

1 **Q. How will Wheeling Power Company use the cash payment from the Company**  
2 **until it actually pays for the decommissioning costs?**

3 A. Wheeling Power Company will use the cash to displace other financing  
4 requirements. In other words, the Company will be required to finance the  
5 prepayment at its grossed-up weighted average cost of capital, while Wheeling  
6 Power Company will use the cash to reduce its financing, resulting in a savings in  
7 the financing costs on these funds at its grossed-up weighted average cost of capital  
8 from 2029 through 2040 and thereafter until the decommissioning is completed, a  
9 period of 15 to 18 or more years.

10

11 **Q. In your experience, does the escalation from present value dollars to future**  
12 **from inflation equal the utility's grossed-up weighted cost of capital?**

13 A. No. In my experience, typical estimates of the future escalation of  
14 decommissioning costs allowed by the Commission have been approximately 2.0%  
15 to 2.5%. The decommissioning component of the Company's Mitchell Plant <sup>prior requested</sup>  
16 depreciation rates reflects a <sup>2.35%</sup> 2.5% annual escalation rate. These rates of escalation  
17 are far less than the costs that the Company will incur to prepay the  
18 decommissioning costs. To the extent these costs are recovered from the  
19 Company's customers, it will result in excessive and unreasonable rates. In  
20 addition, it will result in the Company's customers subsidizing Wheeling Power  
21 Company's customers.

22

23 **Q. Does the definition of Decommissioning Costs explicitly require a reduction in**

1           **the estimated future decommissioning cost for salvage income?**

2    A.    No.    Decommissioning studies typically reduce the estimated future  
3           decommissioning cost for salvage income.    However, the definition of  
4           Decommissioning Costs set forth in Section 14 of the proposed Ownership  
5           Agreement fails to mention salvage income.

6

7    **Q.    In your experience, do decommissioning cost estimates prepared by**  
8           **engineering firms typically include contingency amounts in addition to the cost**  
9           **estimates?**

10   A.    Yes.   Engineering firms typically add in contingencies of 15% to 30% or more to  
11           some or all of the decommissioning cost components in their estimates.   The  
12           decommissioning component of the Company's <sup>prior requested</sup> Mitchell Plant depreciation rates  
13           includes a 30% contingency.

14

15   **Q.    Should the Decommissioning Costs include contingency amounts?**

16   A.    No.    If the Decommissioning Costs component remains in the formula for the  
17           Buyout Price, then it should not include contingency amounts.   It should be the  
18           responsibility of Wheeling Power Company to manage the actual decommissioning  
19           cost and bring it in at or below the estimated cost.

20

21   **Q.    Is there another harm and subsidy if the Company prepays Decommissioning**  
22           **Costs?**

23   A.    Yes.   Decommissioning costs cannot be deducted for income tax purposes until