

115 Deactivation Avoidable Cost Rate:

The Deactivation Avoidable Cost Rate for a generating unit proposed for Deactivation shall be determined using the following formula:

$$\text{Deactivation Avoidable Cost Rate} = ((\text{AOML} + \text{AAE} + \text{AME} + \text{AVE} + \text{ATFI} + \text{ACC} + \text{ACLE}) / 12) + \text{APIR}$$

Where:

- **AOML (Avoidable Operations and Maintenance Labor)** consists of the avoidable labor expenses related directly to operations and maintenance of the generating unit proposed for Deactivation for the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AOML are those incurred for: (a) on-site based labor engaged in operations and maintenance activities; (b) off-site based labor engaged in on-site operations and maintenance activities directly related to the generating unit; and (c) off-site based labor engaged in off-site operations and maintenance activities directly related to generating unit equipment removed from the generating unit site.
- **AAE (Avoidable Administrative Expenses)** consists of the avoidable administrative expenses related directly to employees at the generating unit proposed for Deactivation for twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AAE are those incurred for: (a) employee expenses (except employee expenses included in AOML); (b) environmental fees; (c) safety and operator training; (d) office supplies; (e) communications; and (f) annual plant test, inspection and analysis.
- **AME (Avoidable Maintenance Expenses)** consists of avoidable maintenance expenses (other than expenses included in AOML) related directly to the generating unit proposed for Deactivation for the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AME are those incurred for: (a) chemical and materials consumed during maintenance of the generating unit; and (b) rented maintenance equipment used to maintain the generating unit.
- **AVE (Avoidable Variable Expenses)** consists of avoidable variable expenses related directly to the generating unit proposed for Deactivation incurred in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AVE are those incurred for: (a) water treatment chemicals and lubricants; (b) water, gas, and electric service (not for power generation); and (c) waste water treatment.

- **ATFI (Avoidable Taxes, Fees and Insurance)** consists of avoidable expenses related directly to the generating unit proposed for Deactivation incurred in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AFTI are those incurred for: (a) insurance; (b) permits and licensing fees; (c) site security and utilities for maintaining security at the site; and (d) property taxes.
- **ACC (Avoidable Carrying Charges)** consists of avoidable short term carrying charges related directly to the generating unit proposed for Deactivation in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. Avoidable short term carrying charges shall include short term carrying charges for maintaining reasonable levels of inventories of fuel and spare parts that result from short-term operational unit decisions as measured by industry best practice standards. For the purpose of determining ACC, short term is the time period in which a reasonable replacement of inventory for normal, expected operations can occur.
- **ACLE (Avoidable Corporate Level Expenses)** consists of avoidable corporate level expenses directly related to the generating unit proposed for Deactivation incurred in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. Avoidable corporate level expenses shall include only such expenses that are directly linked to providing tangible services required for the operation of the generating unit proposed for Deactivation. The categories of avoidable expenses included in ACLE are those incurred for: (a) legal services; (b) environmental reporting; and (c) procurement expenses.

The Avoidable Project Investment Recovery Rate (APIR) for a generating unit proposed for Deactivation shall be determined using the following formula:

- **APIR (Avoidable Project Investment Recovery ~~Rate~~Cost) = PI/NMR**

Where:

PI is the amount of project investment required to enable a generating unit proposed for Deactivation to continue operating beyond its proposed Deactivation Date.

NMR is the number of months beyond the proposed Deactivation Date of a generating unit proposed for Deactivation that the Transmission Provider has specified in its updated estimate pursuant to section 113.2 of this Tariff that such generating unit shall be required to operate.

PI recovered through the APIR, shall not commence before the in-service date of the PI. The amount recovered through the APIR shall not exceed the actual amount of the PI, ~~and in no event shall recovery through the APIR exceed \$2 million.~~

For the purpose of determining Deactivation Avoidable Cost Rate, avoidable expenses are incremental expenses directly required for the operation of a generating unit proposed for Deactivation that a Generation Owner would not incur if such generating unit deactivated on its proposed Deactivation Date rather than continuing to operate beyond its proposed Deactivation Date. A generating unit owner shall direct all inquiries regarding avoidable expenses to the Market Monitoring Unit.

For the purpose of determining a Deactivation Avoidable Cost Rate, avoidable expenses shall exclude variable costs recoverable under cost-based offers to sell energy from operating capacity on the PJM Interchange Energy Market under the Operating Agreement.