Date Filed: September 03, 2026

Witness: Julia Frayer
Request from: Office of Consumer Counsel

Question:

Exhibit CLP-PBR-1 PBR Testimony Please explain the extent to which the 2019–2020 observation affected the magnitude and direction of the 2005–2024 average OM&A PFP. Did LEI evaluate whether productivity changes during the COVID-19 pandemic period is representative of the productivity trends that may reasonably be expected during the proposed PBMRP term? If yes,

a. Please provide all underlying data and calculations in an unlocked Excel workbook with formulas intact.

Response:

Please refer to response OCC-445[i], which explains why LEI does not consider the selective exclusion of the 2019–2020 observation as an appropriate or relevant analysis.

LEI did not evaluate any adjustments to the cost or customer count data during the COVID-19 pandemic period.

In LEI's professional opinion, and consistent with the theoretical foundation of TFP analysis, the annual productivity changes observed in 2019–2020, viewed in isolation, is not representative of productivity that could be expected during the proposed PBMRP term. However, it is equally invalid to remove those years from the sample as discussed in response to OCC-445.

Prior Referenced Response:

[i] OCC-445 Question:

Exhibit CLP-PBR-1 PBR Testimony Please provide a sensitivity analysis showing the US industry OM&A PFP over the 2005–2024 study period excluding the 2019–2020 observation. Please provide the resulting average annual OM&A PFP and corresponding X Factor.

OCC-445 Response:

LEI does not consider excluding the 2019–2020 observation to be an appropriate sensitivity for purposes of estimating the industry OM&A PFP trend. The purpose of the TFP/PFP study is to measure industry productivity performance

over time. As explained in Exhibit CLP-PBR-2, productivity trends are inherently long term and the use of 20 years of data is intended specifically to reduce the influence of unusual individual years, numerical outliers and one-time events.

Selectively excluding particular years, as suggested by this request, would undermine the objective of this analysis and could introduce selection bias. Industry productivity is affected over time by a variety of unusual conditions such as economic cycles and there is no objective basis for excluding one particular period while retaining other years that may also reflect unusual circumstances. A consistently defined study period allows both favorable and unfavorable annual observations to contribute to the measured long-run trend.

As discussed in Exhibit CLP-PBR-2, the 20-year period was selected to reduce the effects of year-to-year variability while remaining sufficiently recent to reflect industry conditions relevant to the prospective PBR period.