

ACE and JCP&L
SREC-Based Financing Program



Program Update

January 2010

Atlantic City Electric Co.
Jersey Central Power & Light Co.
Rockland Electric Co.

NERA Economic Consulting (Solicitation Manager)



Documentation Available

- Any statements in this presentation describing or referring to documents and agreements are summaries only, and are qualified in their entirety by reference to such documents and agreements
- The governing documents for this RFP are:
 - The Request for Proposals under the SREC-Based Financing Program (“RFP Rules”)
 - SREC Purchase and Sale Agreement
 - Decisions of the New Jersey Board of Public Utilities (“BPU”) related to this Program
- Governing documents are posted to the Web site – the Solicitation Manager is updating the RFP Rules and expects to post these by January 29, 2010

Please see the RFP Web site
for documentation

www.njEDCsolar.com

Presentation Outline

- **Overview**
- **Planned Quantities**
- **General Program Requirements**
- **Three-Step Proposal Process**
- **Evaluation and Award**
- **Results from August and December Solicitations**
- **Questions**

SREC-Based Financing Overview

- The Program is designed to enable financing for new solar projects based on reasonable assurances regarding the price and potential revenues that could result from each project's generation of SRECs
- The Program is not a loan program
- The Program is only for the purchase of SRECs. ACE, JCP&L and RECO will not purchase the energy or capacity from solar projects
- The Program is consistent with Stipulation and Orders
 - 10 to 15 year term purchase agreements
 - Anticipate three solicitations each year
 - Requires completion of Initial Application Process with State Programs

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

MW Targets

- The Program targets to procure more than 64 MW over three years, 19 MW for ACE, 42 MW for JCP&L, and 3.769 MW for RECO
- The first and second solicitations did not procure the full planned quantities and the shortfall will be included in this third solicitation. The Board Order on the results of the second solicitation will confirm these planned quantities

Planned Quantities (MW)			
	ACE	JCP&L	RECO
March 2010 Solicitation	7.80349	17.23894	2.1174

- The planned quantities may or may not be awarded in a solicitation based on an assessment of the competitiveness of pricing

Pricing and Contract

- Contracts of 10 to 15 years will be offered as part of proposal
 - Price is constant over the life of the agreement
- Applicants must agree to terms of a Standard SREC Purchase and Sale Agreement (“SREC PSA”)
- SREC PSA requires:
 - an inspection by a verification agent from the BPU’s Office of Clean Energy (“OCE”), paid for by the project
 - A utility meter to measure gross output from project, paid for by the project
 - A refundable cash deposit within 14 days of BPU approval of an award, to be forfeited if the Commencement Date has not occurred within one year of SREC PSA execution and refunded otherwise
- 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”)

General Project Requirements

Eligible Projects

- ✓ 500 kW or less*
- ✓ Residential
- ✓ Commercial
- ✓ In ACE's service territory
- ✓ In JCP&L's service territory
- ✓ In RECO's service territory
- ✓ Customer submits Proposal
- ✓ Developer submits Proposal
- ✓ Has cleared the Initial Application Process with State Programs (REIP or SRP) but has not requested interconnection before BPU approval of bids

Projects That Are **Not** Eligible

- ➔ A portion (less than 500 kW) of a project that exceeds 500 kW in aggregate*
- ➔ Has received or will receive rebate from CORE in force 2001-2008
- ➔ Interconnected at transmission voltages
- ➔ Does not agree to net metering arrangements with the EDC
- ➔ Does not agree to install SREC meter at project's expense
- ➔ Does not agree to terms of SREC PSA

