|  |  |
| --- | --- |
| To: | Randy Opdyke, Bruce Liu, Jim Jerozal, Nicor Gas; Scott Dimetrosky, Katie Parkinson, Jane Colby, Apex Analytics; Ted Weaver, First Tracks Consulting; Jennifer Morris, David Brightwell, ICC Staff; Celia Johnson, Illinois SAG |
|  |  |
| From: | Kevin Grabner, Laura Agapay-Read, Sophie Gunderson, Ethan Young, Patricia Plympton, Guidehouse |
| Cc: | Randy Gunn, Guidehouse |
| Date: | October 13, 2020 |
|  |  |
| Re: | Recommended Non-Energy Impacts for Nicor Gas’ Cost-Effectiveness Tests |

# Introduction

In December 2016, the Illinois General Assembly passed the Future Energy Jobs Act, which contains language on including additional non-energy benefits (now described as non-energy impacts (NEIs)) in energy efficiency programs’ total resource cost (TRC) tests[[1]](#footnote-2).

*Electric*

*“A total resource cost test compares the sum of avoided electric utility costs, representing the benefits that accrue to the system and participant in the delivery of those efficiency measures and including avoided costs associated with reduced use of natural gas or other fuels, avoided costs associated with reduced water consumption, and avoided costs associated with reduced operation and maintenance costs, as well as other quantifiable social benefits…”.*

*Natural Gas*

*“The total resource cost test compares the sum of avoided natural gas utility costs, representing the benefits that accrue to the system and the participant in the delivery of those efficiency measures, as well as other quantifiable societal benefits, including avoided electric utility costs…”*

FEJA also contains language regarding not requiring income eligible programs to meet the TRC test:

*Electric*

*Demonstrate that its overall portfolio of measures, not including low-income programs described in subsection (c) of this Section, is cost-effective using the total resource cost test.*

*Natural Gas*

*The low-income programs described in item (4) of subsection (f) of this Section shall not be required to meet the total resource cost test.*

Currently, the Illinois Technical Reference Manual[[2]](#footnote-3) (TRM) includes deemed monetized values for societal and participant NEIs. The TRM quantifies the following NEIs to include in TRC tests:

* **Societal: Avoided use of water (water savings) from energy efficiency programs:** Water savings are based on measurements consistent with federal standards. The value of the savings is determined by what Illinois customers would have paid for the water saved.
* **Participant: Reduced or increased O&M costs:** This is a deemed value based on the estimated impact from reduced or increased labor and materials that occur once a building has received energy efficiency improvements. For example, a heat recovery grease trap filter may result in reduced cleaning frequencies, while new equipment such as adding controls or tankless water heaters may increase O&M costs.

Nicor Gas cost-effectiveness modeling includes two additional NEI values that were estimated from secondary sources.

* **Utility: Avoided environmental costs from reduced carbon emissions:** Environmental costs are the dollar per therm ($/therm) quantification of the benefits Nicor Gas has achieved by reduced carbon emissions associated with reducing gas use through energy efficiency programs. A carbon reduction adder of $0.134 per therm (based on a carbon adder of $25/metric ton) is included starting in 2020 for the TRC analysis.
* **Non-Energy Benefits Adder:** A Non-Energy Benefits adder of 7.5 percent is included in Nicor Gas TRC modeling to account for the value of all NEIs except carbon emissions, water savings, and participant O&M costs. The value is based on secondary research.

# NEIs Applicable to Natural Gas Utilities’ Cost-Effectiveness Tests

Guidehouse conducted a literature search to determine which states or natural gas utilities use quantified and monetized NEIs for cost-effectiveness tests. The research included identifying methodologies previously used by states or natural gas utilities to evaluate NEIs. This gas-focused research leveraged and builds upon the extensive research conducted by Guidehouse for ComEd.[[3]](#footnote-4)[[4]](#footnote-5)

For societal NEI estimates, Guidehouse conducted an analysis on programs expected to be implemented by Nicor Gas in CY2022 through CY2025 using the methodology developed for ComEd and adjusted for gas utilities. Under this approach, the analysis team used the lifetime stream of net savings achieved in the CY2019 portfolio as a representation of the lifetime stream of savings achieved under programs that may be implemented in CY2022-2025, as this represents the most recent set of savings vetted by the evaluation team.

For participant NEI estimates, Guidehouse recommends proxy values for monetized NEIs associated with Nicor Gas’ implemented programs. Guidehouse determined these proxy values using NEI research conducted for Massachusetts to quantify and monetize participant NEIs. Massachusetts used monetized participant NEI values in their cost-effectiveness tests.

The following describes Guidehouse’s approach to evaluating societal NEIs, as well as Massachusetts’s methodologies and proxy values used for participant NEIs.

**Societal NEIs**

Nicor Gas’ energy efficiency (EE) programs lead to substantial savings of natural gas across both the residential and non-residential sectors, with these savings projected to persist for as long as 25 years into the future, depending on the measures implemented. In turn, over the same period, substantial reductions in the emissions of PM2.5, NOx, SO2, NH3, and volatile organic compounds (VOCs) are expected.

Human health is significantly impacted by exposure to pollutants such as PM2.5, SO2, and NOx. Premature infant and adult mortality has been linked to increased exposure to ambient air pollution.[[5]](#footnote-6) Further, increased exposure to pollutants such as PM2.5 can lead to the development or exacerbation of respiratory and cardiovascular conditions. Each of the health outcomes from ambient pollution exposure, particularly exposure to PM2.5,[[6]](#footnote-7) come at a substantial economic cost.[[7]](#footnote-8) The reduction in emissions of these pollutants attributed to Nicor Gas’ EE programs and their lifetime savings also realized benefits associated with avoided adverse health outcomes.

