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1 Q. Re: Account S14: Please fully explain and justify the selection of a 20R2 life-curve  
2 combination for Account S14 – Street Lights. The response should specifically  
3 address the curve fit set forth on page IV-206 of Exhibit 1 and why a longer life is  
4 not appropriate. The response should also present the specific steps and  
5 corresponding information and documents relied on to arrive at the proposed life-  
6 curve combination.

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9 A. A preliminary life estimate of the Iowa 20-R2 was based on the retirement rate  
10 analysis. During the retirement rate analysis, Gannett Fleming noted that there was  
11 a period of significant retirement activity beginning at age 2.5 and extending  
12 through to age 18.5 years. While giving recognition to this retirement experience,  
13 Gannett Fleming has also noted that a statistically significant amount of plant  
14 remains in service (approximately 5.7% of total plant exposed to retirement at age  
15 0.0) at age 20.5 years. However, the retirements occurring after age 20.5 years  
16 become much smaller than the retirement activity early in the account's life  
17 (starting at age 2.5 years). As such, Gannett Fleming viewed that the Iowa 20-R2  
18 provides a good fit to the observed life table.

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20 The preliminary fit of the Iowa 20-R2 was discussed with the operations staff who  
21 have agreed that 20 years is representative of life characteristics. Additionally, the  
22 operations group indicated the coastal environment to which these assets are  
23 subjected will cause the life estimate of the Hydro plant to be less than most of the  
24 Canadian peer companies.

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26 Review of the peer group has indicated that the life estimates for street lights range  
27 from 16 to 43 years. It was also noted that the 16 year life estimate adopted by

1 Newfoundland Power provides for a meaningful peer comparison given the  
2 similarity of the coastal environment, which was specifically identified as a cause of  
3 retirement characteristics by the operations group. Given the results of the  
4 retirement rate analysis, the peer comparison and the comments of the operations  
5 staff, Gannett Fleming has recommended the Iowa 20-R2.