

SREC-Based Financing Program



Program Update

June 2011

**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 – Updated RFP Rules and forms were posted **May 2, 2011**

Please see the RFP Web site
for documentation
www.njEDCsolar.com

Presentation Outline

- **Overview**
- **Planned Quantities**
- **Summary of Program Changes**
- **General Program Requirements**
- **Three-Step Proposal Process**
- **Evaluation and Award**
- **Results from Prior 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

The Program Has Changed

- Program now reflects changes from the December 9, 2010 Stipulations approved by the Board as well as administrative changes implemented following stakeholder meetings convened by BPU Staff
- Recent changes to the Program **highlighted in green** throughout this presentation
 - Eligible project size raised to 2 MW
 - Simplification to submission of Appendix C
 - Draft SREC PSA provided in advance of Board Order being final
 - Constructed project size may differ from Proposal by up to 10%

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 solicitations for RPS Year 2012 (the last year of the Program) include shortfall quantities from RPS Year 2011

Planned Quantities (kW) Current Solicitation		
ACE	JCP&L	RECO
3,462.680	5,450.839	2,275.705

- 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
- Cash Deposit may also be forfeited if Owner does not enter into the SREC PSA for a Project that is approved for an award
- 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

- ✓ **2,000 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 (SRP or REIP) but has not requested interconnection before BPU approval of bids

Projects That Are Not Eligible

- ✗ A portion (less than 2,000 kW) of a project that exceeds 2,000 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*

NJCEP Initial Application Deadline

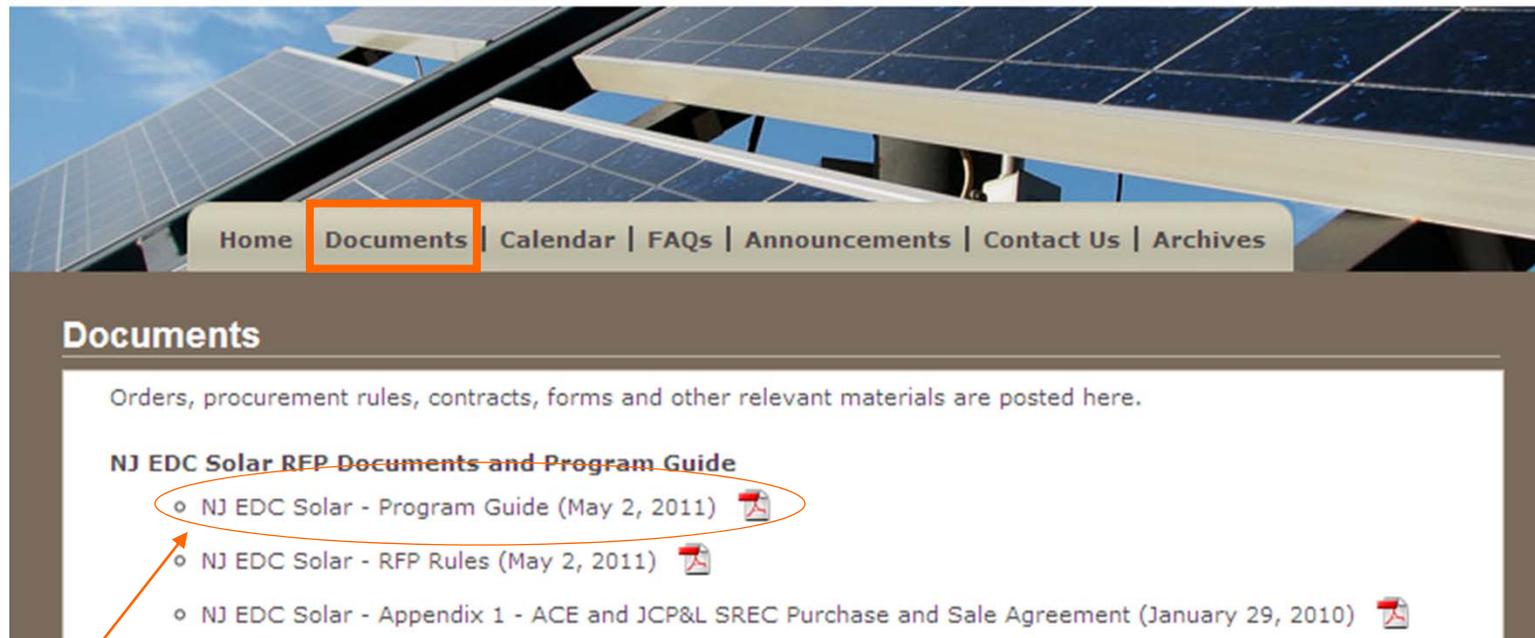
- Currently only applications under the SRP are considered
- It is the Solicitation Manager's understanding that in order to obtain an NJCEP Application Number for a project in time for this solicitation, an applicant must provide a **complete SRP package** to the NJCEP by **May 20th**
 - for residential projects up to 10 kW or non-profit/public projects up to 50 kW: include an **ESFI notice of intent to participate**
 - for other projects: include **a cover letter** indicating your intention to participate in the SREC-Based Financing Program
- Information and links can be found here:

www.njcleanenergy.com/renewable-energy/home/home

RFP Documents Available on Our Web Site



SREC-Based Financing Program



New Forms posted on May 2, 2011 streamline process

Useful 4-page overview

RFP participation is in three steps

STEP	DUE DATE
1. Expression of Interest (EOI)	Mon, June 6, 2011
2. Pricing Proposal (Bids)	Fri, June 10, 2011
3. Qualification Package	Fri, June 10, 2011

Visit our dedicated Web site:
www.NJEDCsolar.com

STEP 1: Expression of Interest (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 June 6, 2011

- **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

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 June 6, 2011

EOI Cure Deficiency Deadline:
5PM on June 9, 2011

STEP 2: 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

NERA
Economic Consulting
Secure File Transfer



User Login

Enter your e-mail address and password to sign in.

