

KEY MODELING ASSUMPTIONS

The following is a summary of the key modeling assumptions that underlie the attached economic evaluations of the SAU 16 project and the combined SAU 16 and Stratham projects.

1. The capital cost of the SAU 16 project is \$860,000 excluding UES overhead.
2. The capital cost of the SAU 16 project is financed with a combination of bank loans and UES contributions.
3. The cost of the SAU 16 bank loans and O&M expenses are the responsibility of the project developer. All other costs are the responsibility of UES.
4. Federal tax credits available for the solar pv and microturbine components of the SAU 16 project are retained by the project developer to be applied against O&M expense.
5. To the extent available federal tax credits for the SAU 16 project exceed the projected O&M expense, the excess will be used to reduce the amount of the costs that UES collects from its customers.
6. The total cost for the solar pv component of the SAU 16 Stratham project reflects the full federal tax credit at the 30% level. The total cost for the microturbine component reflects the full federal tax credit at the 10% level.
7. The total cost for the Stratham project reflects the full federal tax credit at the 30% level.
8. The costs and benefits for the Stratham and SAU 16 projects are discounted at a rate of 1.66% each year of the 20 year project life.
9. Because the solar pv and microturbine components of the SAU 16 project are located on the customer side of the meter, the customer retains all of the energy benefits, all of the T&D capacity benefits, part of the generation capacity benefits and part of the REC benefits.
10. Because the Stratham project is located on the utility side of the meter, UES retains all of the project direct benefits.
11. The REC benefits that flow to non-participants are based on the Class II REC price for 2010 escalated at an annual rate of 3.99%.