Funding a Systematic Approach to Steel Structure Life Extension

Steel Structures Are At Risk

- A significant percentage of the steel utility structures in service are over 40 years old, an age at which the cumulative effects of corrosion begin to take their toll.
- Traditionally, utilities have not included below-grade assessments in their maintenance programs, resulting in unseen and unidentified hazards.
- Utilities need to execute a steel asset assessment and structural reliability and resiliency program across their systems to identify and rehabilitate potentially dangerous structure conditions.
- Historically, these types of programs have been treated as maintenance, but the lack of available operations and maintenance (O&M) dollars has made it challenging for utilities to consistently execute best-in-class assessment and remediation programs.
- These facts, combined with environmental impacts, have put America’s steel transmission structures, and the country’s power grid, at increasing risk.

Steel Asset Betterment Is a Capital Opportunity

- Consider capitalizing the program costs of steel structure best-in-class assessment and remediation.
- Steel structure assessment and remediation results in structures that are more resilient in weather events, last significantly longer, and cost less to maintain. The outcome is an improved and longer lasting asset that clearly meets the Generally Accepted Accounting Principles (GAAP) and IRS definitions of betterment.
- If investments result in betterment, the appropriate accounting approach is to capitalize the cost of those investments and depreciate the capitalized costs over the life of the asset.
- Relevant FERC case precedents supporting capitalization decisions on analogous programs or program components are generally consistent with GAAP rules for capitalization, confirming the validity of the approach.
- Osmose asset betterment programs are a very cost-effective alternative to leaving structures in place to fail and then dealing with the huge replacement costs and necessary line outages that accompany such replacements.
- Proactive assessment and restoration programs, over time, result in a net reduction in costs to rate payers.

How to Make the Capitalization Case

Osmose asset advisory experts are available to support any utility’s operations and finance teams to undertake a successful capitalization program including:

- Documenting the case for changing the accounting treatment based on the documented life extension impacts of coatings, structural or foundation rehabilitation, or cathodic protection installation.
- Establishing a mechanism to track the inspection (O&M) versus remediation (capital) costs separately.
- Determining if any regulatory filings are recommended (i.e., program pre-approval, rider, or cost tracker).

To connect with an Osmose expert who can help, call 770.631.6995 or email steel@osmose.com