The EPA developed a tool that estimates the health benefits of reduced emissions from power generation: CO-Benefits Risk Assessment (COBRA). Updated in June 2020, COBRA is a peer reviewed screening tool that establishes the human health benefits and associated economic impacts of emission reduction scenarios.[[8]](#footnote-9) The COBRA model uses county-level emission reductions to estimate changes in health outcomes.

Guidehouse generated four sets of Societal NEI estimates to be included in Nicor’s TRC tests of CY2022-2025 programs, based on CY2019 data. To generate these estimates, Guidehouse repeated an annual six-step modeling approach four times. Guidehouse first worked to ensure that all lifetime energy savings were accounted for, as Nicor’s programs cover a variety of measures with measure lives ranging from one to 25 years. In the case of 2022 Societal NEIs, Guidehouse took program savings for CY2019 programs, which spanned 2019 through 2042, then assumed these savings will occur from 2022 through 2046. Guidehouse then estimated the emissions reductions and health benefits associated with these savings for each year from 2022 through 2046, discounting each year’s health benefits estimates back to 2022, then summed the stream of discounted health benefits. This process was repeated for 2023, 2024, and 2025 Societal NEI estimation. The annual, six-step approach and an example of how to apply these values is detailed further in Appendix A.

To facilitate the measurement of reductions in emissions of pollutants due to Nicor Gas’ CY2019 programs, the U.S. Environmental Protection Agency (EPA) provided Guidehouse with natural gas emissions factors. Table 1 below shows the emissions factors provided, grouped by sector and pollutant type.[[9]](#footnote-10),[[10]](#footnote-11),[[11]](#footnote-12)

**Table 1. Emission Factors**

|  |  |  |
| --- | --- | --- |
| Pollutant | Non-Residential Factors (lb/MMCF) | Residential Factors (lb/MMCF) |
| PM2.5 | 0.43 | 0.43 |
| NOx | 100 | 94 |
| SO2 | 0.6 | 0.6 |
| NH3 | 0.49 | 20 |
| VOC | 5.5 | 5.5 |

Source: U.S. EPA reports AP-42, EIIP, and NEI.

Using emissions factors illustrated above, Guidehouse calculated the emissions reductions associated with verified savings across the residential and non-residential sectors. As Nicor Gas’ CY2019 measures can accrue savings for up to 25 years, emissions reductions were calculated for each year the portfolio claimed savings via multiplication of each year’s natural gas savings with emissions factors. Table 2 below provides the total calculated emissions reductions associated with Nicor Gas’ CY2019 sectors.

**Table 2. Emission Changes**

|  |  |  |
| --- | --- | --- |
| Pollutant | Non-Residential Sector (tons) | Residential Sector (tons) |
| PM2.5 | 6.67 | 1.90 |
| NOx | 1,550.71 | 416.11 |
| SO2 | 9.30 | 2.66 |
| NH3 | 7.60 | 88.53 |
| VOC | 85.29 | 24.35 |

Source: Nicor Gas CY2019 Data; Guidehouse Analysis.

The COBRA model has three baseline emission data frames pre-loaded into the software – 2016, 2023 and 2028, and the EPA has estimated population changes and resulting health responses to emission changes in each of these baseline years. Guidehouse conducted the COBRA analysis on an annual basis by inputting the estimated savings from what we expect will be Nicor Gas’s CY2022-2025 program measures for each year ranging from 2022 to 2049. COBRA also accounts for the changes in baseline population and health responses to emissions over time. During this process, Guidehouse carefully aligned the nearest COBRA baseline year to each portfolio year, as shown in Table 3.

**Table 3. COBRA Baseline and Portfolio Years**

|  |  |
| --- | --- |
| COBRA Baseline Used | Portfolio Years |
| 2016 | 2022 |
| 2023 | 2023-2027 |
| 2028 | 2028-2049 |

Source: Guidehouse.

The COBRA model also allows the user to choose the location of emissions and energy mix. Guidehouse selected the Nicor Gas territory’s counties for the emissions location and selected residential and non-residential natural gas emissions tiers. As natural gas emissions are created on a local scale relative to electricity, the distinction between residential and non-residential emissions is essential. Guidehouse evaluated the benefits resulting from these portfolio sectors separately and applied the discounted benefits per therm values annually to each program encompassed in the sectors in CY2019.

Furthermore, COBRA has an option to input a preferred discount rate. The EPA provided Guidehouse a custom valuation file using a 2.40 percent discount rate, a discount rate deemed by the Illinois Technical Reference Manual (IL TRM) beginning in v9.0.[[12]](#footnote-13) Guidehouse applied this discount rate to evaluate the economic benefits resulting from emissions reductions attributed to Nicor Gas’ CY2019 programs.

Table 4 shows the estimated benefits per therm for the residential and non-residential sectors for modeled CY2022-2025 portfolios. Guidehouse discounted these values back to the program year’s dollar value. So, in this case, CY2025 societal NEI estimates are presented in 2025 dollars. The values encompass all monetized health benefit categories within COBRA and cover all years between 2019 and 2042.[[13]](#footnote-14) Appendix A provides program-level and annual benefits per therm estimates for the four program years evaluated from the CY2019 portfolio.

