

1 Q. Please refer to the response to CA-NLH-152. The request asked for the applicable
2 depreciation rate applied to the gross investment by month. Attachment 1, asset
3 number 58556 indicates a depreciation rate of 5%. Does this rate include any
4 provision for gross salvage or cost of removal? If so, how much? Explain how the
5 depreciation expense of \$1,142 is calculated when $5\% * \$441,000$ yields \$22,050 or
6 \$1,837.50 monthly. Explain why, for some assets, no accumulated depreciation or
7 depreciation expense is shown.

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10 A. Gross salvage or cost of removal is not included in the calculation for monthly
11 depreciation expense. At that time, gross salvage would have been applied to the
12 asset upon retirement and removal costs expensed.

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14 The rate of 5% is the interest rate used for calculating the depreciation rate
15 applicable to the Sinking Fund Method of depreciation. Please refer to the
16 response to CA-NLH-251 for further details.

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18 The reason some assets on the listing provided in CA-NLH-152 Attachment 1 have
19 no accumulated depreciation or depreciation expense is because these assets have
20 a small cost and a large service life. Because these are Sinking Fund assets, no
21 measurable depreciation (amounts less than 50 cents) had been recorded on these
22 assets as of December 31, 2009.