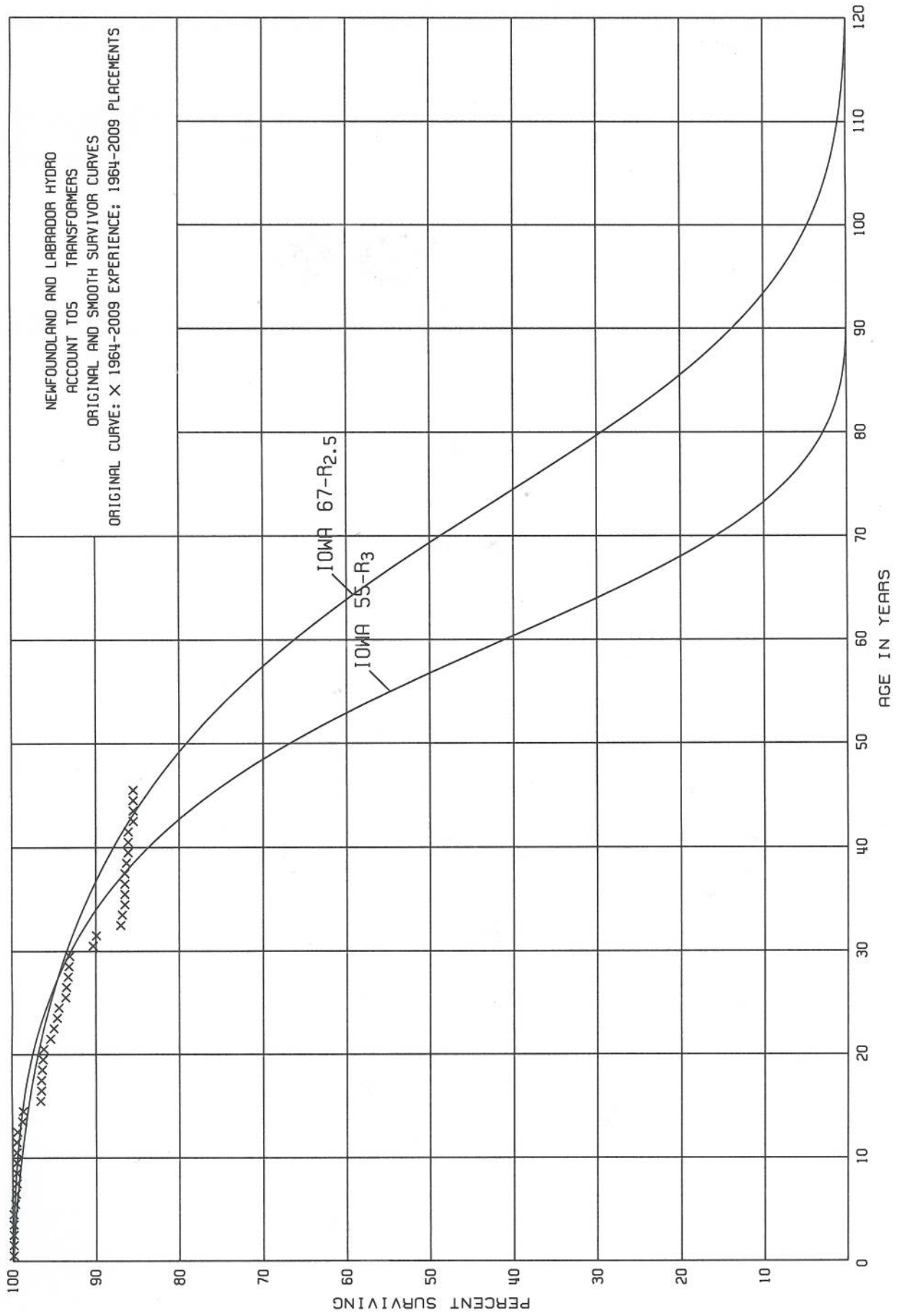
Q. [Account T05 - Transformers] - In CA-NLH-137, the Company states that the decommissioning of substations is normal activity and as such should be included in the retirement rate analysis for Account T05 - Transformers. Given such position, please state why a 67R2.5 life-curve combination is not a better or a reasonable fit to the historical data compared to the Company-proposed 55R3 life-curve combination. The response should include all supporting documentation associated with any position that the longer average service life is not a reasonable fit, including all meaningful and significant factors.

A. As shown in CA-NLH-221 Attachment 1, the referenced Iowa 67-R2.5 and the Gannett Fleming recommended Iowa 55-R3 provide very similar fits to the observed life table through age 29.5 years. However, after age 29.5 years the Iowa 67-R2.5 places an undue amount of weighting on the tail portion of the stubbed observed life table. As discussed in response to CA-NLH-219, Gannett Fleming views that the retirement experience through to age 32.5 years requires consideration and that the observed life table through age 32.5 years is the relevant portion of the mortality experience to consider. The referenced Iowa 67-R2.5 sacrifices the relevant retirement experience at ages 30.5 through 32.5 years in favour of the irrelevant level of retirement experience after age 32.5 years. As such, the Gannett Fleming recommended Iowa 55-R3 provides a better fit to the relevant portion of the observed life table.


NEWFOUNDLAND AND LABRADOR HYDRO
ACCOUNT TO5 TRANSFORMERS
ORIGINAL AND SMOOTH SURVIVOR CURVES
ORIGINAL CURVE: X 1964-2009 EXPERIENCE; 1964-2009 PLACEMENTS
IOWA 67-R2.5
IOWA 55-R3
PERCENT SURVIVING
AGE IN YEARS
100
90
80
70
60
50
40
30
20
10
0
10
20
30
40
50
60
70
80
90
100
110
120