Agenda Date: 5/29/13
Agenda Item: 2W

STATE OF NEW JERSEY

Board of Public Utilities
44 S. Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, NJ 08625-0350
www.nj.gov/bpu/

DIVISION OF ENERGY AND
OFFICE OF CLEAN ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF A SOLAR LOAN III PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. NO. 15 ELECTRIC PURSUANT TO N.J.S.A. 48:-2-21 AND N.J.S.A. 48:2-21.1	DECISION AND ORDER APPROVING STIPULATION DOCKET NO. EO12080726

Parties of Record:

Matthew M. Weissman, Esq., General Regulatory Counsel-Rates, Public Service Electric and Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel.
James E. McGuire, Esq., on behalf of KDC Solar LLC
Gary Weisman Esq., on behalf of the New Jersey Solar Energy Coalition
Michael A. Gruin, Esq., on behalf of the Solar Energy Industries Association
William Potter, Esq., on behalf of the Mid-Atlantic Solar Energy Industries Association

BY THE BOARD:

Background and Procedural History

On January 13, 2008, L. 2007, c. 340 ("Act") was signed into law by former Governor Corzine based on the New Jersey Legislature's findings that energy efficiency and conservation measures and increased use of renewable energy resources must be essential elements of the State's energy future, and that greater reliance on energy efficiency, conservation, and renewable energy resources will provide significant benefits to the citizens of New Jersey. The Legislature also found that public utility involvement and competition in the renewable energy, conservation and energy efficiency industries are essential to maximize efficiencies. N.J.S.A. 26:2C-45.

Pursuant to Section 13 of the Act, codified as N.J.S.A. 48:3-98.1 (a)(2), an electric or gas public utility may, among other things, invest in Class I renewable energy resources or offer Class I renewable energy programs in its service territory on a regulated basis. Such investment in renewable energy, energy efficiency and conservation programs may be eligible for rate treatment approved by the New Jersey Board of Public Utilities ("Board"), including a return on equity ("ROE"), or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program cost investments in the utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board. An electric or gas public utility seeking cost recovery for any renewable energy, energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board.

By Order dated May 23, 2012 ("May 23 Order") the Board accepted the recommendations of the Office of Clean Energy ("OCE") which had reviewed, at the Board's direction, the programs of the electric distribution companies ("EDC") which provide financial incentives for the development of solar energy in the State.[1] In the May 23 Order, the Board adopted the OCE recommendation to extend the EDCs' solar financing programs by 180 MW over a three year period. The share of the 180 MW allocated to Public Service Electric and Gas Company ("PSE&G" or "Company") is 97.5 MW based on a three year program.

August 2012 Filing

On August 1, 2012, PSE&G filed its petition with the Board, requesting approval of a three year solar financing program, the Solar Loan III Program ("SLIII"), pursuant to N.J.S.A. 48:3-98.1. In addition, the Company proposed to recover all program costs through a new component of its electric Regional Greenhouse Gas Initiative Recovery Charge using a weighted average cost of capital based on the Company's most recent base rate case, BPU Docket No. GR09050422, to calculate a return on its investment. PSE&G proposes to invest up to $193 million over a three-year period by providing loans to parties to develop the Company's allocated share of 97.5 MW of dc solar systems as delineated in the May 23 Order.

On August 31, 2012, the Staff of the Board ("Board Staff") advised PSE&G that, for this petition, Board Staff was amending the minimum filing requirements in Appendix A of the May 12, 2008 Board Order in Docket No. EO08030164 to waive any filing deficiencies that may be present in the Company's Petition without precluding subsequent request for any information, and the petition was thus deemed administratively complete. Therefore, the Board's 180-day review period under N.J.S.A. 48:2-98.1 (b) commenced on August 1, 2012 and would have expired on January 27, 2013 (the "Review Date").[2]

By Order dated September 13, 2012 the Board determined to retain this matter for review, designated Commissioner Joseph L. Fiordaliso as the presiding hearing officer, and adopted a procedural schedule. By Order dated October 4, 2012, Commissioner Fiordaliso established the procedural schedule for this proceeding, which was amended at the request of the parties by Order dated December 3, 2012.

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[1] In re the Utility Supported Solar Programs, Dkt. No. EO11050311V (Order dated May 23, 2012).

[2] N.J.S.A. 48:3-98.1 requires the Board to decide cost recovery issues within 180 days. Pursuant to the Board Order issued in response to a further statutory directive within that section, Board Staff must review a petition for completeness within 30 days and, when a petition is determined to be complete, set the beginning of the 180-day period. In re Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in their Respective Service Territories on a Regulated Basis Pursuant to N.J.S.A. 48:3-98.1, Dkt. No. EO08030164 (May 8, 2008).

