

1 Q. [Account T05 - Transformers] - In CA-NLH-139 relating to account T05 -  
2 Transformers, a statement is made that retirements occurring after age 32.5 years  
3 become much smaller than the retirement activity starting at age 2.5 years and as  
4 such, Gannett Fleming views a 55R3 as a good fit to the observed life table. At this  
5 time, please state the significance of the much smaller level of retirement activity  
6 subsequent to 32.5 years of age in the selection process. Further provide all  
7 authoritative sources for discounting or giving less significance to the limited  
8 retirement activity subsequent to 32.5 years of age given the dollar level of  
9 exposures at issue at 32.5 years of age and beyond.

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12 A. In total, this account has experienced \$4,148,473 of retirement over the  
13 observation period. Of this total, only \$56,016 has occurred after age 32.5 years,  
14 indicating that of the retirement history, 98.6% has retired over the portion of the  
15 smoothed Iowa curve that Gannett Fleming views to be a good fit. In considering  
16 the reasonableness of the Iowa curve fit, Gannett Fleming noted that the tail  
17 portion of the stubbed observed life table does not fit as well; however, it includes  
18 only 1.4% of the observed retirement history. In making this specific observation,  
19 Gannett Fleming did not rely on any published sources. However, Mr. Kennedy does  
20 consider the discussions regarding curve fitting practices as published in a number  
21 of textbooks, including the textbook Depreciation Systems, published by the Iowa  
22 State University, and Iowa State Bulletin 125, also published by the Iowa State  
23 University, to be authoritative sources.