

GAZIFÈRE INC.
Gatineau, Québec

2015 DEPRECIATION STUDY

**CALCULATED ANNUAL DEPRECIATION
ACCRUAL RATES APPLICABLE TO
PLANT IN SERVICE AS OF DECEMBER 31, 2013**

Prepared by:



*Excellence Delivered **As Promised***

GAZIFÈRE INC.
Gatineau, Québec

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PLANT IN SERVICE AS OF DECEMBER 31, 2013

GANNETT FLEMING CANADA ULC

Calgary, Alberta



*Excellence Delivered **As Promised***

May 11, 2015

Gazifère Inc.
706 Boulevard Gréber
Gatineau, Québec
J8V 3P8

Attention: Jean-Benoit Trahan

Ladies and Gentlemen:

Pursuant to your request, we have conducted a depreciation study of the gas distribution and general plant assets of Gazifère Inc. ("Gazifère" or the "Company") as of December 31, 2013. Our report presents a description of the methods used in the estimation of depreciation, the statistical analysis of service life and the summary and detailed tabulations of annual and accrued depreciation.

The calculated annual depreciation accrual rates presented in the report are applicable to plant in service as of December 31, 2013. The depreciation rates are based on the straight-line remaining life method using the average life group procedure. A periodic review of the depreciation rates using the same estimates and methods is recommended.

Respectfully submitted,

GANNETT FLEMING CANADA ULC

A handwritten signature in black ink, appearing to read "L. Kennedy", written over a light grey circular stamp.

LARRY E. KENNEDY
Vice President

LEK/hac
Project #059713

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GAZIFÈRE INC.
DEPRECIATION STUDY

EXECUTIVE SUMMARY

Pursuant to Gazifère Inc. (“Gazifère” or the “Company”) request, Gannett Fleming Canada ULC (“Gannett Fleming”) conducted a depreciation study related to the gas distribution and general plant assets as of December 31, 2013. The purpose of this study was to determine the annual depreciation accrual rates and amounts for book and ratemaking objectives.

The depreciation rates are based on the straight line method using the average service life (“ASL”) procedure and were applied on a remaining life basis. The calculations were based on attained ages and estimated average service life, and forecasting net salvage characteristic for each depreciable group of assets.

Gazifère’s accounting policy has not changed since the last depreciation study was prepared, nor were there any significant policy changes affecting the results of the study presented here within.

Gannett Fleming recommends the calculated annual depreciation accrual rates set forth herein apply specifically to gas plant in service as of December 31, 2013 as summarized by Table 1 of the study by account detail. Supporting data and calculations are provided as well within the study.

Finally, this study results in an annual depreciation expense accrual of \$4.5 million when applied to depreciable plant balances as of December 31, 2013. The report study results are summarized as follows:

SUMMARY OF ORIGINAL COST, ACCRUAL PERCENTAGES AND AMOUNTS

<u>PLANT GROUP</u> (1)	<u>ORIGINAL COST</u>	<u>ANNUAL ACCRUAL</u>	
	\$'s (2)	%'s (3)	\$'s (4)
DISTRIBUTION	124,857,388	3.18%	3,966,477
GENERAL	10,777,956	13.92%	1,500,188
TOTAL PLANT IN SERVICE	<u>135,635,344</u>	<u>4.03%</u>	<u>5,466,665</u>

PART I. INTRODUCTION

GAZIFÈRE INC.
DEPRECIATION STUDY
PART I. INTRODUCTION

SCOPE

This report sets forth the results of the depreciation study for Gazifère, to determine the annual depreciation accrual rates and amounts for book purposes applicable to the original cost of gas distribution and general plant at December 31, 2013. The rates and amounts are based on the straight line remaining life method and calculated using the average service life (“ASL”) procedure. This report also describes the concepts, methods and judgments which underlie the recommended annual depreciation accrual rates related to gas plant in service as of December 31, 2013.

The service life and net salvage estimates resulting from the study were based on: informed engineering judgment which incorporated analyses of historical plant retirement data as recorded through December 31, 2013; a review of Company practice and outlook as they relate to plant operation and retirement; and consideration of current practice in the gas industry, including knowledge of service lives and net salvage estimates used for other gas companies.

PLAN OF REPORT

Part I Introduction, contains statements with respect to the plan of the report, and the basis of the study. Part II Development of Depreciation Parameters, presents descriptions of the methods used in the service life and net salvage studies. Part III Calculation of Annual and Accrued Depreciation presents the methods and procedures used in the calculation of depreciation. Part IV Results of Study, presents summaries by depreciable group of annual and accrued depreciation. Part V presents the results of the Retirement Rate and Service Life Statistics and Part VI presents Net Salvage Analysis. Detailed tabulations of annual and accrued depreciation is presented in Part VII of this report. An overview of Iowa curves and the Retirement Rate Analysis are set forth in Appendix A of the report. An overview of the net salvage analysis is presented in Appendix B of this report.

BASIS OF THE STUDY

Depreciation

For most accounts, the annual and accrued depreciation were calculated by the straight line method using the average service life procedure. For certain General Plant accounts, the annual and accrued depreciation are based on amortization accounting. Both types of calculations were based on original cost, attained ages, and estimates of service lives and salvage. Variances between the calculated accrued depreciation or amortization and the book accumulated depreciation are amortized over the composite remaining life of each account.

Continued monitoring and maintenance of the accumulated depreciation reserve at the account level is recommended. Gannett Fleming has determined an amortization amount to correct the present variance of the booked accumulated depreciation to the calculated accrued depreciation amounts. This adjustment mechanism, whether determined separately as an amortization amount or incorporated in the calculation of remaining life accruals, is widely-accepted

The straight line method using the average service life procedure is a commonly used depreciation calculation procedure that has been widely accepted in jurisdictions throughout North America. Gannett Fleming recommends its continued use. Amortization accounting is used for certain General Plant accounts because of the disproportionate plant accounting effort required when compared to the minimal original cost of the large number of items in these accounts. Many gas utilities in North America have received approval to adopt amortization accounting for these accounts.

Service Life and Net Salvage Estimates

The service life and salvage estimates used in the depreciation and amortization calculations were based on informed judgment which incorporated a review of management's plans, policies and outlook, a general knowledge of the gas utility industry, and comparisons of the service life and net salvage estimates from our studies of other gas utilities. The use of survivor curves to reflect the expected dispersion of retirement provides a consistent method of estimating depreciation for gas plant. Iowa

type survivor curves were used to depict the estimated survivor curves for the plant accounts not subject to amortization accounting.

The procedure for estimating service lives consisted of compiling historical data for the plant accounts or depreciable groups, analyzing this history through the use of widely accepted techniques, and forecasting the survivor characteristics for each depreciable group on the basis of interpretations of the historical data analyses and the probable future. The combination of the historical experience and the estimated future yielded estimated survivor curves from which the average service lives were derived.

The depreciation rates should be reviewed periodically to reflect the changes that result from plant and reserve account activity. A depreciation reserve deficiency or surplus will develop if future capital expenditures vary significantly from those anticipated in this study.

PART II. DEVELOPMENT OF DEPRECIATIONS PARAMETERS

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DEPRECIATION

Depreciation, in public utility regulation, is the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among causes to be given consideration are wear and tear, deterioration, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and the requirements of public authorities.

Depreciation, as used in accounting, is a method of distributing fixed capital costs, less net salvage, over a period of time by allocating annual amounts to expense. Each annual amount of such depreciation expense is part of that year's total cost of providing gas utility service. Normally, the period of time over which the fixed capital cost is allocated to the cost of service is equal to the period of time over which an item renders service, that is, the item's service life. The most prevalent method of allocation is to distribute an equal amount of cost to each year of service life. This method is known as the straight-line method of depreciation.

The calculation of annual and accrued depreciation based on the straight line method requires the estimation of survivor curves and is described in the following sections of this report. The development of the proposed depreciation rates also requires the selection of group depreciation procedures, as discussed in Part III of this report.

ESTIMATION OF SURVIVOR CURVES

Survivor Curves

The use of an average service life for a property group implies that the various units in the group have different lives. Thus, the average life may be obtained by determining the separate lives of each of the units, or by constructing a survivor curve by plotting the number of units which survive at successive ages using the retirement rate method of analysis.

The range of survivor characteristics usually experienced by utility and industrial properties is encompassed by a system of generalized survivor curves known as the Iowa type curves. There are four families in the Iowa system, labeled in accordance with the location of the modes of the retirements in relationship to the average life and relative height of the modes. The left-moded curves are those in which the greatest frequency of retirement occurs to the left of, or prior to, average service life. The symmetrical-moded curves are those in which the greatest frequency of retirement occurs at average service life. The right-moded curves are those in which the greatest frequency occurs to the right of, or after, the average service life. The origin-moded curves are those in which the greatest frequency of retirement occurs at the origin, or immediately after age 0. The letter designation of each family of curves (L, S, R or O) represents the mode of the associated frequency curve with respect to the average service life. The numerical subscripts represent the relative heights of the modes of the frequency curves within each family.

A discussion of the general concept of survivor curves and retirement rate method is presented in Appendix A of this report. Also attached, as Appendix B to this report is a discussion of the net salvage estimation process followed by Gannett Fleming in this study.

Survivor Curve and Net Salvage Judgments

The survivor curve estimates were based on judgment which considered a number of factors. The primary factors were the statistical analysis of data; current policies and outlook as determined during conversations with management personnel and on the knowledge Gannett Fleming developed through the completion of numerous gas utility studies.

The estimates of net salvage were based in part on historical data related to actual retirement activity for the years 1996 through 2013 for most accounts. Gross salvage and cost of removal as recorded to the depreciation reserve account and related to experienced retirements were used. Percentages of the cost of plant retired were calculated for each component of net salvage on both annual and five-year moving average bases.

The net salvage estimates are expressed as percentages of the cost of plant. The net salvage estimates for transmission plant represent a weighting of the net salvage applicable to retirements prior to truncation and zero net salvage for retirements at truncation.

The following discussion, dealing with a number of accounts which comprise the majority of the investment analyzed, presents an overview of the factors considered by Gannett Fleming in the determination of the average service life and net salvage estimates. The survivor curve estimates for the remainder of the accounts not discussed in the following sections were based on similar considerations.

Account 473.00 - Services – The investment in Services accounts for 36% of the total depreciable plant studied. The currently approved average service life estimate is the Iowa 50-R5. In a 2009 depreciation study, Gannett Fleming recommended a 39-S3 based on the actual retirement history of the Gazifère plant. However, in Decision D-2010-212, the Régie de l'énergie (the "Régie") considered that the depreciation study placed too much reliance on the historic retirements of copper piping which was the predominant cause of the observed retirement history. The Régie further noted that following the copper pipe replacement, the Gazifère distribution system is over 90% comprised of plastic piping and is more modern than most systems in North America. Given these considerations the Régie ruled that there was insufficient evidence to shorten the average service life for the assets remaining in service and ordered that Gazifère continue to use a 50-R5 Iowa curve.

In this current depreciation study, a review of the retirement history indicated an Iowa 40-R3. The retirement rate analysis prepared in this study reviewed the plant installed over the period of 1960 through 2013 and the retirement experience covering the period of 1996 through 2013. The plotted observed life table produced by the retirement rate analysis is presented at pages V-2 of this report. However, this retirement data is still predominately based on the copper piping replacement programs. Giving consideration to the comments of the Régie in D-2010-112, Gannett Fleming is proposing to retain the 50 year average service life estimate. However, Gannett Fleming is recommending a small change to the Iowa curve shape to better reflect the Gannett Fleming experience that plastic pipe will retire with a lower moded retirement dispersion. As such, the Iowa 50-R3 is recommended for this account.

The currently approved net salvage estimate for this account is negative 115 percent, as approved by the Régie in Decision D-2010-112. Gannett Fleming has reviewed the historic net salvage indications study as part of this depreciation study. As indicated at pages VI-2 and VI-3 of this report, the actual net salvage requirements of this account have become more negative over the past five years. Only in 2011 where a negative 128 percent is indicated is the net salvage indication below negative 174 percent, with three years indicating a requirement of at least negative 208 percent. The average indication over this most recent five-year period is negative 198 percent. Gannett Fleming noted that the negative 115 percent currently approved by the Régie is still within a common band of salvage estimates approved by regulators across the country, which generally range from negative 100 percent to negative 125 percent. As such, Gannett Fleming is recommending that the net salvage percentage be retained at negative 115 percent in this study. However, if further studies indicate the continuance of the trend towards more negative percentages, a significant increase in the net negative salvage requirement may be required. Therefore, continuation of the currently approved negative 115 percent is recommended in this study.

Account 475.00 – Mains - The investment in Mains accounts for 54% of the total depreciable plant studied. The currently approved average service life estimate is the Iowa 75-R4. The retirement rate analysis prepared in this study reviewed the plant installed over the period of 1959 through 2013 and the retirement experience covering the period of 1996 through 2013. Over this period, over \$617,000 of plant has been retired, with a consistent level of investment retiring in most years. Additionally, the plotted observed life table presented at page V-5 indicates a small but consistent level of retirements occurring broadly across all age intervals. The retirement rate analysis is presented at pages V-6 and V-7 of this report and produced a good fit to the Iowa 80-R3. This would represent a small life extension from 75 to 80 years which Gannett Fleming views as reasonable given the continuation of the trend of continual but small levels of investment being retired each year. Additionally the lowering of the mode of the Iowa curve from the Iowa R4 to the Iowa R3 is consistent with the trend of broadly dispersed ages of retirements. Therefore, Gannett Fleming is recommending the Iowa 80-R3 curve in this depreciation study.

The currently approved net salvage estimate for this account is negative 70 percent, approved by the Régie in Decision D-2010-112. Gannett Fleming has reviewed the historic net salvage indications study as part of this depreciation study. As indicated at pages VI-4 and VI-5 of this report the actual net salvage requirements of this account have become significantly more negative over the past five years. Only in 2013 where a negative 120 percent is indicated is the net salvage indication below negative 275 percent, with three years indicating a requirement of at least negative 347 percent. The average indication over this most recent five-year period is negative 268 percent. Given the significant indications that a more negative net salvage percentage is required, Gannett Fleming is proposing a change from the currently approved negative 70 percent to negative 100 percent at this time. It is specifically noted that this recommended change is moderated to provide an additional observation period through to the next depreciation study to determine if the most recent five-year trend continues. If this trend towards a much more negative salvage continues to be witnessed in future studies, the net salvage for this account will require further modification to a more negative salvage percentage. The depreciation calculations in this study have been based on a net salvage percentage of negative 100 percent.

Other Accounts – The investment in all other depreciable accounts, in total accounts for 10% of the depreciable plant studied. Based on the results of a retirement rate analysis prepared for the remaining accounts, the average service life estimates as approved by the Régie in Decision D-2010-112 remain to be reasonable. The retirement rate analysis for all accounts is presented in Part III of this report.

Gannett Fleming also reviewed the net salvage estimates of Account 477.00 – Regulating Equipment and Account 478.00 – Meters. Over the most recent two years, a small indication of net negative salvage requirements has become apparent in Account 477.00, resulting in the inclusion of a negative five percent in the depreciation calculations for Account 477.00. The net salvage recommendation of a positive 65 percent related to Account 478.00 and is consistent with the recommendations and Régie approval in the last depreciation study. This high level of positive salvage is indicative of the location life accounting practice followed by Gazifère and is reasonable given this practice.

**PART III. CALCULATION OF ANNUAL AND
ACCRUED DEPRECIATION**

PART III. CALCULATION OF ANNUAL AND ACCRUED DEPRECIATION

Group Depreciation Procedures

When more than a single item of property is under consideration, a group procedure for depreciation is appropriate because normally all of the items within a group do not have identical service lives, but have lives that are dispersed over a range of time. There are two primary group procedures, namely, the average service life and equal life group procedures.

In the average service life procedure, the rate of annual depreciation is based on the average service life of the group, and this rate is applied to the surviving balances of the group's cost. A characteristic of this procedure is that the cost of plant retired prior to average life is not fully recouped at the time of retirement, whereas the cost of plant retired subsequent to the average life is more than fully recouped. Over the entire life cycle, the portion of cost not recouped prior to average life is balanced by the cost recouped subsequent to average life.

In the equal life group procedure, also known as the unit summation procedure, the property group is subdivided according to service life. That is, each equal life group includes that portion of the property which experiences the life of that specific group. The relative size of each equal life group is determined from the property's life dispersion curve. The calculated depreciation for the property group is the summation of the calculated depreciation based on the service life of each equal life unit.

In the determination of the depreciation rates in this study, the use of the average service life procedure has been continued. While the equal life group procedure provides an enhanced matching of depreciation expense to the consumption of service value, the average service life procedure was used in order to conform to past Company practices and approvals by the Régie.

CALCULATION OF ANNUAL AND ACCRUED AMORTIZATION

Amortization is the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

Normally, the distribution of the amount is in equal amounts to each year of the amortization period.

The calculation of annual and accrued amortization requires the selection of an amortization period. The amortization periods used in this report were based on judgment which incorporated a consideration of the period during which the assets will render most of their service, the amortization period and service lives used by other utilities, and the service life estimates previously used for the asset under depreciation accounting.

Amortization accounting is proposed for a number of accounts that represent numerous units of property, but a very small portion of depreciable plant in service. The accounts and their amortization periods are as follows:

<u>ACCOUNT</u>	<u>TITLE</u>	AMORTIZATION PERIOD, <u>YEARS</u>
483.00	Office Furniture and Equipment	15
486.00	Tools and Work Equipment	10
490.00	Computer Equipment	4
490.01	Computer Equipment – Post 2008	4
491.00	Other Intangible Assets – Software Other	4
491.00	Other Intangible Assets – CIS	7

For the purpose of calculating annual amortization amounts as of December 31, 2013 the book depreciation reserve for each plant account or subaccount is assigned or allocated to vintages. The book reserve assigned to vintages with an age greater than the amortization period is equal to the vintage’s original cost. The remaining book reserve is allocated among vintages with an age less than the amortization period in proportion to the calculated accrued amortization. The calculated accrued amortization is equal to the original cost multiplied by the ratio of the vintage’s age to its amortization period. The annual amortization amount is determined by dividing the future amortizations (original cost less allocated book reserve) by the remaining period of amortization for the vintage.

PART IV. RESULTS OF STUDY

PART IV. RESULTS OF STUDY

QUALIFICATION OF RESULTS

The calculated annual and accrued depreciation are the principal results of the study. Continued surveillance and periodic revisions are normally required to maintain continued use of appropriate annual depreciation accrual rates. An assumption that accrual rates can remain unchanged over a long period of time implies a disregard for the inherent variability in service lives and salvage and for the change of the composition of property in service. The annual accrual rates and the accrued depreciation were calculated in accordance with the straight line method, using the average service life group procedure based on estimates which reflect considerations of current historical evidence and expected future conditions.

DESCRIPTION OF DETAILED TABULATIONS

The service life estimates were based on judgment that incorporated statistical analysis of retirement data, discussions with management and consideration of estimates made for other gas utilities. The results of the statistical analysis of service life are presented in Part V of this report beginning on page V2.