By Order dated December 3, 2012, Commissioner Fiordaliso granted the motions to intervene of the Solar Energy Industries Association ("SEIA"), Mid-Atlantic Solar Energy Industries Association ("MSEIA") and KDC Solar LLC ("KDC Solar"), (collectively, with PSE&G and the Division of Rate Counsel ("Rate Counsel"), "the Parties").

By Order dated January 4, 2013, Commissioner Fiordaliso approved a further revised schedule, and by Order dated January 23, 2013, the Board granted an extension of the Review Date to April 1, 2013.

Following the filing of the petition, Rate Counsel filed direct testimony on January 11, 2013, followed by PSE&G's rebuttal testimony on February 6, 2013.

On February 8, 2013, Rate Counsel filed a motion in limine to strike testimony filed by PSE&G which included a cost of equity study and extensive financial analysis and testimony of Company witness, Jorge Cardenas. In the alternative, Rate Counsel requested a sixty day extension to issue discovery on the rebuttal testimony and to present written surrebuttal testimony. On February 13, 2013, PSE&G filed its response to Rate Counsel's motion maintaining that the challenged testimony was properly submitted under the schedule and responsive to Rate Counsel's testimony. Following discussions among the Parties, a revised schedule allowing time for written surrebuttal and limited discovery thereon was developed. On March 1, 2013 Rate Counsel filed its surrebuttal testimony.

The Parties engaged in discovery and participated in settlement and discovery conferences. To provide for the filing of surrebuttal testimony, and discovery thereon, and to provide the Board with additional time to complete the processing of the petition and issue a final determination in this matter, the Parties by stipulation dated March 6, 2013 agreed to request a further extension of the 180 day Review Date to May 1, 2013.

Evidentiary hearings were scheduled for April 1 and 2, 2013. However, the Parties entered into a stipulation agreeing to cancel the hearings and to set the contents of the record without the need for additional hearings. The Parties agreed that relevant portions of the transcripts of the hearings held on March 18, 19 and 21, 2013, in connection with In re the Petition of Public Service Electric and Gas Company for Approval of an Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism, BPU Docket No. E012080721 ("Solar 4 All Extension"), all prefiled testimony and all discovery responses in this docket would be considered as the record as listed in Attachments A and B to the stipulation. By Order dated April 1, 2013, Commissioner Fiordaliso provisionally adopted the terms of this procedural stipulation and cancelled the evidentiary hearings scheduled for April 1 and 2, 2013. Briefs were filed on April 15, 2013.

Litigated Positions of the Parties

PSE&G

PSE&G contends that its program complies with the Board's May 23 Order, and is proposed to ensure the availability of capital for the continued development of net metered projects, as well as grid supply projects on landfills and brownfields, and should be considered independently of the solar renewable energy certificate ("SREC") market. PSE&G brief at 3. PSE&G further contends that the advent of a growing number of large, grid-connected projects has introduced a significant amount of uncertainty into the estimates of New Jersey's solar build rate and that its program will provide needed stability. Ibid. In addition, PSE&G asserts that the impact on rates will be reasonable, less than twenty cents per month; that its $200 SREC price forecast is an estimate which could go either up or down; and that ratepayers' exposure is actually far less than it was in the past because of the drop in SREC prices. Id. at 4. The program is still needed as it fills a gap for long term SREC contracts as currently contracts longer than three years are rare in the market. Id. at 5. Additionally, long term contracts are needed for project financing. Id. at 6. The Company also defends its proposal that Solar Loan III costs be recovered through the same cost recovery mechanism approved for its existing programs on the grounds that 1) that mechanism has previously been implemented through unanimous stipulation in several cases, 2) Petitioner has presented testimony that an appropriate ROE for Petitioner would actually be 10.875% and thus 10.3% is clearly reasonable, 3) there is a growing spread between interest rates and the allowed ROE, and 4) the low interest rates relied upon by Rate Counsel's witness have increased substantially since late 2012. Id. at 6-7. Finally, the Company argues that the riskiness of recovery through the proposed mechanism is different from but comparable to that for "the rest of the utility", meaning the risk in a base rate case. Id. at 8.

