

1 Q. Re: Account T05: Please fully explain and justify the selection of a 50R3 life-curve
2 combination for Account T05 – Transformers. The response should specifically
3 address the curve fit set forth on page IV-226 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. 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 55-R3 is provided as CA-NLH-139
12 Attachment 1 to this response.

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14 A preliminary life estimate of the Iowa 55-R3 was based on the retirement rate
15 analysis. During the retirement rate analysis, Gannett Fleming noted that there was
16 a period of significant retirement activity beginning at age 4.5 and extending
17 through to age 31.5 years. While giving recognition to this retirement experience,
18 Gannett Fleming has also noted that approximately 9% of total plant exposed to
19 retirement at age 0.0 remains exposed to retirement at age 32.5 years, making this
20 era of retirement experience is statistically relevant. However the retirements
21 occurring after age 32.5 years become much smaller than the retirement activity
22 starting at age 2.5 years. As such, Gannett Fleming viewed that the Iowa 55-R3
23 provides a good fit to the observed life table.

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25 The preliminary fit of the Iowa 55-R3 was discussed with the operations staff who
26 have agreed that a 55 year life is representative of life characteristics.

1 Review of the peer group has indicated that the life estimates for transformers
2 range from 30 to 53 years. It was also noted that Newfoundland Power
3 depreciates these assets over a 46 year life, which provides for a meaningful peer
4 comparison. Given the results of the retirement rate analysis, the peer comparison
5 and the comments of the Operations staff, Gannett Fleming has recommended the
6 Iowa 55-R3.

