

1 Q. Provide a copy of NLH's capitalization policy.

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3 A. NLH's Capitalization Policy is to record as "Fixed Assets", the acquisition
4 costs of assets that are of a permanent or lasting nature whose useful
5 service life is expected to extend over several years.

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7 To assist in the implementation of the policy, the Corporation has defined two
8 levels of classification.

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10 Our highest level of classification of our Fixed Assets is called Prime Assets
11 which represent major functional parts of the Corporation's property, plant
12 and equipment. Examples being each generating station, each transmission
13 line, each sub-station and each diesel plant.

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15 Our next level of classification is called Units Of Property which represent
16 the main units of equipment or property contained within each Prime Asset
17 and are established to complement and assist in defining the accounting
18 control boundaries relative to procurement, operating, transfer and retirement
19 of property, plant and equipment. A unit of property is defined as that which
20 is independently operational, readily separable from the Prime Asset and
21 useful in its own right. Examples being building foundation, dam, turbine,
22 runner, wood pole structure, conductor, metal tower foundation, transformer,
23 regulator, circuit breaker, diesel engine, and generator.