Q. [Account P03 - Penstocks] - Regarding the statement in response to CA-NLH-96 that a significant portion of the investment in penstocks has occurred in the 1980s and as such the recommended 70R4 Iowa Curve is not inconsistent with the investment not being retired, please state whether the Company believes that the same statement would be as correct or more correct for 90R4 and 100R4 life-curve combinations. To the extent the Company is of the opinion that such statement is not equally or more applicable to longer average service lives, provide all support and justification for such position.

A. Gannett Fleming confirms that both the 90-R4 and the 100-R4 Iowa curves would anticipate very few retirements through the observation period, and also would provide for a reasonable fit. Gannett Fleming notes that in the circumstances where no retirement activity has occurred over an observation period, many average service life and Iowa curve shape combinations would provide an equally good fit to the observed life table. For example, a 50-S6 would also provide an equal or better indication of a fit to the observed life table for this account. As such, in the circumstances of no retirement activity, other factors, such as peer analysis, and views of the internal operational staff become the primary factor in the selection of the average service life estimate. However, the indication of a lack of retirement experience at early ages as seen in the observed life table provides an indication of a high mode curve and a longer life estimate.

As indicated in the response to CA-NLH-96, a number of other factors were considered in the development of the average service life. CA-NLH-96 also discusses the reasons and process used in the development of the Iowa 70-R4 estimate. At the time the study was completed, there was only one indication of a

Canadian utility using a life estimate in excess of 75 years for Penstocks. Additionally, as discussed in response to CA-NLH-75 when the Iowa curve shape and maximum life indications are considered, the 70-R4 meets with the expectations of the operations staff. Gannett Fleming considers that given the experience of utilities in Canada, and given the approximately 107 year maximum life indication of the Iowa 70-R4, a life estimate of greater than 70 years is not appropriate.