For each depreciable group analyzed by the retirement rate method, a chart depicting the original and estimated survivor curves is followed by a tabular presentation of the original life table(s) plotted on the chart. The survivor curves estimated for the depreciable groups are shown as dark smooth curves on the charts. Each smooth survivor curve is denoted by a numeral followed by the curve type designation. The numeral used is the average life derived from the entire curve from 100 percent to zero percent surviving. The titles of the chart indicate the group, the symbol used to plot the points of the original life table, and the experience and placement bands of the life tables which were plotted. The experience band indicates the range of years for which retirements were used to develop the stub survivor curve. The placements indicate, for the related experience band, the range of years of installations which appear in the experience band of retirement.

Table 1, at page IV-4 presents a summary of the results of this study. Table 1 provides a summary of the original cost of investment in each account, the current

balance of the accumulated depreciation accounts, the amount of future recovery required, the composite remaining life of each account and the required annual depreciation accrual amount and rate.

The tables of the detailed calculated annual depreciation applicable to depreciable assets as of December 31, 2013 are presented in account sequence starting on page VII-2 of Part VII of this report. The tables indicate the estimated average survivor curves and net salvage percentage used in the calculations. The tables set forth, for each installation year, the original cost, calculated accrued depreciation, composite remaining life and the calculated annual accrual.

GAZIFÈRE INC.

TABLE 1. ESTIMATED SURVIVOR CURVE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO UTILITY PLANT AT DECEMBER 31, 2013

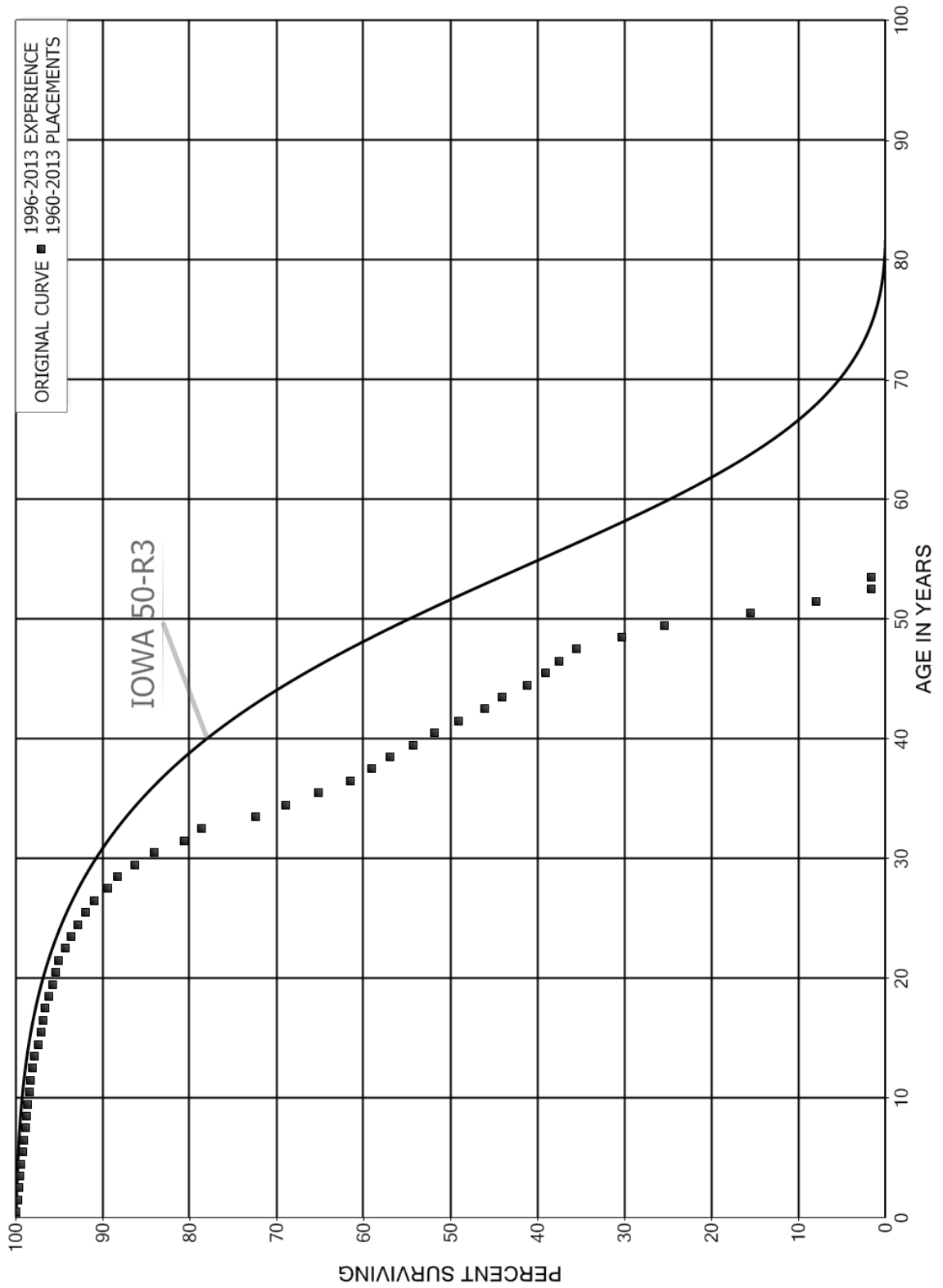
ACCOUNT	DESCRIPTION (1)	SURVIVOR CURVE (2)	NET SALVAGE (3)	ORIGINAL COST AS OF DECEMBER 31, 2013 (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	CALCULATED ANNUAL ACCRUAL AMOUNT (7)	ANNUAL ACCRUAL RATE (8)=(7)/(4)	COMPOSITE REMAINING LIFE (9)=(6)/(7)
	DEPRECIABLE PLANT STUDIED								
473.00	SERVICES	50-R3	(115)	46,927,470	23,276,295	77,617,954	2,052,077	4.37	37.8
475.00	MAINS	80-R3	(100)	69,522,396	26,697,322	112,347,470	1,729,629	2.49	65.0
477.00	REGULATING EQUIPMENT	30-R4	(5)	2,939,156	1,755,858	1,330,256	76,740	2.61	17.3
478.00	METERS	12-R0.5	65	5,468,365	909,550	1,004,378	108,031	1.98	9.3
483.00	OFFICE FURNITURE AND EQUIPMENT	15-SQ	0	693,028	249,937	443,091	51,459	7.43	8.6
484.01	TRANSPORTATION EQUIPMENT - POST 2005	9-S3	0	1,160,148	486,503	673,645	127,638	11.00	5.3
485.00	HEAVY WORK EQUIPMENT	15-S3	0	52,605	53,355	-	-	0.00	3.6
485.01	HEAVY WORK EQUIPMENT - POST 2006	15-S3	0	202,260	50,794	151,466	12,819	6.34	11.8
486.00	TOOLS AND WORK EQUIPMENT	10-SQ	0	237,622	91,249	146,373	24,159	10.00	6.1
488.00	COMMUNICATION EQUIPMENT	8-L3	0	433,485	13,153	420,332	59,995	13.84	7.0
490.00	COMPUTER EQUIPMENT	4-SQ	0	96,763	96,763	-	-	0.00	0.0
490.01	COMPUTER EQUIPMENT - POST 2008	4-SQ	0	328,316	148,936	179,380	73,733	25.00	4.0
491.00	OTHER INTANGIBLE ASSETS- SOFTWARE OTHER	4-SQ	0	629,364	537,947	91,417	157,341	25.00 *	2.0
491.00	OTHER INTANGIBLE ASSETS- CIS	7-SQ	0	6,944,365	3,903,578	3,040,787	993,044	14.30 *	4.0
	TOTAL DEPRECIABLE PLANT			135,635,345	58,271,241	197,446,549	5,466,665		
	CONTRIBUTIONS (**)								
473.00	SERVICES	50-SQ	0	(699,718)	(504,357)	(195,362)	(13,994)	2.00	14.0
475.00	MAINS	80-SQ	0	(3,396,175)	(3,394,369)	(11,806)	(42,452)	1.25	1.0
477.00	REGULATING EQUIPMENT	30-SQ	0	(149,160)	(92,383)	(56,777)	(4,967)	3.33	11.4
	TOTAL CONTRIBUTIONS			(4,245,053)	(3,991,108)	(263,945)	(61,414)		
	PLANT NOT STUDIED								
401.00	OTHER GAS INSTALLATIONS			189,473	189,473	-	-		
470.00	LAND			64,351	-	-	-		
471.00	RIGHT OF WAY			26,138	-	-	-		
482.50	LEASEHOLD IMPROVEMENTS			1,001,927	235,336	-	-		
	TOTAL NON - DEPRECIABLE PLANT			1,281,889	424,809	-	-		
	TOTAL PLANT			132,672,181	54,714,941	197,182,604	5,405,252		

* Based on a Straight Line Amortization

** Contributions are amortized over the life of the account to which the contributions apply.

PART V. SERVICE LIFE STATISTICS

GAZIFÈRE INC.
 ACCOUNT 473.00 - SERVICES
 ORIGINAL AND SMOOTH SURVIVOR CURVES



GAZIFÈRE INC.

ACCOUNT 473.00 - SERVICES

ORIGINAL LIFE TABLE

PLACEMENT BAND 1960-2013

EXPERIENCE BAND 1996-2013

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	34,851,106	28,013	0.0008	0.9992	100.00
0.5	34,316,545	48,063	0.0014	0.9986	99.92
1.5	33,741,618	46,820	0.0014	0.9986	99.78
2.5	33,453,852	43,279	0.0013	0.9987	99.64
3.5	32,901,087	56,854	0.0017	0.9983	99.51
4.5	32,017,200	43,638	0.0014	0.9986	99.34
5.5	30,628,783	54,652	0.0018	0.9982	99.20
6.5	29,207,142	50,407	0.0017	0.9983	99.03
7.5	27,616,090	32,897	0.0012	0.9988	98.86
8.5	25,759,328	31,575	0.0012	0.9988	98.74
9.5	23,792,842	46,716	0.0020	0.9980	98.62
10.5	22,563,624	41,212	0.0018	0.9982	98.42
11.5	21,311,680	44,185	0.0021	0.9979	98.24
12.5	20,107,779	47,790	0.0024	0.9976	98.04
13.5	18,405,222	73,318	0.0040	0.9960	97.81
14.5	16,837,836	63,571	0.0038	0.9962	97.42
15.5	15,033,257	40,705	0.0027	0.9973	97.05
16.5	13,522,990	30,355	0.0022	0.9978	96.79
17.5	12,223,216	51,506	0.0042	0.9958	96.57
18.5	10,744,514	47,530	0.0044	0.9956	96.16
19.5	9,107,894	34,164	0.0038	0.9962	95.74
20.5	7,793,560	29,723	0.0038	0.9962	95.38
21.5	6,472,874	53,333	0.0082	0.9918	95.02
22.5	5,442,077	38,405	0.0071	0.9929	94.23
23.5	4,951,004	37,667	0.0076	0.9924	93.57
24.5	4,577,783	44,012	0.0096	0.9904	92.86
25.5	4,274,868	44,496	0.0104	0.9896	91.96
26.5	3,977,919	69,437	0.0175	0.9825	91.01
27.5	3,558,206	44,393	0.0125	0.9875	89.42
28.5	2,900,846	66,860	0.0230	0.9770	88.30
29.5	2,450,770	63,048	0.0257	0.9743	86.27
30.5	1,995,547	80,452	0.0403	0.9597	84.05
31.5	1,653,808	41,868	0.0253	0.9747	80.66
32.5	1,550,714	122,399	0.0789	0.9211	78.62
33.5	1,343,137	65,083	0.0485	0.9515	72.41
34.5	1,198,814	64,938	0.0542	0.9458	68.90
35.5	1,090,223	60,419	0.0554	0.9446	65.17
36.5	948,981	37,983	0.0400	0.9600	61.56
37.5	830,061	30,635	0.0369	0.9631	59.09
38.5	635,818	29,098	0.0458	0.9542	56.91

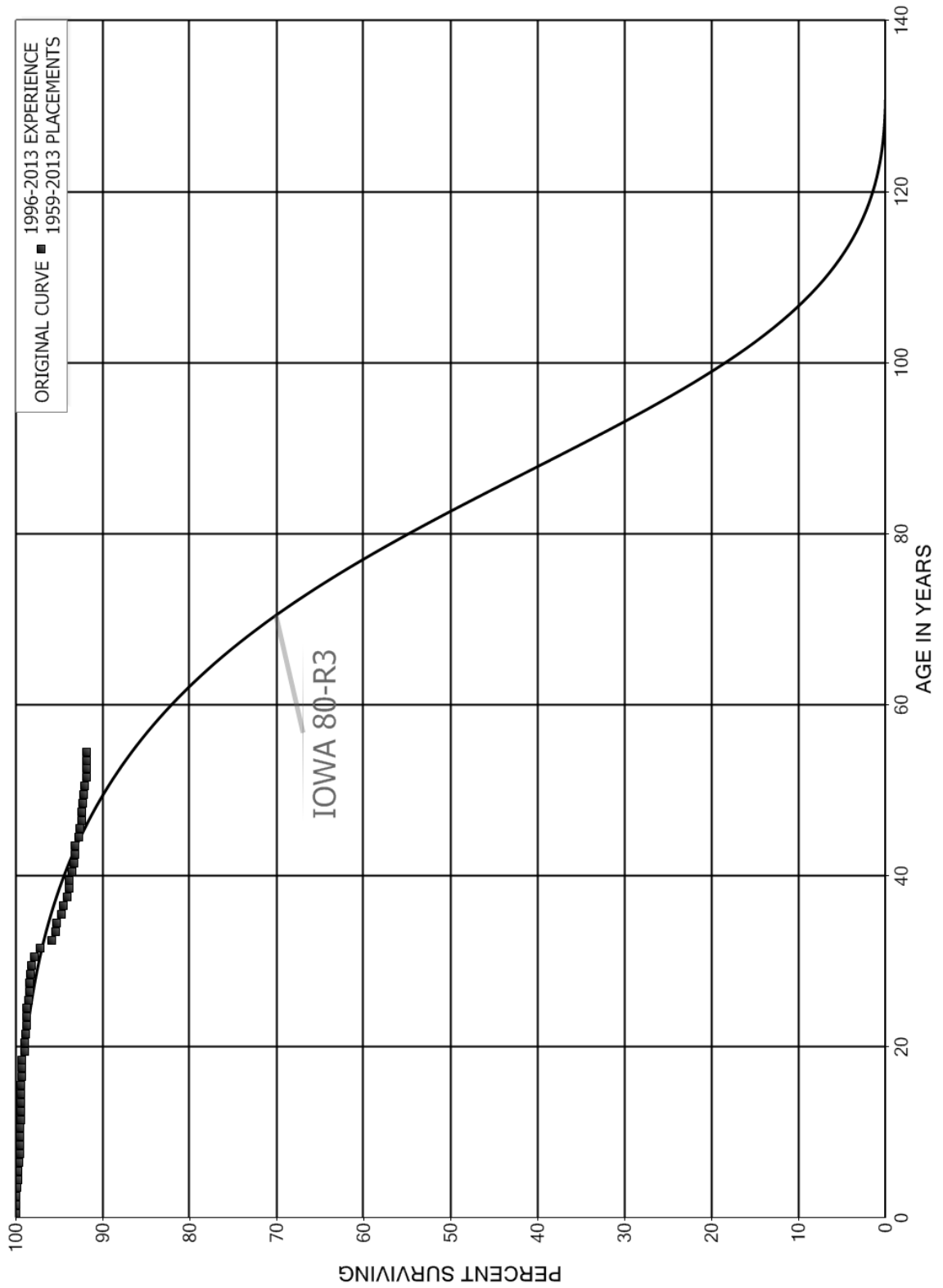
GAZIFÈRE INC.

ACCOUNT 473.00 - SERVICES

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1960-2013			EXPERIENCE BAND 1996-2013			
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL	
39.5	498,198	22,723	0.0456	0.9544	54.31	
40.5	368,189	19,684	0.0535	0.9465	51.83	
41.5	291,463	17,935	0.0615	0.9385	49.06	
42.5	272,262	11,879	0.0436	0.9564	46.04	
43.5	240,857	15,540	0.0645	0.9355	44.03	
44.5	204,535	10,401	0.0509	0.9491	41.19	
45.5	172,441	7,027	0.0408	0.9592	39.10	
46.5	151,230	7,847	0.0519	0.9481	37.50	
47.5	132,270	19,509	0.1475	0.8525	35.56	
48.5	53,607	8,700	0.1623	0.8377	30.31	
49.5	41,786	16,362	0.3916	0.6084	25.39	
50.5	5,402	2,614	0.4840	0.5160	15.45	
51.5	2,787	2,207	0.7920	0.2080	7.97	
52.5	580		0.0000	1.0000	1.66	
53.5					1.66	

GAZIFÈRE INC.
 ACCOUNT 475.00 - MAINS
 ORIGINAL AND SMOOTH SURVIVOR CURVES



GAZIFÈRE INC.

