

1 Q. Please refer to the response to CA-NLH-235 – Revised [Reserve] – Reconciliation of
2 reserve from 2007 to 2009. This request for information asked for an identification
3 of the applicable depreciation rate applied to the specific monthly plant balances
4 for 10 given accounts. The response states that asset disposals could affect reserve
5 levels from 2005 to 2009. Explain the meaning of asset disposals, as used in Hydro's
6 response. The attachments to the response do not identify depreciation rates but
7 rather service life in months. Identify the applicable depreciation rates. For
8 investments transferred to other accounts, how was the appropriate amount of
9 reserve associated with those investments determined? For items shown as "Asset
10 Transfer," explain why no reserve was also transferred. Explain the meaning of
11 "Cost Assigned to Asset." For Attachment 2-10, explain the source of the
12 depreciation expense amounts for each year 2004 – 2009.

13

14

15 A. Asset disposals are assets that have been retired from the system due to such
16 circumstances as broken beyond repair, obsolescence or destruction. When the
17 asset disposal is recorded, the cost and accumulated depreciation (reserve) are
18 cleared from the respective accounts. This entry will cause a reduction to the
19 accumulated depreciation in any given account.

20

21 Depreciation rate is a field in JD Edwards which is populated for sinking fund assets.
22 Depreciation using the straight line method is calculated based on the service life in
23 months.

24

25 The amount of reserve from investments transferred to other accounts was
26 determined by the balances in the reserve related to those specific assets before
27 the transfer. The balance of the reserve at the point of transfer is the balance in

1 the new account. For items labeled as “Asset Transfer”, reserve was transferred
2 however as indicated in the response to IC-NLH-53, it was not broken out to an
3 individual asset level but rather included within the depreciation expense for the
4 year the transfer occurred.

5
6 In CA-NLH-235 Attachment 2 – Detailed Continuity Schedule for C18 – Cranes, one
7 line item has “Cost Assigned to Asset” in the comment field. This should have been
8 listed as “Asset Addition”.

9
10 The depreciation expense amount shown at the end of each year is the year-to-date
11 depreciation expense on all the other assets within the specified account (Unit of
12 Property) that are not listed in the continuity schedule. These are assets that did
13 not change throughout the year and were depreciated through their normal
14 assigned life. This year-to-date depreciation expense includes depreciation expense
15 on assets that are listed, where the accumulated depreciation amount is not
16 displayed.