

Handy-Whitman Adjustment to FCM Qualification Thresholds for FCA 6

June 27, 2011

Market Rule 1 Section(s) 13.1.1.1.2; 13.1.1.1.2 and 13.1.1.1.4

- The following price thresholds (in base year 2008 dollars) are required to be adjusted annually in accordance with the most recent Handy-Whitman Index of Public Utility Construction Costs:
 - In Section 13.1.1.1.2, for the purposes of re-powering, investment will be equal to or greater than \$200 per kilowatt of the whole resources qualified capacity after re-powering and for purposes of compliance with environmental regulations or permits will be equal to or greater than \$100 per kilowatt of the whole resource's qualified capacity.
 - In Section 13.1.1.1.3, for the purposes of adding incremental capacity, investment will be equal or greater than \$200 per kilowatt of the amount of the increase in qualified capacity.
 - In Section 13.1.1.1.4, for the purposes of restoring de-rated capacity, the investment in the resource will be equal to or greater than \$200 per kilowatt of the amount of the increase in qualified capacity resulting from the investment.

ISO Procedure for Adjusting CONE

- Adjustment Factor = Base year 2008 price threshold (in whole dollars) times the corresponding next year annual escalation value of the Handy Whitman Index. Each year adjusted from the previous year.
- Handy-Whitman Index Number
 - Index Number = $\frac{\text{cost at stated time}}{\text{cost at base period (1973)}} \times 100$
 - Index Number used: Total Other Production Plant (Line 28) of Handy-Whitman Index of Public Utility Construction Costs Bulletin No. 171

Calculation of Adjustment

- Handy-Whitman Index Number

2007		2008		2009		2010		2011	
Jan	Jul	Jan	Jul	Jan	Jul	Jan	Jul	Jan	Jul
-	543	594	616	635	667	687	700	697	N/A

- Adjustment to \$200 Price Threshold

- 2008 Base Year = $\$200 \times (635/594) = \214 (New 2009 Qualification Value)
- 2009 Adjustment = $\$214 \times (687/635) = \231 (New 2010 Qualification Value)
- 2010 Adjustment = $\$231 \times (697/687) = \234 (New 2011 Qualification Value)

- Adjustment to \$100 Price Threshold

- 2008 Base Year = $\$100 \times (635/594) = \107 (New 2009 Qualification Value)
- 2009 Adjustment = $\$107 \times (687/635) = \116 (New 2010 Qualification Value)
- 2010 Adjustment = $\$116 \times (697/687) = \117 (New 2011 Qualification Value)