

ACE and JCP&L
SREC-Based Financing Program



Program Update

October 2009

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

NERA Economic Consulting (Solicitation Manager)



Documentation Available

- n 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
- n The governing documents for this RFP are:
 - The Request for Proposals under the SREC-Based Financing Program
 - SREC Purchase and Sale Agreement
 - Decisions of the New Jersey Board of Public Utilities (“BPU”) related to this Program
- n Governing documents were posted on October 1, 2009

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

Presentation Outline

- n **Overview**
- n **MW Targets and Schedule**
- n **General Program Requirements**
- n **Three-Step Proposal Process**
- n **Evaluation and Award**
- n **Results from August Solicitation**
- n **Questions**



SREC-Based Financing Overview

- n 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
- n The Program is not a loan program
- n The Program is only for the purchase of SRECs. ACE, JCP&L and RECO will not purchase the energy or capacity from solar projects
- n 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

- n The Program targets to procure more than 64 MW over three years, 42 MW for JCP&L, 19 MW for ACE, and 3.769 MW for RECO
- n The first solicitation did not procure the full target quantity and the shortfall will be procured in a third solicitation

Targets for the 2nd and 3rd Solicitations (2010 Reporting Year)			
	ACE	JCP&L	RECO
2 nd Solicitation	5	12	2.267
3 rd Solicitation	5	9.41463	0

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

Pricing and Contract

- n Contracts of 10 to 15 years will be offered as part of proposal
 - Price is constant over the life of the agreement
- n Applicants must agree to terms of a Standard SREC Purchase and Sale Agreement (“SREC PSA”)
- n 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
- n 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