**Table 4. CY2022-2025 Societal NEI Estimates - By Portfolio**

| Sector | CY2019 Verified Net Lifetime Savings (Therms) | Program Year | $ Total Health Benefits | $ Total Health Benefits per Net Therm (Average) |
| --- | --- | --- | --- | --- |
| Residential | 91,809,346 | CY2022 | $15,174,568 | $0.1654 |
| CY2023 | $15,238,471 | $0.1661 |
| CY2024 | $15,280,818 | $0.1666 |
| CY2025 | $15,323,343 | $0.1671 |
| Non-Residential | 321,616,716 | CY2022 | $56,552,026 | $0.1761 |
| CY2023 | $56,785,415 | $0.1772 |
| CY2024 | $56,950,914 | $0.1781 |
| CY2025 | $57,117,146 | $0.1790 |

*Source: Guidehouse CY2019 Nicor Gas Program Savings data and COBRA model. Values shown for CY2019 lifetime net therms may have minor rounding differences for some measures compared with end of year summary reports, related to partial year measure lives.*

Please note that the dollar per therm benefits shown in Table 5 should only be applied to the lifetime therms saved from a given implementation year. For example, if a measure was installed in CY2022 and has not reached its end of useful life by 2025, the therms saved from that measure in 2025 should not be incorporated in the CY2025 cost-effectiveness tests. This recommended application of dollars per therm benefits would avoid double-counting benefits year after year.

**Sources of Values for Participant NEIs**

Guidehouse used studies from Massachusetts to produce recommended values for Nicor Gas’ participant NEIs. The table below lists the NEI types and the sources we used to produce recommendations for Nicor Gas’ NEI values.

**Table 5. NEI Types and Sources**

|  |  |  |  |
| --- | --- | --- | --- |
| NEI Type | State | Research Study | Authors |
| Participant | Massachusetts | Massachusetts Special and Cross-Cutting Research Area: Low-Income Single-Family Health- and Safety-Related Non-Energy Impacts (NEIs) Study (2016) | Three3 Inc. and NMG Group, Inc. |
| Participant | Massachusetts | Low-Income Multifamily Health- and Safety-Related NEIs Study (TXC 50) Preliminary Findings Report (2018) | Three3 Inc. and NMG Group, Inc. |

*Source: Guidehouse*

**Participant NEIs**

Participant NEIs quantify health and safety impacts of energy efficiency programs to participants and their household. These impacts include reduced medical costs associated with reduced asthma symptoms and thermal stress, as well as reduced missed days of work.

In 2014, the U.S. Department of Energy’s (DOE) conducted a national assessment of the participant NEIs associated with its Weatherization Assistance Program (WAP). The DOE WAP assessment included a comprehensive participant survey which participants completed before participation and one year following participation.[[14]](#footnote-15)

Massachusetts used the same methodology to conduct participant NEI studies which quantified and monetized values used in cost-effectiveness tests.22, 25 The state performed studies in varying years and the reported values do not represent the current value of the dollar.

Guidehouse compiled the participant NEI values from these studies to determine estimates in 2022 to 2025 dollars, shown in Table 6. Multifamily and single-family building types are shown separately in the below tables to reflect the differing measure mixes and resulting impacts on the participants in those households. Appendix C provides the unadjusted values from the state’s studies.

**Table 6. Multifamily Monetized Participant NEI Proxys – Per Household Annually**

| **Participant NEI type** | **Guidehouse Adjusted Values ($2022)** | **Guidehouse Adjusted Values ($2023)** | **Guidehouse Adjusted Values ($2024)** | **Guidehouse Adjusted Values ($2025)** |
| --- | --- | --- | --- | --- |
| Thermal Comfort | 29.20 | 29.80 | 30.39 | 30.96 |
| Health & Safety (including Asthma Reduction) | 38.17 | 38.96 | 39.74 | 40.49 |
| Reduced missed days of work | 67.79 | 69.18 | 70.57 | 71.89 |
| Total | 128.15 | 135.16 | 137.93 | 140.70 |

Sources: Skumatz, 2014; Three3 and NMR Group 2018; Guidehouse analysis.

**Table 7. Single-family Monetized Participant NEI Proxys – Per Household Annually**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Participant NEI type** | **Guidehouse Adjusted Values ($2022)** | **Guidehouse Adjusted Values ($2023)** | **Guidehouse Adjusted Values ($2024)** | **Guidehouse Adjusted Values ($2025)** |
| Thermal Comfort | 82.64 | 84.26 | 85.88 | 87.43 |
| Health & Safety (including Asthma Reduction) | 11.20 | 11.42 | 11.64 | 11.85 |
| Reduced missed days of work | 209.52 | 213.63 | 217.74 | 221.66 |
| Total | 303.36 | 309.31 | 315.26 | 320.94 |

*Sources: Skumatz, 2014; Three3 and NMR Group 2016; Guidehouse analysis.*

# Recommendations

Based on our review of the current practices that other states use to include monetized NEIs in cost-effectiveness tests, and the current state of relevant data to Nicor Gas, we submit the following recommendations for Nicor Gas consideration:

**Recommendation #1:** Include monetized nationwide Societal NEI benefits in the Nicor Gas portfolio programs’ TRC tests. Please note that the dollar per therm benefits should only be applied to the therms saved from a given implementation year and should not include therms saved from measures installed in previous program years.

**Application Process #1:** Multiply the averaged sector-level discounted dollar per therm estimates by the lifetime therms savings of the program in the respective sector.

**Application Process #2:** Given that program measures and mix change with each implementation year, Guidehouse provided non-discounted and non-inflated annual sector-level dollar per therm benefits for CY2022-25 in Appendix A. Multiply these values by program-level annual therm savings of the respective sector from each year of implementation. The resulting savings must be discounted back to the year of implementation using a real discount rate.

**Recommendation #2**: Include monetized proxy Participant NEI values associated with the Nicor Gas Income Eligible programs in these programs’ TRC tests. When available and if statistically significant, use the primary monetized values from ComEd Participant NEI research focused on the joint utility Income Eligible Multifamily, Single-Family and Public Housing programs in these programs’ TRC tests.