ACCOUNT 475.00 - MAINS

ORIGINAL LIFE TABLE

PLACEMENT BAND 1959-2013

EXPERIENCE BAND 1996-2013

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	49,503,864	24,900	0.0005	0.9995	100.00
0.5	49,173,385	16,434	0.0003	0.9997	99.95
1.5	47,624,444	5,062	0.0001	0.9999	99.92
2.5	44,373,467	42,514	0.0010	0.9990	99.91
3.5	43,340,029	32,413	0.0007	0.9993	99.81
4.5	42,995,089	25,728	0.0006	0.9994	99.74
5.5	41,236,223	20,683	0.0005	0.9995	99.68
6.5	39,760,518	26,277	0.0007	0.9993	99.63
7.5	37,938,803	2,271	0.0001	0.9999	99.56
8.5	36,124,843	34	0.0000	1.0000	99.55
9.5	34,104,487	34,526	0.0010	0.9990	99.55
10.5	33,535,103	6,246	0.0002	0.9998	99.45
11.5	32,983,901	3,013	0.0001	0.9999	99.43
12.5	32,583,322	2,430	0.0001	0.9999	99.43
13.5	30,993,660	2,829	0.0001	0.9999	99.42
14.5	29,049,624	19,501	0.0007	0.9993	99.41
15.5	24,358,169	13,569	0.0006	0.9994	99.34
16.5	20,815,456	1,121	0.0001	0.9999	99.29
17.5	14,686,904	248	0.0000	1.0000	99.28
18.5	12,701,159	35,792	0.0028	0.9972	99.28
19.5	11,478,231	6,865	0.0006	0.9994	99.00
20.5	10,307,085	16,419	0.0016	0.9984	98.94
21.5	9,016,489	1,816	0.0002	0.9998	98.78
22.5	8,358,264	6,095	0.0007	0.9993	98.76
23.5	7,697,272		0.0000	1.0000	98.69
24.5	7,236,747	12,723	0.0018	0.9982	98.69
25.5	6,894,446	7,434	0.0011	0.9989	98.52
26.5	6,541,685	4,543	0.0007	0.9993	98.41
27.5	5,850,663	1,334	0.0002	0.9998	98.34
28.5	4,281,900	7,568	0.0018	0.9982	98.32
29.5	3,521,974	11,148	0.0032	0.9968	98.15
30.5	2,632,591	18,159	0.0069	0.9931	97.84
31.5	2,420,442	33,009	0.0136	0.9864	97.16
32.5	2,768,001	13,585	0.0049	0.9951	95.84
33.5	3,026,401	1,113	0.0004	0.9996	95.37
34.5	3,146,889	21,007	0.0067	0.9933	95.33
35.5	3,164,547	6,111	0.0019	0.9981	94.69
36.5	5,856,952	28,317	0.0048	0.9952	94.51
37.5	5,641,917	11,610	0.0021	0.9979	94.05
38.5	5,356,359	3,510	0.0007	0.9993	93.86

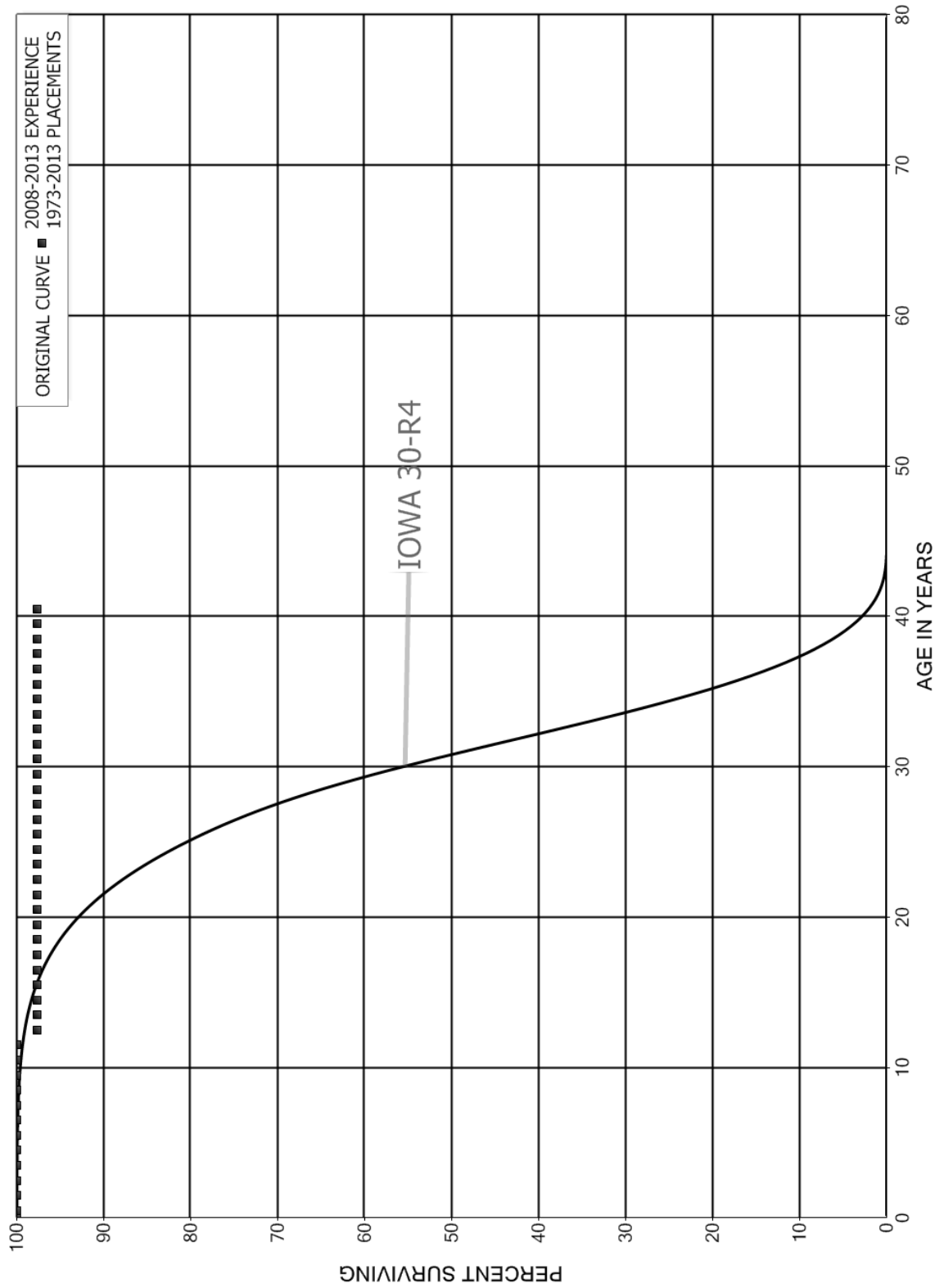
GAZIFÈRE INC.

ACCOUNT 475.00 - MAINS

ORIGINAL LIFE TABLE, CONT.

PLACEMENT BAND 1959-2013			EXPERIENCE BAND 1996-2013			
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL	
39.5	4,992,906	14,498	0.0029	0.9971	93.80	
40.5	4,389,506	11,142	0.0025	0.9975	93.53	
41.5	4,330,697	3,448	0.0008	0.9992	93.29	
42.5	4,263,931	721	0.0002	0.9998	93.22	
43.5	4,227,232	22,978	0.0054	0.9946	93.20	
44.5	4,151,508	3,543	0.0009	0.9991	92.69	
45.5	4,083,472	9,137	0.0022	0.9978	92.61	
46.5	3,996,700	2,882	0.0007	0.9993	92.41	
47.5	3,972,044	2,157	0.0005	0.9995	92.34	
48.5	3,912,147	3,443	0.0009	0.9991	92.29	
49.5	3,865,569	4,193	0.0011	0.9989	92.21	
50.5	3,409,886	9,803	0.0029	0.9971	92.11	
51.5	3,035,085	788	0.0003	0.9997	91.84	
52.5	2,838,006	392	0.0001	0.9999	91.82	
53.5	2,837,614		0.0000	1.0000	91.81	
54.5					91.81	

GAZIFÈRE INC.
 ACCOUNT 477.00 - REGULATING EQUIPMENT
 ORIGINAL AND SMOOTH SURVIVOR CURVES



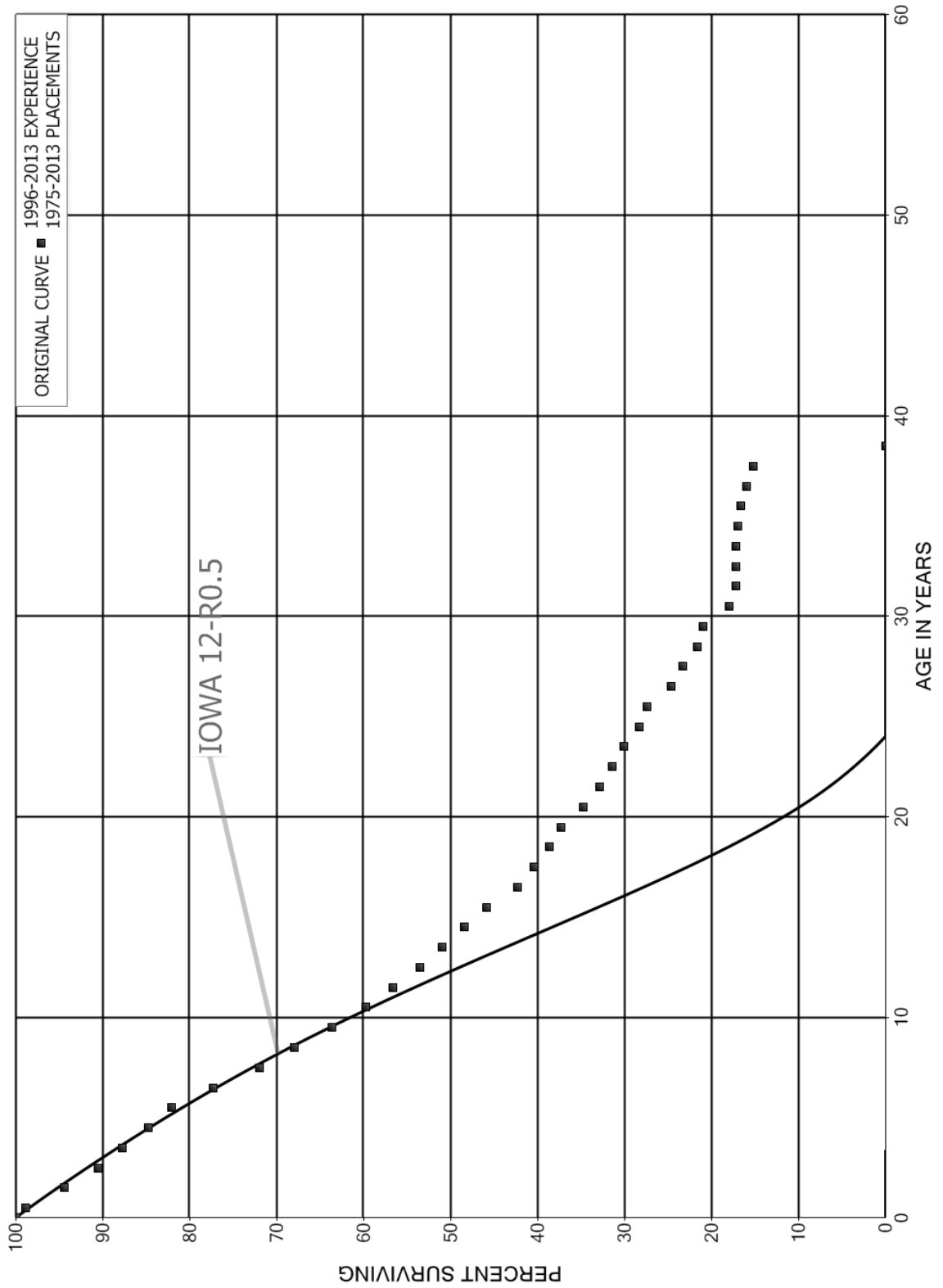
GAZIFÈRE INC.

ACCOUNT 477.00 - REGULATING EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1973-2013			EXPERIENCE BAND 2008-2013		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	496,316		0.0000	1.0000	100.00
0.5	267,974		0.0000	1.0000	100.00
1.5	297,934		0.0000	1.0000	100.00
2.5	261,638		0.0000	1.0000	100.00
3.5	235,373		0.0000	1.0000	100.00
4.5	293,077		0.0000	1.0000	100.00
5.5	295,837		0.0000	1.0000	100.00
6.5	436,972		0.0000	1.0000	100.00
7.5	525,690		0.0000	1.0000	100.00
8.5	612,925		0.0000	1.0000	100.00
9.5	810,291		0.0000	1.0000	100.00
10.5	832,379		0.0000	1.0000	100.00
11.5	1,224,481	28,771	0.0235	0.9765	100.00
12.5	1,044,862		0.0000	1.0000	97.65
13.5	995,493		0.0000	1.0000	97.65
14.5	955,386		0.0000	1.0000	97.65
15.5	801,926		0.0000	1.0000	97.65
16.5	836,230		0.0000	1.0000	97.65
17.5	507,446		0.0000	1.0000	97.65
18.5	568,000		0.0000	1.0000	97.65
19.5	532,375		0.0000	1.0000	97.65
20.5	504,176		0.0000	1.0000	97.65
21.5	488,166		0.0000	1.0000	97.65
22.5	382,154		0.0000	1.0000	97.65
23.5	320,217		0.0000	1.0000	97.65
24.5	298,619		0.0000	1.0000	97.65
25.5	335,847		0.0000	1.0000	97.65
26.5	292,077		0.0000	1.0000	97.65
27.5	229,132		0.0000	1.0000	97.65
28.5	191,148		0.0000	1.0000	97.65
29.5	163,866		0.0000	1.0000	97.65
30.5	115,681		0.0000	1.0000	97.65
31.5	30,530		0.0000	1.0000	97.65
32.5	27,612		0.0000	1.0000	97.65
33.5	28,651		0.0000	1.0000	97.65
34.5	26,894		0.0000	1.0000	97.65
35.5	21,770		0.0000	1.0000	97.65
36.5	19,342		0.0000	1.0000	97.65
37.5	13,772		0.0000	1.0000	97.65
38.5	4,974		0.0000	1.0000	97.65
39.5	3,935		0.0000	1.0000	97.65
40.5					97.65

GAZIFÈRE INC.
 ACCOUNT 478.00 - METERS
 ORIGINAL AND SMOOTH SURVIVOR CURVES



GAZIFÈRE INC.

ACCOUNT 478.00 - METERS

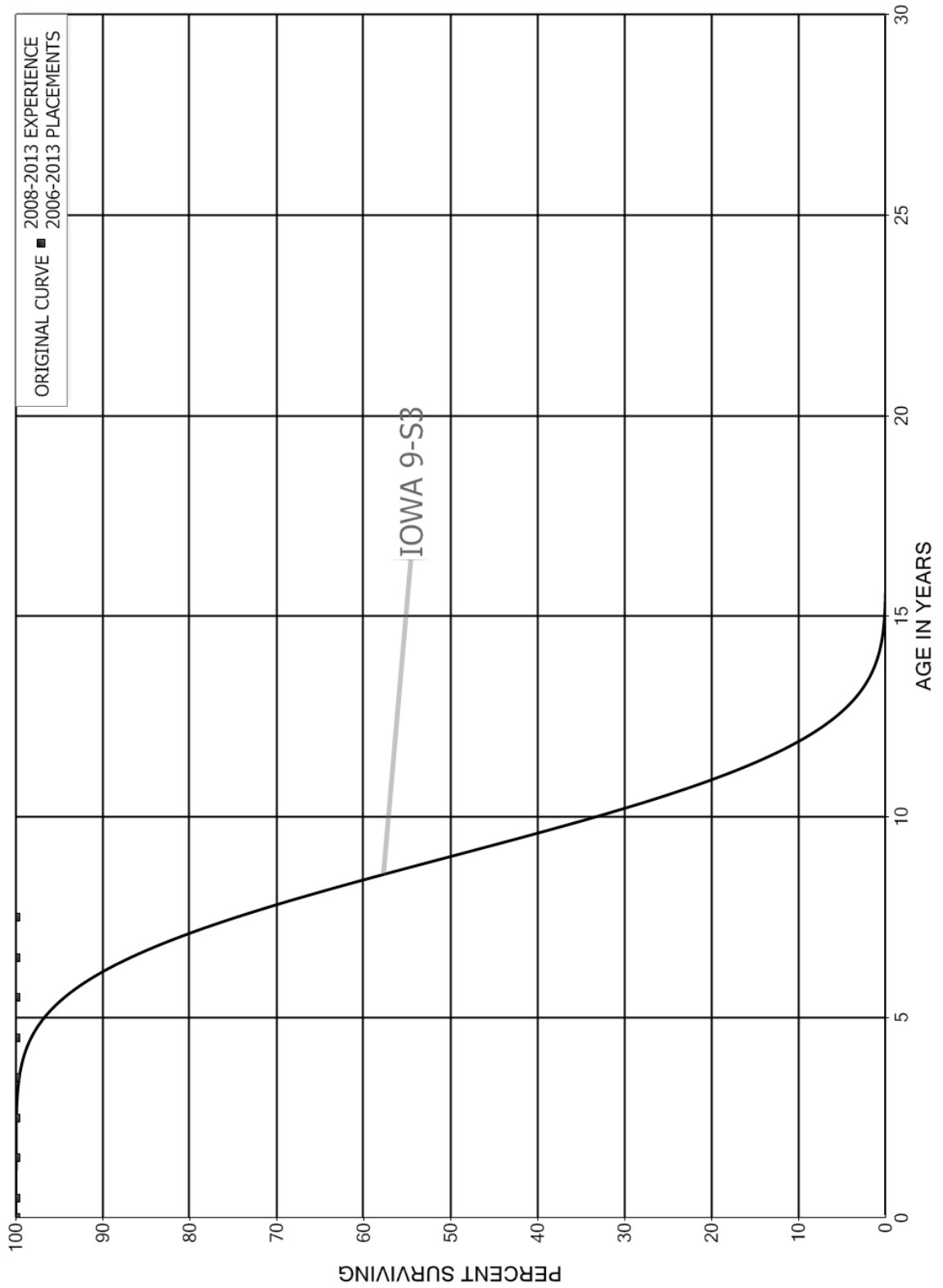
ORIGINAL LIFE TABLE

PLACEMENT BAND 1975-2013

EXPERIENCE BAND 1996-2013

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	6,307,091	71,893	0.0114	0.9886	100.00
0.5	5,778,420	263,638	0.0456	0.9544	98.86
1.5	5,420,602	221,199	0.0408	0.9592	94.35
2.5	5,072,975	156,210	0.0308	0.9692	90.50
3.5	4,864,648	163,060	0.0335	0.9665	87.71
4.5	4,594,823	149,438	0.0325	0.9675	84.77
5.5	4,285,330	248,896	0.0581	0.9419	82.02
6.5	3,797,315	259,344	0.0683	0.9317	77.25
7.5	3,563,483	201,524	0.0566	0.9434	71.98
8.5	3,365,957	209,965	0.0624	0.9376	67.91
9.5	3,074,205	190,490	0.0620	0.9380	63.67
10.5	2,805,613	144,170	0.0514	0.9486	59.72
11.5	2,461,324	138,995	0.0565	0.9435	56.66
12.5	2,208,563	101,532	0.0460	0.9540	53.46
13.5	2,117,334	108,160	0.0511	0.9489	51.00
14.5	1,947,920	100,796	0.0517	0.9483	48.39
15.5	1,779,535	141,351	0.0794	0.9206	45.89
16.5	1,534,461	65,504	0.0427	0.9573	42.24
17.5	1,433,264	66,169	0.0462	0.9538	40.44
18.5	1,282,650	44,591	0.0348	0.9652	38.57
19.5	1,040,566	71,555	0.0688	0.9312	37.23
20.5	826,376	43,283	0.0524	0.9476	34.67
21.5	610,223	27,436	0.0450	0.9550	32.86
22.5	480,350	19,425	0.0404	0.9596	31.38
23.5	398,268	24,343	0.0611	0.9389	30.11
24.5	320,377	10,076	0.0315	0.9685	28.27
25.5	189,674	19,408	0.1023	0.8977	27.38
26.5	127,404	6,915	0.0543	0.9457	24.58
27.5	82,008	5,730	0.0699	0.9301	23.25
28.5	51,702	1,477	0.0286	0.9714	21.62
29.5	29,304	4,269	0.1457	0.8543	21.00
30.5	22,272	914	0.0410	0.9590	17.94
31.5	20,351	54	0.0027	0.9973	17.21
32.5	16,046		0.0000	1.0000	17.16
33.5	11,396	141	0.0124	0.9876	17.16
34.5	10,967	212	0.0193	0.9807	16.95
35.5	10,733	458	0.0427	0.9573	16.62
36.5	9,809	423	0.0431	0.9569	15.91
37.5	9,353	9,353	1.0000		15.23
38.5					

