Stay Open Cost Assumptions

- The test year (7/1/2021-6/30/2022) in the 2020 KY rate case and subsequent IRP filing was based on the 2021 Business Plan (21BP).
- The 21BP was the starting point for modeling of stay open costs for CPCN purposes. The 21BP assumed the following retirement dates:
  - Brown 3 – 2028
  - Mill Creek 1 – 2024
  - Mill Creek 2 – 2028
  - Ghent 2 – 2034
- The 21BP was comprised of a five-year detailed budget for 2021-2025 and forecast for years 2026-2030 with a 3% labor and 2% non-labor escalation on fixed O&M costs. Capital and major overhaul O&M projects were included across all ten years of the 21BP based on the above retirement dates.
- Post 2030 costs included 3% escalation on labor and 2% on non-labor.
- 21BP Capital and O&M costs adjusted for a 2050 retirement date versus the above assumed retirement dates.
- Identified and segregated major overhaul costs from non-major overhaul costs on both capital and O&M. Major overhauls assumed on an eight-year cycle.
- Post-retirement ongoing O&M costs were eliminated across all years, starting in 2021 with an escalation rate of 3% used on labor and 2% on non-labor to appropriately de-escalate years pre-assumed retirement and escalate years post assumed retirement.
- Common costs (Ghent and Mill Creek), excluding post-retirement costs, were allocated to units on a percentage basis using reduction of expense due to a unit closure compared to remaining costs.
- O&M items with fixed overhaul costs in the year of a major overhaul were averaged for adjacent years, with that average excluded as major overhaul costs to appropriately segregate fixed overhaul costs. Cyclical overhaul costs placed in years other than a major overhaul year in the 21BP, were assumed in the major overhaul year utilizing a 2% escalation rate, on both capital and O&M, with capital utilizing the below described averaging methodology post 2030.
- Capital beyond 2030 used an averaging method to capture typical costs over an eight-year major overhaul cycle, utilizing 2017-2024 and included the distinction between major overhaul capital and routine capital. The capital costs in each year of the eight-year cycle were escalated 2% until 2024. An average was then determined using the 2024 value. From there, the average was escalated at 2% to the future years beyond 2030.
- Fleet life extension capital analysis was performed for an assumed 2050 retirement date. This includes major capital efforts that would be needed outside of routine maintenance and overhaul capital.