

1 Q. Re: Account R13: Please fully explain and justify the selection of a 50R4 life-curve
2 combination for Account R13 – Roads. The response should specifically address the
3 curve fit set forth on page IV-180 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. The previously recommended average service life estimate was 50 years. In the
10 development of an appropriate life estimate for the current depreciation study,
11 Gannett Fleming noted that there has been no retirement activity over the
12 observation period of this account. It is noted that under IFRS Hydro will be
13 recording partial retirements where roads are subject to capital upgrades. Given
14 the lack of retirement activity, Gannett Fleming has considered the 40 year average
15 life estimate used by only two of the peers that had segmented this account to the
16 same level as Hydro. However, given the lack of retirement activity, Gannett
17 Fleming does not view it as reasonable to shorten the average service life estimate
18 at this time. As such, the continued use of the 50 year average life estimate in
19 combination with a high mode R4 Iowa is recommended. Future studies may have
20 adequate information to consider a life extension.