1   **Q.**   **Page 31, lines 1 to 13.**

2

3   **The majority of the asset groupings reviewed by Mr. Pous have (i) long life**

4   **expectances and (ii) little, if any, recorded retirement activity. Please explain in**

5   **full the statistical significance of the lack of retirement activity in these asset**

6   **groups which are comprised of a small number of large assets with long life**

7   **expectancies.**

8

9   **A.**   The request is premised on statements that are not necessarily accurate. However,

10   notwithstanding such potential inaccuracies, statistical significance associated with the lack

11   of retirement activity can dispel certain values from reasonable expectation. For example,

12   Account W01 – Water Regulating Structures has not experienced retirement activity, yet

13   has had 42.5 years of exposures as of 2009. Gannett Fleming's initial depreciation study at

14   page IV-248 set forth an 80S4 life-curve combination, which matched the data through 42.5

15   years of exposures. Alternatively, in Gannett Fleming's revised depreciation presentation,

16   submitted in response to CA-NLH-150 Attachment 1, a 55S4 life-curve combination is

17   presented, yet still with no retirement activity. As can be seen in the attachment to CA-NLH-

18   150, the proposed 55S4 begins to deviate from actual data in the early 30-year age range.

19   The deviation increases significantly as additional age brackets are reviewed. From a

20   statistical standpoint, the 55S4 would not be a valid fit of the data. Thus, as previously

21   noted, even without retirement activity, certain statistical significance can be assigned to

22   values that would permit their exclusion from consideration as is the case for the 55S4 life-

23   curve combination proposed by Gannett Fleming.