Date Filed: October 16, 2026

Witness: Julia Frayer
Request from: CLF and Acadia Center

Question:

(Productivity Factor) Refer to Exhibit CLP-PBR-2, Figure 3, page 13; the U.S. Bureau of Labor Statistics' Total Factor Productivity ("TFP") data for the "private business sector" (https://www.bls.gov/productivity/tables/, "Total factor productivity by major sectors: private business and private nonfarm business"); and Exhibit CLP-PBR-2, Section 2.5 (productivity factor formula).

a) Explain whether the Company or LEI considered using the private business sector TFP series as the basis, or a cross-check, for the productivity factor in this proceeding, and if considered as the productivity factor for the Company in the rate case and rejected, please explain why.
b) Please state whether the Company believes a private business sector TFP more closely approximates the productivity gains a utility could achieve if it were financially incentivized to reduce costs as if its rate of return was unregulated (i.e. as if it were a private corporation). If the Company does not agree with this position, please state why.
c) Quantify the productivity factor that would result from applying the private business sector TFP series over the same study period, and compare it to the blended/total TFP factor derived from the Study's chosen methodology.
d) Applying the Section 2.5 formula to the BLS TFP data for the private business sector, confirm or refute that average productivity growth over the 2005-2024 period is approximately 0.678%. If the Company's calculation differs, please provide the calculation and explain the discrepancy.
e) State whether the Company will produce all raw data, assumptions, and calculations underlying the Study's recommended productivity factor, sufficient for intervenors' experts to independently verify and stress-test the result. If not, please explain why not.

Response:

a) LEI's Industry TFP Study did not rely on the BLS total factor productivity ("TFP") series for the private business sector as the basis for, or as a cross-check of, the electric distribution industry productivity study that LEI performed because the scope of the BLS measure is materially broader than the electric distribution industry examined in the Industry TFP Study.

The BLS private business sector TFP series is an economy-wide measure of productivity that encompasses a broad range of private-sector economic activities. BLS divides the

private business sector into four broad sectors: (1) goods producing; (2) information and communication technology ("ICT"); (3) finance, insurance, and real estate ("FIRE"); and (4) service providing sector.[1] These sectors encompass industries including agriculture, mining, utilities, construction, manufacturing, trade, transportation and warehousing, information, finance and insurance, real estate, and numerous service industries.

Utilities (NAICS 22) are only one industry within the goods-producing component of the private business sector. Moreover, as explained in response to CLF-AC-16, the BLS Utilities industry itself is broader than the electric distribution activity examined in LEI's Industry TFP Study. Utilities (NAICS 22) include electric power, natural gas, steam supply, water supply, and sewage removal, while the electric-power component includes generation, transmission, and distribution. By comparison, LEI's Industry TFP Study focuses on electric distribution, a narrower activity classified under NAICS 221122.

Accordingly, the BLS private business sector TFP measure reflects productivity changes across a wide range of economic activities outside the scope of the Study, which may have materially different technologies, cost structures, input requirements, and productivity drivers. Indeed, the private business sector is broader than the BLS Utilities TFP series discussed in response to CLF-AC-16, which would also not have been an appropriate comparison to the electric distribution industry examined in LEI's Industry TFP Study.

b) The Company does not agree that the BLS private business sector TFP more closely approximates the productivity gains an electric distribution utility could achieve if it were financially incentivized to reduce costs as if its rate of return were unregulated. The productivity opportunities available to an electric distribution utility depend on the activities it performs, the outputs it provides, and the inputs required to provide those outputs. Changing the financial incentive to reduce costs does not make the technologies, operations, or input requirements of unrelated private-sector industries representative of those of an electric distribution utility.

As discussed in response to part (a), the BLS private business sector includes a broad range of industries whose activities and productivity drivers differ materially from electric distribution. By contrast, LEI's TFP Industry Study measures productivity based on the experience of electric distribution companies and therefore reflects productivity opportunities associated with providing electric distribution service. Accordingly, the Company does not believe the private business sector TFP is a more appropriate measure of achievable productivity solely because private businesses may face stronger financial incentives to reduce costs.

---

1 BLS. *Total Factor Productivity for Major Industries – 2024*. 2024. P. 3.

c) Applying the growth-rate methodology described in Section 2.5 of LEI's Industry TFP Study to the BLS private business sector TFP series over the 2005–2024 period results in average annual TFP growth of approximately 0.678%.

By comparison, LEI's Industry TFP Study estimates average total TFP growth for the electric distribution industry of approximately -1.41% over the 2005–2024 study period. Thus, the BLS private business sector TFP growth rate is approximately 2.09 percentage points higher than LEI's electric distribution industry TFP growth rate.

This numerical comparison should not, however, be interpreted as a like-for-like comparison or as an alternative estimate of the productivity factor proposed by the Company. The BLS private business sector series is an economy-wide value-added TFP measure based on real value-added output and combined capital and labor inputs. LEI's Industry TFP Study, by contrast, measures productivity specifically for electric distribution companies using the outputs and inputs defined in the Study. In addition, the productivity factor proposed for the Company's OM&A revenue adjustment mechanism is based on OM&A PFP, rather than the TFP. Accordingly, the BLS private business sector TFP result does not provide an alternative estimate of the OM&A productivity factor used in the Company's proposed plan.

d) LEI confirms that using the formula shown in Figure 8 of Section 2.5 of LEI's Industry TFP Study to the BLS TFP data ("Total factor productivity by major sectors: private business and private nonfarm business") results in 0.678% average growth rate. However, this data is not related to the electric distribution industry and therefore should not be used to set the productivity factor for the Company's proposed plan.

e) Subject to the execution of an appropriate confidentiality agreement, LEI will provide CLF with a study-specific version of the model containing the underlying data, assumptions, formulas, and calculations relied upon to derive the recommended productivity factor.