

1 Q. Re: Account G03: Please fully explain and justify the selection of a 60S4 life-curve
2 combination for Account G03 – Generators. The response should specifically
3 address the curve fit set forth on page IV-82 of Exhibit 1 and why a longer life is not
4 appropriate. The response should also present the specific steps and corresponding
5 information and documents relied on to arrive at the proposed life-curve
6 combination.

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9 A. As part of the conversion to IFRS the generator windings were componentized out
10 of this account into account G04 – Generator Windings. As such, the investment by
11 vintage as identified at page V-40 no longer includes any associated with the short
12 life windings. At the time that this study was completed, a number of Canadian
13 generation utilities were reviewing the generator windings to determine if they
14 should be separated into a separate account; and if separated, the estimated useful
15 life. It had been generally concluded within the Canadian electric generation
16 industry, that the windings required separation into a unique account, and that a
17 life significantly shorter than the generator's life was appropriate (which drove the
18 need for the componentization). The previously approved life for account G03 –
19 Generators was 50 years. The operations staff felt that the windings would have
20 had a life shortening impact on the generation equipment.

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22 Based on a number of reviews of Canadian electric utilities, and on the comments of
23 the operations staff, it was determined that the windings should have a 40-year
24 average service life as compared to the 60-year life as determined for the new G03
25 – Generators account (which now excludes the windings). The previously approved
26 life estimate for generators was 50 years. As such the impact of the windings in
27 account G04 has been estimated to have a life shortening impact of the account

- 28 before componentization, of approximately ten years. This account - G03
- 29 Generation has a life recommendation that has been extended to 60 years.