

# The Spirit of Free Ridership Policy and the Public Sector

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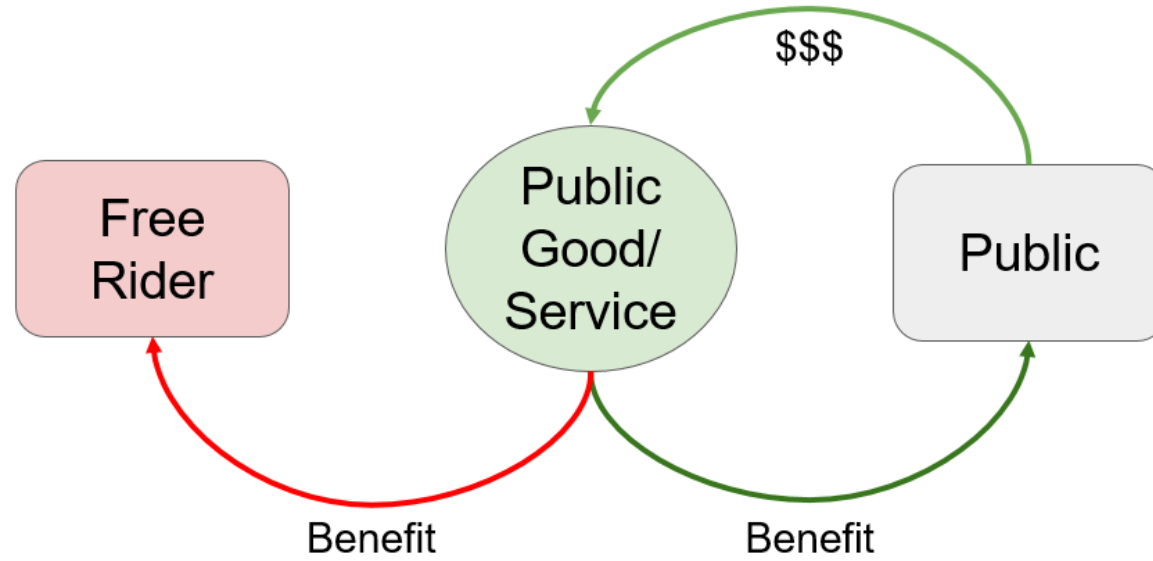


# Ground Rules



1. Don't be a grouch
2. Listen with an open mind
3. Address the issue not the person and
4. Let everyone participate

## Basic Free Rider Concept



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# Act 1: Setting the Baseline

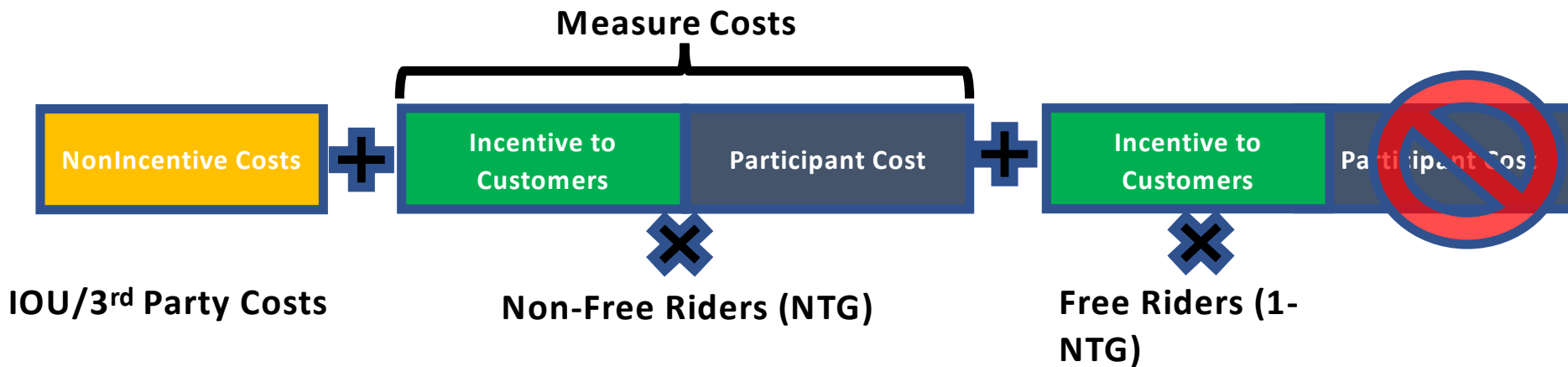
What is free ridership in CPUC funded programs anyways?