GAZIFÈRE INC.
 ACCOUNT 484.01- TRANSPORTATION EQUIPMENT - POST 2005
 ORIGINAL AND SMOOTH SURVIVOR CURVES



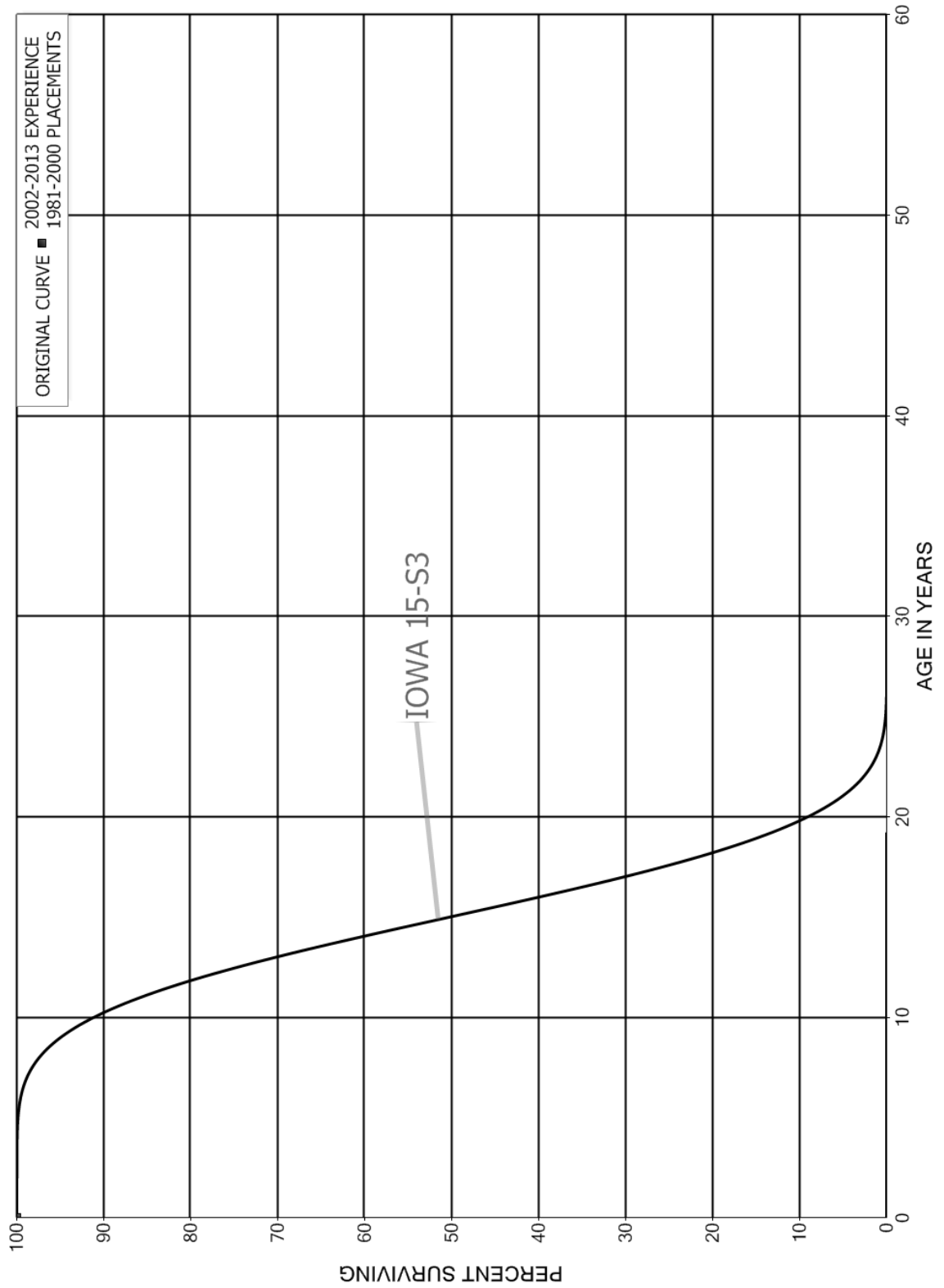
GAZIFÈRE INC.

ACCOUNT 484.01- TRANSPORTATION EQUIPMENT - POST 2005

ORIGINAL LIFE TABLE

PLACEMENT BAND 2006-2013			EXPERIENCE BAND 2008-2013		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	854,058		0.0000	1.0000	100.00
0.5	880,943		0.0000	1.0000	100.00
1.5	861,005		0.0000	1.0000	100.00
2.5	780,669		0.0000	1.0000	100.00
3.5	551,685		0.0000	1.0000	100.00
4.5	505,207		0.0000	1.0000	100.00
5.5	306,090	0	0.0000	1.0000	100.00
6.5	60,986		0.0000	1.0000	100.00
7.5					100.00

GAZIFÈRE INC.
 ACCOUNT 485.00 - HEAVY WORK EQUIPMENT
 ORIGINAL AND SMOOTH SURVIVOR CURVES



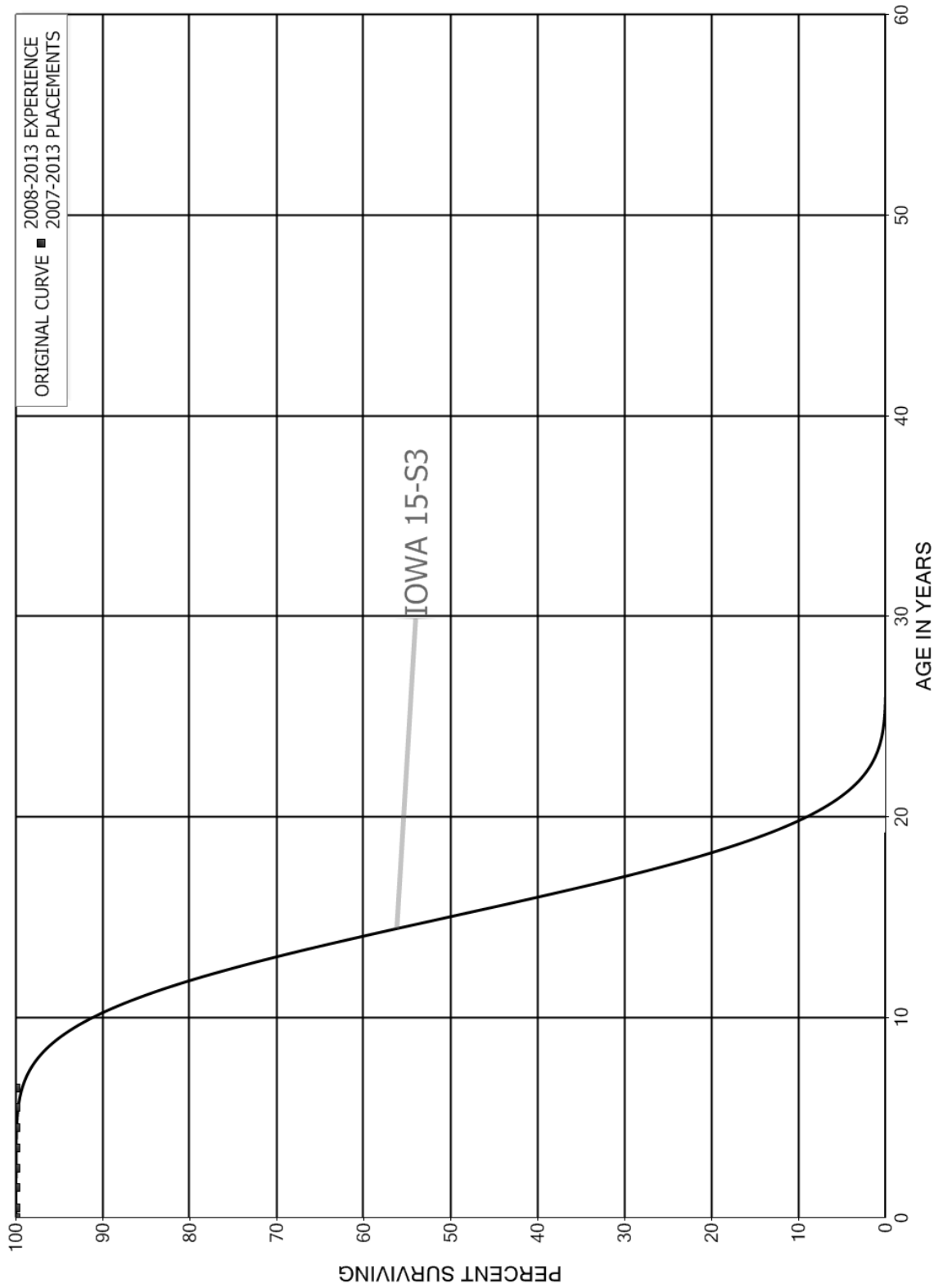
GAZIFÈRE INC.

ACCOUNT 485.00 - HEAVY WORK EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1981-2000			EXPERIENCE BAND 2002-2013		
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0					100.00
0.5					
1.5	44,338		0.0000		
2.5	44,338		0.0000		
3.5	44,338		0.0000		
4.5	46,766		0.0000		
5.5	46,766		0.0000		
6.5	46,766		0.0000		
7.5	46,766		0.0000		
8.5	46,766		0.0000		
9.5	54,227		0.0000		
10.5	77,711	13,917	0.1791		
11.5	63,794		0.0000		
12.5	63,794		0.0000		
13.5	19,456		0.0000		
14.5	19,456		0.0000		
15.5	19,456		0.0000		
16.5	17,027	9,460	0.5556		
17.5	7,567		0.0000		
18.5	7,567		0.0000		
19.5	7,567		0.0000		
20.5	8,733		0.0000		
21.5	1,272		0.0000		
22.5	1,165		0.0000		
23.5	1,165		0.0000		
24.5	1,165		0.0000		
25.5	1,165		0.0000		
26.5	1,165	1,165	1.0000		
27.5					

GAZIFÈRE INC.
 ACCOUNT 485.01 - HEAVY WORK EQUIPMENT - POST 2006
 ORIGINAL AND SMOOTH SURVIVOR CURVES



GAZIFÈRE INC.

ACCOUNT 485.01 - HEAVY WORK EQUIPMENT - POST 2006

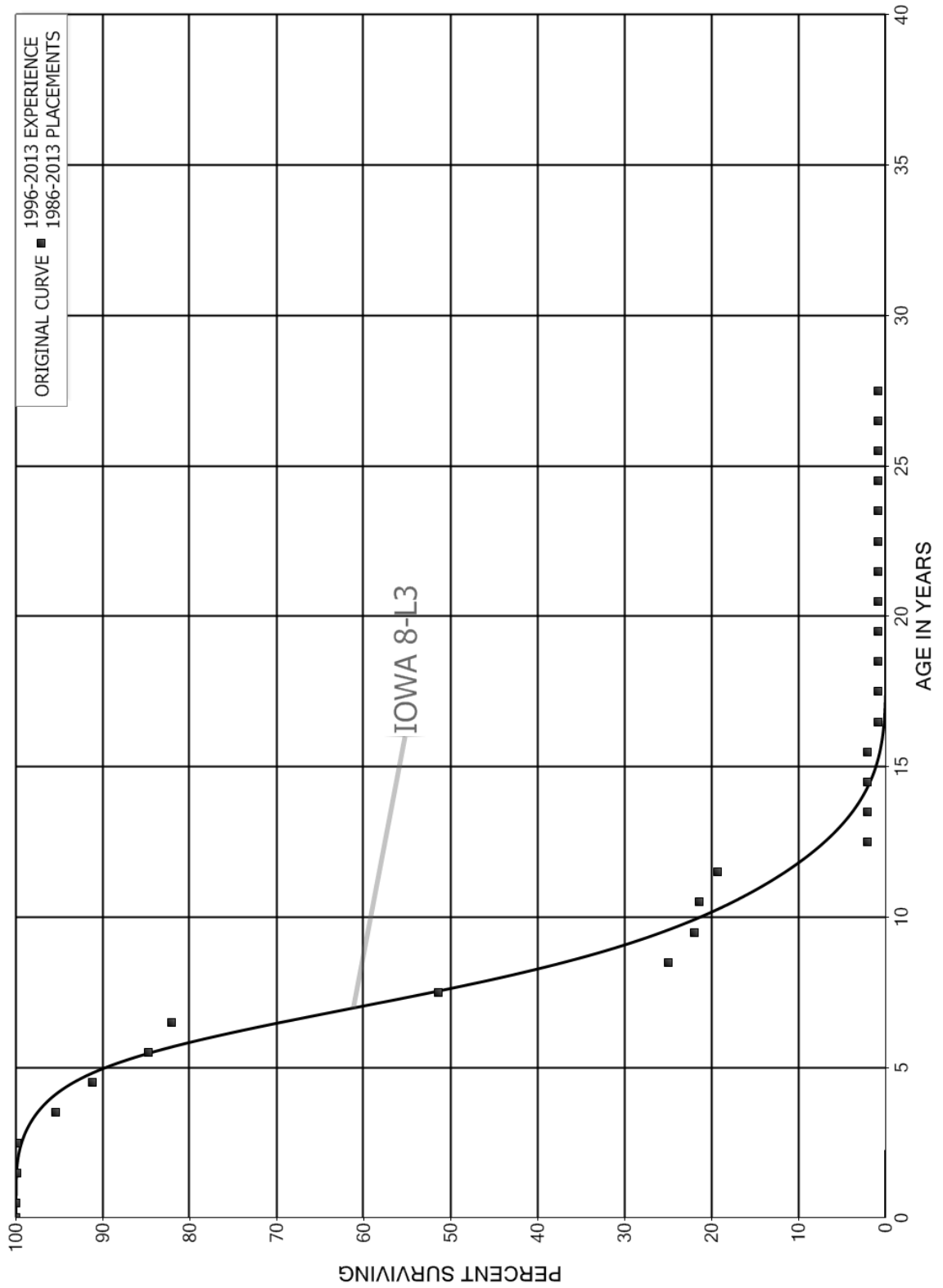
ORIGINAL LIFE TABLE

PLACEMENT BAND 2007-2013

EXPERIENCE BAND 2008-2013

AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL
0.0	162,210		0.0000	1.0000	100.00
0.5	180,265		0.0000	1.0000	100.00
1.5	180,265		0.0000	1.0000	100.00
2.5	58,209		0.0000	1.0000	100.00
3.5	58,209		0.0000	1.0000	100.00
4.5	43,209		0.0000	1.0000	100.00
5.5	40,051		0.0000	1.0000	100.00
6.5					100.00

GAZIFÈRE INC.
 ACCOUNT 488.00 - COMMUNICATION EQUIPMENT
 ORIGINAL AND SMOOTH SURVIVOR CURVES



GAZIFÈRE INC.

ACCOUNT 488.00 - COMMUNICATION EQUIPMENT

ORIGINAL LIFE TABLE

PLACEMENT BAND 1986-2013			EXPERIENCE BAND 1996-2013			
AGE AT BEGIN OF INTERVAL	EXPOSURES AT BEGINNING OF AGE INTERVAL	RETIREMENTS DURING AGE INTERVAL	RETMT RATIO	SURV RATIO	PCT SURV BEGIN OF INTERVAL	
0.0	705,098		0.0000	1.0000	100.00	
0.5	301,165	501	0.0017	0.9983	100.00	
1.5	299,127		0.0000	1.0000	99.83	
2.5	358,991	16,008	0.0446	0.9554	99.83	
3.5	344,049	15,117	0.0439	0.9561	95.38	
4.5	309,303	21,831	0.0706	0.9294	91.19	
5.5	287,472	9,184	0.0319	0.9681	84.75	
6.5	282,515	105,673	0.3740	0.6260	82.05	
7.5	178,558	92,009	0.5153	0.4847	51.36	
8.5	85,739	10,244	0.1195	0.8805	24.89	
9.5	76,082	1,982	0.0261	0.9739	21.92	
10.5	74,100	7,175	0.0968	0.9032	21.35	
11.5	66,925	59,864	0.8945	0.1055	19.28	
12.5	7,061	72	0.0102	0.9898	2.03	
13.5	6,989		0.0000	1.0000	2.01	
14.5	6,989		0.0000	1.0000	2.01	
15.5	6,989	4,228	0.6049	0.3951	2.01	
16.5	2,761		0.0000	1.0000	0.80	
17.5	2,761		0.0000	1.0000	0.80	
18.5	587		0.0000	1.0000	0.80	
19.5	587		0.0000	1.0000	0.80	
20.5	587		0.0000	1.0000	0.80	
21.5	587		0.0000	1.0000	0.80	
22.5	587		0.0000	1.0000	0.80	
23.5	587		0.0000	1.0000	0.80	
24.5	587		0.0000	1.0000	0.80	
25.5	587		0.0000	1.0000	0.80	
26.5	587		0.0000	1.0000	0.80	
27.5					0.80	

PART VI. NET SALVAGE STATISTICS

GAZIFÈRE INC.

ACCOUNT 473.00 - SERVICES

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		G R O S S S A L V A G E				NET SALVAGE	
		AMOUNT	PCT	REUSE AMOUNT	PCT	FINAL AMOUNT	PCT	AMOUNT	PCT
1996	82,789		0		0		0		0
1997	55,846		0		0		0		0
1998	91,068		0		0		0		0
1999	87,719		0		0		0		0
2000	91,665	82,489	90		0		0	82,489-	90-
2001	86,249	71,689	83		0		0	71,689-	83-
2002	143,611	109,895	77		0		0	109,895-	77-
2003	109,694	89,839	82		0		0	89,839-	82-
2004	172,348	145,420	84		0		0	145,420-	84-
2005	126,383	112,676	89		0		0	112,676-	89-
2006	147,452	129,382	88		0		0	129,382-	88-
2007	160,133	279,581	175		0		0	279,581-	175-
2008	127,402	168,777	132		0		0	168,777-	132-
2009	110,523	192,157	174		0		0	192,157-	174-
2010	71,250	156,634	220		0		0	156,634-	220-
2011	163,772	209,827	128		0		0	209,827-	128-
2012	139,657	383,519	275		0		0	383,519-	275-
2013	176,362	366,814	208		0		0	366,814-	208-
TOTAL	2,143,925	2,498,699	117		0		0	2,498,699-	117-

THREE-YEAR MOVING AVERAGES

96-98	76,568		0		0		0		0
97-99	78,211		0		0		0		0
98-00	90,151	27,496	31		0		0	27,496-	31-
99-01	88,544	51,393	58		0		0	51,393-	58-
00-02	107,175	88,024	82		0		0	88,024-	82-
01-03	113,185	90,474	80		0		0	90,474-	80-
02-04	141,885	115,051	81		0		0	115,051-	81-
03-05	136,142	115,978	85		0		0	115,978-	85-
04-06	148,728	129,159	87		0		0	129,159-	87-
05-07	144,656	173,880	120		0		0	173,880-	120-
06-08	144,996	192,580	133		0		0	192,580-	133-
07-09	132,686	213,505	161		0		0	213,505-	161-
08-10	103,058	172,523	167		0		0	172,523-	167-
09-11	115,182	186,206	162		0		0	186,206-	162-

GAZIFÈRE INC.

ACCOUNT 473.00 - SERVICES

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		G R O S S S A L V A G E				NET SALVAGE	
		AMOUNT	PCT	REUSE AMOUNT	PCT	FINAL AMOUNT	PCT	AMOUNT	PCT
THREE-YEAR MOVING AVERAGES									
10-12	124,893	249,993	200		0		0	249,993-	200-
11-13	159,930	320,053	200		0		0	320,053-	200-
FIVE-YEAR AVERAGE									
09-13	132,313	261,790	198		0		0	261,790-	198-

GAZIFÈRE INC.

