Date Filed: September 03, 2026

Witness: Julia Frayer
Request from: Office of Consumer Counsel

Question:

Exhibit CLP-PBR-1 PBR Testimony Please explain in detail why LEI and the Company rely on the national 2005–2024 OM&A PFP estimate of -0.03% to establish the proposed X Factor rather than the Northeast Region OM&A PFP estimates presented in Exhibit CLP-PBR-2.

a. Exhibit CLP-PBR-2 (page 23) states: "However, if the range of data is too long, the estimated average trend may be irrelevant for the purposes of informing future ratemaking initiatives. The timeframe should ideally incorporate more recent data that captures the latest trends in the industry while eliminating earlier time periods with productivity growth drivers that are no longer relevant." Please explain why the 2005–2024 period is more representative of expected OM&A productivity during the proposed PBMRP term than the more recent periods.

Response:

As described in Section 2.4 of Exhibit CLP-PBR-2, TFP studies for electric distribution utility sector are typically covering a timeframe of the most recent 20 years (subject to data availability) in order to capture a complete spending and investment cycle. The use of a long-term horizon is also important because it allows for averaging and normalization of the productivity trend for outliers that can occur in costs (inputs) or customer trends (output) over shorter periods of time. LEI used comprehensive data spanning 20 years for the bulk of investor-owned utilities operating in the U.S., to perform the productivity study.

In addition to trends in TFP over time, the study yielded partial factor trends for OM&A and capital. LEI concluded that the conditions reflected in the 2005–2024 period—including aging infrastructure replacement, grid modernization, resilience investment, renewable integration, electrification, and load growth—remain relevant to the prospective PBMRP term. Accordingly, the 20-year period captures recent industry experience while reducing short-term volatility without extending so far back as to incorporate "stale" trends unlikely to recur.

LEI's national sample consists of 88 EDCs representing approximately 90% of customers served by U.S. investor-owned electric utilities (as of 2024). As explained in Exhibit CLP-PBR-1 (page 29), "[f]or an industry TFP to be useful for PBR formula design purposes, it should capture the trends in productivity across all EDCs," rather than the historical productivity experience of a

particular utility or a narrower subset of utilities. Exhibit CLP-PBR-2 (page 13) similarly explains that EDCs "can vary widely in size, efficiency, and operational practices" and that a broad sample makes the analysis more representative of the diversity of the EDC industry and supports more reliable conclusions regarding industry trends. LEI evaluated the Northeast Region as a sensitivity to the national Industry TFP Study, which provides useful information regarding whether the estimated productivity trends are sensitive to geographic scope. The national 2005–2024 OM&A PFP estimate of -0.03% indicates a less negative OM&A PFP trend than the directly comparable Northeast region PFP for this same period (estimate of -0.45%).