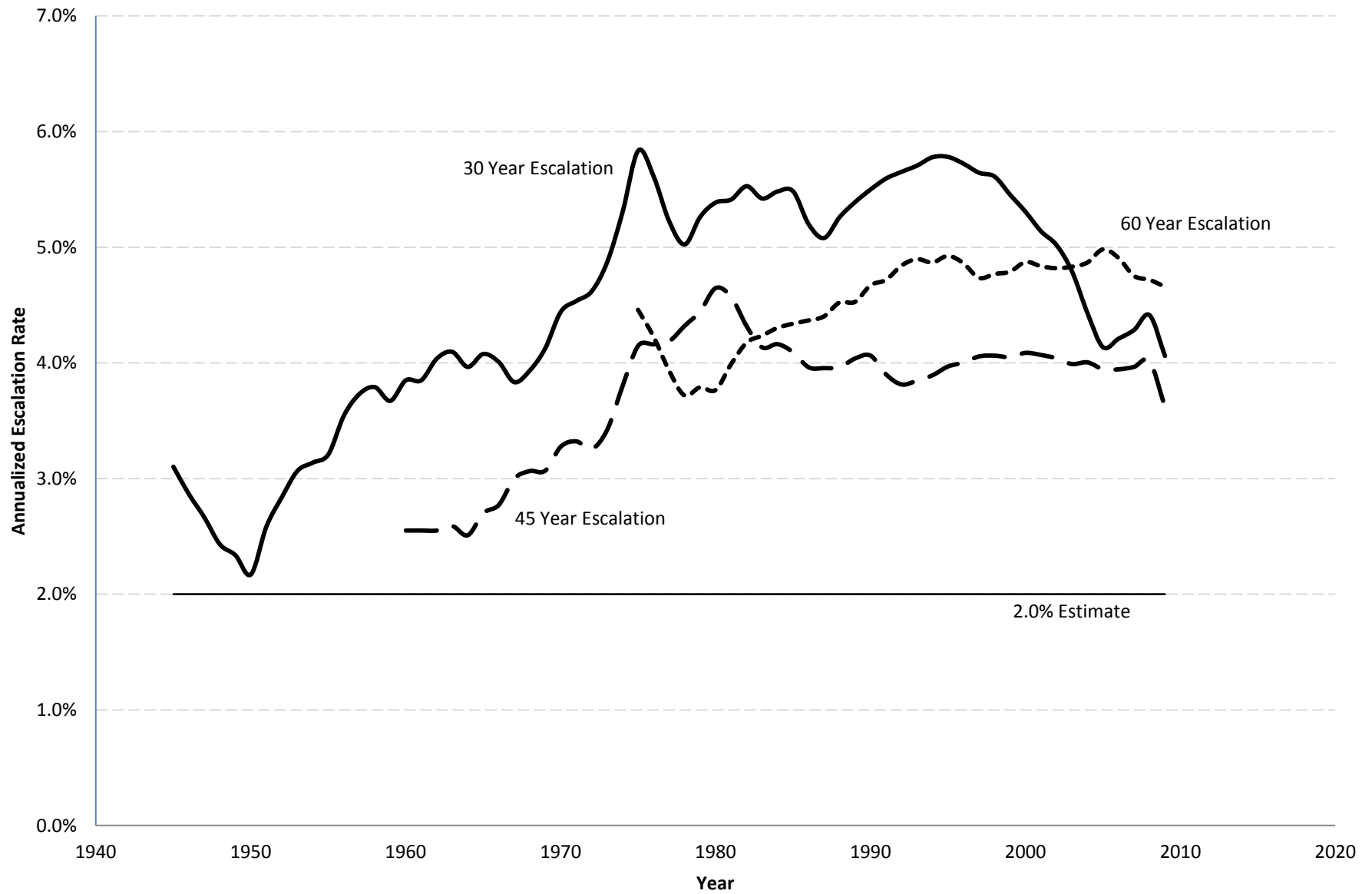


1 **Q. [Decommissioning] – Please provide all support and justification for the assumed**
2 **inflation level reflected in the decommissioning estimates.**

3
4 A. The 2% inflation rate used in development of net salvage estimates for production plant
5 represents a conservative estimate of future inflation. Attachment A compares the 2%
6 inflation rate used in this proceeding with historical long term average inflation rates
7 based on both the Handy-Whitman price index and the consumer price index. As the
8 attachment shows, the 2% is a conservative estimate when compared to either index. A
9 2% estimate is significantly lower than the long-term inflation rate for any period of time
10 since the Handy Whitman indexes inception, and is lower than almost every long-term
11 period of time for the CPI.

Historic Inflation Rates

30, 45 and 60 Year Annualized Escalation Rate Handy Whitman North Atlantic All Steam and Hydro Index



30, 45 and 60 Year Annualized Escalation Rate Consumer Price Index

