

NLH-206 PUB (Re: Pages 11, 34-39)

In discussing the zero-intercept method, EES states, "It also has a potential problem that the zero-sized facility could result in a negative cost outcome". In its experience in performing zero-intercept regressions, does EES believe that all best-fit curves are necessarily linear throughout the entire range? Also, does EES believe it can be appropriate to adjust for observation points in which there are few units of property installed, on the permits that larger projects tend to have lower unit costs?

Response:

EES Consulting supports the use of minimum system in most circumstances and does not have vast experience in performing zero-intercept regressions. We do, however, have significant experience in regression analysis. Non-linear regressions may be appropriate in a zero-intercept approach and most likely are the best approach for defining the function of costs relative to equipment size. This does not rule out a negative outcome, however. We do not rule out adjusting for observation points with few units or property installed, but also find difficulty if there are relatively few points of data (e.g. only 3-5 different pole sizes) over which to perform a regression.