**Application Process**: Proportion annual NEI benefits between electric and gas utilities according to utility investment in the program. After apportioning, calculate the lifetime net present value of benefits per household using the program’s weighted average measure life and a real discount rate of 0.42 percent, as deemed by the IL TRM v9.0.

# Appendix A. Societal NEIs - COBRA Estimated Health Benefits

**Societal NEI Methodology**

The annual, six-step approach described below is an illustration in Table 8 below. The example used in the table below focuses on estimation of Societal NEIs for 2032 assuming CY2019 program savings begin in 2022. Additional detail providing context for each step in the analysis is provided in the following paragraphs.

**Table 8. Stepwise Summary of Annual Estimation of CY2022 Health Benefits: Year 2032**

| Step | Description |
| --- | --- |
| 1. Year 2032 Portfolio-Level CPAS | Assuming CY2019 programs are implemented in CY2022, gather and aggregate all sector-level therm savings to construct a portfolio-level annual timeline of residential and non-residential savings spanning 2022 through 2046, then extract sector-level therm savings for 2032. |
| 2. Evaluate Emission Reductions | Use the emission factors provided by the EPA (shown in Table *2*) to estimate the tons of emissions reduced by sector for 2032. |
| 3. Execute COBRA Model | Use COBRA to estimate 2032 health benefits from emissions reductions. |
| 4. Discount Benefits to CY2022 | Discount 2032 COBRA-estimated sector-level health benefit to CY2022 for TRC tests. |
| 5. Divide Discounted Benefits  by Year 2032 CPAS | Divide discounted 2032 COBRA-estimated sector-level health benefit by sector-level savings to generate a discounted health benefit per therm. |
| 6. Multiply by Program-Level  Year 2032 CPAS | Multiply discounted 2032 health benefit per therm by program-level savings to calculate 2032 program-level health benefit. |

**Step 1: Year 2032 Portfolio-Level CPAS**

For this summary we focus on estimation of societal health benefits for the Non-Residential Small Business program in 2032 assuming CY2019 programs and the stream of associated savings begin in CY2022. In this first step, gather and aggregate the Nicor Gas CY2019 programs’ savings data and measure lives to construct an annual savings table. Assuming CY2019 savings begin in 2022, extract the total Non-Residential savings for year 2032 equal to 12,626,174 Therms for use in Step 2.

**Step 2: Evaluate Emission Reductions**

To facilitate the measurement of reductions in emissions of pollutants due to Nicor Gas’ CY2019 programs, the U.S. Environmental Protection Agency (EPA) provided Guidehouse with natural gas emissions factors. Table 9 below shows the emissions factors provided, grouped by sector and pollutant type.[[15]](#footnote-16),[[16]](#footnote-17),[[17]](#footnote-18)

**Table 9. Emission Factors**

|  |  |  |
| --- | --- | --- |
| Pollutant | Non-Residential Factors (lb/MMCF) | Residential Factors (lb/MMCF) |
| PM2.5 | 0.43 | 0.43 |
| NOx | 100 | 94 |
| SO2 | 0.6 | 0.6 |
| NH3 | 0.49 | 20 |
| VOC | 5.5 | 5.5 |

Source: U.S. EPA reports AP-42, EIIP, and NEI.

Using emissions factors illustrated above, calculate the emissions reductions associated with verified savings across the non-residential sector in 2032.

**Step 3: Execute COBRA model**

Following estimation of saved emissions estimates, COBRA estimation was conducted using adjusted county-level emissions reductions estimates. COBRA uses emissions reductions to estimate county-level changes in air quality, then estimates the resulting county-level health outcomes and economic costs. The COBRA model has three sets of baseline years included in its current build – 2016, 2023 and 2028. Guidehouse conducted the COBRA analysis on an annual basis by inputting the estimated savings from what we expect will be Nicor Gas’s CY2022-2025 program measures for each year ranging from 2022 to 2049. During this process, Guidehouse carefully aligned the nearest COBRA baseline year to each portfolio year, as shown in Table 10 below.

**Table 10. COBRA Baseline and Portfolio Years**

|  |  |
| --- | --- |
| COBRA Baseline Used | Portfolio Years |
| 2016 | 2022 |
| 2023 | 2023-2027 |
| 2028 | 2028-2049 |

Source: Guidehouse.

The COBRA model also allows the user to choose the location of emissions and energy mix. Guidehouse selected the Nicor Gas territory’s counties for the emissions location and selected residential and non-residential natural gas emissions tiers. As natural gas emissions are created on a local scale relative to electricity, the distinction between residential and non-residential emissions is essential. Guidehouse evaluated the benefits resulting from these portfolio sectors separately and applied the discounted benefits per therm values annually to each program encompassed in the sectors in CY2019.

The EPA provided Guidehouse a custom valuation file using a 2.40 percent discount rate, as will be deemed by the Illinois Technical Reference Manual (IL TRM) beginning in v9.0[[18]](#footnote-19). COBRA currently estimates the low- and high-sensitivity health impacts of reduced pollution exposure over a 20 year period, as reduced exposure to emissions in one year reduces acute morbidity in the year of analysis and reduces the incidence of premature mortality for up to 20 years.[[19]](#footnote-20) COBRA then discounts this stream of health benefits back to the year in which savings are realized, which in this example is 2032.[[20]](#footnote-21) Guidehouse applied the custom valuation file with a 2.40 percent discount rate to evaluate the low- and high-sensitivity economic benefits resulting from emissions reductions attributed to 2032 savings. The mean of national low- and high-sensitivity estimates was used as the health benefit estimate for 2032.