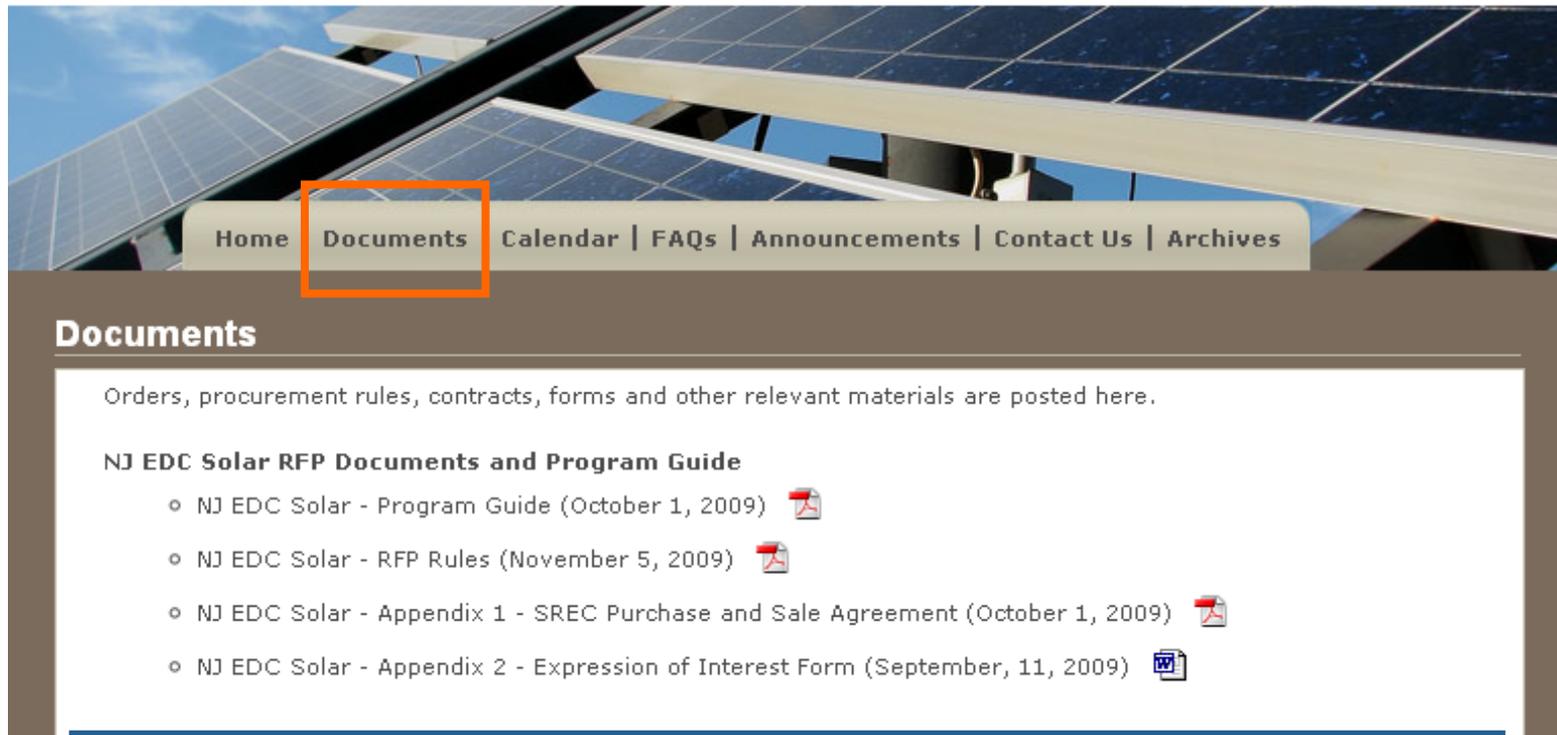
**DC rating*

RFP Documents Available on Our Web Site

www.njEDCsolar.com



ACE and JCP&L SREC-Based Financing Program



Updated RFP Rules expected by January 29, 2010

RFP response is in three parts

- 1. Expression of Interest (EOI)**
- 2. Pricing Proposal (Bids)**
- 3. Qualification Package**

Expression of Interest is submitted by email

■ Bidder submits:

- Email Address
- Project Application Number with State Programs (“NJCEP Application Number”)
- Contact information (representative and alternate)

■ One EOI per Project

EOI may be submitted AT ANY TIME prior to noon on March 1, 2010

■ We encourage **early submission**

- Provides time to resolve inconsistencies
- Identifies bidders so that the Solicitation Manager can stand ready to assist with remainder of proposal submission

NJCEP Initial Application Deadlines

- It is the Solicitation Manager's understanding that in order to obtain an NJCEP Application Number for a project in time for this solicitation, an applicant must provide a **complete package** to the NJCEP by:
 - REIP: **Thursday, February 4th**
 - SRP: **Thursday, February 18th**
- Information and links for both programs can be found on the following web page:
www.njcleanenergy.com/renewable-energy/home/home

Upon Completion of EOI

- **Solicitation Manager returns to the Bidder:**
 - Instructions for the submission of bids (“Pricing Proposal”)
 - Password
 - Bid Form (for the Pricing Proposal)
- **One set of instructions and one password per Bidder**
- **One Bid Form per Project**

EOI Deadline:
noon on March 1, 2010

EOI Cure Deficiency Deadline:
5PM on March 4, 2010

Submit Bids (“Pricing Proposal”) by file transfer

STEP 1: Complete Bid Form

- Project Application Number with State Programs
- Price (single price for all SRECs)
- Length of contract (10-15 years)
- Size (kW)
- EDC territory where Project resides

STEP 2: Log In to file transfer system

- Access file transfer system using up-to-date browser (Internet Explorer, Firefox, Safari)
- Username is your email address
- Password provided in complete EOI Notice



STEP 3: Send file to Solicitation Manager

- File transfer system will provide a confirmation page

Solicitation Manager Confirms Receipt

- Solicitation Manager confirms receipt
 - Before deadline, on same business day
 - On Bid Day, within 30 minutes
- Solicitation Manager assesses whether Bid Form is compliant with the requirements
 - if not, Bidder can resubmit before the deadline

