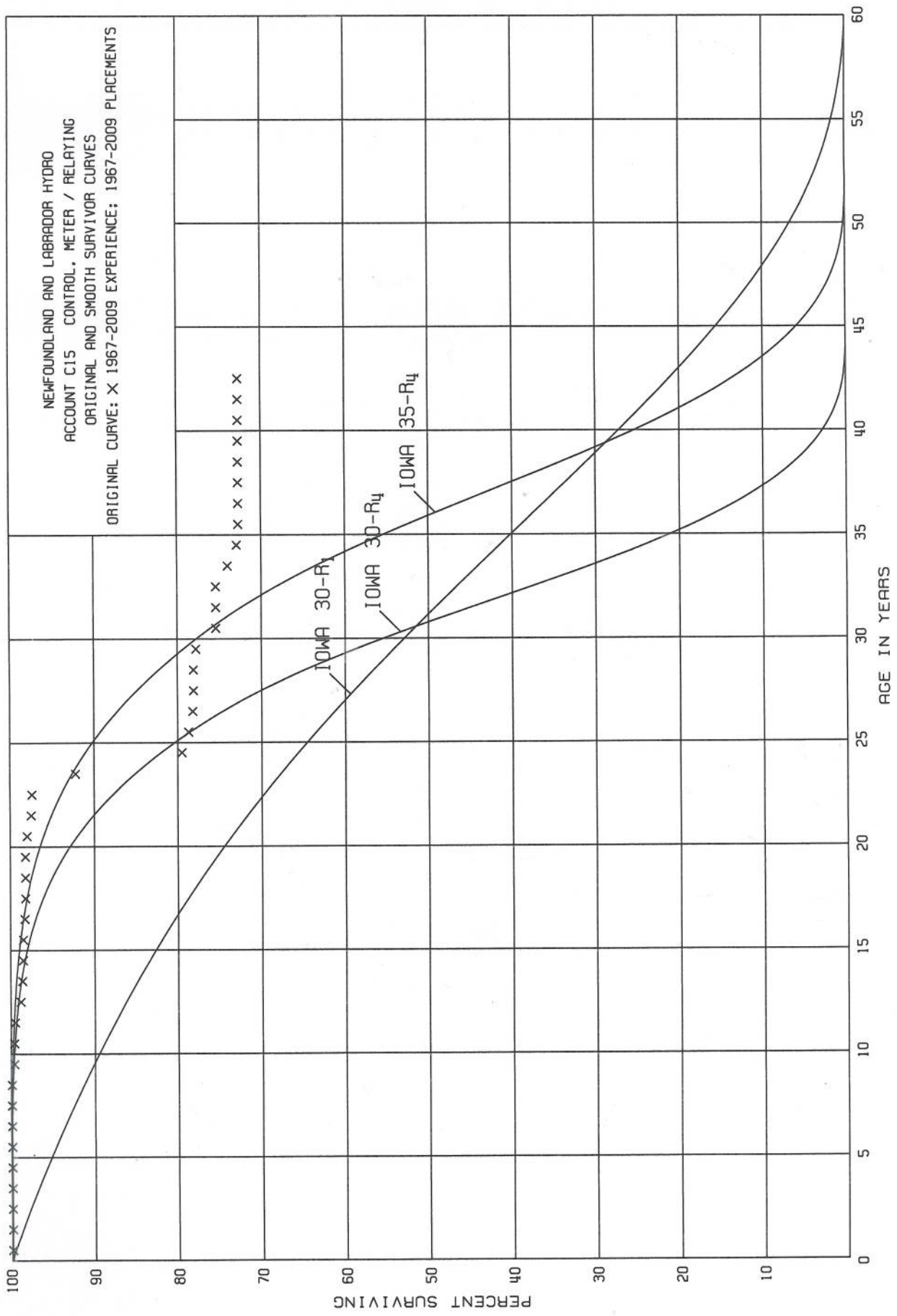
Q. Re: Account C15: Please fully explain and justify the selection of a 30R1 life-curve combination for Account C015 - Control, Meter/Relaying. The response should specifically address the curve fit set forth on page IV-44 of Exhibit 1 and why a longer life is not appropriate. The response should also present the specific steps and corresponding information and documents relied on to arrive at the proposed life-curve combination.

A. As indicated in response to CA-NLH-10(a) there were four primary considerations in the development of the average service life estimate. The retirement rate analysis of this account was completed through the analysis of the observed life table through age 41.5 years. Gannett Fleming visually selected a 35-R4 Iowa curve as the best fit based on historic retirement activity. There was a period of large retirement ratios at ages 22.5 and 23.5 years in this account. If increased weighting was placed on this period of the observed life table, a shorter life indication such as an Iowa 30-R4 could be considered. It also needs to be recognized that the type of equipment in this account is transitioning to a much more digital nature which, in the view of Mr. Kennedy, will result in both a shorter life and a lower mode retirement trend. CA-NLH-74 Attachment 1 provides the curve fits for various life estimates considered by Gannett Fleming.

A review of the average life estimates for the peer Canadian companies does provide some meaningful insight. The peer Canadian utilities have not separated these assets to the same degree as Hydro, and have included them in a variety of accounts, such as telecontrol, supervisory equipment, system communication, and system protection. It is noted in Schedule 2 provided on pages III-6 through III-8 of the Gannett Fleming report that the range of life estimates for these accounts is

from 13 years to 35 years, with most in the 15 to 30 year range. As such, based on the peer analysis, the previously recommended 35 year life estimate is at the higher end of the peer range.

The interviews with management and operating staff did not specifically deal with the control equipment, and there were no indications of any specific company issues with these assets. As such, the average service life selection of the Iowa 30-R1 was based, in part, on the retirement rate analysis with a particular focus on the retirement activity in the mid 20 year range. Additionally, the transition to equipment of a more digital nature and the lower mode influence of the newer technology equipment resulted in the shift to a R1 Iowa curve.


NEWFOUNDLAND AND LABRADOR HYDRO
ACCOUNT C15 CONTROL, METER / RELAYING
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: X 1967-2009 EXPERIENCE; 1967-2009 PLACEMENTS
IOWA 30-R1
IOWA 30-R4
IOWA 35-R4
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
5
10
15
20
25
30
35
40
45
50
55
60