

1 Q. Re: Account T07: Please fully explain and justify the selection of a 30R2 life-curve
2 combination for Account T07 – Transformers – Pole Mounted. The response should
3 specifically address the curve fit set forth on page IV-230 of Exhibit 1 and why a
4 longer life is not appropriate. The response should also present the specific steps
5 and corresponding information and documents relied on to arrive at the proposed
6 life-curve combination.

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9 A. A preliminary life estimate of the Iowa 30-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 7.5 and extending
12 through to age 19.5 years. While giving recognition to retirement experience,
13 Gannett Fleming has also noted that by age 28.5 the total plant exposed to
14 retirement was approximately 0.2% of total plant exposed to retirement at age 0.0
15 years making the retirement activity at ages beyond 28.5 statistically irrelevant. As
16 such, the indications on the observed life table after age 28.5 years were not
17 considered as relevant. Based on a visual fitting, it was viewed that the Iowa 30-R2
18 provides a good fit to the observed life table.

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20 The preliminary fit of the Iowa 30-R2 was discussed with the operations staff who
21 have agreed that a 30 year life is representative of life characteristics. Additionally,
22 as indicated in CA-NLH-12 Attachment 1, the operations group indicated the coastal
23 environment to which these assets are subjected will cause the life estimate of the
24 Hydro plant to be less than most of the Canadian peer companies, as the exposure
25 to high levels of salt have caused increased amounts of corrosion.

1 Review of the peer group has indicated that the life estimates for the pole mounted
2 transformers range from 33 to 50 years. Given the results of the retirement rate
3 analysis, the peer comparison and the comments of the operations staff indicating
4 that it would be expected that the Hydro life would be shorter than the peer range,
5 Gannett Fleming has recommended the Iowa 30-R2.