

1 **UNDERTAKING J3.9**

2
3 **Undertaking**

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5 To determine the revenue requirement impact of lower "industrial standard" capitalization
6 threshold.

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9 **Response**

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11 OPG was asked in Technical Conference question CME-007 what the impact on revenue
12 requirement would be from a change in its capitalization threshold from \$200k to \$100k.
13 In response (Technical Conference transcript page 129 starting at line 2), OPG advised
14 that a full assessment would require a consideration of whether planned work programs
15 and activities that fall between these amounts meet the other criteria for capitalization
16 produced by OPG in accordance with generally accepted accounting principles (as
17 outlined in Exhibit A2-T2-S1 Section 5.1).

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19 This Undertaking asked OPG to assess the revenue requirement impact of a change
20 from the current \$200k project capital threshold to the "industrial standard" capitalization
21 threshold that would have come from an informal telephone survey conducted by
22 ScottMadden (see Transcript Volume 3 page 141 line 26 to page 142 line 3). OPG
23 agreed to make "best efforts" to produce the notes of the telephone survey on this subject
24 conducted by ScottMadden during the 2009 Nuclear Benchmarking Initiative.

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26 Unfortunately, ScottMadden was unable to produce a record of the previous discussions
27 with industry contacts.

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29 It should be noted that in OPG's capitalization policy, the materiality limit is secondary to
30 the nature of the expenditure. Specifically, for capitalization eligibility, Section 5.1 requires
31 identification of: a new asset; a significant component replacement/complete asset
32 replacement; or rehabilitation, improvement or maintenance of an existing asset which
33 extends the life or increases the output of the asset.

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35 Continuing from the response to Technical Conference question CME-007, based on a
36 high-level review, OPG is unable to identify instances in which these criteria could be met
37 for typical work programs or activities below the materiality threshold of \$200k.

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39 OPG therefore expects no revenue requirement impact associated solely with lowering
40 the capitalization threshold below the current \$200k level, since such expenditures would
41 not meet other OPG criteria for capitalization.