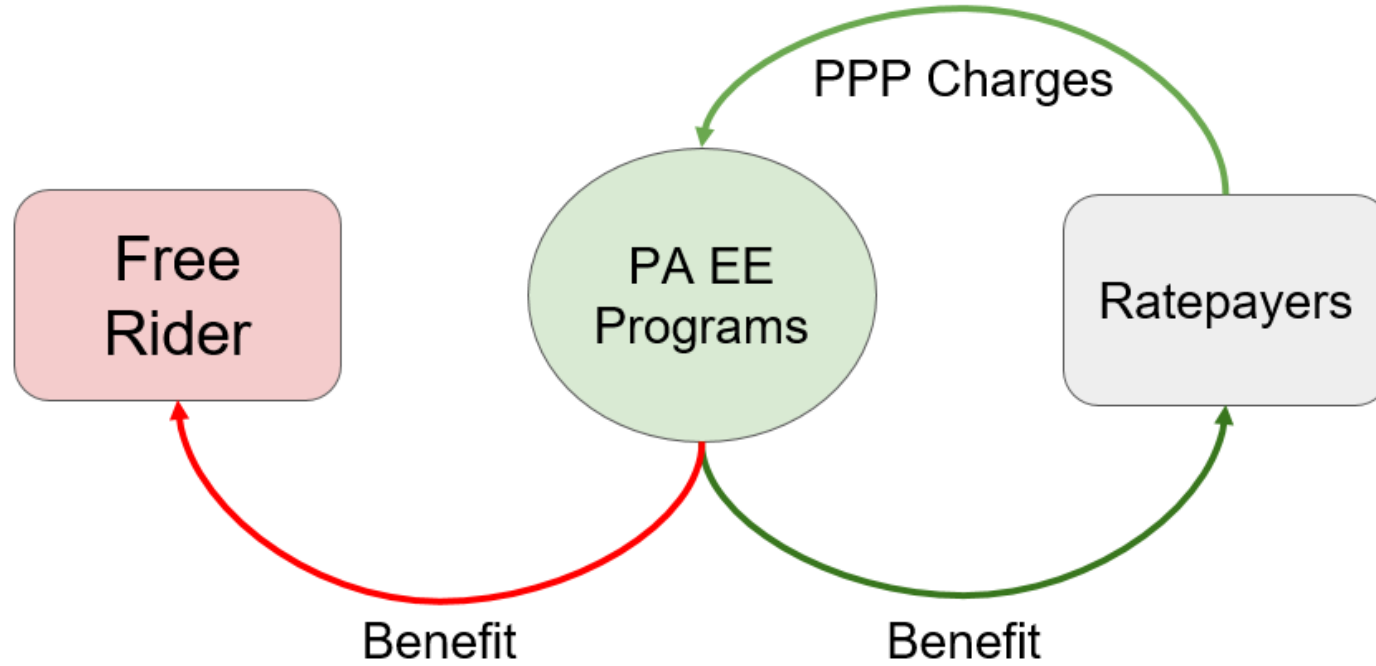
# Free-Ridership and Cost Effectiveness

$$TRC = \frac{(Avoided\ Cost\ Benefits) \times NTG}{(NonIncentive\ Costs) + (Measure\ Costs) \times NTG + (Incentives) \times (1-NTG)} \quad \frac{TRC\ Benefits}{TRC\ Costs}$$

(Slide 4)



# DSM Program Free Rider Concept



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No really, why should we care?