**Step 4: Discount results to CY2022**

Under the annual analysis methodology employed in steps two and three, health benefits estimates are expressed in terms of dollars in the analysis year of interest. In the case of 2022 implementation of CY2019 programs, Societal NEIs are being used to inform TRC tests of the 2022 implementation of programs, which use cost and benefit inputs expressed in terms of 2022 dollars. To remain consistent with other inputs to TRC tests, Guidehouse discounted each year’s county-level COBRA results back to 2022 using a 0.42 percent discount rate.

**Step 5: Divide by analysis year sector-wide savings**

After discounting each year’s sector-level health benefits to 2022, discounted health benefits were divided by the sector-level’s yearly savings. In the case of 2032 estimation of health benefits, the discounted health benefits of approximately $2.29 million dollars from Step 3 were divided by 2032’s 12,816,982 therms of non-residential sector-level savings, generating an estimate of 0.18 cents in discounted health benefits per therm (BPT) of energy saved in 2032.

**Step 6: Multiply by program-level savings**

The final step in generating a program-level Societal NEI estimate for a specific year is multiplying the sector-level BPT value resulting from Step 4 by the program-level savings. The result is a total estimated benefit of approximately $1.39 million dollars for the Small Business program.

**Annual Sector-Level Benefits per Therm Estimates**

Table 11 through Table 14 show the sector level dollar per therm estimates by program year, based on the CY2019 portfolio. The values provided have not been adjusted for inflation or discounted following the COBRA model runs. Thus, these values are presented in real dollars.

Please note the dollar per therm values should only be applied to annual therms saved from measures installed in the respective year’s implementation. This method avoids double counting benefits.

**Table 11. Sector Level Dollars per Therms Savings – CY2022 (Real Dollars)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Therms Savings (Residential)** | **$ Total Health Benefits (average)** | **$Total Health Benefits per Therm (average)** | **Therms Savings (Non-Residential)** | **$ Total Health Benefits (average)** | **$Total Health Benefits per Therm (average)** |
| 2022 | 5,743,078 | $934,709 | $0.16275 | 21,360,409 | $3,717,609.03 | $0.17404 |
| 2023 | 5,743,078 | $956,442 | $0.16654 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2024 | 5,482,150 | $912,805 | $0.16650 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2025 | 5,441,519 | $905,826 | $0.16647 | 20,950,726 | $3,729,502.93 | $0.17801 |
| 2026 | 5,441,519 | $905,826 | $0.16647 | 20,950,726 | $3,729,502.93 | $0.17801 |
| 2027 | 5,441,519 | $905,826 | $0.16647 | 18,129,622 | $3,221,977.40 | $0.17772 |
| 2028 | 5,431,621 | $947,350 | $0.17441 | 13,181,921 | $2,452,381.88 | $0.18604 |
| 2029 | 5,431,621 | $947,350 | $0.17441 | 13,181,921 | $2,452,381.88 | $0.18604 |
| 2030 | 5,262,118 | $917,431 | $0.17435 | 13,176,077 | $2,451,414.93 | $0.18605 |
| 2031 | 5,262,118 | $917,431 | $0.17435 | 12,856,974 | $2,392,524.50 | $0.18609 |
| 2032 | 4,461,465 | $777,547 | $0.17428 | 12,816,982 | $2,386,506.78 | $0.18620 |
| 2033 | 3,702,953 | $645,812 | $0.17440 | 12,816,982 | $2,386,506.78 | $0.18620 |
| 2034 | 3,702,953 | $645,812 | $0.17440 | 12,767,394 | $2,375,690.68 | $0.18607 |
| 2035 | 3,684,869 | $642,269 | $0.17430 | 12,626,174 | $2,349,368.78 | $0.18607 |
| 2036 | 3,684,763 | $642,381 | $0.17433 | 12,626,174 | $2,349,368.78 | $0.18607 |
| 2037 | 3,608,102 | $629,151 | $0.17437 | 11,840,980 | $2,202,824.47 | $0.18603 |
| 2038 | 3,608,102 | $629,151 | $0.17437 | 11,749,962 | $2,186,538.21 | $0.18609 |
| 2039 | 3,608,102 | $629,151 | $0.17437 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2040 | 3,432,948 | $598,401 | $0.17431 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2041 | 3,423,707 | $596,965 | $0.17436 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2042 | 42,207 | $7,411 | $0.17558 | 11,342,830 | $2,110,335.38 | $0.18605 |
| 2043 | 42,207 | $7,411 | $0.17558 | 11,232,877 | $2,090,083.76 | $0.18607 |
| 2044 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| 2045 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| 2046 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| **Lifetime** | **74,031,858** | **$12,645,926** | **$0.17082** | **256,160,378** | **$46,656,201** | **$0.18214** |

*Source: Guidehouse CY2019 Nicor Gas Program Savings Analysis data and COBRA model.*

