customers, higher transfer payments to cities and regions due to losses in the tax base – all of these issues may result in downsizing or even the deferment or cancellation of planned capital improvement projects.

During tight times, many organizations hold back on asset management plans to reduce short-term costs. If you are thinking about reducing expenditures in your asset management program or delaying further development of your program, you may want to reconsider. Right now, it is more important than ever to optimize asset life to get the most out of your capital investment.

Granted, some CIP projects may be deferred, but projects that do move forward must demonstrate the greatest positive impact on the utility – either through risk reduction or cost savings. A well-structured asset management program serves as a perfect tool to provide you with a rules-based, objective eye toward CIP project selection. This is important because when funds are limited, there often is fierce internal competition for available dollars. The best approach is to create consensus on which projects provide the greatest risk reduction and largest returns on investment.

Asset Management at Niagara Falls Water Board

The Niagara Falls Water Board (Niagara) in Niagara Falls, NY, understands tough economic times. Facing the loss of many large, industrial customers and a declining population, Niagara continues work on a large-scale plant renovation with very limited dollars. Internal competition for funds is intense, as the wastewater plant has more needs than the reinvestment plan can fund. Strong arguments for project funding have been made by different stakeholders in different depart-

ments, forcing Niagara to make some tough decisions.

Prioritizing Projects

Niagara's management team recognized that to best determine where to focus their CIP dollars, they had to better understand several factors: (1) the risks they faced with each process, (2) the primary and secondary impacts of poor operation of each asset in question, and (3) the current condition of the assets.

Using an asset evaluation tool, Niagara held workshops with stakeholders to determine the Business Risk Exposure. Stakeholders included representatives from management, engineering, plant operations, and maintenance staff. The intent was to bring together those who knew the assets best to answer the difficult questions regarding the condition, reliability, and performance of each process.

The Payoff

Niagara's efforts proved successful. Clear-cut, high-risk exposure processes and assets emerged as "most critical" for reinvestment. While many of these conclusions were anticipated, the workshops also revealed a few surprises. Most important, participating stakeholders better understood the rationale behind Niagara's investment strategy and why certain projects needed to be deferred.

Regardless of economic climate, asset management remains a critical element in a utility's business strategy. In good times and in times more challenging, it remains a valuable and powerful tool.

