

1 Q. Re: Account W01: Please fully explain and justify the selection of a 55S4 life-curve
2 combination for Account W01 – Water Regulating Structures. The response should
3 specifically address the curve fit set forth on page IV-248 of Exhibit 1 (note that
4 page IV-248 presents an 80S4) and why a longer life is not appropriate. The
5 response should also present the specific steps and corresponding information and
6 documents relied 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 55-S4 is provided as CA-NLH-150,
12 Attachment 1 to this response.

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14 This account has experienced no retirement activity over the 1991 through 2009
15 observation period. As such, a retirement rate analysis does not provide for any
16 meaningful retirement dispersion information other than an indication of a very
17 long life expectation given that the original investment, made in 1967 has
18 experienced no retirement activity over the 1991 through 2009 observation period.
19 Gannett Fleming noted three specific facts in the determination of the average
20 service life recommendation as follows:

- 21 • The average life estimates for peer companies ranges from 70 to 100 years;
- 22 • The life estimate recommended in Gannett's 2007 study was 45 years; and
- 23 • The operations staff indicated that a life of approximately 45 to 55 years should
24 be used.

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26 Given the above indications, Gannett Fleming viewed that a life of not shorter than
27 55 years is appropriate, and the fact that there has been no retirement activity to

1 date would warrant the continuation of a life estimate of at least 55 years.
2 Additionally, the lack of historic retirement experience would lead to a high mode
3 curve. Giving consideration to these factors, Gannett Fleming recommends a life
4 of 55 years. In future studies, if this account continues to exhibit no retirement
5 activity, the average service life estimate may need to be further extended at that
6 time.

