

1 **Re: General**

2 Q. What procedures are employed by NLH in order to verify whether wages,  
3 expenses, or other items, are accurately allocated to capital versus operating  
4 budgets?

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7 A. Hydro utilizes a work order system to accumulate costs of capital and  
8 operating projects. The time charged to individual projects is entered on the  
9 employee's timesheet and approved by a supervisor. Both project managers  
10 and business unit managers review expenditures against budgeted amounts  
11 in order to verify their accuracy. The overall expenditures are then further  
12 reviewed by management to ensure that costs for both operating and capital  
13 are in line with budgeted amounts and any variances explained.