ACCOUNT 475.00 - MAINS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		G R O S S S A L V A G E				NET SALVAGE	
		AMOUNT	PCT	REUSE AMOUNT	PCT	FINAL AMOUNT	PCT	AMOUNT	PCT
1996	2,942		0		0		0		0
1997	28,209		0		0		0		0
1998	25,991		0		0		0		0
1999	1,000		0		0		0		0
2000	73,950	18,203	25		0		0	18,203-	25-
2001	76,773	8,244	11		0		0	8,244-	11-
2002	226	8,947			0		0	8,947-	
2003	29,480	14,219	48		0		0	14,219-	48-
2004	62,962	22,878	36		0		0	22,878-	36-
2005	26,135	9,332	36		0		0	9,332-	36-
2006	45,213	55,424	123		0		0	55,424-	123-
2007	7,610	44,588	586		0		0	44,588-	586-
2008	93,268	79,622	85		0		0	79,622-	85-
2009	30,147	104,499	347		0		0	104,499-	347-
2010	16,650	67,651	406		0		0	67,651-	406-
2011	29,031	79,962	275		0		0	79,962-	275-
2012	16,508	70,333	426		0		0	70,333-	426-
2013	50,985	61,381	120		0		0	61,381-	120-
TOTAL	617,079	645,283	105		0		0	645,283-	105-

THREE-YEAR MOVING AVERAGES

96-98	19,047		0		0		0		0
97-99	18,400		0		0		0		0
98-00	33,647	6,068	18		0		0	6,068-	18-
99-01	50,574	8,816	17		0		0	8,816-	17-
00-02	50,316	11,798	23		0		0	11,798-	23-
01-03	35,493	10,470	29		0		0	10,470-	29-
02-04	30,889	15,348	50		0		0	15,348-	50-
03-05	39,525	15,476	39		0		0	15,476-	39-
04-06	44,770	29,211	65		0		0	29,211-	65-
05-07	26,319	36,448	138		0		0	36,448-	138-
06-08	48,697	59,878	123		0		0	59,878-	123-
07-09	43,675	76,236	175		0		0	76,236-	175-
08-10	46,688	83,924	180		0		0	83,924-	180-
09-11	25,276	84,037	332		0		0	84,037-	332-

GAZIFÈRE INC.

ACCOUNT 475.00 - MAINS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		G R O S S S A L V A G E				NET SALVAGE	
		AMOUNT	PCT	REUSE AMOUNT	PCT	FINAL AMOUNT	PCT	AMOUNT	PCT
THREE-YEAR MOVING AVERAGES									
10-12	20,730	72,649	350		0		0	72,649-	350-
11-13	32,174	70,559	219		0		0	70,559-	219-
FIVE-YEAR AVERAGE									
09-13	28,664	76,765	268		0		0	76,765-	268-

GAZIFÈRE INC.

ACCOUNT 477.00 - REGULATING EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		G R O S S S A L V A G E				NET SALVAGE	
		AMOUNT	PCT	REUSE AMOUNT	PCT	FINAL AMOUNT	PCT	AMOUNT	PCT
2012		636						636-	
2013	28,771	2,263	8		0		0	2,263-	8-
TOTAL	28,771	2,899	10		0		0	2,899-	10-

PART VII. DETAILED DEPRECIATION CALCULATIONS

GAZIFÈRE INC.

ACCOUNT 473.00 - SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R3						
NET SALVAGE PERCENT.. -115						
1960	579.79	1,033	989	258	8.56	30
1963	20,021.90	34,567	33,082	9,965	9.85	1,012
1964	3,120.96	5,325	5,096	1,614	10.32	156
1965	59,154.96	99,686	95,405	31,778	10.81	2,940
1966	11,113.10	18,484	17,690	6,203	11.32	548
1967	14,183.33	23,267	22,268	8,226	11.85	694
1968	21,692.99	35,083	33,576	13,064	12.39	1,054
1969	20,782.35	33,100	31,678	13,004	12.96	1,003
1970	19,526.27	30,613	29,298	12,683	13.54	937
1971	1,266.01	1,952	1,868	854	14.14	60
1972	57,042.02	86,461	82,748	39,892	14.75	2,705
1973	107,286.06	159,666	152,808	77,857	15.39	5,059
1974	108,521.95	158,519	151,711	81,611	16.03	5,091
1975	163,608.06	234,270	224,208	127,549	16.70	7,638
1976	80,936.69	113,527	108,651	65,363	17.38	3,761
1977	80,822.89	110,969	106,203	67,566	18.07	3,739
1978	66,824.25	89,738	85,884	57,788	18.77	3,079
1979	110,961.54	145,574	139,322	99,245	19.49	5,092
1980	134,336.71	172,024	164,636	124,188	20.22	6,142
1981	174,120.14	217,352	208,017	166,341	20.97	7,932
1982	303,842.99	369,485	353,616	299,646	21.72	13,796
1983	474,301.84	561,066	536,968	482,781	22.49	21,466
1984	420,788.89	483,831	463,051	441,645	23.26	18,987
1985	648,450.00	723,573	692,496	701,672	24.05	29,176
1986	387,405.88	418,960	400,966	431,957	24.85	17,383
1987	305,943.09	320,206	306,453	351,325	25.66	13,692
1988	298,897.30	302,293	289,310	353,319	26.48	13,343
1989	461,681.43	450,449	431,102	561,513	27.31	20,561
1990	610,486.83	573,583	548,948	763,599	28.15	27,126
1991	1,217,482.46	1,099,387	1,052,169	1,565,418	29.00	53,980
1992	1,468,403.35	1,271,667	1,217,049	1,940,018	29.86	64,970
1993	1,537,798.77	1,274,235	1,219,507	2,086,760	30.73	67,906
1994	1,705,587.14	1,349,461	1,291,502	2,375,510	31.60	75,174
1995	1,516,672.18	1,141,948	1,092,902	2,167,943	32.49	66,726
1996	1,359,263.26	971,411	929,689	1,992,727	33.38	59,698
1997	1,593,574.51	1,077,193	1,030,928	2,395,257	34.28	69,873
1998	1,896,373.41	1,207,667	1,155,798	2,921,405	35.19	83,018
1999	1,698,514.14	1,014,472	970,901	2,680,904	36.11	74,243
2000	2,001,987.13	1,116,528	1,068,574	3,235,698	37.03	87,380
2001	1,667,321.10	863,205	826,131	2,758,609	37.96	72,671
2002	1,667,482.66	796,606	762,392	2,822,696	38.89	72,582
2003	1,882,961.98	822,628	787,297	3,261,071	39.84	81,854
2004	2,374,992.44	941,590	901,149	4,205,085	40.78	103,116
2005	2,153,026.16	764,712	731,868	3,897,138	41.74	93,367
2006	1,873,958.87	589,041	563,742	3,465,270	42.69	81,173

GAZIFÈRE INC.

ACCOUNT 473.00 - SERVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R3						
NET SALVAGE PERCENT.. -115						
2007	1,858,770.10	506,738	484,974	3,511,382	43.66	80,426
2008	1,994,722.85	461,459	441,640	3,847,014	44.62	86,217
2009	2,088,683.32	396,077	379,066	4,111,603	45.59	90,187
2010	2,026,175.91	298,841	286,006	4,070,272	46.57	87,401
2011	1,820,663.57	192,590	184,318	3,730,109	47.54	78,463
2012	2,278,189.59	144,984	138,757	4,759,351	48.52	98,090
2013	2,077,252.69	43,768	41,888	4,424,205	49.51	89,360
	46,927,557.81	24,320,864	23,276,295	77,617,954		2,052,077
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..					37.8	4.37

GAZIFÈRE INC.

ACCOUNT 475.00 - MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 80-R3						
NET SALVAGE PERCENT.. -100						
1959	2,837,613.78	3,426,419	3,483,527	2,191,701	31.70	69,139
1961	196,292.01	229,811	233,641	158,943	33.17	4,792
1962	364,996.94	420,476	427,484	302,510	33.92	8,918
1963	451,490.01	511,538	520,064	382,916	34.68	11,041
1964	43,134.94	48,052	48,853	37,417	35.44	1,056
1965	57,740.08	63,212	64,266	51,214	36.21	1,414
1966	21,774.00	23,412	23,802	19,746	36.99	534
1967	77,635.08	81,964	83,330	71,940	37.77	1,905
1968	64,492.69	66,799	67,912	61,073	38.57	1,583
1969	52,746.91	53,591	54,484	51,010	39.36	1,296
1970	35,978.23	35,826	36,423	35,533	40.17	885
1971	63,317.74	61,766	62,795	63,840	40.98	1,558
1972	47,666.89	45,522	46,281	49,053	41.80	1,174
1973	588,901.81	550,329	559,501	618,303	42.62	14,507
1974	359,943.39	328,902	334,384	385,503	43.45	8,872
1975	273,948.24	244,570	248,646	299,250	44.29	6,757
1976	186,717.71	162,773	165,486	207,949	45.13	4,608
1977	140,079.00	119,137	121,123	159,035	45.98	3,459
1978	63,557.40	52,704	53,582	73,533	46.83	1,570
1979	77,803.77	62,847	63,894	91,714	47.69	1,923
1980	104,134.17	81,874	83,239	125,029	48.55	2,575
1981	85,086.14	65,048	66,132	104,040	49.42	2,105
1982	237,125.27	176,066	179,000	295,251	50.30	5,870
1983	940,347.70	677,521	688,813	1,191,882	51.18	23,288
1984	777,781.98	543,078	552,129	1,003,435	52.07	19,271
1985	1,645,749.78	1,112,527	1,131,069	2,160,431	52.96	40,794
1986	751,207.61	490,914	499,096	1,003,319	53.86	18,628
1987	408,914.12	258,025	262,326	555,502	54.76	10,144
1988	378,285.25	230,088	233,923	522,648	55.67	9,388
1989	544,699.95	318,922	324,237	765,163	56.58	13,524
1990	704,082.63	396,230	402,834	1,005,331	57.49	17,487
1991	1,249,241.37	674,291	685,529	1,812,954	58.41	31,038
1992	1,638,534.89	846,303	860,408	2,416,662	59.34	40,726
1993	1,446,423.70	713,434	725,325	2,167,522	60.27	35,964
1994	1,414,776.82	664,945	676,028	2,153,526	61.20	35,188
1995	2,125,576.53	949,070	964,888	3,286,265	62.14	52,885
1996	6,194,163.48	2,620,131	2,663,801	9,724,526	63.08	154,162
1997	3,612,411.26	1,443,158	1,467,211	5,757,612	64.02	89,935
1998	4,776,088.14	1,794,663	1,824,575	7,727,601	64.97	118,941
1999	2,048,172.60	720,957	732,973	3,363,372	65.92	51,022
2000	1,828,999.54	600,351	610,357	3,047,642	66.87	45,576
2001	1,340,336.42	407,784	414,581	2,266,092	67.83	33,408
2002	1,322,986.33	370,754	376,933	2,269,040	68.79	32,985
2003	2,191,306.35	561,500	570,859	3,811,754	69.75	54,649
2004	2,783,170.42	645,696	656,458	4,909,883	70.72	69,427

GAZIFÈRE INC.

ACCOUNT 475.00 - MAINS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 80-R3						
NET SALVAGE PERCENT.. -100						
2005	2,220,603.35	461,353	469,042	3,972,165	71.69	55,408
2006	2,186,044.09	401,139	407,825	3,964,263	72.66	54,559
2007	1,779,988.10	283,445	288,169	3,271,807	73.63	44,436
2008	2,452,713.64	330,528	336,037	4,569,390	74.61	61,244
2009	1,573,146.55	173,833	176,730	2,969,563	75.58	39,290
2010	2,635,141.58	226,622	230,399	5,039,884	76.56	65,829
2011	4,718,053.24	290,160	294,996	9,141,110	77.54	117,889
2012	2,967,844.99	109,810	111,640	5,824,050	78.52	74,173
2013	2,433,427.34	29,785	30,282	4,836,573	79.51	60,830
	69,522,395.95	26,259,655	26,697,322	112,347,470		1,729,629
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..						65.0 2.49

GAZIFÈRE INC.

ACCOUNT 477.00 - REGULATING EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 30-R4						
NET SALVAGE PERCENT.. -5						
1973	3,934.93	3,975	4,132			
1974	1,038.86	1,041	1,091			
1975	8,798.07	8,736	9,238			
1976	5,570.31	5,478	5,849			
1977	2,428.05	2,366	2,549			
1978	5,123.71	4,942	5,380			
1979	5,692.35	5,433	5,977			
1981	11,715.19	10,915	12,301			
1982	90,722.06	83,351	95,258			
1983	50,612.87	45,774	52,798	346	4.16	83
1984	32,405.98	28,775	33,191	835	4.63	180
1985	43,675.83	37,987	43,816	2,044	5.15	397
1986	62,944.61	53,490	61,698	4,394	5.72	768
1987	55,485.27	45,948	52,999	5,261	6.34	830
1988	53,494.02	43,063	49,671	6,498	7.00	928
1989	72,211.64	56,412	65,069	10,753	7.68	1,400
1990	94,342.75	71,356	82,306	16,754	8.39	1,997
1991	149,687.30	109,391	126,178	30,994	9.12	3,398
1992	78,955.12	55,628	64,165	18,738	9.87	1,898
1993	83,684.50	56,675	65,372	22,497	10.65	2,112
1994	89,118.90	57,829	66,703	26,872	11.46	2,345
1995	11,657.68	7,226	8,335	3,906	12.29	318
1996	423,126.00	249,687	288,004	156,278	13.14	11,893
1997	115,384.00	64,575	74,485	46,668	14.01	3,331
1998	232,415.00	122,750	141,587	102,449	14.91	6,871
1999	123,791.00	61,438	70,866	59,115	15.82	3,737
2000	138,488.00	64,224	74,079	71,333	16.75	4,259
2001	100,499.78	43,300	49,945	55,580	17.69	3,142
2002	31,024.00	12,335	14,228	18,347	18.64	984
2003	93,295.16	33,960	39,171	58,789	19.60	2,999
2004	35,049.55	11,568	13,343	23,459	20.57	1,140
2005	36,556.25	10,812	12,471	25,913	21.55	1,202
2006	49,769.84	12,995	14,989	37,269	22.54	1,653
2007	50,142.07	11,355	13,098	39,551	23.53	1,681
2008	28,263.98	5,421	6,253	23,424	24.52	955
2009	35,591.08	5,593	6,451	30,920	25.51	1,212
2010	61,314.55	7,489	8,638	55,742	26.51	2,103
2011	72,852.38	6,374	7,352	69,143	27.50	2,514
2012	19,809.87	1,040	1,200	19,600	28.50	688
2013	278,483.86	4,874	5,622	286,786	29.50	9,722
	2,939,156.37	1,525,581	1,755,858	1,330,256		76,740

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 17.3 2.61

GAZIFÈRE INC.

ACCOUNT 478.00 - METERS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 12-R0.5						
NET SALVAGE PERCENT.. +65						
1976	33.83	12	12			
1977	465.75	163	163			
1978	22.07	8	8			
1979	288.09	101	101			
1980	4,650.21	1,628	1,628			
1981	4,250.53	1,488	1,488			
1982	1,006.63	352	352			
1983	2,763.42	967	967			
1984	20,920.84	7,322	7,322			
1985	24,574.96	8,601	8,601			
1986	38,481.22	13,468	13,468			
1987	42,862.64	15,002	15,002			
1988	120,626.10	42,219	42,219			
1989	53,547.95	18,742	18,742			
1990	62,656.95	21,473	21,930			
1991	102,437.03	33,702	35,853			
1992	172,870.19	54,605	60,505			
1993	153,221.96	46,478	53,628			
1994	202,323.70	59,011	70,813			
1995	88,240.30	24,707	30,884			
1996	43,168.70	11,584	14,806	303	2.80	108
1997	105,491.43	27,076	34,608	2,314	3.20	723
1998	80,416.73	19,679	25,153	2,993	3.61	829
1999	76,703.41	17,808	22,762	4,084	4.04	1,011
2000	50,851.24	11,153	14,256	3,542	4.48	791
2001	140,692.64	28,971	37,030	12,212	4.94	2,472
2002	238,839.09	45,837	58,588	25,006	5.42	4,614
2003	156,184.17	27,697	35,402	19,262	5.92	3,254
2004	165,050.24	26,765	34,210	23,558	6.44	3,658
2005	72,325.75	10,590	13,536	11,778	6.98	1,687
2006	141,494.52	18,447	23,579	25,944	7.53	3,445
2007	371,159.31	42,219	53,963	75,943	8.10	9,376
2008	340,162.48	32,939	42,102	76,955	8.68	8,866
2009	326,095.37	25,965	33,188	80,945	9.27	8,732
2010	399,559.68	24,823	31,728	108,118	9.87	10,954
2011	418,142.35	18,660	23,851	122,499	10.47	11,700
2012	558,633.02	14,991	19,161	176,361	11.08	15,917
2013	687,150.87	6,212	7,941	232,562	11.69	19,894
	5,468,365.37	761,465	909,550	1,004,378		108,031

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 9.3 1.98

GAZIFÈRE INC.

ACCOUNT 483.00 - OFFICE FURNITURE AND EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 15-SQUARE						
NET SALVAGE PERCENT.. 0						
1975	44.23	44	44			
1976	83.27	83	83			
1977	993.02	993	993			
1978	828.58	829	829			
1979	463.96	464	464			
1980	1,197.09	1,197	1,197			
1981	2,064.00	2,064	2,064			
1983	1,020.32	1,020	1,020			
1984	3,352.88	3,353	3,353			
1987	2,808.30	2,808	2,808			
1989	587.28	587	587			
1991	568.01	568	568			
1993	124.08	124	124			
1994	516.12	516	516			
1995	1,214.58	1,215	1,215			
1998	696.71	697	697			
2000	0.05					
2002	25,263.00	19,368	16,170	9,093	3.50	2,598
2003	2,259.98	1,582	1,321	939	4.50	209
2005	1,410.00	799	667	743	6.50	114
2006	412,376.49	206,188	172,139	240,237	7.50	32,032
2007	32,316.40	14,004	11,692	20,624	8.50	2,426
2008	26,996.71	9,899	8,264	18,733	9.50	1,972
2009	22,995.08	6,899	5,760	17,235	10.50	1,641
2010	31,399.67	7,326	6,116	25,284	11.50	2,199
2011	45,962.36	7,661	6,396	39,566	12.50	3,165
2012	49,387.32	4,939	4,124	45,263	13.50	3,353
2013	26,098.50	870	726	25,372	14.50	1,750
	693,027.98	296,097	249,937	443,091		51,459

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 8.6 7.43

GAZIFERE INC.

ACCOUNT 484.01 - TRANSPORTATION EQUIPMENT - POST 2005

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 9-S3						
NET SALVAGE PERCENT.. 0						
2006	60,985.78	44,317	44,749	16,237	2.46	6,600
2007	245,104.06	162,313	163,896	81,208	3.04	26,713
2008	199,117.25	115,930	117,061	82,056	3.76	21,823
2009	46,477.47	22,774	22,996	23,481	4.59	5,116
2010	228,984.04	88,541	89,405	139,579	5.52	25,286
2011	80,336.00	22,316	22,534	57,802	6.50	8,893
2012	80,923.90	13,488	13,620	67,304	7.50	8,974
2013	218,219.28	12,124	12,242	205,978	8.50	24,233
	1,160,147.78	481,803	486,503	673,645		127,638
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..					5.3	11.00

GAZIFÈRE INC.

ACCOUNT 485.00 - HEAVY WORK EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 15-S3						
NET SALVAGE PERCENT.. 0						
1991	106.67	99	107			
1992	7,460.73	6,854	7,461			
1997	2,428.92	2,034	2,429			
2000	42,609.00	32,383	43,358	749-		
	52,605.32	41,370	53,355	750-		

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 0.0 0.00

GAZIFÈRE INC.

