Q. Re: Account B01: Please fully explain and justify the selection of a 15S3 life-curve combination for Account B01 - Battery & Power Systems. The response should specifically address the curve fit set forth on page IV-6 of Exhibit 1 and why a longer life is not appropriate. The response should also present the specific steps and corresponding information and documents relied on to arrive at the proposed life-curve combination.

A. As indicated in the notes from the operational meetings held on June 8, 2010 with Manager of Telecontrol, the historic retirement trends in this account are not expected to be indicative of the future expectations for the following reasons:

- Newer technology valve regulated lead acid batteries are expected to not have a life beyond 20 years.
- Even the older technology Flooded Cell batteries should not have been left in service for more than 20 years. However, historically batteries have been kept in service for too long, resulting in the systems in which these batteries to become inaccurate and unreliable. As such, the batteries are now being replaced more proactively at a younger age.

When comparing the existing average service life estimate of 15 years to other peer electric utilities, with the exception of Qulliq Energy, the account structures of the peer companies are not specifically componentized to the battery and battery system level to the same degree as Hydro. It is noted, however, that the one peer comparable of Qulliq Energy used a 15-R3 Iowa curve. Additionally, Mr. Kennedy has reviewed similar components through on-site tours and operational interviews with various utilities. The trends as indicated by the Manager of Telecontrol are similar to the trends witnessed by other Canadian utilities, however most other

utilities have not specifically componentized these assets. Generally, the battery systems are expected to last not more than 20 years.

It is also noted that the systems upon which the battery systems are used have greatly evolved to a much more digital nature over the past ten years. Interviews with both the Hydro staff, and other utility staff have indicated that the battery systems now must be more reliable than legacy systems which provided support to largely analog systems.

Overall, when selecting the average service life, the life estimates were primarily based on the comments from the internal experts. The fact that these comments were consistent with comments from peer utilities and the one peer that does detail this account to a similar level provided the additional support to continue to use the 15-S3 Iowa curve.