E-mail Address

Password

[>> Forgot your password?](#)

[>> Getting Started?](#)

Acceleion File Transfer 

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 June 10, 2011

STEP 3: Qualification Package

- Bidder submits **via overnight delivery service three (3) originals** of the ***Certifications and Checklist for Qualifications*** form:
- Bidder submits **via email one electronic copy** of :
 - *Project Proposal Summary Sheet*
 - *Appendix C of SREC PSA signed by Host (if required) in pdf format*
(three originals required at the time of contract execution)
- Upon request, **Solicitation Manager prepares Appendix C to SREC PSA if Project Proposal Summary Sheet and request is submitted by EOI deadline**
- Bidder submits **via Overnight Delivery Service one copy** of the materials from the Initial Application process to the State program (application materials and letter of acceptance)

Bidder Agrees in Advance with the Terms

- Bidder must agree to the terms of the Program and the SREC PSA **without modifications** through the certifications in the Qualification Package
 - section 3 (the “Certifications” section) of the Certifications and Checklist for Qualifications form (Appendix 5)
- In particular, Bidder must agree to the following as a condition of participating in the Program:
 - an inspection of the Project at the Project’s expense
 - the **installation at an SREC Meter**, which will measure the output of the Project, in accordance with the EDC’s standards and any applicable regulatory standards
 - located in an enclosure adjacent to the existing EDC meter
 - participation in PJM-EIS-GATS
 - **net metering** arrangements with the EDC

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 June 10, 2011
(same as Pricing Proposal)

Cure Deficiency Deadline:
4PM on June 17, 2011

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) is applied to the ranked projects

Application of developer cap is based upon planned quantities

- 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
 - JCP&L and ACE only
- Caps for RPS Reporting Year 2012 are approximately 2.2 MW for JCP&L and 1.4 MW for ACE
- **Developer cannot exceed cap by more than 150 kW or 30% of the system size of the last accepted Proposal, whichever is larger**
- Solicitation Manager applies developer cap to each Developer, whether or not the Developer itself is submitting the Proposal

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.

Discount Rate	JCP&L NPV Factor		ACE NPV Factor	
	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+Discount Rate)^(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
- Final Awards are determined by the BPU
- Solicitation Manager notifies the Bidders and announces the results, which do not include any individual pricing
- **The EDC will provide to the Owner of a Successful Project a draft of the SREC PSA** reasonably promptly after the Board Order (this is for the convenience of bidders and has no legal effect)
- **There can be variations in system size of up to 10%** as long as system still meets all other requirements of the Program and there are no changes in segment

Results from RPS Reporting Year 2010

	Round 1	Round 2	Round 3
Bids received	8 bids (1,594.73 kW)	44 bids (7,009.628 kW)	63 bids (9,940.548 kW)
Awards	7 awards (1,585.37 kW)	39 awards (6,521.798 kW)	57 awards (9,332.978 kW)
Rejected bids	1 bid (9.36 kW)	5 bids (487.830 kW)	6 bids (607.570 kW)
Pricing (based on 10-year contract)	Average \$409.71/SREC Low \$369.00/SREC	Average \$405.15/SREC Low \$272.44/SREC	Average \$424.18/SREC Low \$349.74/SREC

Results from RPS Reporting Year 2011

	Round 4	Round 5	Round 6
Bids received	23 bids (5,025.025 kW)	57 bids (9,669.210 kW)	191 bids (40,419.316 kW)
Awards	20 awards (3,931.945 kW)	55 awards (9,512.190 kW)	106 awards (16,565.932 kW)
Rejected bids	3 bids (1,093.080 kW)	2 bids (157.020 kW)	85 bids (22,356.546 kW)
Pricing (based on 10-year contract)	Average \$466.21/SREC Low \$413.69/SREC	Average \$459.34/SREC Low \$419.69/SREC	Average \$432.66/SREC Low \$342.75/SREC

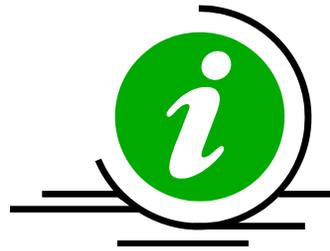
Schedule for Upcoming Solicitation

Updated Documents Posted	Monday, May 2, 2011
Deadline for EOI	Monday, June 6, 2011
Deadline for Pricing Proposals	Friday, June 10, 2011
Deadline for Qualification Materials	Friday, June 10, 2011

TENTATIVE

<i>Preliminary Recommendations</i>	<i>Monday, June 20, 2011</i>
<i>Input by the Parties</i>	<i>Tuesday, June 28, 2011</i>
<i>Final Recommendations to BPU</i>	<i>Thursday, July 7, 2011</i>
<i>Expected BPU Meeting</i>	<i>Monday, July 25, 2011</i>
<i>Announcement of results</i>	<i>Wednesday, July 27, 2011</i>
<i>Execution of SREC PSA</i>	<i>Monday, September 19, 2011</i>

Questions?



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