

1 Q. Re: Account C04: Please fully explain and justify the selection of a 50R3 life-curve
2 combination for Account C04 Cables - Above Ground. The response should
3 specifically address the curve fit set forth on page IV-28 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 relatively limited retirement activity throughout the 1991 to
12 2009 period which was the source of the retirement rate analysis review. However,
13 as discussed in response to CA-NLH-70, the only significant activity that has
14 occurred was considered to be of a normal type that could reoccur. As such, the
15 results of the retirement rate analysis as shown at page IV-20 of the Gannett
16 Fleming report were relied upon only to the extent that the retirement occurring at
17 ages 10.5 and 15.5 years do provide some indication of interim retirement activity.
18 However, the tail of the observed life table does not provide any other indications
19 of significant retirement trends.

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21 Secondly, a review of the average life estimates for the peer Canadian companies
22 does provide some meaningful insight. In most circumstances these assets are
23 grouped into the overhead conductor account. It is noted in Schedule 2 provided at
24 pages III-6 through III-8 of the Gannett Fleming report that the range of life
25 estimates for overhead conductor is 40 to 60 years, with an average life of 48 years.
26 Based on this peer analysis, combined with the lack of significant retirement

1 experience, it appeared that the current 40-year life used by Hydro should be
2 extended.

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4 As noted in the CA-NLH-12 – Attachment 1, the interviews with management and
5 operating staff did indicated that the steel core within the conductor is starting to
6 show signs of fatigue and will result in some replacement of plant.

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8 The final determination of the life estimate, considered that some early interim
9 retirement can be expected, however a life extension from the current 40 years is
10 required. Based on the overall average 48-year life of the Canadian peers, Gannett
11 Fleming considers that a ten-year life extension (representing a 25% increase in the
12 life estimate) is reasonable at this time. Gannett Fleming does not view that a life
13 extension of more than ten years is appropriate, particularly when it is considered
14 that the operations staff have indicated that the cable is starting to show signs of
15 fatigue and retirement of plant may be required.

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17 Lastly, there are no specific IFRS considerations pertaining to this account.