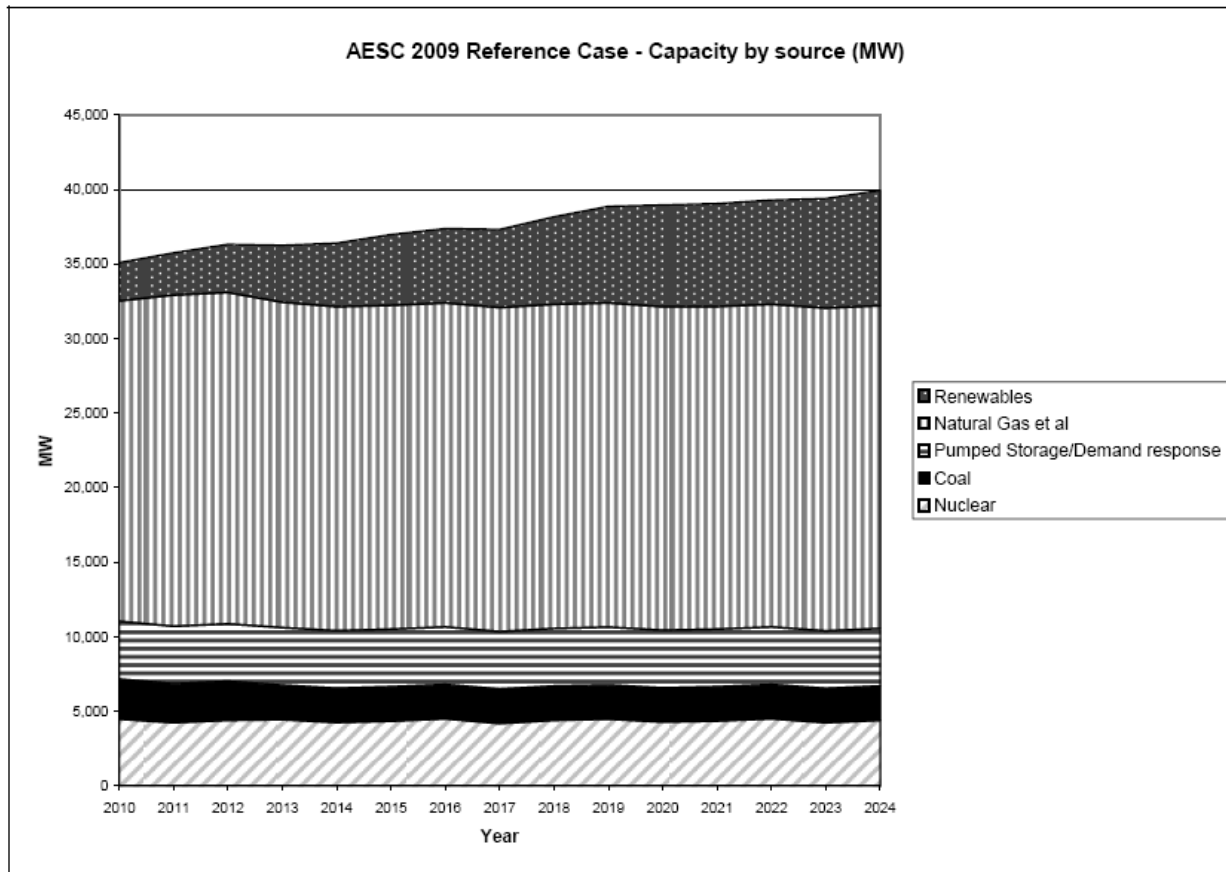


# Avoided Electric Energy Costs, Reference Case



“Avoided electric energy costs are an estimate of the value of a reduction in annual electric energy use by retail customers. The major inputs to this calculation are avoided wholesale electric energy market prices, avoided costs of Renewable Energy Certificates (RECs) and a wholesale risk premium of 9 percent.

The avoided wholesale electric energy market prices are estimates for a hypothetical future, “Reference Case”, in which no new energy efficiency is implemented from 2010 onward. The major drivers of the prices in this Reference Case are the forecasts of load, natural gas prices, carbon emission regulation compliance costs and renewable energy quantities required to comply with the Renewable Portfolio Standard of each state. (The carbon emission compliance costs assume limits imposed under the Regional Gas Greenhouse Initiative or RGGI through 2012 and federal cap and trade regulations thereafter.) The only significant quantity of new capacity added under the Reference Case is from renewable resources.”

\*Excerpted from *Avoided Energy Supply Costs in New England: 2009 Report*, prepared for AESC / Massachusetts Avoided Energy Supply Components Study Group, October 23, 2009. Section 1.2.1, Pages 1-4 and 1-5. Full report available at <http://www.synapse-energy.com/Downloads/SynapseReport.2009-10.AESC.AESC-Study-2009.09-020.pdf>.