ACCOUNT 485.01 - HEAVY WORK EQUIPMENT - POST 2006

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 15-S3						
NET SALVAGE PERCENT.. 0						
2007	40,050.79	17,169	19,871	20,180	8.57	2,355
2008	3,158.40	1,152	1,333	1,825	9.53	192
2009	15,000.00	4,490	5,197	9,803	10.51	933
2011	122,056.30	20,343	23,545	98,511	12.50	7,881
2013	21,995.00	733	848	21,147	14.50	1,458
	202,260.49	43,887	50,794	151,466		12,819
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..					11.8	6.34

GAZIFÈRE INC.

ACCOUNT 486.00 - TOOLS AND WORK EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 10-SQUARE						
NET SALVAGE PERCENT.. 0						
2002	0.20					
2004	16,882.74	16,039	15,539	1,344	0.50	1,344
2005	11,343.22	9,642	9,342	2,001	1.50	1,334
2006	26,826.79	20,120	19,493	7,334	2.50	2,934
2007	23,923.51	15,550	15,066	8,858	3.50	2,531
2008	8,062.31	4,434	4,296	3,766	4.50	837
2009	1,305.70	588	570	736	5.50	134
2010	28,117.67	9,841	9,534	18,584	6.50	2,859
2011	40,643.85	10,161	9,844	30,800	7.50	4,107
2012	37,820.94	5,673	5,496	32,325	8.50	3,803
2013	42,694.89	2,135	2,069	40,626	9.50	4,276
	237,621.82	94,183	91,249	146,373		24,159

COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 6.1 10.17

GAZIFÈRE INC.

ACCOUNT 488.00 - COMMUNICATION EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 8-L3						
NET SALVAGE PERCENT.. 0						
1986	587.01	587	587			
1995	2,174.12	2,136	673	1,501	0.14	1,501
2005	809.89	575	181	629	2.32	271
2006	1,445.71	996	314	1,132	2.49	455
2009	19,629.56	10,256	3,234	16,396	3.82	4,292
2012	2,731.00	512	161	2,570	6.50	395
2013	406,107.68	25,382	8,003	398,105	7.50	53,081
	433,484.97	40,444	13,153	420,332		59,995
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..					7.0	13.84

GAZIFÈRE INC.

ACCOUNT 490.00 - COMPUTER EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 4-SQUARE						
NET SALVAGE PERCENT.. 0						
2006	96,762.78	96,763	96,763			
	96,762.78	96,763	96,763			
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT .. 0.0 0.00						

GAZIFÈRE INC.

ACCOUNT 490.01 - COMPUTER EQUIPMENT - POST 2008

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
AS OF DECEMBER 31, 2013

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUTURE BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. 4-SQUARE						
NET SALVAGE PERCENT.. 0						
2009	27,988.51	27,989	27,989			
2010	34,914.51	30,550	29,345	5,570	0.50	5,570
2011	52,354.74	32,722	31,432	20,923	1.50	13,949
2012	144,034.54	54,013	51,883	92,152	2.50	36,861
2013	69,023.99	8,628	8,287	60,737	3.50	17,353
	328,316.29	153,902	148,936	179,380		73,733
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PERCENT ..					2.4	22.46

APPENDIX A
ESTIMATION OF SURIVOR CURVES

ESTIMATION OF SURVIVOR CURVES

Average Service Life

The use of an average service life for a property group implies that the various units in the group have different lives. Thus, the average life may be obtained by determining the separate lives of each of the units, or by constructing a survivor curve by plotting the number of units which survive at successive ages. A discussion of the general concept of survivor curves is presented. Also, the Iowa type survivor curves are reviewed.

SURVIVOR CURVES

The survivor curve graphically depicts the amount of property existing at each age throughout the life of an original group. From the survivor curve, the average life of the group, the remaining life expectancy, the probable life, and the frequency curve can be calculated. In Figure 1, a typical smooth survivor curve and the derived curves are illustrated. The average life is obtained by calculating the area under the survivor curve, from age zero to the maximum age, and dividing this area by the ordinate at age zero. The remaining life expectancy at any age can be calculated by obtaining the area under the curve, from the observation age to the maximum age, and dividing this area by the percent surviving at the observation age. For example, in Figure 1, the remaining life at age 30 is equal to the crosshatched area under the survivor curve divided by 29.5 percent surviving at age 30. The probable life at any age is developed by adding the age and remaining life. If the probable life of the property is calculated for each year of age, the probable life curve shown in the chart can be developed. The frequency curve presents the number of units retired in each age interval. It is derived by obtaining the differences between the amount of property surviving at the beginning and at the end of each interval.

Iowa Type Curves

The range of survivor characteristics usually experienced by utility and industrial properties is encompassed by a system of generalized survivor curves known as the

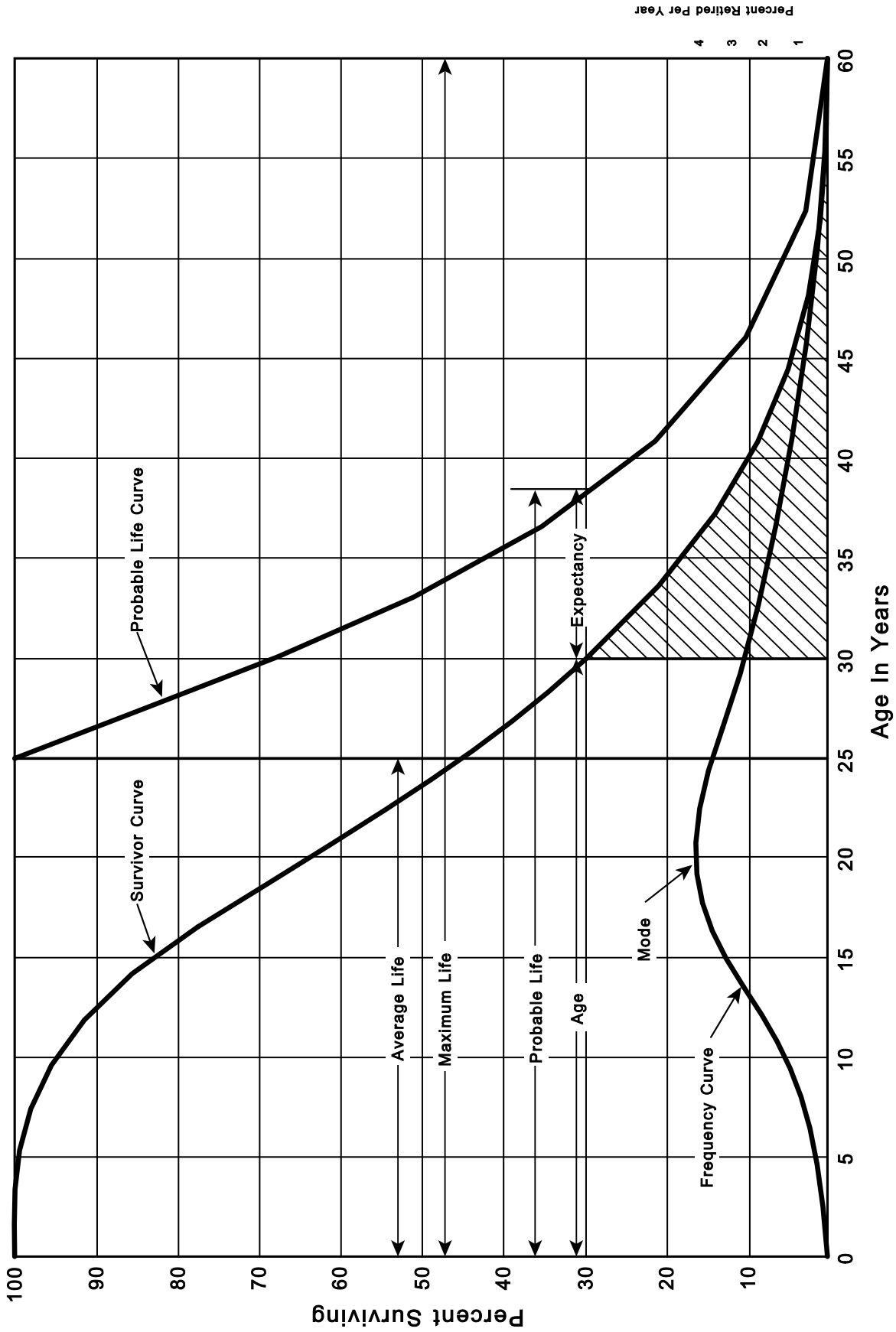


Figure 1. A Typical Survivor Curve and Derived Curves

Iowa type curves. There are four families in the Iowa system, labeled in accordance with the location of the modes of the retirements in relationship to the average life and the relative height of the modes. The left moded curves, presented in Figure 2, are those in which the greatest frequency of retirement occurs to the left of, or prior to, average service life. The symmetrical moded curves, presented in Figure 3, are those in which the greatest frequency of retirement occurs at average service life. The right moded curves, presented in Figure 4, are those in which the greatest frequency occurs to the right of, or after, average service life. The origin moded curves, presented in Figure 5, are those in which the greatest frequency of retirement occurs at the origin, or immediately after age zero. The letter designation of each family of curves (L, S, R or O) represents the location of the mode of the associated frequency curve with respect to the average service life. The numbers represent the relative heights of the modes of the frequency curves within each family.

The Iowa curves were developed at the Iowa State College Engineering Experiment Station through an extensive process of observation and classification of the ages at which industrial property had been retired. A report of the study which resulted in the classification of property survivor characteristics into 18 type curves, which constitute three of the four families, was published in 1935 in the form of the Experiment Station's Bulletin 125.¹ These curve types have also been presented in subsequent Experiment Station bulletins and in the text, "Engineering Valuation and Depreciation."² In 1957, Frank V. B. Couch, Jr., an Iowa State College graduate student, submitted a thesis³ presenting his development of the fourth family consisting of the four O type survivor curves.

¹ Winfrey, Robley. Statistical Analyses of Industrial Property Retirements. Iowa State College, Engineering Experiment Station, Bulletin 125. 1935.

² Marston, Anson, Robley Winfrey and Jean C. Hempstead. Engineering Valuation and Depreciation, 2nd Edition. New York, McGraw-Hill Book Company. 1953.

³ Couch, Frank V. B., Jr. "Classification of Type O Retirement Characteristics of Industrial Property." Unpublished M.S. thesis (Engineering Valuation). Library, Iowa State College, Ames, Iowa. 1957.