**Table 12. Sector Level Dollars per Therms Savings – CY2023 (Real Dollars)**

| **Year** | **Therms Savings (Residential)** | **$ Total Health Benefits (average)** | **$Total Health Benefits per Therm (average)** | **Therms Savings (Non-Residential)** | **$ Total Health Benefits (average)** | **$Total Health Benefits per Therm (average)** |
| --- | --- | --- | --- | --- | --- | --- |
| 2023 | 5,743,078 | $956,442 | $0.16654 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2024 | 5,743,078 | $956,442 | $0.16654 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2025 | 5,482,150 | $912,805 | $0.16650 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2026 | 5,441,519 | $905,826 | $0.16647 | 20,950,726 | $3,729,502.93 | $0.17801 |
| 2027 | 5,441,519 | $905,826 | $0.16647 | 20,950,726 | $3,729,502.93 | $0.17801 |
| 2028 | 5,441,519 | $948,889 | $0.17438 | 18,129,622 | $3,373,263.55 | $0.18606 |
| 2029 | 5,431,621 | $947,350 | $0.17441 | 13,181,921 | $2,452,381.88 | $0.18604 |
| 2030 | 5,431,621 | $947,350 | $0.17441 | 13,181,921 | $2,452,381.88 | $0.18604 |
| 2031 | 5,262,118 | $917,431 | $0.17435 | 13,176,077 | $2,451,414.93 | $0.18605 |
| 2032 | 5,262,118 | $917,431 | $0.17435 | 12,856,974 | $2,392,524.50 | $0.18609 |
| 2033 | 4,461,465 | $777,547 | $0.17428 | 12,816,982 | $2,386,506.78 | $0.18620 |
| 2034 | 3,702,953 | $645,812 | $0.17440 | 12,816,982 | $2,386,506.78 | $0.18620 |
| 2035 | 3,702,953 | $645,812 | $0.17440 | 12,767,394 | $2,375,690.68 | $0.18607 |
| 2036 | 3,684,869 | $642,269 | $0.17430 | 12,626,174 | $2,349,368.78 | $0.18607 |
| 2037 | 3,684,763 | $642,381 | $0.17433 | 12,626,174 | $2,349,368.78 | $0.18607 |
| 2038 | 3,608,102 | $629,151 | $0.17437 | 11,840,980 | $2,202,824.47 | $0.18603 |
| 2039 | 3,608,102 | $629,151 | $0.17437 | 11,749,962 | $2,186,538.21 | $0.18609 |
| 2040 | 3,608,102 | $629,151 | $0.17437 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2041 | 3,432,948 | $598,401 | $0.17431 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2042 | 3,423,707 | $596,965 | $0.17436 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2043 | 42,207 | $7,411 | $0.17558 | 11,342,830 | $2,110,335.38 | $0.18605 |
| 2044 | 42,207 | $7,411 | $0.17558 | 11,232,877 | $2,090,083.76 | $0.18607 |
| 2045 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| 2046 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| 2047 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| **Lifetime** | **74,031,858** | **$12,704,500** | **$0.17161** | **256,160,378** | **$46,870,627** | **$0.18297** |

*Source: Guidehouse CY2019 Nicor Gas Program Savings Analysis data and COBRA model.*

**Table 13.Sector Level Dollars per Therms Savings – CY2024 (Real Dollars)**

| **Year** | **Therms Savings (Residential)** | **$ Total Health Benefits (average)** | **$Total Health Benefits per Therm (average)** | **Therms Savings (Non-Residential)** | **$ Total Health Benefits (average)** | **$Total Health Benefits per Therm (average)** |
| --- | --- | --- | --- | --- | --- | --- |
| 2024 | 5,743,078 | $956,442 | $0.16654 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2025 | 5,743,078 | $956,442 | $0.16654 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2026 | 5,482,150 | $912,805 | $0.16650 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2027 | 5,441,519 | $905,826 | $0.16647 | 20,950,726 | $3,729,502.93 | $0.17801 |
| 2028 | 5,441,519 | $948,889 | $0.17438 | 20,950,726 | $3,897,837.86 | $0.18605 |
| 2029 | 5,441,519 | $948,889 | $0.17438 | 18,129,622 | $3,373,263.55 | $0.18606 |
| 2030 | 5,431,621 | $947,350 | $0.17441 | 13,181,921 | $2,452,381.88 | $0.18604 |
| 2031 | 5,431,621 | $947,350 | $0.17441 | 13,181,921 | $2,452,381.88 | $0.18604 |
| 2032 | 5,262,118 | $917,431 | $0.17435 | 13,176,077 | $2,451,414.93 | $0.18605 |
| 2033 | 5,262,118 | $917,431 | $0.17435 | 12,856,974 | $2,392,524.50 | $0.18609 |
| 2034 | 4,461,465 | $777,547 | $0.17428 | 12,816,982 | $2,386,506.78 | $0.18620 |
| 2035 | 3,702,953 | $645,812 | $0.17440 | 12,816,982 | $2,386,506.78 | $0.18620 |
| 2036 | 3,702,953 | $645,812 | $0.17440 | 12,767,394 | $2,375,690.68 | $0.18607 |
| 2037 | 3,684,869 | $642,269 | $0.17430 | 12,626,174 | $2,349,368.78 | $0.18607 |
| 2038 | 3,684,763 | $642,381 | $0.17433 | 12,626,174 | $2,349,368.78 | $0.18607 |
| 2039 | 3,608,102 | $629,151 | $0.17437 | 11,840,980 | $2,202,824.47 | $0.18603 |
| 2040 | 3,608,102 | $629,151 | $0.17437 | 11,749,962 | $2,186,538.21 | $0.18609 |
| 2041 | 3,608,102 | $629,151 | $0.17437 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2042 | 3,432,948 | $598,401 | $0.17431 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2043 | 3,423,707 | $596,965 | $0.17436 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2044 | 42,207 | $7,411 | $0.17558 | 11,342,830 | $2,110,335.38 | $0.18605 |
| 2045 | 42,207 | $7,411 | $0.17558 | 11,232,877 | $2,090,083.76 | $0.18607 |
| 2046 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| 2047 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| 2048 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| **Lifetime** | **74,031,858** | **$12,742,748** | **$0.17213** | **256,160,378** | **$47,020,138** | **$0.18356** |

*Source: Guidehouse CY2019 Nicor Gas Program Savings Analysis data and COBRA model.*

