

### ***Virginia House Bill 443 (Applies to AEP and APCo)***

In March 2020, Virginia's Governor signed House Bill 443 (HB 443), effective July 2020, requiring APCo to close certain ash disposal units at the retired Glen Lyn Station by removal of all coal combustion material. As a result, in June 2020, APCo recorded a \$199 million revision to increase estimated Glen Lyn Station ash disposal ARO liabilities. The closure is required to be completed within 15 years from the start of the excavation process. HB 443 provides for the recovery of all costs associated with closure by removal through the Virginia environmental rate adjustment clause (E-RAC). APCo is permitted to record carrying costs on the unrecovered balance of closure costs at a weighted-average cost of capital approved by the Virginia SCC. HB 443 also allows any closure costs allocated to non-Virginia jurisdictional customers, but not collected from such non-Virginia jurisdictional customers, to be recovered from Virginia jurisdictional customers through the E-RAC. APCo will submit filings with the Virginia SCC and the WVPSC requesting recovery of the respective Virginia and West Virginia jurisdictional shares of these Glen Lyn Station ARO costs. As of December 31, 2020, APCo has not yet incurred any incremental costs associated with the removal of coal combustion material at the Glen Lyn Station.

### **NUCLEAR CONTINGENCIES (APPLIES TO AEP AND I&M)**

I&M owns and operates the two-unit 2,288 MW Cook Plant under licenses granted by the NRC. I&M has a significant future financial commitment to dispose of SNF and to safely decommission and decontaminate the plant. The licenses to operate the two nuclear units at the Cook Plant expire in 2034 and 2037. The operation of a nuclear facility also involves special risks, potential liabilities and specific regulatory and safety requirements. By agreement, I&M is partially liable, together with all other electric utility companies that own nuclear generation units, for a nuclear power plant incident at any nuclear plant in the U.S. Should a nuclear incident occur at any nuclear power plant in the U.S., the resultant liability could be substantial.

### ***Decommissioning and Low-Level Waste Accumulation Disposal***

The costs to decommission a nuclear plant are affected by NRC regulations and the SNF disposal program. Decommissioning costs are accrued over the service life of Cook Plant. The most recent decommissioning cost study was performed in 2018. According to that study, the estimated cost of decommissioning and disposal of low-level radioactive waste was \$2 billion in 2018 non-discounted dollars, with additional ongoing costs of \$6 million per year for post decommissioning storage of SNF and an eventual cost of \$37 million for the subsequent decommissioning of the SNF storage facility, also in 2018 non-discounted dollars. I&M recovers estimated decommissioning costs for the Cook Plant in its rates. The amounts recovered in rates were \$4 million, \$7 million and \$8 million for the years ended December 31, 2020, 2019 and 2018, respectively. Decommissioning costs recovered from customers are deposited in external trusts.

As of December 31, 2020 and 2019, the total decommissioning trust fund balances were \$3 billion and \$2.7 billion, respectively. Trust fund earnings increase the fund assets and decrease the amount remaining to be recovered from customers. The decommissioning costs (including unrealized gains and losses, interest and trust funds expenses) increase or decrease the recorded liability.

I&M continues to work with regulators and customers to recover the remaining estimated costs of decommissioning the Cook Plant. However, future net income and cash flows would be reduced and financial condition could be impacted if the cost of SNF disposal and decommissioning continues to increase and cannot be recovered.