



2750 Monroe Blvd
Audubon, PA 19403

May 01, 2019

To: Cost Development Subcommittee

Re: Maintenance Adder Escalation Index Numbers / Escalation Indexes

Dear Members:

PJM has completed the annual update of Maintenance Adder Escalation Index Numbers. The annual escalation factors are derived from the July Handy-Whitman Index, Table E-1 "Cost Trends of Electric Utility Construction; North Atlantic Region", line 6, "Total Steam Production Plant." The year 2018 now reflects the actual index of 745. The year 2019 has been updated with an estimated index of 762, which represents an inflation factor of 2.30% compared to 2018. This inflation factor was chosen by taking the average of the inflation factors over the last 10 years. New escalation factors were then derived for the past 20 years based on the estimated 2019 index. These values are shown in the attached table.

These escalation indexes should be used in the calculation of generating unit Maintenance Adders, in accordance with the Variable Maintenance Cost, Section 2.6 in the Cost Development Guidelines, Manual 15. Exhibit #1 in section 2.6.1 of this manual, "Handy Whitman Index" will be revised to reflect these new numbers, effective June 1, 2019.

Sincerely,

Glen Boyle
Chairman, Cost Development Subcommittee

Attachment

Chronology of Maintenance Adder Escalation Index Numbers

YEAR	INDEX	ESCALATION FACTOR
2000	415	1.836
2001	425	1.793
2002	438	1.740
2003	441	1.728
2004	465	1.639
2005	493	1.546
2006	515	1.480
2007	546	1.396
2008	596	1.279
2009	578	1.318
2010	604	1.262
2011	631	1.208
2012	645	1.181
2013	653	1.167
2014	672	1.134
2015	700	1.089
2016	714	1.067
2017	711	1.072
2018	745	1.023
2019	762 (est)	1.000