**Table 14. Sector Level Dollars per Therms Savings – CY2025 (Real Dollars)**

| **Year** | **Therms Savings (Residential)** | **$ Total Health Benefits (average)** | **$Total Health Benefits per Therm (average)** | **Therms Savings (Non-Residential)** | **$ Total Health Benefits (average)** | **$Total Health Benefits per Therm (average)** |
| --- | --- | --- | --- | --- | --- | --- |
| 2025 | 5,743,078 | $956,442 | $0.16654 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2026 | 5,743,078 | $956,442 | $0.16654 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2027 | 5,482,150 | $912,805 | $0.16650 | 21,360,409 | $3,802,811.62 | $0.17803 |
| 2028 | 5,441,519 | $948,889 | $0.17438 | 20,950,726 | $3,897,837.86 | $0.18605 |
| 2029 | 5,441,519 | $948,889 | $0.17438 | 20,950,726 | $3,897,837.86 | $0.18605 |
| 2030 | 5,441,519 | $948,889 | $0.17438 | 18,129,622 | $3,373,263.55 | $0.18606 |
| 2031 | 5,431,621 | $947,350 | $0.17441 | 13,181,921 | $2,452,381.88 | $0.18604 |
| 2032 | 5,431,621 | $947,350 | $0.17441 | 13,181,921 | $2,452,381.88 | $0.18604 |
| 2033 | 5,262,118 | $917,431 | $0.17435 | 13,176,077 | $2,451,414.93 | $0.18605 |
| 2034 | 5,262,118 | $917,431 | $0.17435 | 12,856,974 | $2,392,524.50 | $0.18609 |
| 2035 | 4,461,465 | $777,547 | $0.17428 | 12,816,982 | $2,386,506.78 | $0.18620 |
| 2036 | 3,702,953 | $645,812 | $0.17440 | 12,816,982 | $2,386,506.78 | $0.18620 |
| 2037 | 3,702,953 | $645,812 | $0.17440 | 12,767,394 | $2,375,690.68 | $0.18607 |
| 2038 | 3,684,869 | $642,269 | $0.17430 | 12,626,174 | $2,349,368.78 | $0.18607 |
| 2039 | 3,684,763 | $642,381 | $0.17433 | 12,626,174 | $2,349,368.78 | $0.18607 |
| 2040 | 3,608,102 | $629,151 | $0.17437 | 11,840,980 | $2,202,824.47 | $0.18603 |
| 2041 | 3,608,102 | $629,151 | $0.17437 | 11,749,962 | $2,186,538.21 | $0.18609 |
| 2042 | 3,608,102 | $629,151 | $0.17437 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2043 | 3,432,948 | $598,401 | $0.17431 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2044 | 3,423,707 | $596,965 | $0.17436 | 11,709,239 | $2,178,845.53 | $0.18608 |
| 2045 | 42,207 | $7,411 | $0.17558 | 11,342,830 | $2,110,335.38 | $0.18605 |
| 2046 | 42,207 | $7,411 | $0.17558 | 11,232,877 | $2,090,083.76 | $0.18607 |
| 2047 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| 2048 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| 2049 | 42,207 | $7,411 | $0.17558 | 53,150 | $9,866.10 | $0.18563 |
| **Lifetime** | **74,031,858** | **$12,781,914** | **$0.17265** | **256,160,378** | **$47,173,238** | **$0.18416** |

*Source: Guidehouse CY2019 Nicor Gas Program Savings Analysis data and COBRA model.*

# Appendix B. Participant NEIs – Source Values

Three3 and NMR Group conducted a primary research study for Massachusetts to determine the participant NEIs associated with income eligible programs including reduced effects of asthma, cold- and heat-related thermal stress, missed days of work, deaths, and fire damage.16 These monetized values are provided in the statewide TRM. Massachusetts utilities include these monetized values in their programs’ TRC tests.[[21]](#footnote-22)

The 2018 Massachusetts study is specific to Low-Income Multi-family (LIMF) Health and Safety-Related NEIs16. Three3 and NMR Group conducted a similar study in 2016 for Low-Income Single Family (LISF) NEIs.[[22]](#footnote-23) The 2018 report complements the past values and recommendations provided in the 2016 study. Variabilities in the values from the two studies are due to differences in installed measures and household types.

Guidehouse adjusted Massachusetts NEI recommended values from 2016 and 2018 to 2022 through 2025-dollars using a conservative inflation forecast of approximately 2 percent annually following 2020. Table 15 provides the original recommended values, prior to inflation.

**Table 15. Massachusetts Participant NEI Recommendations – Per Household Annually**

|  |  |  |
| --- | --- | --- |
| Participant NEI type | Massachusetts LISF Program Values ($2016) | Massachusetts LIMF Program Value ($2018) |
| Total Thermal Comfort | 12.95 | 5.95 |
| Health & Safety (Asthma Reduction) | 9.99 | 35.55 |
| Reduced missed days of work | 149.45 | 48.61 |

