

---

---

**SOLAR RENEWABLE ENERGY CERTIFICATE (“SREC”)-BASED FINANCING  
FREQUENTLY ASKED QUESTIONS  
(FAQS)**

---

---

In response to an Order from the New Jersey Board of Public Utilities (“BPU”) dated August 7, 2008, Jersey Central Power & Light Company (“JCP&L”) and Atlantic City Electric Company (“ACE” and together with JCP&L, the “Companies”) filed SREC-based financing proposals with the BPU in late 2008. These proposals were designed to provide a stable revenue stream for new solar projects to facilitate financing for such projects’ development and installation. The BPU authorized the Companies to implement their proposed “SREC Program” in an Order dated March 27, 2009, which resolved contested issues with respect to, and otherwise approved, a Stipulation of Settlement among the Companies, BPU Staff, the New Jersey Division of Rate Counsel and The Solar Alliance.

The following “Frequently Asked Questions” summarize the BPU-approved program and are designed to provide the basic information that customers, project developers and financial institutions need to be aware of as they consider developing new solar projects and participating in the SREC Program solicitations planned to begin in July 2009. The full Stipulation and related documents are available at [www.NJCleanEnergy.com](http://www.NJCleanEnergy.com).

\* \* \* \* \*

**Q1: How does this SREC Program support solar project development?**

R: The Program is designed to enable financing for new solar projects based on reasonable assurances as to the price and potential revenues that could result from each project’s generation of SRECs. An SREC represents the environmental attributes of one thousand kWh of solar renewable energy.

**Q2: Will the Companies provide financing for solar systems?**

R: No. The Companies will not provide financing for projects. Instead, they will conduct a solicitation process to enter into long-term Purchase and Sale Agreements (“PSAs”) for SRECs from new solar projects with nameplate capacities of up to 500 kW. By entering into long-term agreements with customers or project developers to purchase the SRECs generated, the Companies will provide a stable financial foundation for the development of these projects. Ideally, this will enable non-utility parties (e.g., banks, solar developers, customers, etc.) to finance these new solar projects based on the value of the SRECs and the energy the projects generate.

**Q3: What does “long-term” mean? Are SREC prices to be fixed or can they change over the term of the PSA?**

R: In accordance with the terms of the BPU’s Order, customers, or project developers in cooperation with customers, can propose SREC prices and PSA terms from 10 to 15 years. The SREC price must be constant for the entire term of the SREC PSA.

**Q4: Will the Companies enter into PSAs to purchase SRECs from existing solar projects?**

R: No. The SREC Program is designed to support the development of new projects. Existing projects are not eligible. Similarly, the BPU determined that customers who received or will receive rebates under the 2008 CORE program (or earlier) are also ineligible for the SREC Program.

**Q5: What will the Companies do with the SRECs they purchase?**

R: The Companies will hold periodic auctions to sell the SRECs to energy suppliers that need the certificates to comply with New Jersey's Renewable Portfolio Standards obligations.

**Q6: What will the Companies do with the revenues they receive from the sale of SRECs through the auctions? Where does the funding come from to pay for the SRECs?**

R: Costs for administering the program and for purchasing SRECs, together with the revenues from the sale of SRECs, will be part of a separate charge applicable to all customers, whether full service Basic Generation Service ("BGS") customers or delivery service shopping customers.

**Q7: How will the Companies select projects for PSAs?**

R: The Companies will hire a Solicitation Manager ("SM"). The SM will manage a series of solicitations for solar SREC generating capacity [in megawatts] ("MW") according to a schedule of solicitations and MW approved by the BPU (*see* Q16). Customers of the Companies, or project developers working with such customers, will be invited to make proposals as to the SREC price and term of PSA they need to support the financing of their projects. Proposals will be ranked according to the net present value ("NPV") of payments under the PSA for each annually delivered SREC. Projects will be selected based on the lowest NPV of the submitted proposals, up to the approved MW solicited or to the point where pricing is found to be unacceptable by the BPU, based on input from the SM.

