

114 Deactivation Avoidable Cost Credit:

In the event that the Generation Owner or its Designated Agent informs Transmission Provider pursuant to section 113.2 that it will continue operating a generating unit beyond its desired Deactivation Date, the Generation Owner or its Designated Agent shall receive a monthly Deactivation Avoidable Cost Credit for such continued operation pursuant to the terms and conditions of this section 114.

Subject to section 119 of this Tariff, a Generation Owner or its Designated Agent shall be eligible for Deactivation Avoidable Cost Credits commencing on the later of the proposed Deactivation Date of its generating unit or the day after the Generation Owner or its Designated Agent submits the informational filing pursuant to section 116 of this Tariff and continuing until the earlier of such time as the generating unit is deactivated or the completion date of the necessary

Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System. The Transmission Provider shall give at least thirty days notice to a Generation Owner or its Designated Agent of the date when continued operation of a generating unit is no longer required under Part V of the Tariff.

Deactivation Avoidable Cost Credits shall be determined according to the following formula:

Deactivation Avoidable Cost Credit = ((Deactivation Avoidable Cost Rate ~~+~~^{*}
Applicable ~~Adder~~Multiplier) * MW capability of the unit * Number of days in the
month) – Actual Net Revenues

Where:

Deactivation Avoidable Cost Rate is the Generation Owner's Deactivation Avoidable Cost Rate determined pursuant to section 115 of this Tariff.

Applicable Adder is the appropriate multiplier ~~adder~~ specified below:

First Year Multiplier~~Adder~~: 110 percent of the Generation Owner's Deactivation Avoidable Cost Rate. This adder shall apply commencing on the desired Deactivation Date of the generating unit proposed for Deactivation and for the 12 months thereafter.

Second Year Multiplier~~Adder~~: 120 percent of the Generation Owner's Deactivation Avoidable Cost Rate. This adder shall apply commencing on the first day of the 13th month after the desired Deactivation Date of the generating unit proposed for Deactivation and for the 12 months thereafter.

Third Year ~~MultiplierAdder~~: 135 percent of the Generation Owner's Deactivation Avoidable Cost Rate. This adder shall apply commencing on the first day of the 25th month after the desired Deactivation Date of the generating unit proposed for Deactivation and for the 12 months thereafter.

Fourth Year ~~MultiplierAdder~~: 150 percent of the Generation Owner's Deactivation Avoidable Cost Rate. This adder shall apply commencing on the first day of the 37th month after the desired Deactivation Date of the generating unit proposed for Deactivation and until the earlier of such time as the generating unit is deactivated or the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System.

~~If the Generation Owner, or its Designated Agent, provides the Transmission Provider with notice pursuant to section 113.1 of this Tariff 180 days prior to the proposed Deactivation Date of the generating unit, the First Year ~~MultiplierAdder~~ will be increased to 114 percent of the Generation Owner's Deactivation Avoidable Cost Rate. For each additional 30 days notice greater than 180 days, the First Year ~~MultiplierAdder~~ will increase by 1 percent of the Generation Owner's Deactivation Avoidable Cost Rate, up to a maximum of 120 percent for 12 months notice or greater.~~

(Deactivation Avoidable Cost Rate \pm * ~~Applicable ~~MultiplierAdder~~~~) is expressed in \$/MW day.

Actual Net Revenues are all revenues from PJM markets and unit-specific bilateral contracts net of marginal cost of service recoverable under cost-based offers to sell energy from operating capacity on the PJM Interchange Energy Market under the Operating Agreement, not less than zero.

~~Deactivation Avoidable Cost Credit shall not be less than zero. If at any time, the Deactivation Avoidable Cost Rate + Applicable Adder, expressed in \$/MW day, exceeds the Daily Deficiency Rate, the Generation Owner shall be credited the Daily Deficiency Rate multiplied by the generating unit's MW capability, less any Actual Net Revenues.~~

The Market Monitoring Unit and the generating unit owner shall attempt to come to agreement on the appropriate level of each component included in the Deactivation Avoidable Cost Credit. If a generating unit owner includes a cost component inconsistent with its agreement or inconsistent with the Market Monitoring Unit's determination regarding such cost components, the Market Monitoring Unit may petition the Commission for an order that would require the generating unit owner to include an appropriate cost component. This provision is duplicated in section IV.2 of Attachment M – Appendix.