*Sources: Three3 and NMR Group, 2016; Three3 and NMR Group, 2018; Guidehouse.*

1. FEJA (Illinois Future Energy Jobs Act). Public Act 099-0906. [www.ilga.gov/legislation/publicacts/99/PDF/099-0906.pdf](http://www.ilga.gov/legislation/publicacts/99/PDF/099-0906.pdf). (passed December 7, 2016). [↑](#footnote-ref-2)
2. IL SAG. Illinois Statewide Technical Reference Manual for Energy Efficiency, Version 8.0. Illinois Commerce Commission. Springfield: IL. [s3.amazonaws.com/ilsag/2020\_IL-TRM\_Version\_8.0\_dated\_October-17-2019\_Final\_Volumes\_1-4\_Compiled.pdf](https://s3.amazonaws.com/ilsag/2020_IL-TRM_Version_8.0_dated_October-17-2019_Final_Volumes_1-4_Compiled.pdf). [↑](#footnote-ref-3)
3. Guidehouse report “Quantifying Non-Energy Benefits from ComEd’s Income Eligible Programs: Findings and Recommendations from Secondary Research,” March 6, 2018. https://s3.amazonaws.com/ilsag/ComEd\_Income\_Eligible\_Programs\_NEBs\_Secondary\_Research\_Report\_2018-03-06.pdf [↑](#footnote-ref-4)
4. Guidehouse memo “Review of States’ Methodologies to include Monetized Non-Energy Impacts in Cost-Effectiveness Tests,” April 30, 2020. : <https://s3.amazonaws.com/ilsag/ComEd-Memo-Methods-to-Include-NEIs-in-C-E-Tests_Draft_2020-04-30.docx> [↑](#footnote-ref-5)
5. On an annual basis, the World Health Organization (WHO) estimates around 4.2 million premature deaths globally are linked to ambient air pollution, with the most harmful culprits being PM2.5, SO2, NO2, and Ozone <https://www.who.int/airpollution/ambient/health-impacts/en/> Accessed: August 17, 2020. [↑](#footnote-ref-6)
6. <https://www.epa.gov/clean-air-act-overview/air-pollution-current-and-future-challenges> Accessed: August 17, 2020. [↑](#footnote-ref-7)
7. <https://www.epa.gov/environmental-economics/mortality-risk-valuation> Accessed: August 17, 2020. [↑](#footnote-ref-8)
8. <https://www.epa.gov/statelocalenergy/how-cobra-works>. Accessed: July 15, 2020. [↑](#footnote-ref-9)
9. U.S. Environmental Protection Agency.  1996. Compilation of Air Pollutant Emission Factors, 5th Edition, (AP-42), Volume I:  Stationary Point and Area Sources.  Research Triangle Park, NC. <https://www.epa.gov/air-emissions-factors-and-quantification/ap-42-compilation-air-emission-factors#5thed> [↑](#footnote-ref-10)
10. U.S. Environmental Protection Agency. 2004. Emission Inventory Improvement Program (EIIP). Estimating Ammonia Emissions from Anthropogenic Sources, Draft Final Report.  Prepared by E.H. Pechan and Associates, Inc.  Research Triangle Park, NC. <https://www.epa.gov/sites/production/files/2015-08/documents/eiip_areasourcesnh3.pdf> [↑](#footnote-ref-11)
11. U.S. Environmental Protection Agency. 2020.  2017 National Emissions Inventory Complete Release: Technical Support Document. Research Triangle Park, NC. (NEI) <https://www.epa.gov/sites/production/files/2020-04/documents/nei2017_tsd_full_30apr2020.pdf> [↑](#footnote-ref-12)
12. Illinois Statewide Technical Reference Manual for Energy Efficiency Version 9.0, final available at: <http://www.ilsag.info/technical-reference-manual.html> [↑](#footnote-ref-13)
13. All estimated health benefits for the years 2019 through 2042 were discounted to 2022-2025 dollars according to program year. [↑](#footnote-ref-14)
14. Oak Ridge National Laboratory 2014., “*Weatherization Works- Summary of Findings from the Retrospective Evaluation of the Department of Energy’s Weatherization Assistance Program, Managed by UT-Battelle for the US Department of Energy.”* (DOE WAP Study 2014) September. <https://www.energy.gov/eere/wap/downloads/weatherization-assistance-program-national-evaluation>. Accessed: April 24, 2020. [↑](#footnote-ref-15)
15. U.S. Environmental Protection Agency.  1996. Compilation of Air Pollutant Emission Factors, 5th Edition, (AP-42), Volume I:  Stationary Point and Area Sources.  Research Triangle Park, NC. <https://www.epa.gov/air-emissions-factors-and-quantification/ap-42-compilation-air-emission-factors#5thed> [↑](#footnote-ref-16)
16. U.S. Environmental Protection Agency. 2004. Emission Inventory Improvement Program (EIIP). Estimating Ammonia Emissions from Anthropogenic Sources, Draft Final Report.  Prepared by E.H. Pechan and Associates, Inc.  Research Triangle Park, NC. <https://www.epa.gov/sites/production/files/2015-08/documents/eiip_areasourcesnh3.pdf> [↑](#footnote-ref-17)
17. U.S. Environmental Protection Agency. 2020.  2017 National Emissions Inventory Complete Release: Technical Support Document. Research Triangle Park, NC. (NEI) <https://www.epa.gov/sites/production/files/2020-04/documents/nei2017_tsd_full_30apr2020.pdf> [↑](#footnote-ref-18)
18. Illinois Statewide Technical Reference Manual for Energy Efficiency Version 9.0, draft available at: <http://www.ilsag.info/technical-reference-manual.html> [↑](#footnote-ref-19)
19. COBRA assumes that the incidences of premature mortality attributed to pollution exposure occurs over a 20 year period following exposure. COBRA currently assumes that 30 percent of premature deaths occur in the first year, 50 percent of deaths occur in years two through five, and the remaining 20 percent of deaths occur in years six through twenty. For more information, see page F-8 of the COBRA user manual: <https://www.epa.gov/sites/production/files/2020-06/documents/cobra_user_manual_june_2020.pdf> [↑](#footnote-ref-20)
20. In the case of analysis of emissions reductions in the year 2032, COBRA models the associated reductions in morbidity and mortality that can be expected to occur over a 20 year period between 2032 and 2051. This 20 year stream of health benefits is then discounted back to the analysis year, which in this case is 2032. [↑](#footnote-ref-21)
21. Database of State Efficiency Screening Practices (DSESP), 2020. “National Energy Efficiency Screening Project, <https://nationalefficiencyscreening.org/> Accessed: July 5, 2020. [↑](#footnote-ref-22)
22. Three3 and NMR Group, 2016. “Low-Income Single-Family Health- and Safety-Related NEIs Study.” Massachusetts Program Administrators August 5. [↑](#footnote-ref-23)