

1 Q. Re: Account P10: Please fully explain and justify the selection of a 75R3 life-curve
2 combination for Account P10 – Powerhouse. The response should specifically
3 address the curve fit set forth on page IV-152 of Exhibit 1 (note that page IV-152
4 presents an 85R4) and why a longer life is not appropriate. The response should
5 also present the specific steps and corresponding information and documents relied
6 on to arrive at the proposed life-curve combination.

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9 A. In the completion of the response to this Request for Information, Gannett Fleming
10 has noted that an incorrect Iowa curve was provided in the Gannett Fleming report.
11 A corrected graph of the fit of the Iowa 75-R3 is provided as CA-NLH-109-
12 Attachment 1 to this response.

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14 As indicated in the retirement rate analysis on page IV-153 of the Gannett Fleming
15 report, this account has not been subjected to any retirement activity over the 1991
16 through 2009 time period. However, the Iowa 75-R3 Iowa curve anticipates very
17 few retirements through this observation period. As such, the recommended 75-R3
18 provides a reasonable fit to the observed life table. Additionally, as noted in the
19 discussion with the operations group, these facilities have historically been
20 maintained through operating expenses. However, it is the experience of Gannett
21 Fleming that the powerhouse structures will eventually require capital upgrades to
22 ensure their integrity. As noted in the aged surviving plant provided on page V-77
23 of the Gannett Fleming report, most of investment in the Hydro system has
24 occurred in the 1980s, and as such, based on the recommended 75-R3 Iowa curve
25 this investment would not be retired yet.

1 A review of the average life estimates of peer Canadian utilities has ranged from 65
2 to 100 years with most in the 65 to 75 year range, and only one other peer using a
3 life estimate of 75 years. The use of a life that is within the range of the peer group
4 combined with the agreement of the operations staff that a 75 year life is
5 appropriate resulted in the recommended 75-R3 Iowa curve.

