



2750 Monroe Blvd  
Audubon, PA 19403

June 12, 2020

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 2019 now reflects the actual index of 760. The year 2020 has been updated with an estimated index of 781, which represents an inflation factor of 2.80% compared to 2019. 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 2020 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, 2020.

Sincerely,

Glen Boyle  
Chairman, Cost Development Subcommittee

Attachment

Chronology of Maintenance Adder Escalation Index Numbers

YEAR	INDEX	ESCALATION FACTOR
2001	425	1.838
2002	438	1.784
2003	441	1.771
2004	465	1.680
2005	493	1.585
2006	515	1.517
2007	546	1.431
2008	596	1.311
2009	578	1.352
2010	604	1.293
2011	631	1.238
2012	645	1.211
2013	653	1.196
2014	672	1.163
2015	700	1.116
2016	714	1.094
2017	711	1.099
2018	745	1.049
2019	760	1.028
2020	781 (est)	1.000