

1 Q. Re: Account C11: Please fully explain and justify the selection of a 5SQ life-curve
2 combination for Account C11 - Computers. The response should specifically address
3 the vintage surviving balance that exceed 5 years as set forth on page V-18 of
4 Exhibit 1 and why a longer life is not appropriate given the number and magnitude
5 of surviving vintages. The response should also present the specific steps and
6 corresponding information and documents relied on to arrive at the proposed life-
7 curve combination.

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10 A. The selection of the 5-SQ life estimate for computers was based on the judgment
11 and experience of Mr. Kennedy and on the information regarding company
12 practices gained through the management and operations interviews as
13 summarized in CA-NLH-12 Attachment 1. As indicated in the interview notes,
14 Hydro's policy for replacement of computer hardware is by the fifth year.

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16 The aged plant balances as shown at page V-18 of the Gannett Fleming report
17 indicate plant surviving at ages older than five years. These plant balances
18 represent investment that should be retired but for which retirement orders have
19 not been issued. It has been the experience of Mr. Kennedy that these types of
20 general plant accounts, due to their small dollar values, are often overlooked in the
21 retirement order process, resulting in unretired investment remaining in the plant
22 accounting ledgers.