

SEC INTERROGATORY #51

INTERROGATORY

[B/6/3, p. 33] Please confirm that self-report methods are the most commonly accepted approach to NTG in most North American jurisdictions, and is the only empirical method used for custom C&I programs. Please detail those jurisdictions that have rejected self-report methods, and the reasons why. Please provide links to decisions where available.

RESPONSE

Research Into Action (“RIA) would like to clarify that the RIA report does not state that self-report methods are the only empirical NTG assessment method used for custom C&I programs. At least one report (Violette, Seiden, Erikson, Podolefsky, McMillan, Robinson, Dimetrosky, and Lieb 2015) identifies “market-based methods” as the most *appropriate* primary research methodology for custom measure programs.

Based on RIA’s review of multiple sources (e.g., Violette & Rathbun 2014; Ridge, Willems, Fagan, and Randazzo 2009; PWP & Evergreen Economics, 2017), self-report is the most common method of NTG assessment in general. While those reports did not specifically address NTG methods for custom programs as distinct from other types of programs, one report (TetraTech 2011) does discuss NTG methods particularly for custom programs. That report disagrees with Violette et al. (2015), noting that, “The only methods that work well for custom or case-specific measures are end-user post-hoc counterfactual surveys, and vendor surveys asking about specific customers.” This is because custom projects typically are fewer and less homogeneous than projects in other types of programs, and most other approaches (e.g., econometric, billing analysis) require larger samples and/or greater homogeneity among projects. The authors suggest that the customer self-approach can be bolstered by input from contractors (e.g., design team members), suppliers, project file review, and program staff review. They note the latter should not be used as a sole source of information, as program staff have a vested interest in identifying low free-ridership; however, program staff may provide information about their inputs and potential influences, which the evaluator may investigate through other sources.

RIA note that all, or nearly all of the NTG research that RIA has conducted (see the response to SEC Interrogatory #40, found at I.EGDI.SEC.40 and a majority of any other impact evaluation research that RIA have been involved with, has involved self-report methods. However, as RIA noted in our report, the selection of the self-report method

Witnesses: R. Bliss
J. Peters

is motivated by its cost and ease of administration more than other considerations.

In Section 5.3 of our report, RIA discussed a trend to use deemed or negotiated NTG values and cited several sources for support. Table 2 in that section (p. 22 of the report, or p. 30 of the pdf) lists several U.S. states that use deemed or stipulated values. RIA have identified and reviewed documentation relating to the establishment of stipulated NTG values for two of those states, Hawaii and Iowa.

The documentation for Hawaii shows that Hawaii Energy established deemed NTG values in 2011, updated those values in 2012, and has applied those updated values each year to at least 2016 (Flanagan 2011, Evergreen Economics 2013, Hawaii Energy 2016, Opinion Dynamics 2017). In stating the justification for establishing deemed NTG values, the overview of the Hawaii Energy EM&V plan for program year 2010 (Flanagan 2011) states that “approaches used to measure NTG ratios have been shown to produce unstable results” and that “the definition of NTG is controversial in the presence of market effects from prior programs and existing Program and non-program activity (which contributes to the instability and potential unreliability of measurements)” (p. 8).

That evaluation plan further elaborates that one of the motives for using the stipulated NTG is “avoiding expenditure of EM&V resources on activities that yield results that may at best be unreliable and/or could contribute to analytic uncertainty of program savings results” (p. 9). The documentation that RIA reviewed does not provide information on how the NTG value for custom programs was determined.

For the State of Iowa, RIA identified and reviewed a final report from the Office of Consumer Advocates (“OCA”), a division of the Iowa Department of Justice, to the Iowa Utilities Board (Office of Consumer Advocates 2015). This report discusses the decision of an Oversight Committee, consisting of investor-owned utilities, the OCA, and environmental interveners. That Committee accepted the consultant’s recommendation to use a deemed NTG value of 1.0 where supported by previous research, conduct *secondary* research to establish a deemed NTG value where research indicates the NTG ratio is not likely to be 1.0, and conduct *primary* research to establish the NTG ratio for programs that contribute large savings to the utilities’ energy efficiency portfolio and “warrant the expense of primary NTG research” (p. 3). The latter would typically include custom measure programs.

The point is not that jurisdictions that have elected to use deemed NTG values have explicitly rejected self-report methods. It is more like they have rejected the idea of establishing a new NTG value each year, based on research that is understood to have limited reliability.

Witnesses: R. Bliss
J. Peters

Sources Cited:

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<http://ma-eeac.org/wordpress/wp-content/uploads/Massachusetts-PAs-Cross-Cutting-CI-Free-ridership-and-Spillover-Methodology-Study.pdf>
- Violette, D. and P. Rathbun. 2014. "Estimating Net Savings: Common Practices." In The Uniform Methods Project: Methods for Determining Energy Efficiency Savings for Specific Measures, edited by T. Jayaweera, H. Haeri, pp. 23-1–23-74. Golden, CO: National Renewable Energy Laboratory. Subcontract Report NREL/SR-7A30-53827. Accessed at: www.nrel.gov/docs/fy13osti/53827.pdf

Witnesses: R. Bliss
J. Peters

The following sources were cited, however are no longer available online. The following reports have been added as attachments:

Ridge, R., P. Willems, J. Fagan, and K. Randazzo. 2009. "The Origins of the Misunderstood and Occasionally Maligned Self-Report Approach to Estimating Net-to-Gross Ratio." In Proceedings of the International Energy Program Evaluation Conference. Madison, WI: IEPEC. (Attachment 1).

Office of Consumer Advocates. 2015. Final Report: In Re: Interstate Power and Light Company (Docket No. EEP-2012-001), Mid-American Energy Company (Docket No. EEP-2012-002), and Black Hills/Iowa Gas Utility, LLC, d/b/a Black Hills Energy (Docket No. EEP-2012-003). Submitted to the Iowa Utilities Board, Department of Commerce, State of Iowa. November 25, 2015. (Attachment 2.)

Violette, D., K. Seiden, J. Erickson, M. Podolefsky, J. McMillan, S. Robinson, S. Dimetrosky, and N. Lieb. 2015. Final Report: Iowa Energy-Efficiency Net-to-Gross Report. Prepared for Iowa Utility Association and the Oversight Committee. September 2, 2015. (Included with Attachment 2 - Office of Consumer Advocates 2015).

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