John Moynihan

Chair, Board of Directors

Northeast Clean Heat and Power Initiative (NECHPI)

PO Box 1000

New York, NY 10116

Ms. Samantha Meserve

Deputy Director, Renewable and Alternative Energy Division

Massachusetts Department of Energy Resources

100 Cambridge St #1020

Boston, MA 02114

RE: 2020 APS Minimum Standard Review Comment

Dear Ms. Meserve,

Please find the following appendix evaluating the cost-benefit analysis (CBA) in the 2020 APS Minimum Standard Review with respect to the statutory requirement under 225 CMR 16.07(3) and other recent CBA used to evaluate energy programs by the Massachusetts DOER.

Sincerely yours,

John Moynihan

John Moynihan

Chair, NECHPI Board of Director

Appendix 3 – CBA in conformance with 225 CMR 16.07(3) and other Massachusetts DOER programs

The Daymark Report focuses its CBA solely on the benefit of greenhouse gas emissions reductions. While they are an extremely important benefit of any clean energy source, 225 CMR 16.07(3) clearly stated that a CBA must examine:

“the costs and benefits of the [APS] program to ratepayers, … the effectiveness of the program in meeting the energy and environmental goals of the Commonwealth, and [evaluate] whether the Minimum Standard or its rate of increase, as established in 225 CMR 16.07(2), should be adjusted.”

Meeting the states “energy and environmental goals” includes greenhouse gas reductions, as well as economic, reliability, and other environmental benefits provided by APS program participants. The Daymark report CBA also does not align with CBAs used by Massachusetts to evaluate other energy-related programs. In 2013, the DOER commissioned a CBA of its Solar Policy Program (“Solar CBA”).[[1]](#footnote-1) The Solar CBA reflects a proper analysis of the costs and benefits of a specific energy program.

First, the Solar CBA considered costs and benefits from two perspectives: ratepayers and statewide. When considering costs and benefits for ratepayers, the Solar CBA measured the program costs against “various potential benefit categories,” including effects on the wholesale energy market from the program’s displacement of energy sources with higher fuel costs and avoided investment in generation facilities. The Daymark CBA did not look at benefits to CHP users and other ratepayers, instead looking only at a single statewide benefit of CO2 emissions reductions.

Second, The Solar CBA discussed benefits that could not be easily quantified at length, including increased resilience and potential job market impacts. The Solar CBA report further articulated that, due to the existence of “a number of difficult-to-quantify benefits …not included in the overall calculations of net benefit,” the estimated Solar CBA underestimated benefits. The recommendations Daymark made for CHP based on their CBA did not reflect the likely underestimation of CHP benefits to ratepayers statewide, and failed to provide any discussion as to resiliency or job market benefits of CHP systems.

A more recent CBA of the State’s Electric and Gas Three-Year Energy Efficiency Plan also considered a wide range of benefits when conducting a similar analysis.[[2]](#footnote-2) For the State’s energy efficiency program to be deemed cost-effective, “the cumulative present value of its benefits [must be] equal to or greater than the cumulative present value of its costs.” To calculate the “cumulative present value” of benefits, the Efficiency Plan included the benefits of “avoided costs and non-energy impacts (“NEIs”) resulting from [the] program over [its lifetime],” as well as the resource benefits of “avoided energy valued at different times, avoided capacity valued at peaking periods, avoided transmission, avoided distribution, and effects on energy market prices.”

When compared to recent CBAs conducted by the State for other energy programs and its requirement under 225 CMR 16.07(3), it is clear the Daymark CHP CBA failed to accurately capture the benefits provided by CHP to ratepayers, end users, and society. For these reasons, the Daymark Report is inadequate to fully inform DOER’s decisions related to the APS program.

1. TASK 3B REPORT: ANALYSIS OF ECONOMIC COSTS AND BENEFITS OF SOLAR PROGRAM, MASS DEPT. OF ENERGY RESOURCES (September 30, 2013), <https://www.mass.gov/doc/post-400-task-3b/download?_ga=2.170373152.1672490685.1606925190-2110512088.160692519>. [↑](#footnote-ref-1)
2. MASSACHUSETTS JOINT STATEWIDE ELECTRIC & GAS THREE-YEAR ENERGY EFFICIENCY PLAN 2019-2021, MASS SAVE, 166-67 (Oct. 31, 2018), <https://ma-eeac.org/wp-content/uploads/Exh.-1-Final-Plan-10-31-18-With-Appendices-no-bulk.pdf>. [↑](#footnote-ref-2)