Rate Counsel

Rate Counsel urges the Board to reject the petition, alleging that it fails to satisfy two key requirements of the Board's May 23 Order: a competitive process that will provide for the lowest achievable cost within market segments and an assurance that solar developers, rather than ratepayers, will be responsible for administrative costs. Rate Counsel brief at 16-17, 19-21. In addition, Rate Counsel asserts that the program is not necessary to meet the State's goals for solar generation as expressed in the renewable portfolio standards ("RPS"), stating that the market is currently over-supplied with SRECs and is expected to continue over-supplied over at least the next few years so that the SRECs added by this program would contribute to destabilizing the SREC market. Id. at 22-26. Moreover, the Rate Counsel maintains that the program would impose a large financial burden on the Company's ratepayers and that this burden would be unpredictable because the offsets to rates calculated by PSE&G depend upon estimates which Rate Counsel believes are unfounded. Id. at 29-30. Rate Counsel also objects to the requested Weighted Average Cost of Capital ("WACC") from PSE&G's last base rate case and its included 10.3% cost of equity, arguing that the WACC is both excessive given current market conditions, and inappropriate in that it reflects the risk of a base rate case while Rate Counsel argues that a clause with a true-up component is virtually risk-free. Id. at 32-37. Finally, Rate Counsel argues that the proposed SLIII program allocates an excessive percentage of the program to the residential segment, and that the landfill/brownfield segment should be eliminated because it would preempt another proceeding before the Board under the Solar Act. Id. at 42-43.

KDC

KDC, a New Jersey based developer of net metered solar projects, states that it shares Rate Counsel's concern that due to changing market conditions, Solar Loan III may not be an appropriate response as earlier solar loan programs were. KDC brief at 2. Acknowledging that the program was filed in response to the Board's May 23 Order, KDC focuses its comments upon the reallocation of the program's megawatts among program segments. KDC states that the residential sector should receive a greater allocation because it is experiencing higher solar installation rates, third party financing is emerging, and the residential sector accounts for approximately 40% of all MWh sales in New Jersey but is allocated 10% of the solar capacity in Solar Loan III. Ibid. Specifically, KDC recommends that the Board increase the allocation to third party-owned residential or Residential Aggregation to 15%, and increase the Landfill allocation by an additional 5%, both increases to be balanced by corresponding reductions in the amount allocated to the Large Non-Residential sector. Ibid.

SEIA

SEIA, a national trade association of solar businesses, urges the Board to approve the petition on the ground that SLIII addresses two fundamental failures in New Jersey's solar market. SEIA asserts that SLIII addresses a shortage of long-term SREC contracts by offering guaranteed 10-year contracts and addresses volatility in SREC prices by encouraging investment during a time of SREC oversupply and depressed SREC prices. SEIA brief at 3. SEIA also recommends some modifications to SLIII as proposed, specifically an increase in the allocation to the residential market segment and the addition of bundling of third party owned residential applications. Id. at 4.

To provide additional time for settlement discussions, and provide the Board with additional time to complete the processing of the petition and issue a final determination in this matter, some of the Parties entered into a stipulation pursuant to N.J.S.A. 48:2-21.3, to extend the 180-day Review Period for Board action and to adopt a schedule for the filing of comments. By Order dated April 30, 2013, the Board approved the stipulation and extended the Review Date to May 31, 2013.

On April 26, 2013, PSE&G, Board Staff, KDC Solar, SEIA and MSEIA ("Signatory Parties"), executed a global settlement agreement ("Stipulation") as it pertained to PSE&G's Solar Loan III Program.

THE STIPULATION:

Program Size, Segments, Solicitation Process and Allocation of Capacity

1. The Signatory Parties agree that the Solar Loan Program shall be 97.5 MW in total size.

2. Loan applications will be grouped into the following market segments:

   a. Residential-Individual Customer – net-metered

   b. Residential-Aggregated by a 3rd Party–net-metered ("Res-Aggregated")-Third parties that aggregate residential customers shall be allowed to participate and will be treated as non-residential applicants under the Solar Loan III Program through the Res-Aggregated Segment. For the solicitations, they will be required to bid individual residential projects including individual solar renewable energy certificate ('SREC') Floor Prices. After review by the Solicitation Manager described below, the final group of selected residential projects submitted by a third party aggregator will be combined, and the third party aggregator will be assigned the capacity of the combined residential projects selected and from then on will be treated as a non-residential application for credit review and loan management. In the event that individual residential projects have different SREC bid prices, a weighted average SREC bid price will be calculated. The weighted average SREC floor price will be rounded to the nearest $5.00 increment. Once individual residential projects have been accepted and the third party aggregator has been assigned capacity, substitute projects will not be allowed.

   c. Non-residential ≤ 150kW – net-metered ("Small Non-Res")

d. Non-residential >150kW (up to 2 MW per project) – net-metered ("Large Non-Res")

e. Landfills/brownfields (up to 5 MW per project) – either net-metered or grid connected ("Landfills") and as defined in P.L.1999, c.23 (C.48:3-49). PSE&G will manage the Landfills/brownfield solicitation process directly or through a third-party vendor. Prior to being qualified for the Program, PSE&G reserves the right to require applicants to demonstrate proof of project viability through geotechnical engineering reports, landfill closure certifications and other documents as required. PSE&G may also require applicants to show proof of site control and a minimum level of site development before being designated as a qualified applicant. Applicants that are required to be certified pursuant to the Board's Order implementing the Solar Act of 2012, N.J.S.A. 48:3-51 subsection (t) must submit their application to the Board no more than 10 calendar days after PSE&G provides notification that they have been conditionally accepted into the Program.