**Q8: How will the solicitations be conducted?**

R: Once the SM is hired, he or she will develop the details of the solicitation process. Solicitation materials and detailed instructions for making proposals will be made available through the Office of Clean Energy's website, [www.NJCleanEnergy.com](http://www.NJCleanEnergy.com). The SM will review project proposals that are received; rank them by price (i.e., the NPV of the payment stream for one annually delivered SREC over the proposed term of the PSA using a discount rate of 6.87% for JCP&L and 6.66% for ACE); evaluate proposed prices for competitiveness; consider the establishment of an undisclosed price limit above which contracts should not be awarded; apply limits directed by the BPU (e.g., a 20% "developer cap"); and make a recommendation to the BPU as to which projects should be selected or rejected. The solicitations will clearly articulate that the full MW solicited may or may not be awarded, based on an assessment of the competitiveness of pricing. In the end, the BPU will decide which proposals the Companies should accept, and make any changes to the planned timing and MW for the succeeding rounds of solicitations.

**Q9: Please explain the NPV ranking process using examples. Why not simply compare projects based on the proposed price per SREC?**

R: Solar projects will be selected based on the lowest NPV of the cost of the payment stream per SREC over the term of the agreement. As a rule of thumb, solar systems generate approximately one SREC per kW of solar capacity per year so the NPV could be considered (very roughly) the approximate payments under the contract per kW of solar capacity.

Comparing proposals based on proposed price alone would not capture the cost of the SRECs over the full term of the PSA. An NPV calculation is a standard means of translating future payments to today's value. Since proposed PSA terms can vary from 10 to 15 years, computing the net present value of the payment stream for one SREC over the proposed term of the SREC PSA enables comparison of the cost of projects of different sizes, different fixed prices and different PSA terms on a common footing.

For example, a project proposal priced at \$300 per SREC for 10 years represents a lesser contract commitment, based on the NPV of payments per annually delivered SREC, than longer-term \$300 proposals, and would be ranked more favorably.

Longer-term proposals can be very competitive if their pricing is sufficiently lower than proposals with shorter terms. The chart below illustrates how a sampling of proposals with different prices and terms would rank (based on a discount rate of 6.87%).

Scenario	Price	Term	NPV of Payment Stream of One Delivered SREC Over Term of PSA	Relative Rank
A	\$285	15	\$2,617	1
B	\$375	10	\$2,650	2
C	\$375	11	\$2,830	3
D	\$350	13	\$2,947	4
E	\$375	12	\$2,999	5
F	\$400	15	\$3,673	6

**Q10: What size projects will be considered?**

R: The Board Order limits the project size that is eligible for consideration to 500 kW.

**Q11: Will there be a reservation for projects of 50kW or less?**

R: The Stipulation established an aspirational goal that approximately 25% of the 61 MW to be solicited would be provided by the small project segment (i.e., projects less than or equal to 50 kW). While there is no explicit MW reservation for participation of smaller projects, this goal will be considered in the findings and recommendations that the SM will make to the BPU.

**Q12: If I have an existing solar project, is additional capacity eligible to participate?**

R: No, not in the initial solicitations. This is a complicated scenario that would require clear lines of demarcation between the existing and the new system, and a stronger base of experience than the Companies currently have. Eligible new systems are required to have a dedicated utility meter for reporting the gross output of the system under contract, isolated from the output of the existing system. While the possibility exists for entertaining an “additional capacity” configuration in future rounds, it will not be considered in the initial solicitation rounds.

**Q13: How frequently will projects be paid for SRECs?**

R: Projects will be paid for the SRECs on a quarterly basis, after the SRECs have been created and accepted in the PJM Generation Attributes Tracking System (“PJM GATS”).

**Q14: What will utility metering requirements involve?**

R: Projects are required to have a dedicated utility meter to measure the gross output of the solar generating system. Projects will be required to pay for the utility meter, and provide a meter pan near the existing customer meter to accommodate the Companies’ meters. Meters will be provided at standard rates consistent with utility policies. Utilities will be responsible for reading the meters and creating the SRECs in PJM GATS after the project is registered as a renewable generator in PJM.

**Q15: Is there a document outlining these requirements? What additional requirements should I be aware of?**

There is a BPU-approved form of PSA that will have to be executed by all winning bidders. It is available at [www.NJCleanEnergy.com](http://www.NJCleanEnergy.com). The PSA addresses many of the requirements for participation.

