



# SREC-based Financing

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Atlantic City Electric Co.  
Jersey Central Power & Light

# Discussion Outline

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- **MW Targets and Schedule**
- **Application Process**
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  - Integration/Coordination w/ State Processes
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# SREC-based Financing Overview

- **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. It is not a loan program.**
- **Program is consistent with Stipulation and Order(s)**
  - 10 to 15 year term purchase agreements
  - Anticipate three solicitations each year
  - Requires project compliance with State SREC processes
  - SRECs purchased through agreements are sold through statewide SREC Auction
- **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**

*SREC: Solar Renewable Energy Credit = 1 MWh of solar generation attributes*

# MW Targets

Utility	JC	ACE	Total
<b>2009/10</b> (06/2009 – 05/2010)	23	10	33
<b>2010/11</b> (06/2010 – 05/2011)	10	5	15
<b>2011/12</b> (06/2011 – 05/2012)	9	4	13
<b>Total</b>	<b>42 MW</b>	<b>19 MW</b>	<b>61 MW</b>

**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	Total
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	Total
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.

# Application Process: Project Requirements

- **Supports new net metered projects eligible for SRECs**
  - Existing projects are not eligible
  - Projects receiving CORE rebates are not eligible to participate in the Program
  - Projects greater than 500 kW are ineligible
  - Net metered projects at transmission voltages are ineligible\*
- **Contracts of 10 to 15 year terms will be offered as part of proposal**
  - Price is constant over the life of the agreement
- **Applicants must agree to terms of Standard “Purchase and Sale Agreement” (“PSA”)**

*\* Subject to change if transmission-level projects become eligible to generate SRECs*

# Purchase & Sale Agreements

- **All projects will require an inspection by a verification agent from the BPU's OCE, paid for by the project.**
- **Within 14 days of BPU approval of a bid selection, the winning bidder must provide a refundable cash deposit equal to \$75 per project kW, but not less than \$500 and not more than \$20,000. The deposit will be forfeited if the Commencement Date has not occurred within one year of the Effective Date of the PSA.**
- **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").**
- **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.

# Application Process: Estimated Schedule

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

\* Projected dates are subject to change



# Application Process: Ranking and Award

- **An independent Solicitation Manager (“SM”) manages process**
- **Solicit MW blocks of projects according to schedule**
  - Timing and MW of each round is subject to revision by BPU based on recommendations of the SM
- **SM will rank sealed proposals 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.**
  - Apply caps (e.g. 20% developer cap, etc.)
  - Consider unspecified price above which projects should not be accepted
  - Identify preliminary recommended awards for Staff, EDC, Rate Counsel comment

# Application Process: Ranking and Award (cont.)

## ■ Document results; file recommended awards for BPU approval

- competitiveness of process,
- recommended awards,
- Succeeding Round MW, and
- any special treatment of the small project segment relative to the BPU's aspirational goal (that 25% of the projects are 50kW or below)

## ■ BPU Meeting and Written Order

- Awards, MW for Succeeding Rounds of Solicitations
- Final awards will be as determined by the BPU

## ■ SM and EDCs Notify Bidders and Announce Results

- Published award results will include (by sector):
  - \_\_\_ bids received totaling \_\_\_ MW;
  - \_\_\_ awards totaling \_\_\_ MW;
  - \_\_\_ bids totaling \_\_\_ MW were rejected for reasons such as developer caps, price, etc.
- i. Individually accepted prices will not be posted. The low and average price for all accepted projects will be posted on the BPU's web-site.
- ii. Submitters of rejected bids will be advised by the SM as to the basis for rejection, and eligibility for subsequent rounds (i.e., relative to developer cap compliance).

# Examples

Example: JCP&L				
Price/SREC	Term	Factor	NPV	Rank
\$375	10	7.0660	\$2,650	3
\$375	11	7.5475	\$2,830	4
\$355	12	7.9980	\$2,839	5
\$350	13	8.4196	\$2,947	6
\$300	14	8.8141	\$2,644	2
\$285	15	9.1832	\$2,617	1

*Longer-term proposals can be very competitive if their pricing is sufficiently lower than proposals with shorter terms.*

	JCP&L NPV Factor		ACE NPV Factor	
Discount Rate	6.87%		6.66%	
Year (Term of PSA)	Yearly Factor*	Cumulative Factor	Yearly Factor	Cumulative Factor
1	0.9357		0.9376	
2	0.8756		0.8790	
3	0.8193		0.8241	
4	0.7666		0.7727	
5	0.7173		0.7244	
6	0.6712		0.6792	
7	0.6281		0.6368	
8	0.5877		0.5970	
9	0.5499		0.5597	
<b>10</b>	0.5146	<b>7.0660</b>	0.5248	<b>7.1353</b>
<b>11</b>	0.4815	<b>7.5475</b>	0.4920	<b>7.6273</b>
<b>12</b>	0.4505	<b>7.9980</b>	0.4613	<b>8.0886</b>
<b>13</b>	0.4216	<b>8.4196</b>	0.4325	<b>8.5211</b>
<b>14</b>	0.3945	<b>8.8141</b>	0.4055	<b>8.9266</b>
<b>15</b>	0.3691	<b>9.1832</b>	0.3802	<b>9.3068</b>

\* Yearly Present Value Factor =  $1 / (1 + \text{Discount Rate})^{\text{Year}}$

# Questions?

