

## **Proposed Incentive Rate Net Benefit Analysis**

CUC and Georgetown developed the following protocol to measure the net benefit of CUC's Incentive Rate Rider to the Commercial Base Electric Rate (IR) which was designed to encourage new large commercial customers to connect to CUC's grid and to attract existing CUC customers that currently sell-generate to connect to CUC's grid for 100% of their load. This protocol will be used to evaluate the net economic benefit to CUC of the IR so that the CUC and the CPUC can determine if the IR needs to be modified. The evaluation will take place within 60 days after the end of the first year of the IR, which we anticipate to be around November of 2015.

The evaluation of the IR net economic benefit will include the following information:

1. Estimated increase in the efficiency of diesel engines, measured in kWh/gallon, and the related reduction in CUC fuel use from operating the diesel engines at a higher capacity factor.
2. Reduction in tariff revenues from electricity currently purchased at the Commercial Base Electric Rate that will be purchased at the lower IR rate. The calculation will be the difference between the Commercial Base Electric Rate and the IR times the estimated load that is currently purchased at the Commercial Base Electric Rate. The revenue loss calculation will also include an estimate of emergency or standby power that would have been purchased at the Commercial Base Electric Rate, if applicable.
3. Additional production related costs associated with operations, maintenance and consumables that will be incurred by CUC in the production of the additional power and energy required to meet the requirements of the IR customers. CUC will examine engine maintenance schedules to determine the incremental cost of any additional maintenance caused by an increase in engine hours as a result of the increased IR load.
4. Any required line extensions for IR customers not connected to CUC grid will be paid for by the customer. CUC and GCG will look at any increase in distribution system investments and O&M expense not directly related to any required line extension caused by the additional IR load.
5. Cost of increased incremental line losses as a result of the additional load on the CUC distribution grid. CUC will work with GCG to review the KEMA loss study to determine the additional losses caused by the IR load. The additional kWh losses will be measured at the LEAC rate.