Bid Form Provided to Bidder after EOI is Complete

Pricing Proposal may be submitted at any time after receipt of a complete EOI and before noon on March 5, 2010

Qualification Package

- Bidder submits **via Overnight Delivery Service** three originals of these forms:

- *Certifications and Checklist for Qualifications*
- *Appendix C of SREC PSA (if required)*

Forms on our
web site

- Bidder submits **via Overnight Delivery Service** one copy of the materials from the Initial Application process in State programs (application materials and letter of acceptance)

- Bidder submits **via email** one electronic copy of :

- *Project Proposal Summary Sheet*

Form on our
web site

Bidder has opportunity to complete or clarify

- Solicitation Manager assesses Qualification Package after bids are ranked
- Solicitation Manager may issue deficiency notice if the materials are incomplete or require clarification
- Bidder has opportunity to respond and cure any deficiencies

Deadline is noon on March 5, 2010
(same as Pricing Proposal)

Cure Deficiency Deadline:
4PM on March 12, 2010

Ranking of Bids

- Solicitation Manager ranks Pricing Proposals on an anonymous basis
- Ranking performed on the basis of the net present value (“NPV”) of payments under the SREC PSA for each annually delivered SREC
- Projects will be selected based on the lowest NPV, up to the approved MW solicited or to the point where pricing is found to be uncompetitive
 - The first Project rejected is the Project that causes the total quantity to exceed the MW solicited or the first Project where the pricing is not competitive (whichever comes first)
- Annual developer cap (20% for each of JCP&L and ACE) is applied to the ranked projects
- Affiliate cap (50% for RECO only) is applied to the ranked projects

Application of developer cap is across solicitations in a Reporting Year

- The Board has established that no one entity, and no combination of affiliated entities under the same majority ownership, can obtain more than 20% of the EDC's long term contracts (calculated based on kW) in any one year
- Solicitation Manager applies developer cap to each Developer, whether or not the Developer is submitting the Proposal
- Solicitation Manager expects to apply the developer cap to the combined awards from all three solicitations held thus far
- Board's selection of projects has not strictly applied the developer cap in first two solicitations

Example

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 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	
10	0.5146	7.0660	0.5248	7.1353
11	0.4815	7.5475	0.4920	7.6273
12	0.4505	7.9980	0.4613	8.0886
13	0.4216	8.4196	0.4325	8.5211
14	0.3945	8.8141	0.4055	8.9266
15	0.3691	9.1832	0.3802	9.3068

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

Solicitation Manager considers input from the Parties

- Solicitation Manager presents preliminary recommendations to the EDCs, Rate Counsel and BPU Staff (the “Parties”)
- Solicitation Manager considers input from the Parties
- Solicitation Manager presents final recommendations to the BPU, including:
 - competitiveness of process
 - recommended awards
 - Succeeding round MW
 - any special treatment of the small project segment (50kW or below) relative to the BPU’s aspirational goal (25% for ACE and JCP&L, 50% for RECO)
- Final Awards are determined by the BPU
- Solicitation Manager notifies the Bidders and announces the results
- Announced results do not include any individual pricing

Results from the First Solicitation

- Eight bids received (1,594.73 kW)
- Seven awards made (1,585.37 kW)
- One bid of 9.36 kW was rejected because pricing was found not to be competitive
- The average price of all accepted projects was \$409.71/SREC
- The low price of all accepted projects was \$369.00/SREC

Results from the Second Solicitation

- Forty-four bids received (7,009.628 kW)
- Thirty-nine awards made (6,521.798 kW)
- Five bids (487.830 kW) were rejected because pricing was found not to be competitive
- The average Net Present Value (“NPV”) of all accepted projects was \$2,864.93/SREC (corresponding to an average SREC price of \$405.15 for a ten-year project)
- The lowest NPV of all accepted projects was \$1,926.53/SREC (corresponding to an average SREC price of \$272.44 for a ten-year project)

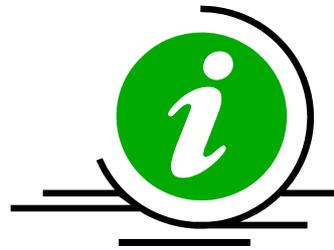
Schedule for Upcoming Solicitation

Deadline for EOI	Monday, March 01, 2010
Deadline for Pricing Proposals	Friday, March 05, 2010
Deadline for Qualification Materials	Friday, March 05, 2010

TENTATIVE

<i>Preliminary Recommendations</i>	<i>Monday, March 15, 2010</i>
<i>Input by the Parties</i>	<i>Friday, March 26, 2010</i>
<i>Final Recommendations to BPU</i>	<i>Tuesday, April 06, 2010</i>
<i>Expected BPU Meeting</i>	<i>Monday, April 12, 2010</i>
<i>Announcement of results</i>	<i>Thursday, April 15, 2010</i>
<i>Execution of SREC PSA</i>	<i>May 2010</i>

Questions?



www.njEDCsolar.com