1   However, this is not even the clearest example of the misleading information

2   provided by UCAN's witness in characterizing the SPP rejection rate as 80 percent.

3   UCAN not only included people who clearly ignored or were confused by the poor

4   marketing material, but also people who, for various reasons, were rejected by the

5   utilities (e.g., customers that were not eligible to participate because they were planning

6   to move within six months, their account had recently been closed, or because a meter

7   could not be installed on the premise). 343 customers, or 11.6 percent of those who were

8   mailed enrollment packages, fell into this category. And UCAN knew this, as indicated

9   in the response to SDG&E data request Number 2, Question 16, where UCAN states,

10   "For residential customers solicited for CPP-F, as of the end of January 2004 52% of the

11   4303 customers solicited could not be reached by phone, 19% enrolled in the SPP, 15%

12   refused, and 11% were rejected by the utility." In other words, UCAN knowingly

13   classified 343 customers as ones who rejected the offer to participate but that, in fact,

14   were actually rejected by the utilities.

15   In addition, in estimating rejection rates, UCAN incorrectly included the Track B,

16   low-income, specialized population participants in the calculation.[3] The correct numbers

17   for the CPP-F treatment that are relevant to our analysis are 2,966 enrollment packages

18   mailed, 1,518 customers (51.2 percent) that could not be reached by phone, 343

19   customers (11.6 percent) that were rejected by the utilities, 495 customers (16.7 percent)

20   that refused to participate, and 610 customers (20.6 percent) that enrolled. Using this

21   data, a much less biased definition of rejection is 34 percent (495/(2,966 − 1,518). Put

22   yet another way, of those who were reached and who were not rejected by the utilities, 2

23   out of 3 agreed to participate in the experiment. As such, it is much more likely that the

24   customers who did participate are reasonably representative of the population as a whole,

25   or at least those who are likely to respond to the PTR rebate offer, than UCAN's witness

26   would have one believe.

27   UCAN also misrepresents the rejection rate for the APU pilot. On page 67, in

28   reference to the APU pilot, UCAN states:

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[3] Even if one were to argue that these customers should be included because they are part of the general
population, the representation of this population in the state is very small and, therefore, a properly
weighted average of their responses and those of the general population of CPP-F treatment customers
would be very close to that of the CPP-F participants alone.

1   ~~"Roughly 30% of the customers who were contacted agreed to participate.~~
2   ~~This is considered a "very high participation rate for a low-key marketing~~
3   ~~approach." (UCAN 6 Q13). By subtraction we therefore understand that 70% of~~
4   ~~those contacted turned down the proposal to participate, …"~~
5
6   ~~Once again, UCAN implicitly assumes that lack of response to a mail solicitation~~
7   ~~equals an affirmative rejection of the offer to participate rather than the much more likely~~
8   ~~explanation that most people simply ignored the solicitation. Indeed, had UCAN not~~
9   ~~been so quick to develop a conclusion "by subtraction," it might have considered more~~
10   ~~carefully data provided in Professor Wolak's paper,[4] which UCAN frequently cites in its~~
11   ~~testimony. On page 5 of his paper, Professor Wolak states, "All but a very small~~
12   ~~number, less than five, of the customers contacted by telephone agreed to participate in~~
13   ~~the experiment." On the same page, he indicates that 123 customers agreed to participate~~
14   ~~in the APU experiment. (The 123 APU pilot customers were subsequently divided into 52~~
15   ~~control and 71 treatment customers after agreeing to participate). In other words, only 5~~
16   ~~out of 128 customers who were contacted in order to obtain their agreement to participate~~
17   ~~rejected the offer. That is, the affirmative rejection rate was only 4 percent, not 70~~
18   ~~percent, making it much more likely, indeed a near statistical certainty, that those who~~
19   ~~agreed to participate were representative of the target population.~~

20   UCAN also assumes that participants in the SPP must be different from the

21   general population with the following claim: "Even ignoring the SPP appreciation

22   payment, the SPP participants only therefore represent the behavior of 20% of the general

23   population-i.e., the fraction that is interested in participating in demand response

24   activity." (p. 66). This latter statement, "the fraction that is interested in participating in

25   demand response activity," completely ignores the influence of the appreciation payment

26   on participation. In a survey that was done among SPP participants at the end of the first

27   summer, Momentum Market Intelligence (MMI) reported that "the appreciation payment

28   was a significant motivator of program participation for both residential and business

29   customers."[5] Given this, we find it more likely that participants in the SPP represented a

30   broad cross section of the target population, motivated by the $175 incentive payment,

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[4] Wolak, Frank A. *Residential Customer Response to Real-Time Pricing: The Anaheim Critical-Peak Pricing Experiment.* Stanford University. May 24, 2006.
[5] MMI was contracted to complete detailed follow-up surveys with the SPP participants. See SPP End-of-Summer Survey Report, Momentum Market Intelligence, page 9, February 2004

1   than a narrow cross section of only those who are "interested in participating in demand

2   response activity."

3   In short, UCAN's claims that the SPP ~~and APU~~ participants are not representative

4   of the population at large are completely unsubstantiated.

5   1. UCAN ignores statistical evidence from the SPP that the usage

6   characteristics of pilot participants and the population at large are not

7   significantly different.

8   2. UCAN overstates the rejection rate for the SPP by two and a half times

9   (and, in doing so, knowingly included customers who were actually

10   rejected by the utilities) ~~and the rejection rate for the APU pilot by nearly~~

11   ~~18 times (e.g., 4% rather than 70%). Indeed, the extremely high~~

12   ~~acceptance rate of the APU pilot virtually ensures that the participants~~

13   ~~represent the target population~~.

14   3. And UCAN ignores survey data from the SPP indicating that the

15   appreciation payment paid to pilot participants was a key motivator of

16   participation and the logical corollary that this fact may well lead to a

17   more representative sample of the general population rather than one

18   motivated solely by interest in providing "demand response activity."

19

20   **IIb. UCAN's Claim That People Respond Differently To Carrot-Only**
21   **   Incentives Is Unproven and Is Contrary to Accepted Economic**
22   **   Principles**
23
24   UCAN claims that the SPP elasticities can not be used to predict demand response

25   for the PTR program because the economic incentive underlying the two options is

26   different in each instance. According to UCAN,

27   "Under the SPP the financial impacts of the "stick" are many times greater than

28   the financial impact of SDG&E's "carrot" of the same size per kwh." (UCAN,

29   p. 93).

30

31   With this statement, UCAN's witness manages to dismiss 120 years of accepted

32   economic teachings indicating that consumers base their consumption decisions on