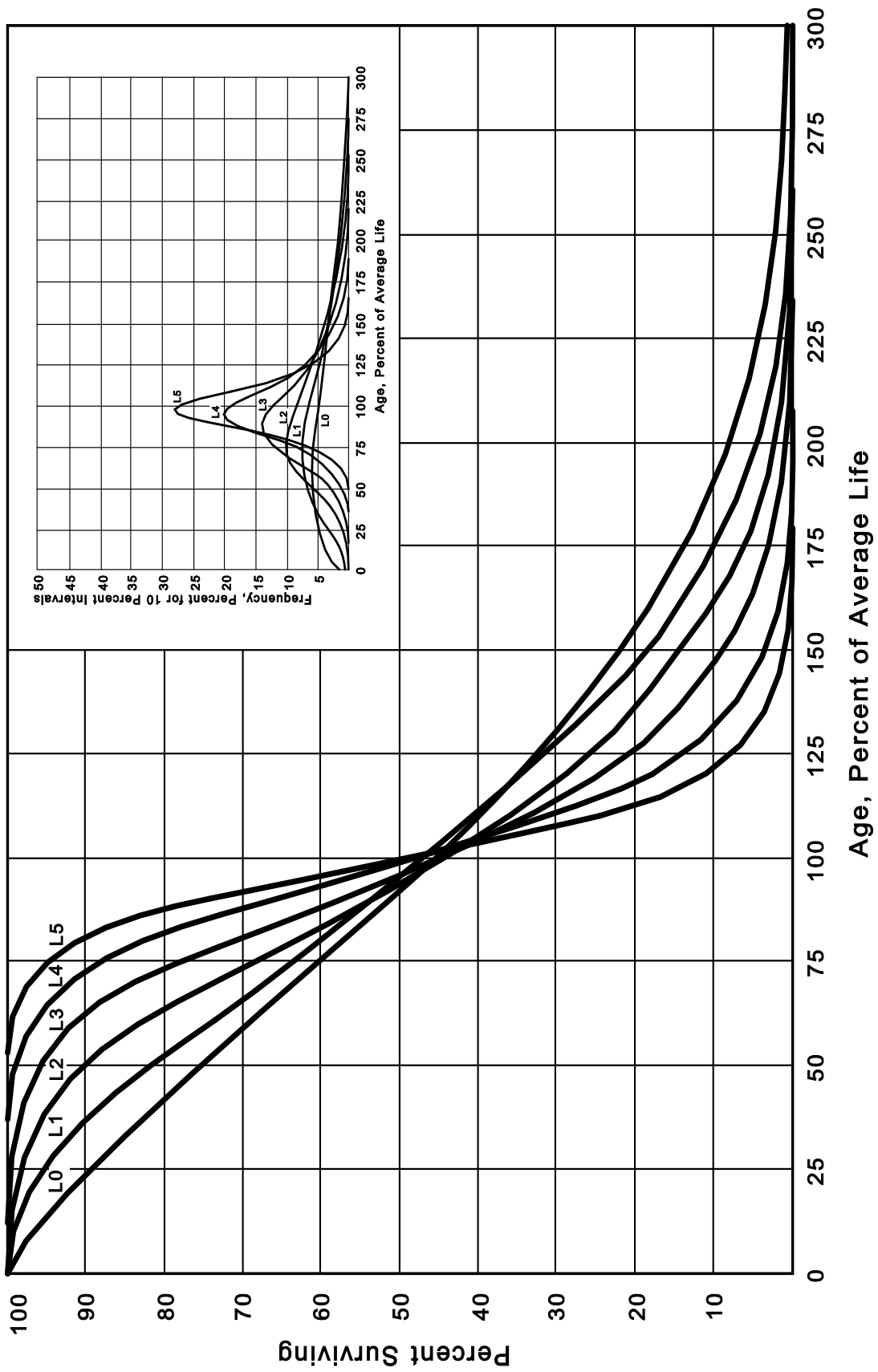


Figure 2. Left Modal or "L" Iowa Type Survivor Curves

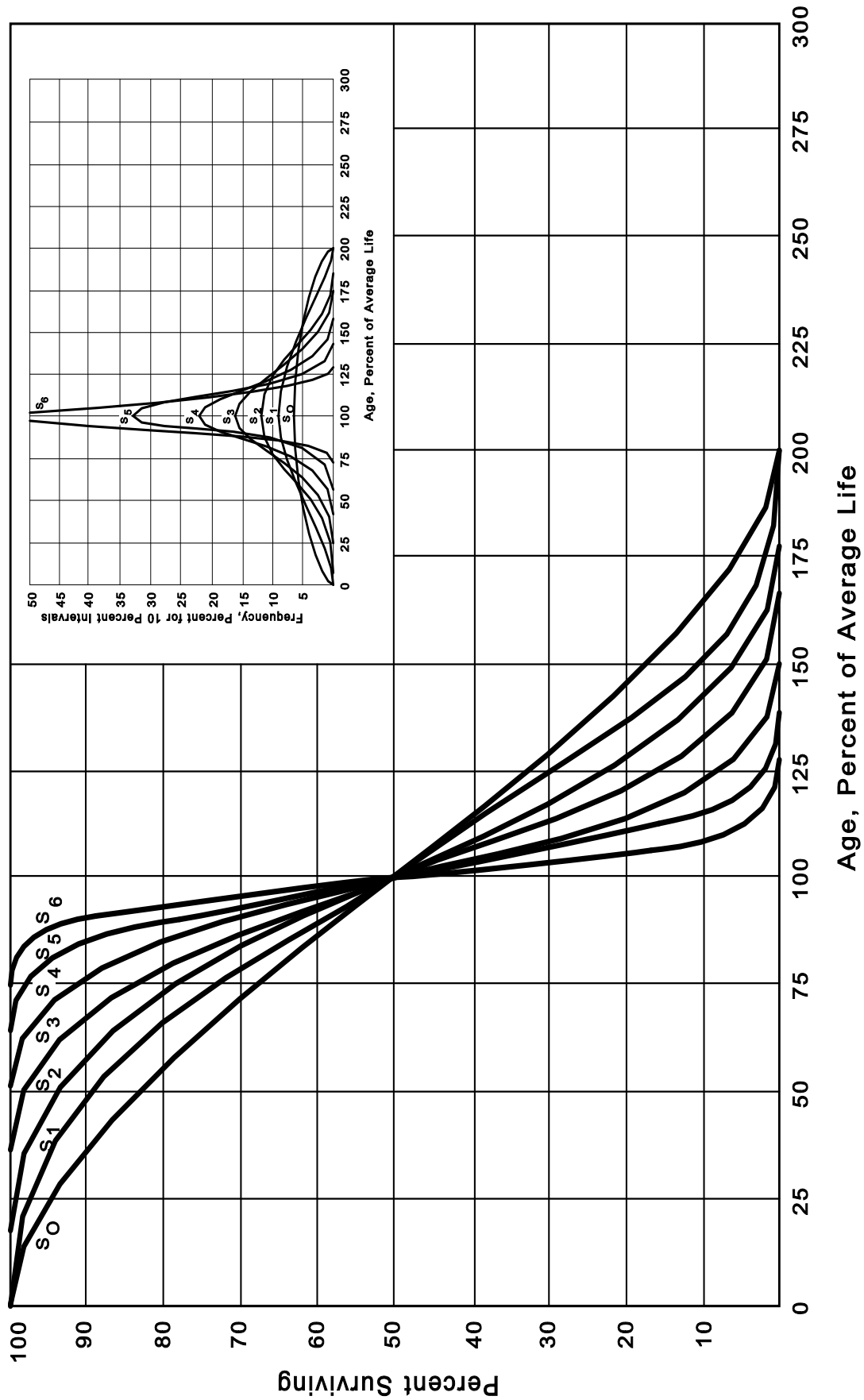


Figure 3. Symmetrical or "S" Iowa Type Survivor Curves

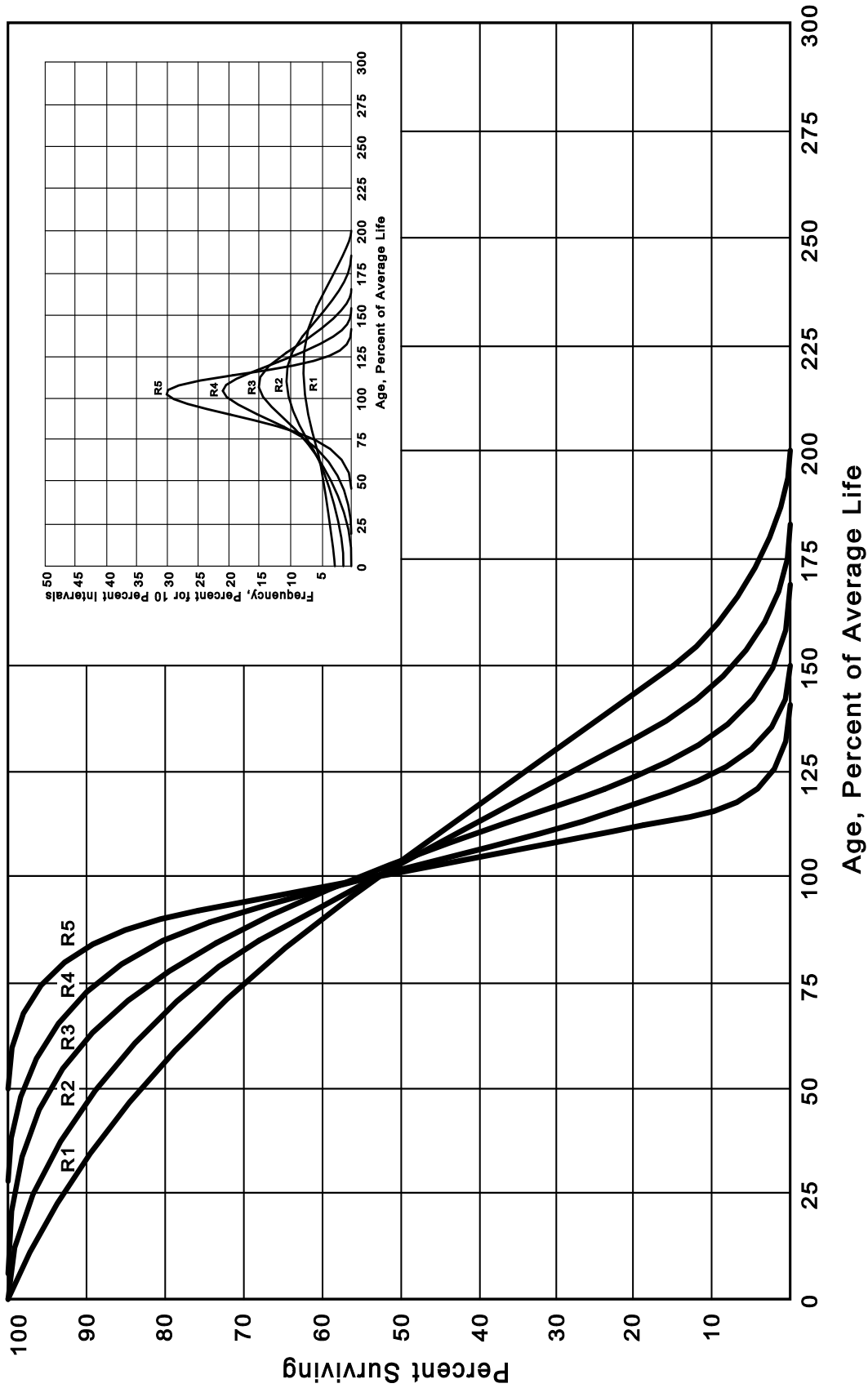


Figure 4. Right Modal or "R" Iowa Type Survivor Curves

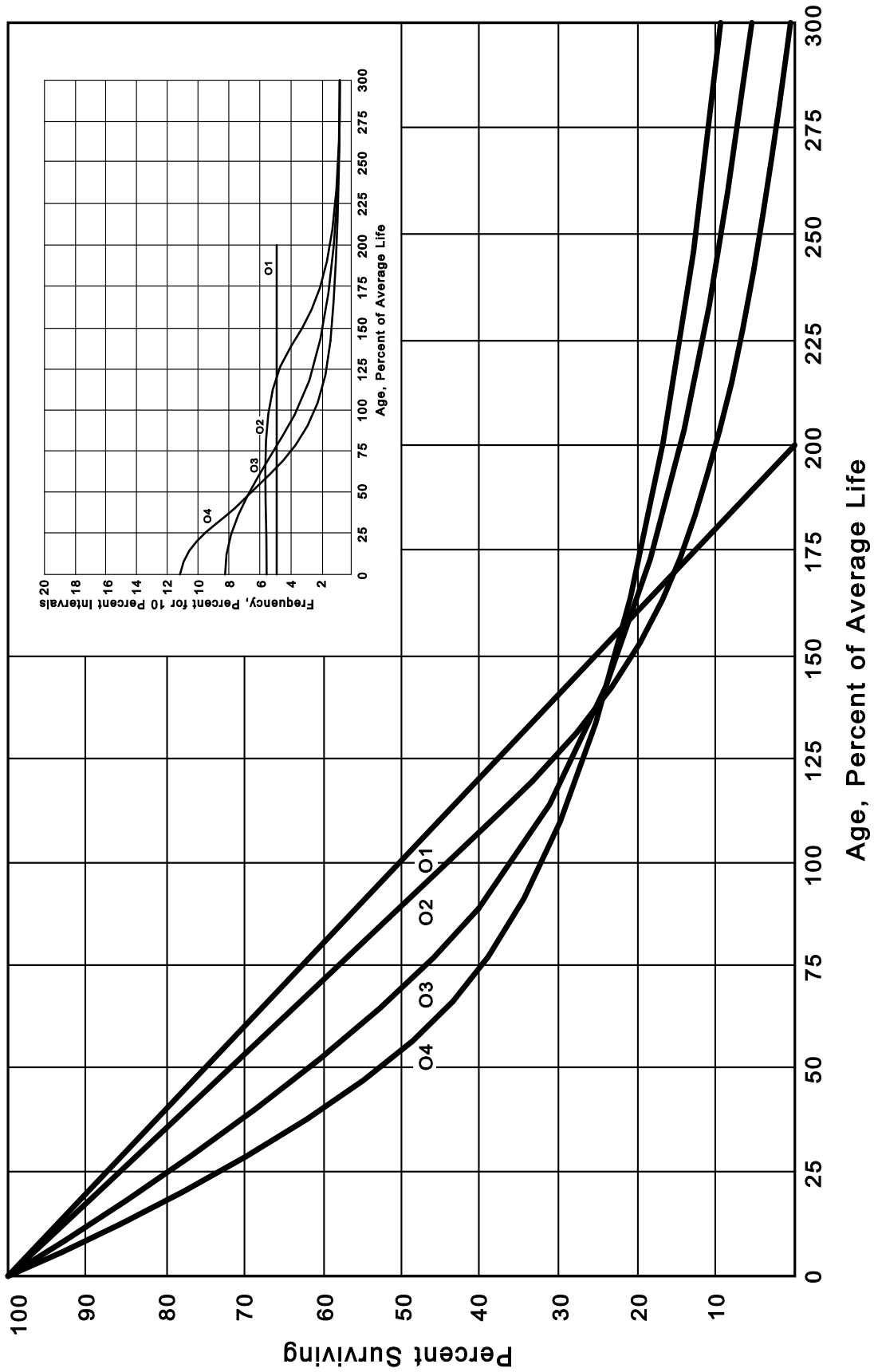


Figure 5. Origin Modal or "O" Iowa Type Survivor Curves

Retirement Rate Method of Analysis

The retirement rate method is an actuarial method of deriving survivor curves using the average rates at which property of each age group is retired. The method relates to property groups for which aged accounting experience is available and is the method used to develop the original stub survivor curves in this study. The method (also known as the annual rate method) is illustrated through the use of an example in the following text, and is also explained in several publications, including "Statistical Analyses of Industrial Property Retirements,"⁴ "Engineering Valuation and Depreciation,"⁵ and "Depreciation Systems."⁶

The average rate of retirement used in the calculation of the percent surviving for the survivor curve (life table) requires two sets of data: first, the property retired during a period of observation, identified by the property's age at retirement; and second, the property exposed to retirement at the beginning of the age intervals during the same period. The period of observation is referred to as the experience band, and the band of years which represent the installation dates of the property exposed to retirement during the experience band is referred to as the placement band. An example of the calculations used in the development of a life table follows. The example includes schedules of annual aged property transactions, a schedule of plant exposed to retirement, a life table and illustrations of smoothing the stub survivor curve.

Schedules of Annual Transactions in Plant Records

The property group used to illustrate the retirement rate method is observed for the experience band 2004-2013 during which there were placements during the years 1999-2013. In order to illustrate the summation of the aged data by age interval, the data were compiled in the manner presented in Schedules 1 and 2 on the following pages. In Schedule 1, the year of installation (year placed) and the year of retirement are shown. The age interval during which a retirement occurred is determined from this information. In the example which follows, \$10,000 of the dollars invested in 1999 were

⁴Winfrey, Robley, Supra Note 1.

⁵Marston, Anson, Robley Winfrey, and Jean C. Hempstead, Supra Note 2.

⁶Wolf, Frank K. and W. Chester Fitch. Depreciation Systems. Iowa State University Press. 1994.

SCHEDULE 1. RETIREMENTS FOR EACH YEAR 2004-2013
SUMMARIZED BY AGE INTERVAL

Year Placed	Retirements, Thousands of Dollars													Total During Age Interval	Age Interval
	During Year														
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)			
1999	10	11	12	13	14	16	23	24	25	26	26	13½-14½			
2000	11	12	13	15	16	18	20	21	22	19	44	12½-13½			
2001	11	12	13	14	16	17	19	21	22	18	64	11½-12½			
2002	8	9	10	11	11	13	14	15	16	17	83	10½-11½			
2003	9	10	11	12	13	14	16	17	19	20	93	9½-10½			
2004	4	9	10	11	12	13	14	15	16	20	105	8½-9½			
2005	5	5	11	12	13	14	15	16	18	20	113	7½-8½			
2006	6	6	6	12	13	15	16	17	19	19	124	6½-7½			
2007				6	13	15	16	17	19	19	131	5½-6½			
2008					7	14	16	17	19	20	143	4½-5½			
2009						8	18	20	22	23	146	3½-4½			
2010							9	20	22	25	150	2½-3½			
2011								11	23	25	151	1½-2½			
2012									11	24	153	½-1½			
2013										13	80	0-½			
Total	53	68	86	106	128	157	196	231	273	308	1,606				

Experience Band 2004-2013

Placement Band 1999-2013

SCHEDULE 2. OTHER TRANSACTIONS FOR EACH YEAR 2004-2013
SUMMARIZED BY AGE INTERVAL

Experience Band 2004-2013 Placement Band 1999-2013

Year Placed	During Year										Total During Age Interval	Age Interval	
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
1999	-	-	-	-	-	-	60 ^a	-	-	-	-	-	13½-14½
2000	-	-	-	-	-	-	-	-	-	-	-	-	12½-13½
2001	-	-	-	-	-	-	-	-	-	-	-	-	11½-12½
2002	-	-	-	-	-	-	-	(5) ^b	-	-	60	-	10½-11½
2003	-	-	-	-	-	-	-	6 ^a	-	-	-	-	9½-10½
2004	-	-	-	-	-	-	-	-	-	-	(5)	-	8½-9½
2005	-	-	-	-	-	-	-	-	-	-	-	-	7½-8½
2006	-	-	-	-	-	-	-	-	-	-	-	-	6½-7½
2007	-	-	-	-	-	-	-	(12) ^b	-	-	-	-	5½-6½
2008	-	-	-	-	-	-	-	-	22 ^a	-	-	-	4½-5½
2009	-	-	-	-	-	-	-	(19) ^b	-	-	10	-	3½-4½
2010	-	-	-	-	-	-	-	-	-	-	-	-	2½-3½
2011	-	-	-	-	-	-	-	-	-	(102) ^c	(121)	-	1½-2½
2012	-	-	-	-	-	-	-	-	-	-	-	-	½-1½
2013	-	-	-	-	-	-	-	-	-	-	-	-	0-½
Total	-	-	-	-	-	-	60	(30)	22	(102)	(50)	-	

^a Transfer Affecting Exposures at Beginning of Year

^b Transfer Affecting Exposures at End of Year

^c Sale with Continued Use

Parentheses Denote Credit Amount.

retired in 2004. The \$10,000 retirement occurred during the age interval between 4½ and 5½ years on the basis that approximately one-half of the amount of property was installed prior to and subsequent to July 1 of each year. That is, on the average, property installed during a year is placed in service at the midpoint of the year for the purpose of the analysis. All retirements also are stated as occurring at the midpoint of a one-year age interval of time, except the first age interval which encompasses only one-half year.

The total retirements occurring in each age interval in a band are determined by summing the amounts for each transaction year-installation year combination for that age interval. For example, the total of \$143,000 retired for age interval 4½-5½ is the sum of the retirements entered on Schedule 1 immediately above the stair step line drawn on the table beginning with the 2004 retirements of 1999 installations and ending with the 2013 retirements of the 2008 installations. Thus, the total amount of 143 for age interval 4½-5½ equals the sum of:

$$10 + 12 + 13 + 11 + 13 + 13 + 15 + 17 + 19 + 20.$$

In Schedule 2, other transactions which affect the group are recorded in a similar manner. The entries illustrated include transfers and sales. The entries which are credits to the plant account are shown in parentheses. The items recorded on this schedule are not totaled with the retirements, but are used in developing the exposures at the beginning of each age interval.

Schedule of Plant Exposed to Retirement

The development of the amount of plant exposed to retirement at the beginning of each age interval is illustrated in Schedule 3 on the following page. The surviving plant at the beginning of each year from 2004 through 2013 is recorded by year in the portion of the table headed "Annual Survivors at the Beginning of the Year." The last amount entered in each column is the amount of new plant added to the group during the year. The amounts entered in Schedule 3 for each successive year following the beginning balance or addition, are obtained by adding or subtracting the net entries

SCHEDULE 3. PLANT EXPOSED TO RETIREMENT JANUARY 1
OF EACH YEAR 2004-2013
SUMMARIZED BY AGE INTERVAL

Year Placed (1)	Exposures, Thousands of Dollars													Total at Beginning of Age Interval (12)	Age Interval (13)
	Annual Survivors at the Beginning of the Year														
	2004 (2)	2005 (3)	2006 (4)	2007 (5)	2008 (6)	2009 (7)	2010 (8)	2011 (9)	2012 (10)	2013 (11)					
1999	255	245	234	222	209	195	239	216	192	167	167	167	167	13½-14½	
2000	279	268	256	243	228	212	194	174	153	131	131	131	131	12½-13½	
2001	307	296	284	271	257	241	224	205	184	162	162	162	162	11½-12½	
2002	338	330	321	311	300	289	276	262	242	226	226	226	226	10½-11½	
2003	376	367	257	346	334	321	307	267	280	261	261	261	261	9½-10½	
2004	420 ^a	416	407	397	386	374	361	347	332	316	316	316	316	8½-9½	
2005		460 ^a	455	444	432	419	405	390	374	356	356	356	356	7½-8½	
2006			510 ^a	504	492	479	464	448	431	412	412	412	412	6½-7½	
2007				580 ^a	574	561	546	530	501	482	482	482	482	5½-6½	
2008					660 ^a	653	639	623	628	609	609	609	609	4½-5½	
2009						750 ^a	742	724	685	663	663	663	663	3½-4½	
2010							850 ^a	841	821	799	799	799	799	2½-3½	
2011								960 ^a	949	923	923	923	923	1½-2½	
2012									1,080 ^a	1,069	1,069	1,069	1,069	½-1½	
2013										1,220 ^a	1,220 ^a	1,220 ^a	1,220 ^a	0-½	
Total	1,975	2,382	2,824	3,318	3,872	4,494	5,247	6,017	6,852	7,799	7,799	7,799	7,799	44,780	

^a Additions during the year.

shown on Schedules 1 and 2. For the purpose of determining the plant exposed to retirement, transfers-in are considered as being exposed to retirement in this group at the beginning of the year in which they occurred, and the sales and transfers-out are considered to be removed from the plant exposed to retirement at the beginning of the following year. Thus, the amounts of plant shown at the beginning of each year are the amounts of plant from each placement year considered to be exposed to retirement at the beginning of each successive transaction year. For example, the exposures for the installation year 2006 are calculated in the following manner:

Exposures at age 0	= amount of addition	= \$750,000
Exposures at age ½	= \$750,000 - \$ 8,000	= \$742,000
Exposures at age 1½	= \$742,000 - \$18,000	= \$724,000
Exposures at age 2½	= \$724,000 - \$20,000 - \$19,000	= \$685,000
Exposures at age 3½	= \$685,000 - \$22,000	= \$663,000

For the entire experience band 2001-2010, the total exposures at the beginning of an age interval are obtained by summing diagonally in a manner similar to the summing of the retirements during an age interval (Schedule 1). For example, the figure of 3,789, shown as the total exposures at the beginning of age interval 4½-5½, is obtained by summing:

$$255 + 268 + 284 + 311 + 334 + 374 + 405 + 448 + 501 + 609.$$

Original Life Table

The original life table, illustrated in Schedule 4 on the following page, is developed from the totals shown on the schedules of retirements and exposures, Schedules 1 and 3, respectively. The exposures at the beginning of the age interval are obtained from the corresponding age interval of the exposure schedule, and the retirements during the age interval are obtained from the corresponding age interval of the retirement schedule. The retirement ratio is the result of dividing the retirements during the age interval by the exposures at the beginning of the age interval. The percent surviving at the beginning of each age interval is derived from survivor ratios, each of which equals one minus the retirement ratio. The percent surviving is developed by starting with 100% at age zero and successively multiplying the percent

SCHEDULE 4. ORIGINAL LIFE TABLE

CALCULATED BY THE RETIREMENT RATE METHOD

Experience Band 2004-2013

Placement Band 1999-2013

(Exposure and Retirement Amounts are in Thousands of Dollars)

Age at Beginning of Interval (1)	Exposures at Beginning of Age Interval (2)	Retirements During Age Interval (3)	Retirement Ratio (4)	Survivor Ratio (5)	Percent Surviving at Beginning of Age Interval (6)
0.0	7,490	80	0.0107	0.9893	100.00
0.5	6,579	153	0.0233	0.9767	98.93
1.5	5,719	151	0.0264	0.9736	96.62
2.5	4,955	150	0.0303	0.9697	94.07
3.5	4,332	146	0.0337	0.9663	91.22
4.5	3,789	143	0.0377	0.9623	88.15
5.5	3,057	131	0.0429	0.9571	84.83
6.5	2,463	124	0.0503	0.9497	81.19
7.5	1,952	113	0.0579	0.9421	77.11
8.5	1,503	105	0.0699	0.9301	72.65
9.5	1,097	93	0.0848	0.9152	67.57
10.5	823	83	0.1009	0.8991	61.84
11.5	531	64	0.1205	0.8795	55.60
12.5	323	44	0.1362	0.8638	48.90
13.5	<u>167</u>	<u>26</u>	0.1557	0.8443	42.24
					35.66
Total	<u>44,780</u>	<u>1,606</u>			

Column 2 from Schedule 3, Column 12, Plant Exposed to Retirement.

Column 3 from Schedule 1, Column 12, Retirements for Each Year.

Column 4 = Column 3 divided by Column 2.

Column 5 = 1.0000 minus Column 4.

Column 6 = Column 5 multiplied by Column 6 as of the Preceding Age Interval.

surviving at the beginning of each interval by the survivor ratio, i.e., one minus the retirement ratio for that age interval. The calculations necessary to determine the percent surviving at age 5½ are as follows:

Percent surviving at age 4½	=	88.15	
Exposures at age 4½	=	3,789,000	
Retirements from age 4½ to 5½	=	143,000	
Retirement Ratio	=	$143,000 \div 3,789,000$	= 0.0377
Survivor Ratio	=	$1.000 - 0.0377$	= 0.9623
Percent surviving at age 5½	=	$(88.15) \times (0.9623)$	= 84.83

The totals of the exposures and retirements (columns 2 and 3) are shown for the purpose of checking with the respective totals in Schedules 1 and 3. The ratio of the total retirements to the total exposures, other than for each age interval, is meaningless. The original survivor curve is plotted from the original life table (column 6, Schedule 4). When the curve terminates at a percent surviving greater than zero, it is called a stub survivor curve. Survivor curves developed from retirement rate studies generally are stub curves.