# Act 2:

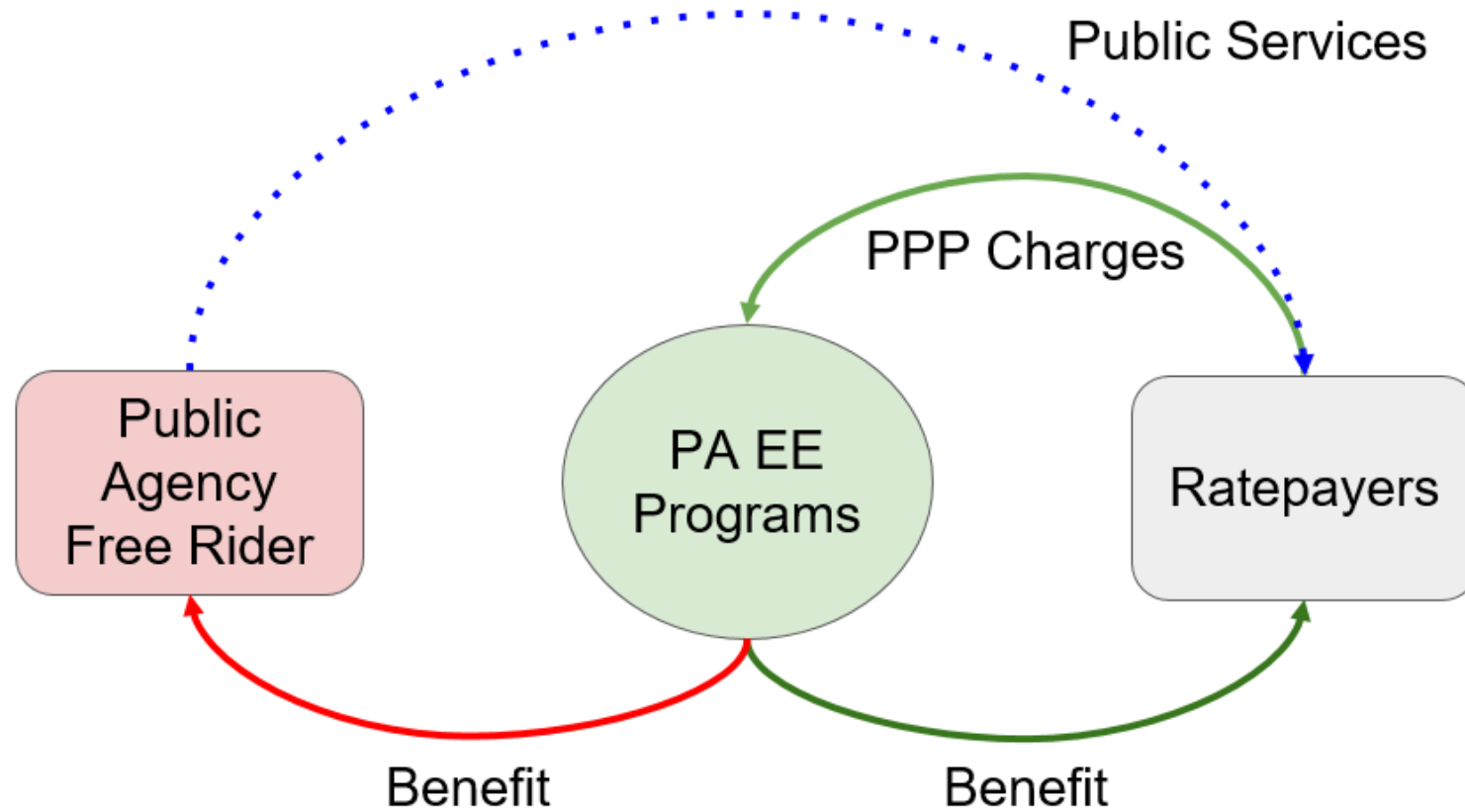
## Free Ridership in the Public Sector

What are we even  
doing with our lives?



# So....?

Can a public agency be a free rider?



# What about this Cost-Effectiveness Thing?

$$TRC = \frac{(\text{Avoided Cost Benefits}) \times NTG}{(\text{NonIncentive Costs}) + (\text{Measure Costs}) \times NTG + (\text{Incentives}) \times (1-NTG)}$$

TRC Inputs	Variables Values
Avoided Costs	\$ 2,500.00
Non-Incentive Costs	\$ 1,000.00
Participant Costs	\$ 750.00
Incentives	\$ 550.00

	Case 1	Case 2
NTG (Non-Free Riders)	0.55	0.9
Free Riders	0.45	0.1

Case 1		
TRC Benefits (Numerator)	\$ 1,375.00	TRC
TRC Costs (Denominator)	\$ 1,962.50	0.70

Case 2		
TRC Benefits (Numerator)	\$ 2,250.00	TRC
TRC Costs (Denominator)	\$ 2,225.00	1.01



# Act 3: Now What?



Definitely don't be  
a grouch!