



Nuclear Generation

A photograph of three large, cylindrical nuclear cooling towers against a blue sky with white clouds. The towers are made of a textured material, possibly brick or concrete, and are arranged in a slightly curved line from left to right. The tower on the left is the largest and closest to the viewer, while the other two are further away and smaller.

**Are Nuclear Plants
Capitalizing All of
the Costs They're
Entitled To?**

MCR's industry experts develop solutions to key issues facing utilities.

Are Nuclear Plants Capitalizing All of the Costs They're Entitled To?

Reducing O&M costs is one of the highest priorities for nuclear generation executives today. Often overlooked, however, is the treatment of project expenditures. A nuclear generation plant is composed of numerous functionally interdependent items of equipment and components, and it can be difficult to identify which items constitute discrete units of property, major components or something else. As a result, many nuclear facilities can't be sure they are capitalizing all costs they are entitled to and thus, are potentially expensing more costs than required...which directly impacts the plant's financial performance.

Capitalization Policy and the Units of Property Catalogue

Referencing the company's Units of Property (UoP) catalogue, project engineers and asset accountants make decisions about what expenses to capitalize. The catalogue provides guidelines on the definition of Units of Property and major components used to determine whether to capitalize or expense expenditures for maintenance, replacement or improvements to the plant.

The challenge that most utilities face is there is no standard, "off the shelf" Units of Property catalogue. Most utilities create their own catalogs, which can vary based on the company's capitalization policy, understanding of plant systems and components, and the age and maintenance of the catalogue itself. As a result, the capitalization process and UoP catalogue is often:

- Cumbersome and a perennial source of disagreement in project capital or expense decisions
- Contentious, causing organizational disputes between project engineering and accounting
- Inconsistent in the treatment of capitalization of expenditures across multiple plants

Corporate mergers can create an even more difficult problem as the newly combined entity finds itself with multiple legacy catalogs and capitalization practices that don't align.

MCR Units of Property Catalogue and Best Practices Database

The MCR Units of Property catalogue and database solves the capitalization decision problem. It includes detailed equipment and component listings for capitalizing expenditures that are:

- Based on best practices from utility industry peers
- Benchmarked to capitalization policies and capitalization thresholds at peer utilities
- Easily customized to a particular plant vintage and design
- Designed to meet the requirements of company auditors and regulators

MCR nuclear generation experts implement the MCR Units of Property catalogue, including benchmarking capitalization policies to best practices and assessing the financial impact of potential shifts of costs between capital and O&M.

MCR Nuclear Generation Services

Benefits

Your nuclear operations can expect to realize two key benefits from a capitalization analysis and Units of Property catalogue review:

- 1. Improved capitalization decision process.** The new catalogue clarifies guidance for site organizations and reduces resources and time required by asset accounting to analyze capital funding requests.
- 2. Improved financial accuracy.** The new catalogue provides sufficient detail, aligned with industry peers, required to make capitalization decisions about replacement equipment and components.

MCR has performed numerous capitalization policy analyses and Units of Property catalogue reviews for clients to address situations like:

- A nuclear generation fleet using separate, inconsistent UoP catalogs for each site
- A nuclear generation fleet using outdated property unit definitions that were out of alignment with industry peers
- Two recently merged companies with significant nuclear generation facilities that needed to integrate their capitalization policies and UoP catalogs.

If you currently find yourself in any of the above situations or would like to more clearly define your capitalization policies and unit of property definitions, contact MCR to find out how we can help. Also, visit our web site and read our case studies and client endorsements.

What our clients are saying about implementing a Units of Property project...

“The new Unit of Property catalogues are used daily by our accountants and engineers. The catalogues are better organized, more user friendly and are written in a language that field personnel can understand. MCR took out the confusion and created a logical, well thought out system.”

—Director, Accounting

MCR can help you with your Unit of Property needs

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