

1 Q. Re: Account B08: Please fully explain and justify the selection of a 40R3 life-curve
2 combination for Account B08 - Buswork & Hardware. The response should
3 specifically address the curve fit set forth on page IV-20 of Exhibit 1 and why a
4 longer life is not appropriate. The response should also present the specific steps
5 and corresponding information and documents relied on to arrive at the proposed
6 life-curve combination.

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9 A. As indicated in response to CA-NLH-10(a), there were four primary considerations in
10 the development of the average service life estimate. Firstly, this account has
11 historically received only very limited retirement activity throughout the 1991 to
12 2009 period which was the source of the retirement rate analysis review. As such,
13 the results of the retirement rate analysis as shown at page IV-20 of the Gannett
14 Fleming report were not extensively relied upon in the development of the final
15 estimate.

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17 Secondly, a review of the average life estimates for the peer Canadian companies
18 does provide some meaningful insight. In most circumstances these assets are
19 grouped into the substation equipment account. It is noted in Schedule 2 provided
20 at pages III-6 through III-8 of the Gannett Fleming report that the range of life
21 estimates for substation equipment is 27 through 50 years. In the review of the
22 peer estimates the life of 27 years for FortisAlberta was removed as the substation
23 equipment at FortisAlberta relates only to a very minor amount of automated
24 metering interface required equipment in the AltaLink substation yards. After
25 removal of FortisAberta from the peer analysis, the remaining range is from 31 to
26 50 years with an average of 40 years. It is also noted in the peer analysis that in the
27 circumstance of ENMAX Power, these assets are held in the substation structures

1 account which has an approved life of 35 years. Therefore, the overall peer average
2 is 39 years.

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4 Thirdly, the interviews with management and operating staff did not specifically
5 deal with the substation buswork, and there were no indications of any specific
6 company issues with these assets. As such the average service life selection of the
7 Iowa 40-R3 was based primarily on the peer analysis.

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9 Fourthly, there are no specific IFRS considerations pertaining to this account.