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

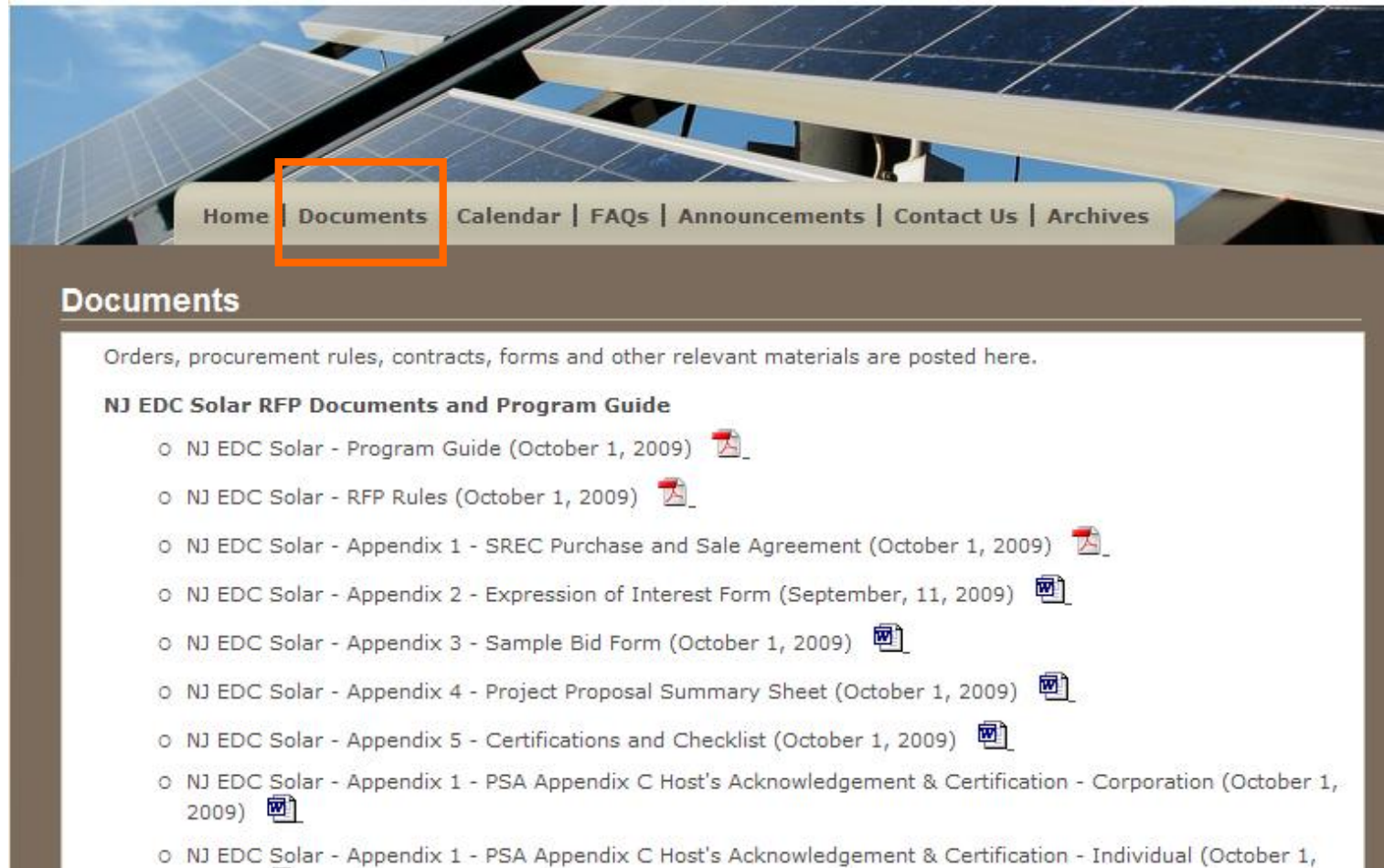
Projects That Are **Not** Eligible

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

**DC rating*

RFP Documents Available on Our Web Site

www.njEDCsolar.com



RFP response is in three parts

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



Expression of Interest is submitted by email

n **Bidder submits:**

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

n **One EOI per Project**

EOI may be submitted AT ANY TIME prior to noon on December 7, 2009

n **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

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

EOI Deadline:
noon on December 7, 2009

EOI Cure Deficiency Deadline:
5PM on December 10, 2009

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

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

Bid Form Provided to Bidder with Complete EOI

Pricing Proposal may be submitted at any time after receipt of a complete EOI and before noon on December 11, 2009

Qualification Package is submitted by overnight delivery

n Bidder submits:

- Materials from the Initial Application process
- *Project Proposal Summary sheet*
- Customer Acknowledgment
- *Certifications and Checklist for Qualifications*

Forms on our
web site



- n Materials from Initial Application process in State programs including a copy of the application materials and a copy of the letter of acceptance
- n Three originals of the forms are required

Bidder has opportunity to complete or clarify

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

Deadline is noon on December 11, 2009
(same as Pricing Proposal)

Cure Deficiency Deadline:
4PM on December 18, 2009

Ranking of Bids

- n Solicitation Manager ranks Pricing Proposals on an anonymous basis
- n Ranking performed on the basis of the net present value (“NPV”) of payments under the SREC PSA for each annually delivered SREC
- n 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)
- n Developer cap (20% in each territory) is applied to the ranked projects

Application of developer cap is across solicitations in a Reporting Year

- n 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
- n Solicitation Manager applies developer cap to each Developer, whether or not the Developer is submitting the Proposal
- n Solicitation Manager expects to apply the developer cap to the combined awards from the first two solicitations
- n RECO is exempt from the developer cap requirement but RECO has a 50% affiliate cap

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

- n Solicitation Manager presents preliminary recommendations to the EDCs, Rate Counsel and BPU Staff (the “Parties”)
- n Solicitation Manager considers input from the Parties
- n 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)
- n Final Awards are determined by the BPU
- n Solicitation Manager notifies the Bidders and announces the results
- n Results do not include any individual pricing

Results from the First Solicitation

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



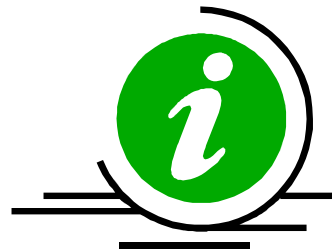
Schedule for Upcoming Solicitation

Deadline for EOI	Monday, December 7, 2009
Deadline for Pricing Proposals	Friday, December 11, 2009
Deadline for Qualification Materials	Friday, December 11, 2009

TENTATIVE

<i>Preliminary Recommendations</i>	<i>Monday, December 21, 2009</i>
<i>Input by the Parties</i>	<i>Tuesday, January 5, 2010</i>
<i>Final Recommendations to BPU</i>	<i>Friday, January 15, 2010</i>
<i>Expected BPU Meeting</i>	<i>Friday, January 22, 2010</i>
<i>Announcement of results</i>	<i>Tuesday, January 26, 2010</i>
<i>Execution of SREC PSA</i>	<i>March, 2010</i>

Questions?



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