

1 Q. **Projects over \$50,000 but Less Than \$200,000**

2 Tab 17 Inspect Fuel Storage Tanks:

3 Why are these inspections not considered part of Hydro's operating costs?

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6 A. As part of the 2012 Capital Budget, Order No. P. U. 2(2012), Hydro was given
7 approval to change its capital expenditure methodology to incorporate the
8 requirements of International Financial Reporting Standards (IFRS). One of those
9 requirements was that major inspections and overhauls would be eligible for
10 capitalization. The inspection of storage tanks is eligible for capitalization as it
11 meets the requirement for a major overhaul and inspection as defined by IFRS since
12 the inspections will occur over ten year intervals and the cost is greater than
13 \$50,000.