

Appendix C

CPUC Escalation Factors: August 2026

MEMORANDUM

Date: August 31, 2026

To: Syreeta Gibbs, Program Manager Water Branch, Public Advocates Office

From: Ama Serwaa Regulatory Analyst, Public Advocates Office, Water Branch

File No. : S-2559

Subject: Public Advocates Office: Estimates of Non-labor
and Wage Escalation Rates for 2025 through 2030 from the
August 2026 IHS Global Insight U.S. Economic Outlook

The purpose of the monthly Escalation Memorandum is to inform division management of the trends in the general price level of utility non-labor expenses and wage contracts. Data are provided for 13 years, which include eight historic years, the estimated current year, and four forecasted years.

The following table summarizes the major changes in forecasted labor and non-labor inflation for years 2025 through 2030. Data for 2025 are provided as benchmarks. The factors for June 2026 are presented for comparison.

	Labor		Non-Labor	
	<u>August-26</u>	<u>July-26</u>	<u>August-26</u>	<u>July-26</u>
2025	3.0%	3.0%	2.7%	2.7%
2026	2.7%	2.7%	6.7%	5.2%
2027	3.2%	3.4%	1.0%	0.6%
2028	2.2%	2.4%	0.7%	0.5%
2029	2.3%	2.5%	0.8%	0.6%
2030	2.2%	2.3%	0.5%	0.4%
Compounded	16.6%	17.2%	12.90%	10.27%

A more extensive explanation of the derivation and use of the above factors and a complete presentation of the escalation factors from 2018 through 2030 are provided in the attached appendix.

APPENDIX: EXPLANATION OF ESCALATION RATES

The recommended NON-LABOR ESCALATION RATES for 2018 through 2030 are presented in Table A. The values for 2018 through 2025 are provided for comparison.

Year	Non-Labor Inflation Rate*
2018	4.1%
2019	0.1%
2020	-0.5%
2021	14.7%
2022	11.4%
2023	0.1%
2024	0.7%
2025	2.7%
2026	6.7%
2027	1.0%
2028	0.7%
2029	0.8%
2030	0.5%

* Revised 07/17/97 based on 1995 re-weighted purchases. [Source: BLS, Supplement to Producer Price Indexes, 1995, Table 12]

These escalation rates represent the calendar year average, or alternatively stated, the 12-month-ended spot rate at mid-year. These price factors have not been adjusted for real growth of expensed materials and services. The escalation factors are generated from a composite index of 10 Wholesale Price Indexes (WPI) for materials and supplies expenses and the CPI-U weighted 5% for services and consumer-related items. **These non-labor rates are not applicable to plant, contracted services, loans, insurance, rents, and pensions and other utility employee benefits. Escalation of these expenses is addressed on pages 10-15 of D.04-06-018/R.03-09-005 (Water Rate Case Plan).**

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Date: August 31, 2026

To: Syreeta Gibbs, Program Manager Water Branch, Public Advocates Office

From: Ama Serwaa, Regulatory Analyst, Public Advocates Office, Water Branch

File No.: S-2559

Subject: Public Advocates Office August 2026 Summary of Compensation Per Hour

The following data are provided to Commission water utilities staff to enable them to utilize Public Advocates Office composite non-labor escalation methodology. The numbers are to be used in conjunction with the non-labor factors provided in Public Advocates Office monthly escalation memorandum to bring historic dollars to base year dollars and to inflate recorded dollars to test year levels. The annual change in Compensation per Hour is applicable to contracted services, while the non-labor factor is related to material and supply purchases. In accordance with a 1991 agreement between the CPUC Water Division and the California Water Association (CWA), the monthly non-labor rate is to be weighted by 60 percent and the Compensation per Hour Index weighted 40 percent. If you have any questions regarding the application of these factors, please contact me.

COMPENSATION PER HOUR

Annual Rate of Change

Non-farm Business Sector, Seasonally Adjusted

<u>Year</u>	<u>Annual Change</u>
2017	3.6%
2018	3.4%
2019	3.7%
2020	8.1%
2021	5.0%
2022	3.7%
2023	4.2%
2024	5.4%
2025	4.5%
2026	3.5%
2027	5.0%
2028	5.7%
2029	5.2%

Source: IHS Global Insight August 2026 U.S. Economic Outlook