

SEC INTERROGATORY #80

INTERROGATORY

[B/6/2, p. 6] Please advise whether, in the expert's opinion, the use of the 48 month cutoff was a reasonable judgment by DNV.

RESPONSE

It is not possible to judge whether the 48-month cutoff was reasonable or not without seeing additional data from the DNV study. This would include sensitivity analyses on how free ridership estimates change with alternative reasonable cut-off assumption. These analyses would provide information on the robustness of the estimates under this assumed value. Other jurisdictions use different cut-off values to address the timing factor. Whether the selection of 48 months as the cut-off is appropriate will likely depend upon the characteristics of the market in which the program is being offered and aspects of program delivery. The Navigant team does not believe there is any generally correct answer. As a result, it is important that sensitivity analyses be conducted.

Another issue is whether customers provide accurate responses to this bank of questions, i.e., can a customer that participated in a custom C&I program provide good answers as to whether they would have – in the absence of the program – installed similar energy efficiency equipment 48 months from the date they installed the measures through the EE program. This is a hypothetical question that requires respondents to consider what they might have done four years from the date they participated in the program. Over the course of four years, many things can change. The market can change, available technologies can change, and company/corporate finances can change.

Answers to 48 month timing questions seem to be quite speculative and subject to the socially desirable effect or halo effect (i.e., the respondent has a bias towards answers that reflect well on them). This cognitive bias would lead them to say that of course they would have undertaken appropriate energy efficiency investments at some time in the future and probably within a four-year timeframe, even if they may not know the answer. The responses as they move out beyond a 24 or even a 12 month timeframe for indicating when the actions would likely have been taken becomes more speculative, while the impact on the NTG values still can be quite significant for these longer time frames.

Witnesses: S. Dimetrosky  
L. Gage  
D. Violette

Testing the robustness of the NTG values to different timeframes and cutoffs for the timing questions is important in having confidence in the results. If the NTG estimates are heavily influenced answers to questions that seem to be the most speculative, then there will be less confidence in the overall results.

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