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Witness: Douglas P. Horton and Julia Frayer
Request from: CLF and Acadia Center

Question:

(Productivity Factor) Refer to the productivity factor(s) recommended in the Study, including any component factor for capital expense, and the Company's proposed revenue cap formula.

a) State whether the recommended productivity factor, or any factor, is negative for any year(s) in the Study period, and if so, identify each such year and the value.
b) Provide all analyses showing the revenue or rate base impact to ratepayers in each year of the study period that would result from applying a negative productivity factor, as compared to a factor floored at zero.

Response:

a) The table below is Figure 2 of CLP-PBR-2, which provides years with negative OM&A PFP growth rate. There are nine (9) annual periods where the PFP trend was negative.

Year	OM&A PFP
2006-2007	-5.79%
2008-2009	-1.52%
2009-2010	-0.54%
2010-2011	-1.72%
2015-2016	-0.79%
2016-2017	-0.17%
2018-2019	-0.49%
2019-2020	-12.72%
2021-2022	-4.83%

Below is a table listing the years with a negative TFP growth rate. This table is from Figure 2 of CLP-PBR-2. There are 15 annual periods where the TFP trend was negative.

Year	TFP
2006-2007	-3.62%
2007-2008	-0.21%
2008-2009	-2.15%
2009-2010	-0.96%
2010-2011	-1.92%
2011-2012	-0.93%
2013-2014	-1.43%
2015-2016	-2.09%
2016-2017	-1.82%
2017-2018	-0.53%
2018-2019	-2.12%
2019-2020	-8.14%
2021-2022	-3.09%
2022-2023	-1.39%
2023-2024	-0.67%

b) LEI's Industry TFP Study estimated a TFP for 20 years as well. The value is -1.41% (see Figure 22 of CLP-PBR-2). If using an economy wide inflation index (such as GDP-Implied Price Deflator for Final Sales to Domestic Purchasers or "GDP-FSDP"), then the TFP value of -1.41% would yield an X factor of -2.05% (See Figure 34 of CLP-PBR-2). Please refer to Table 1 below, which summarizes the annual incremental revenue increases resulting from I-X-CD assuming inflation with x = -2.05 as compared to inflation with x = 0. For illustrative purposes, the Company relied on a Moody's forecast of inflation that results in 2.2% inflation for 2027, reflected in the Rate Year 2 increase shown, 1.6% in 2028 (for Rate Year 3), and 1.2% in 2029 (for Rate Year 4). Note that actual annual PBR filings rely on historical published values of inflation, not projected. Projections are utilized here strictly for analytical purposes.

CLF-AC-017(b) Table 1

	Annual Incremental Revenue ($ Millions)		
	I-X, x=-2.05	I-X, x=0	Difference
Rate Year 2, eff. 7/1/28	$76	$37	$39
Rate Year 3, eff. 7/1/29	$67	$26	$41
Rate Year 4, eff. 7/1/30	$61	$18	$43

Please refer to CLF-AFC-017, Attachment 1.