

1 Q. Re: Account G01: Please fully explain and justify the selection of a 35R4 life-curve
2 combination for Account G01 – Gas Turbine Systems. The response should
3 specifically address the curve fit set forth on page IV-78 of Exhibit 1 and why a
4 longer life is not appropriate. The response should also present the specific steps
5 and corresponding information and documents relied on to arrive at the proposed
6 life-curve combination.

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9 A. The preliminary life estimate resulting from the retirement rate analysis indicated a
10 50-R4 Iowa curve. This analysis specifically noted the two large retirement ratios at
11 ages 23.5 and 25.5 years. As discussed in response to CA-NLH-81, the retirements
12 causing these large ratios were retirements from the normal course of operations.
13 The preliminary life estimate was discussed and reviewed with operations staff who
14 indicated a 50 year average service life is much too long. Most of the assets in this
15 account are in the process of being refurbished or planned to be refurbished within
16 the next five years. The historic retirement ratios were discussed with the
17 operations staff who felt that historically plant has retired at an older age than it
18 will in the future given the technological changes in these assets. As such, the
19 expectation of the operations staff was for the assets in this account to have an
20 average life of 30 to 35 years.

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22 A review of the average service life estimates of the peer electric group has
23 indicated lives ranging from 18 to 50 years with an average of 29 years. While the
24 results of the retirement rate analysis were outside of the industry range, the views
25 of the operating staff were much more aligned to the average of the life estimates
26 of the peer companies.

- 1 The recommended 35-R4 curve represents a 10 year increase from the previously
- 2 recommended 25 year life estimate.