

1 Q. Re: Account S03: Please fully explain and justify the selection of a 5SQ life-curve  
2 combination for Account S03 – Servers. The response should specifically address  
3 the vintage surviving balances that exceed 5 years as set forth on page V-97 of  
4 Exhibit 1 and why a longer life is not appropriate give the number and magnitude of  
5 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. Finally, provide the dollars retired with the corresponding  
8 vintage year of installation that have occurred for both 2010 and 2011.

9  
10  
11 A. The selection of the 5-SQ life estimate for servers was based on the judgment and  
12 experience of Mr. Kennedy; review of the peer life estimates used for this  
13 equipment, and on the information regarding company practices gained through  
14 the management and operations interviews as summarized in CA-NLH-12  
15 Attachment 1. As indicated in the interview notes, Hydro's practice is for  
16 replacement of computer hardware (which was confirmed to include servers) by  
17 the fifth year.

18  
19 The aged plant balances as shown at page V-96 of the Gannett Fleming report  
20 indicate plant surviving at ages exceeding five years. These plant balances  
21 represent investment that should be retired but for which retirement orders have  
22 not been issued. It has been the experience of Mr. Kennedy that these types of  
23 general plant accounts are often overlooked in the retirement order process,  
24 resulting in unretired investment remaining in the plant accounting ledgers.

25  
26 The review of the average service life estimates of the peer group for this  
27 equipment indicates life estimates of five and six years, with most peers using five

1           years. Additionally, all of the peers use amortization accounting for this account.

2           Accordingly, the recommended 5-SQ curve is consistent with both the approach  
3           used by the peers and the peer life estimates.

4

5           There were no retirements from Account S03-Servers in 2010. Please refer to CA-  
6           NLH-123 Attachment 1 for the retirements in 2011. The assets retired early in 2011  
7           pertain to servers replaced in 2010.

Retirements for Account S03 - Servers

New Account	Old Account	Trans Type	Trns Year	Install Year	Original Cost Amount	Age	Asset Description	Description
S03		Retirement	2011	2011	(69004)	0	IBM Fast T200HA Disk Array	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2008	(3616)	3	IBM System x3550 Server	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2006	(11113)	5	IBM eServer xSeries 336	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2005	(14345)	6	IBM eServer xSeries 346	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2005	(14345)	6	IBM eServer xSeries 346	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2005	(14345)	6	IBM eServer xSeries 346	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2005	(13361)	6	IBM eServer xSeries 346	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2005	(10784)	6	IBM eServer xSeries 336	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(18332)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(18332)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(18332)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(18332)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(19332)	7	IBM eServer xSeries 225	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(19332)	7	IBM eServer xSeries 225	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(19332)	7	IBM eServer xSeries 225	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(18332)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(18315)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(22665)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(22665)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(22665)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(22665)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(22665)	7	IBM eServer xSeries 345	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(22665)	7	IBM eServer xSeries 336	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2004	(22665)	7	IBM eServer xSeries 336	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2003	(316733)	8	IBM P630 TSM Server	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2001	(90124)	10	IBM RS 6000 F50Server	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2001	(72830)	10	IBM Fast T200HA Disk Array	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2001	(72830)	10	IBM Fast T200HA Disk Array	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2001	(37780)	10	Cisco Call Manager	Upgrade Server Technology Program - Hydro Place
S03		Retirement	2011	2001	(37780)	10	Cisco Call Manager	Upgrade Server Technology Program - Hydro Place