

SEC INTERROGATORY #43

INTERROGATORY

[B/6/3, p. 14] Please explain why research results are not listed as one of the sources of information for negotiated values. Please explain how commissions deem values, or parties negotiate values, if they don't have any empirical research on which to base their analysis.

RESPONSE

Research Into Action ("RIA") did not intend to suggest that empirical research cannot or should not be used in deeming or negotiating NTG values. RIA identified the following as sources of information for negotiated NTG values:

- Literature review of other NTG studies from similar jurisdictions
- Structured expert judgement
- Market sales data analyses
- Top-down or macroeconomic models of data on programs and target markets
- Engineering estimates

Both literature review of other NTG studies from similar jurisdictions and market sales data analysis are sources of empirical research. RIA also stated that:

jurisdictions may use evaluations of programs and measures that include assessments of free-ridership and spillover. These evaluations may use some combination of the aforementioned methods to determine NTG and then, rather than conducting NTG research monthly or annually, rely on the deemed NTG values for a longer period of time.

Although not stated explicitly here, such evaluations may include research conducted in the jurisdiction for which negotiated NTG values are being considered.

It is important to understand that RIA's cautions regarding NTG research relate not only to concerns about bias. Another important concern is the reliability of the NTG estimates from a given sample in a given year. Section 4 of the RIA report (filed as part of this proceeding) showed that NTG research can lack precision, such that estimates using the same methodology can produce variable results from sample to sample.

As RIA noted in the report's conclusions and recommendations, the assessment of input from applicable research should include an assessment of the quality of the

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research that is being reviewed, including efforts taken to reduce the self-report biases identified in our report. An example of such efforts is the Energy Trust of Oregon self-report free-ridership assessment, which may mitigate the bias toward higher free-ridership involved in asking program participants what they would have done without the program (the “counterfactual assessment”) by also asking about the influence of the various program interventions. Finally, RIA noted that inputs to the negotiated NTG value should include any available market data or macroeconomic analyses.

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