Date Filed: September 15, 2026

Witness: Julia Frayer
Request from: Office of Consumer Counsel

Question:

Performance Based Ratemaking Panel Exhibit CLP-PBR-1
Please explain the statement in Exhibit CLP-PBR-1, that the average OM&A PFP growth rate for 2015–2024 is -0.03% (page 64), with the results reported in Figure 5, LEI's Industry TFP results (2005-2024), which report an average OM&A PFP growth rate of -0.03% for 2005–2024, 0.30% for 2010–2024, and -0.35% for 2015–2024. In your response:

a. Identify the study period and OM&A PFP result actually relied upon to establish the proposed -0.03% X Factor;

b. Explain the basis for selecting that study period over the alternative periods presented in Exhibit CLP-PBR-1;

c. State whether the reference to 2015–2024 in Exhibit CLP-PBR-1, is an error and, if so, provide the corrected testimony; and

d. Explain whether selection of a different study period would change the Company's proposed X Factor and, if not, why not.

e. Please provide all calculations, workpapers, and supporting data used to derive the –0.03% X Factor in an Excel format.

Response:

a. The Company relied on the 20-calendar-year period from 2005 through 2024, which encompasses a total of 19 annual year-over-year growth observations. Please refer to Figure 22, on page 47, of Exhibit CLP-PBR-2.

b. As stated in Section 2.4, of Exhibit CLP-PBR 2, "the 20-year study period overcomes the high variability of year-on-year trends but is also not so long term as to capture "stale" industry trends that would not likely repeat themselves in the future." Further, as discussed in that section, the "last 20 years reflect the changing business circumstances in the electric distribution industry, which are also going to continue to drive productivity in the next several years." Please also refer to OCC-441[i].

c. Yes. The phrase "2015-2024" in the identified sentence contains a typographical error. The corrected sentence should read: "Based on LEI's Industry TFP Study, the average OM&A PFP growth rate for **2005-2024** is negative 0.03% (or -0.03%), which is the proposed X Factor." No numerical correction to the proposed X Factor is required.

d. A different study period would produce a different measured historical OM&A PFP rate, as shown in Figure 22, of Exhibit CLP-PBR-2. However, LEI would not recommend using a different study period for purposes of setting the X Factor. As discussed in response to part (b) and Section 2.4, of Exhibit CLP-PBR-2, LEI considers the 2005–2024 period appropriate because it is sufficiently long enough to reduce the influence of short-term volatility and one-off events, while remaining recent enough to reflect industry conditions relevant to the prospective PBR term. Accordingly, LEI continues to recommend a -0.03% value for the X factor that would be applied to the OM&A portion of revenue requirement.

e. Please refer to Exhibit CLP-PBR-2a, the native workpapers supporting the Industry TFP Study.

Prior Referenced Response:

---

[i] OCC-441 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.

OCC-441 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%).