All projects will require an inspection by a verification agent from the BPU’s Office of Clean Energy, paid for by the project.

Within 14 days of BPU approval of a bid selection, the winning bidder must provide a cash deposit equal to \$75 per project kW, but not less than \$500 and not more than \$20,000. The deposit will be returned to the bidder, without interest, at the Commencement Date (as that term is defined in the SREC PSA) or will be forfeited in the event the Commencement Date has not occurred within one year of the Effective Date of the PSA.

**Q16: How many MW will the Companies solicit? When will the solicitations take place?**

R: The chart below shows the planned solicitation schedule over the coming years. The first solicitation is expected to take place in early July. Through 2012, JCP&L expects to solicit a total of 42 MW and ACE expects to solicit 19 MW, for a total of 61 MW – roughly 75% of the total MW of solar generation installed to date in New Jersey. Note that the schedule and MW solicited in each succeeding solicitation are subject to change by the BPU based on the participation in previous rounds, and New Jersey’s progress toward meeting its solar energy goals.

**PLANNED SOLICITATIONS 2009-2012\***

<b>JCP&amp;L</b>					
Year	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	<b>Total</b>
2009	N/A	April Approval	R1: 11MW (est. July)	R2: 12MW (est. Nov)	<b>23</b>
2010	R3: MW TBD (est. Feb)	R4: 5MW (est. June)	R5: 5MW (est. Sept)	0	<b>10</b>
2011	R6: MW TBD (est. Jan)	R7: 5MW (est. June)	R8: 4MW (est. Sept)	R9: MW TBD	<b>9</b>
2012	TBD	TBD	TBD	TBD	<b>0</b>
<b>TOTAL</b>					<b>42</b>

<b>ACE</b>					
Year	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	<b>Total</b>
2009	N/A	April Approval	R1: 5MW (est. July)	R2: 5MW (est. Nov)	<b>10</b>
2010	R3: MW TBD (est. Feb)	R4: 3MW (est. June)	R5: 2MW (est. Sept)	0	<b>15</b>
2011	R6: MW TBD (est. Jan)	R7: 2MW (est. June)	R8: 2MW (est. Sept)	R9: MW TBD	<b>4</b>
2012	TBD	TBD	TBD	TBD	<b>0</b>
<b>TOTAL</b>					<b>19</b>

\* Values reflect the MW planned for solicitations. Schedule subject to revision by the Board based on experience, and time required for prudent processes.

**Q17: When will I hear results of the first solicitation?**

R: The Stipulation provides the following schedule for the first solicitations. Dates are approximate and subject to revision:

When	Action	Approximate Date
Day 1 <i>(the sooner of 105 days from Order, or 45 days after SM award)</i>	Round 1 Solicitation	7/10/09
Day 46	Round 1 Bids due	8/25/09
Day 75	SM submits Round 1 recommendations to Board <i>(w/ findings on (a) competitiveness of process, (b) recommended awards, (c) Round 2 MW, and (d) any special treatment of the small project segment relative to the BPU's aspirational goal)</i>	9/23/09
Day 80	Board Meeting and Written Order <i>(Addressing R1 awards, R2 MW; EDCs and SM prepare notification documents and announcement materials)</i>	9/28/09
Day 85	Round 1 Final Awards <i>(Announce results, Notify all bidders)</i>	10/3/09
Day 110	Round 2 Solicitation	10/28/09
Day 125	Execute Agreements w/ Round 1 Winners	11/12/09
Day 155	Round 2 Bids Due	12/12/09

**Q18: How can I best prepare to participate?**

R: Develop projects. The Companies will only consider actual new projects up to 500 kW with specific customers. Eligible projects will need to have active applications with the Office of Clean Energy. Become familiar with the PSA; it provides the detailed terms associated with the projects, and is available at [www.NJCleanEnergy.com](http://www.NJCleanEnergy.com), or upon request.

In addition, monitor the "Renewable" tab of the [www.NJCleanEnergy.com](http://www.NJCleanEnergy.com) website for additional updates.