Smoothing the Original Survivor Curve

The smoothing of the original survivor curve eliminates any irregularities and serves as the basis for the preliminary extrapolation to zero percent surviving of the original stub curve. Even if the original survivor curve is complete from 100% to zero percent, it is desirable to eliminate any irregularities, as there is still an extrapolation for the vintages which have not yet lived to the age at which the curve reaches zero percent. In this study, the smoothing of the original curve with established type curves was used to eliminate irregularities in the original curve.

The Iowa type curves are used in this study to smooth those original stub curves which are expressed as percents surviving at ages in years. Each original survivor curve was compared to the Iowa curves using visual and mathematical matching in order to determine the better fitting smooth curves. In Figures 6, 7, and 8, the original curve developed in Schedule 4 is compared with the L, S, and R Iowa type curves which most nearly fit the original survivor curve. In Figure 6, the L1 curve with an

between 12 and 13 years appears to be the best fit. In Figure 7, the S0 type curve with a 12-year average life appears to be the best fit and appears to be better than the L1 fitting. In Figure 8, the R1 type curve with a 12-year average life appears to be the best fit and appears to be better than either the L1 or the S0.

In Figure 9, the three fittings, 12-L1, 12-S0 and 12-R1 are drawn for comparison purposes. It is probable that the 12-R1 lowa curve would be selected as the most representative of the plotted survivor characteristics of the group.

FIGURE 6. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN L1 IOWA TYPE CURVE
 ORIGINAL AND SMOOTH SURVIVOR CURVES

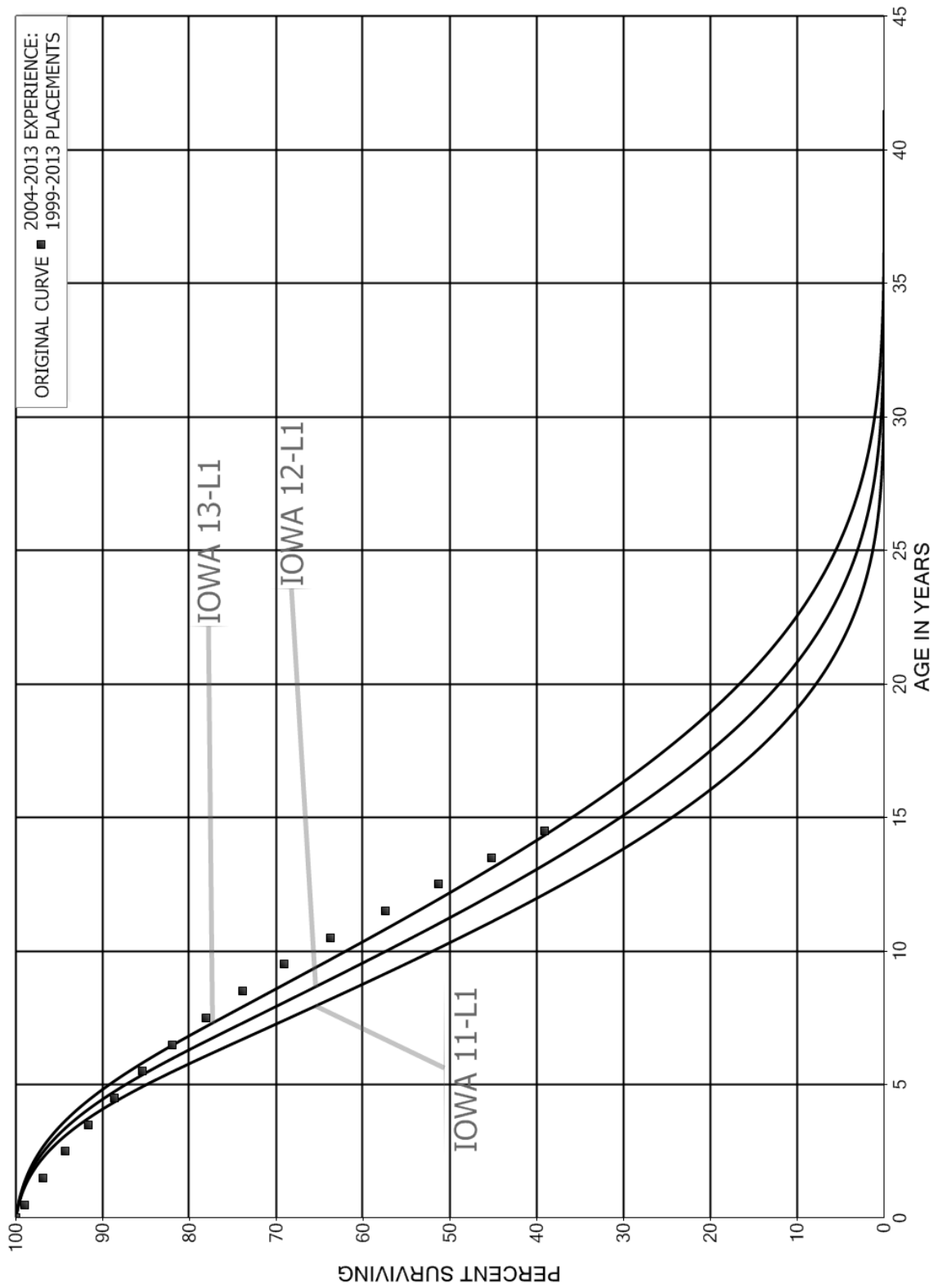


FIGURE 7. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN S0 IOWA TYPE CURVE
 ORIGINAL AND SMOOTH SURVIVOR CURVES

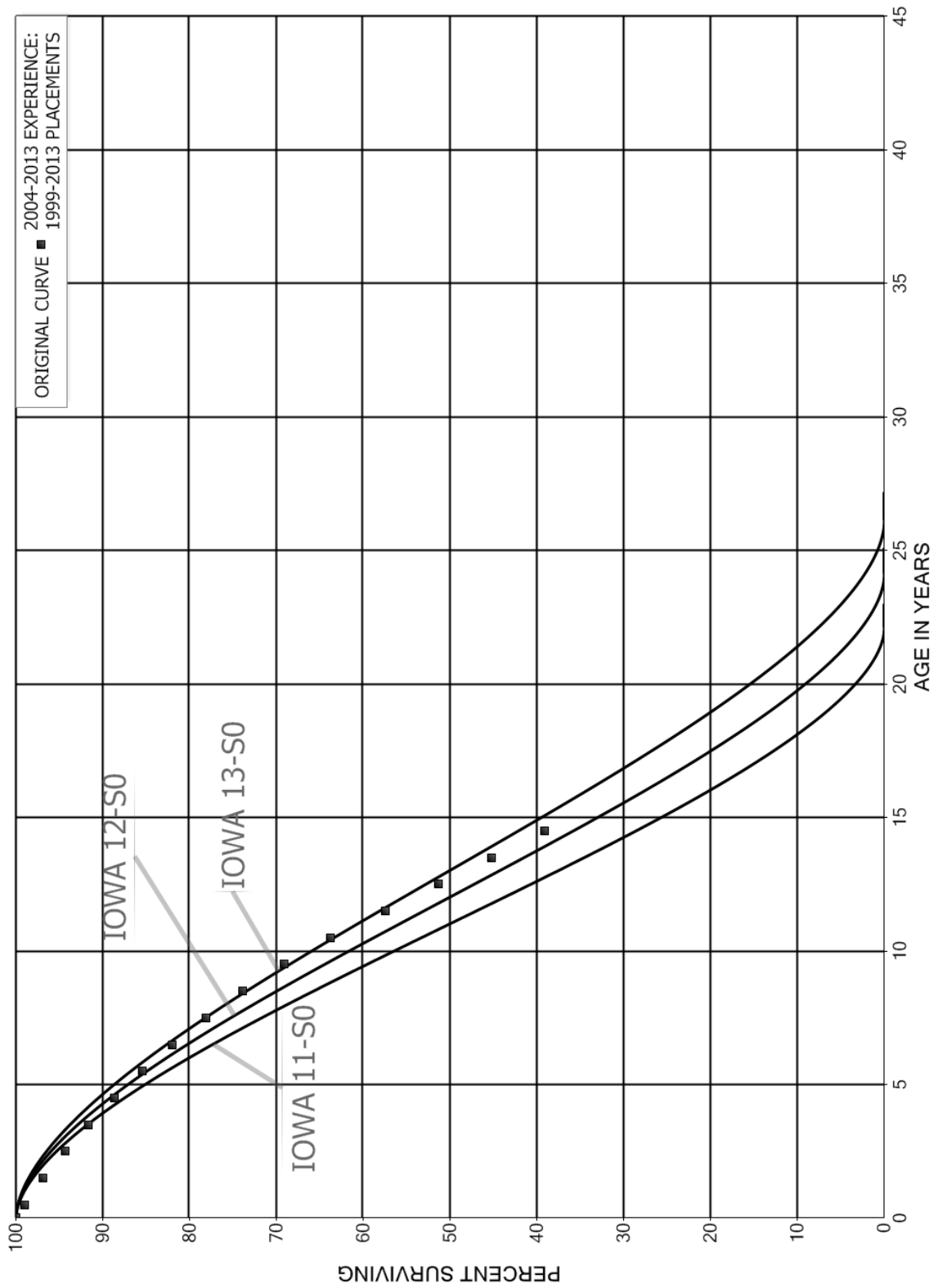


FIGURE 8. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN R1 IOWA TYPE CURVE ORIGINAL AND SMOOTH SURVIVOR CURVES

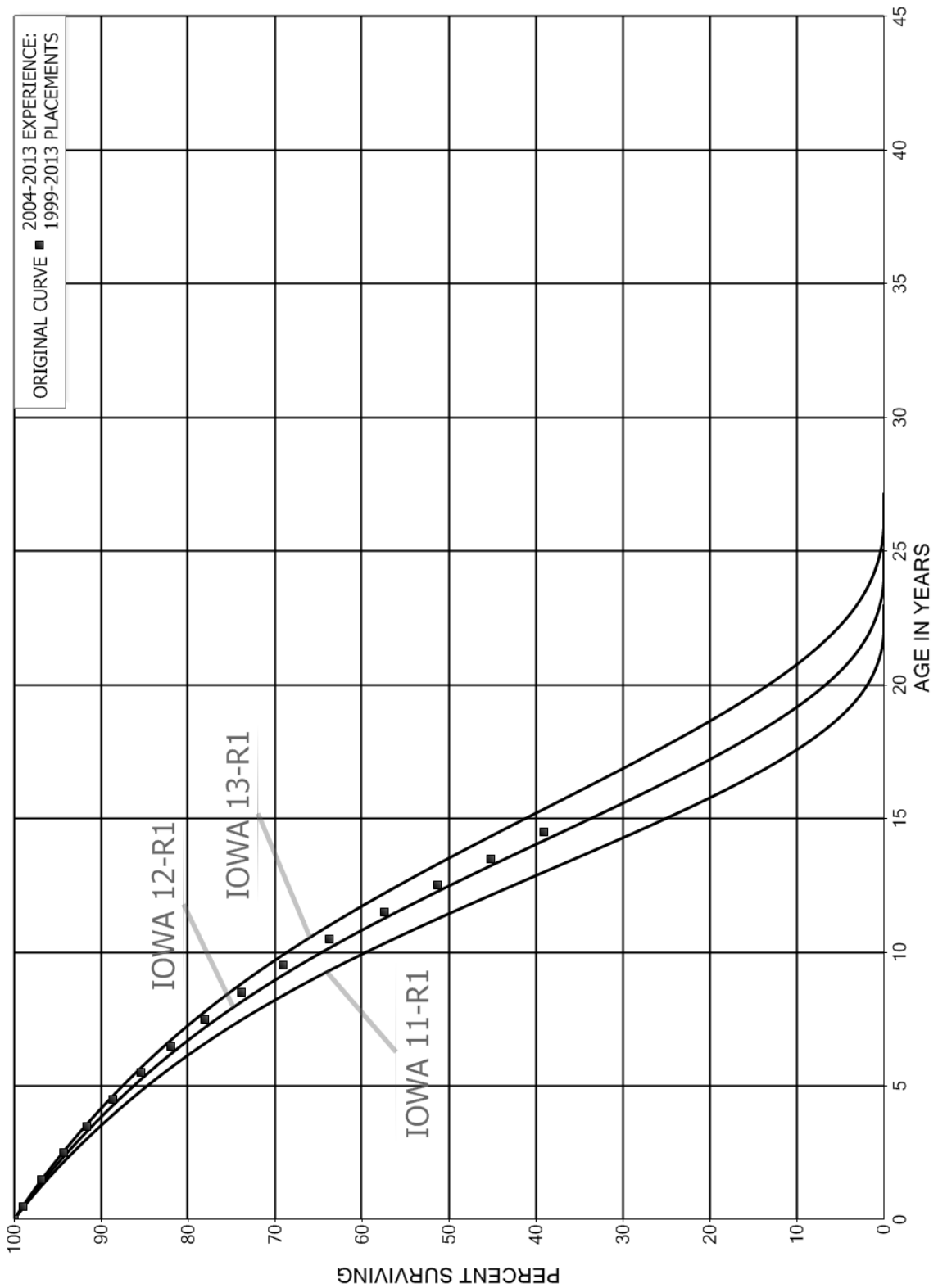
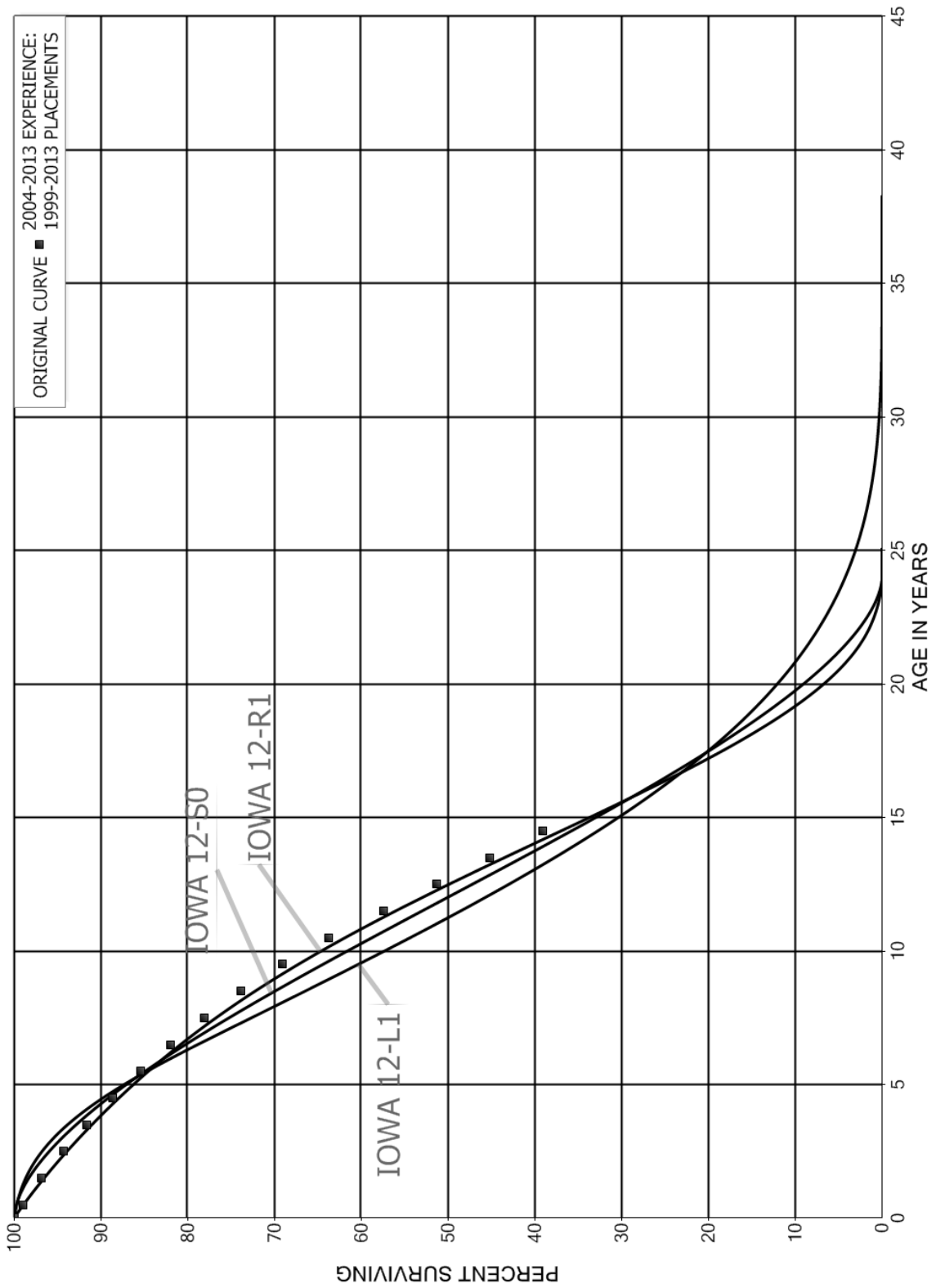


FIGURE 9. ILLUSTRATION OF THE MATCHING OF AN ORIGINAL SURVIVOR CURVE WITH AN L1, S0 AND R1 IOWA TYPE CURVE ORIGINAL AND SMOOTH SURVIVOR CURVES



APPENDIX B
ESTIMATION OF NET SALVAGE

ESTIMATION OF NET SALVAGE

The estimates of net salvage were based primarily on the professional judgment of Gannett Fleming, in part on historical data, and in part through a comparison to peer companies. Gross salvage and cost of removal as recorded to the depreciation reserve account and related to experienced retirements are used. Percentages of the cost of plant retired are calculated for each component of net salvage on both annual and three-year moving average bases.

The net salvage percentages estimated is usually determined using the “Traditional Approach” for net salvage estimation. When a utility retires plant, the plant may be: (1) sold to a third party; (2) reused by the utility for additional service; (3) abandoned in place; or (4) physically removed. In the circumstances where the plant is sold or re-used, a salvage proceed (or positive salvage amount) is normally recognized. In circumstances where the plant is abandoned in place or physically removed, a cost of removal expenditure (or negative salvage) is incurred. The net of these estimated gross salvage proceeds and the estimated costs of removal are expressed as a percentage of the account’s original cost to determine a net salvage percentage. In the circumstances where the salvage proceeds exceed the costs of retirement, a net positive salvage percentage exists. In the circumstances where the costs of removal exceed the salvage proceeds, a net negative salvage percentage results.

The estimation of the net salvage percentages developed using the traditional approach, includes the following steps:

1. The annual retirement, gross salvage and cost of removal transactions for the period of analysis are extracted from the plant accounting systems.
2. A net salvage amount (gross salvage proceeds less cost of retirement) is calculated for each historic year. Additionally, a net salvage amount is also calculated for each historic three-year rolling band and the most recent five-year rolling band.
3. The net salvage amount determined above is compared to the original booked costs retired for each period in the manner described, which results in a net salvage percentage of original costs retired for each year, in addition to three-year rolling bands and the most recent five-year rolling band.

4. The annual, the three-year rolling average, and the most recent five-year rolling average net salvage percentages are analyzed to determine a reasonable estimated net salvage percentage. At this point the net salvage percentage is based purely upon statistical analysis.
5. Each account is then compared to the net salvage percentage currently approved, compared to peer companies, and discussed with company engineering staff. Based on the statistical analysis, the review of current and peer company net salvage percentages, and with the professional judgment of Gannett Fleming, a net salvage percentage is determined for each account.
6. The net salvage percentage is then used in the depreciation rate calculations in the technical update.



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