

ACE and JCP&L
SREC-Based Financing Program



Program Update

August 2009

Atlantic City Electric Co.
Jersey Central Power & Light

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 JCP&L and ACE SREC-Based Financing Program
 - SREC Purchase and Sale Agreement
 - Decisions of the New Jersey Board of Public Utilities (“BPU”) related to this Program
- Governing documents were posted on July 30, 2009

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

Presentation Outline

- **Overview**
- **MW Targets and Schedule**
- **General Program Requirements**
- **Three-Step Proposal Process**
- **Evaluation and Award**
- **Questions**

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
- The Program is not a loan program
- The Program is only for the purchase of SRECs. ACE and JCP&L will not purchase the energy or capacity from solar projects
- 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 is expected to procure 61MW over three years, 42 MW for JCP&L and 19 MW for ACE
- The planned quantities over the three solicitations for this Reporting Year are as follows

EDC	ACE	JCP&L
First solicitation	5	11
Second solicitation	5	12
Third solicitation	TBA	TBA

- The planned quantity may or may not be awarded in a solicitation based on an assessment of the competitiveness of pricing
- The third solicitation is conducted if the first two do not procure the full planned quantity or if the BPU approves a plan to procure forward a portion of the next year's planned quantity

Pricing and Contract

- 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”)
- PSA requires:
 - an inspection by a verification agent from the BPU’s 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 a bid selection, to be forfeited if the Commencement Date has not occurred within one year of 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
- ✓ Customer submits Proposal
- ✓ Developer submits Proposal
- ✓ Has cleared the Initial Application Process with State Programs (REIP or SREC Registration Program) 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 PSA

**DC rating*

RFP Documents Available on Our Web Site

www.njEDCsolar.com



The screenshot shows the top portion of a website. At the top right, there are three logos: NERA Economic Consulting, Jersey Central Power & Light (A FirstEnergy Company), and Atlantic City Electric (A PECO Company). Below the logos is the main title: "ACE and JCP&L SREC-Based Financing Program". Underneath the title is a navigation bar with links: Home | Documents | Calendar | FAQs | Announcements | Contact Us. The main content area is divided into two columns. The left column has a "Welcome" section followed by a paragraph of text and a sub-section titled "Why the SREC Program?". The right column has a section titled "IMPORTANT DATES" with three entries: Thursday August 20, 2009 - Deadline for Expression of Interest; Tuesday August 25, 2009 - Deadline for Pricing Proposals; and Tuesday August 25, 2009 - Deadline for... (partially cut off).

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ACE and JCP&L SREC-Based Financing Program

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Welcome

This site, provided by NERA Economic Consulting, is your primary source of information for the SREC-Based Financing Program ("SREC Program"). It is provided for Jersey Central Power & Light Company ("JCP&L") and Atlantic City Electric Company ("ACE"). This site will be updated regularly, so please check back often for current information and documents.

Why the SREC Program?

In New Jersey, a portion of the electricity delivered to New Jersey customers must be supplied from solar electric generation systems. In response to a directive of the New Jersey Board of Public Utilities ("BPU" or "Board"), JCP&L and ACE are issuing a Request for Proposals ("RFP") to select solar projects with which they will enter into contracts for

IMPORTANT DATES

Thursday August 20, 2009 - Deadline for Expression of Interest

Tuesday August 25, 2009 - Deadline for Pricing Proposals

Tuesday August 25, 2009 - Deadline for

RFP response in is three parts

- 1. Expression of Interest**
- 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)

- **Solicitation Manager returns to the Bidder:**

- Instructions for the submission of bids (“Pricing Proposal”)
- Password
- Bid Form (for the Pricing Proposal)

Form for EOI Available on Web site

EOI may be submitted at any time prior to noon on
August 20, 2009

Bids (“Pricing Proposal”) are submitted by electronic transfer

- Bidder submits:
 - 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
- Solicitation Manager confirms receipt and assesses whether Bid Form 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 August 25, 2009

Qualification Package is submitted by overnight delivery

- Bidder submits:
 - Materials from the Initial Application process
 - Project Proposal Summary sheet
 - Customer Acknowledgment
 - Certifications and Checklist for Qualifications
- Solicitation Manager assesses Qualification Package after bids are ranked
- Solicitation Manager may issue deficiency notice to which Bidder has opportunity to cure

Forms Available on Web site

Pricing Proposal may be submitted at any time after receipt of a complete EOI and before noon on August 25, 2009

Schedule for Upcoming Solicitation

BPU Order	Friday, March 27, 2009
Launch of Web site	Friday, July 24, 2009
Posting of RFP Documents	Thursday, July 30, 2009

Deadline for EOI	Thursday, August 20, 2009
Deadline for Pricing Proposals	Tuesday, August 25, 2009
Deadline for qualification materials	Tuesday, August 25, 2009

Ranking

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

Application of developer cap is across several solicitations

- 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
- Developer cap is applied in each solicitation to the quantity that has been awarded up to that point
 - If a developer won nothing in round 1, can win more than 20% in round 2

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 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	
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
- Solicitation Manager considers input of the Parties
- Solicitation Manager presents final recommendations to the BPU, including:
 - 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)
- Final Awards are determined by the BPU
- Solicitation Manager notifies the Bidders and announces the results
- Results do not include any individual pricing

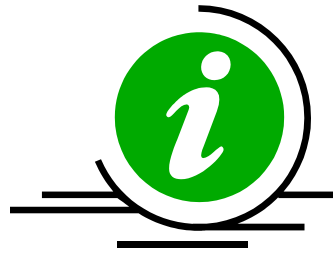
Schedule for Upcoming Solicitation

Deadline for EOI	Thursday, August 20, 2009
Deadline for Pricing Proposals	Tuesday, August 25, 2009
Deadline for qualification materials	Tuesday, August 25, 2009

TENTATIVE

<i>Preliminary Recommendations</i>	<i>Thursday, September 03, 2009</i>
<i>Input by the Parties</i>	<i>Monday, September 14, 2009</i>
<i>Final Recommendations to BPU</i>	<i>Wednesday, September 23, 2009</i>
<i>Expected BPU Meeting (tentative)</i>	<i>Monday, September 28, 2009</i>
<i>Announcement of results (tentative)</i>	<i>Friday, October 02, 2009</i>
<i>Execution of PSA (tentative)</i>	<i>November, 2009</i>

Questions?



www.njEDCsolar.com