3. There will be no Call Option for any segment.

4. PSE&G plans to conduct solicitations every other month or six times a year. However, PSE&G reserves the right to alter the schedule based on market conditions, administrative workload, and other factors.

5. Both residential and non-residential borrowers will participate in a competitive solicitation process ("Solicitation Process") in which there will be no pre-set maximum floor price.

6. The cost of the Solicitation Process will be included in the borrower fees and PSE&G's administrative costs as described below.

7. Upon commencement of the Solar Loan III Program, any remaining un-awarded capacity from PSE&G's Solar Loan II program will be rolled into the first solicitation for the Large Non-Res segment.

8. Subsequent to the first Solar Loan III solicitation, if additional Solar Loan II capacity becomes available, it will be rolled into the next available solicitation for the Large Non-Res segment.

9. PSE&G will hire an independent Solicitation Manager ("SM"), selected through a competitive bid process who will independently review and rank the bids received and provide guidance to the Company regarding competitive SREC floor prices and the competitiveness of individual segments based on such factors as the number of bidders, a statistical analysis of bids to identify and reject outliers, kW bid size, and range of pricing. The SM will also provide its guidance to the Board Staff and Rate Counsel for review and comment.

10. Capacity will be made available at each solicitation as follows:

			Solicitation				
Class	% of Total	Total MW	#1	#2	#3	#4 - #12	#13 - #18
Residential	10.00%	9.75	0.300	0.500	0.850	0.900	TBD
Res-Aggregated	10.00%	9.75	0.300	0.500	0.850	0.900	TBD
Small Non-Res	13.48%	13.14	2.628	1.314	1.314	0.876	TBD
Large Non-Res	61.39%	59.86	11.972	5.986	5.986	3.991	TBD
Landfills	5.13%	5.00	5.000	0.000	0.000	0.000	TBD
Total		97.50	20.200	8.300	9.000	6.667	TBD

Loan Terms and Credit Criteria

11. All loans will have a ten-year term.

12. A potential borrower will submit a loan application with a proposed SREC floor price specific to its project.

13. The floor price will remain in effect for the duration of the loan term.

14. Estimated generation from the solar power system for the purposes of sizing the loans will be determined using PV Watts or an equivalent estimating model subject to PSE&G's approval.

15. All systems that are located in PSE&G's electric service territory and are eligible for SRECs will be eligible to participate.

16. Projects accepted under the SLIII Program will be ineligible for any benefits from other PSE&G or BPU renewable energy programs, with the exception of net-metering and receipt of SRECs generated by the solar system.

17. Projects under construction may not apply for loans in the Residential-Individual Customer, Small Non-Res, and Large Non-Res segments. "Under construction" means anything other than site clearance or site preparation. The receipt and storage of equipment at the facility site will not be considered "under construction", provided no attempt is made to assemble or erect the equipment. In the Res-Aggregated and Landfill market segments, projects under construction but not in commercial operation are eligible to apply for the Solar Loan III Program. "Commercial Operation" means that the system is operating and has received its final inspection in preparation for the issuance of SRECs.

18. For non-residential projects, loan applicants must be registered to do business in New Jersey.

19. All applicants must meet minimum insurance requirements as specified in the appropriate solar loan agreement.

20. All applicants are responsible for solar system maintenance for the duration of the loan term.

21. PSE&G will enter into appropriate subordination agreements with the property owners and landlords to protect PSE&G's security interest in the solar equipment.

Fees

22. Application Fee – an application fee of $20 per kW, with a maximum of fee of $7,500, will be required at the time of application. Once an applicant has been notified that the application has been conditionally accepted into the program, the application fee becomes non-refundable. If an applicant is not accepted, the application fee will be returned. Res-Aggregators may receive a partial refund if the full capacity bid is not accepted.

23. Administration Fee – there will be an administration fee of $85 per kW. The administration fee will be deducted from the loan proceeds at the time the loan is issued to the borrower.

24. SREC Processing Fee – there will be a fee for the processing and management of the SRECs generated by the borrower's solar generation facility. For the Residential Segment, the SREC Processing Fee will be $120 per kW and will be deducted from the loan proceeds at the time the loan is issued to the borrower. For all other segments, the SREC Processing Fee will initially be set at $10.18 per SREC and then will be reset on an annual basis as described below. The SREC Processing Fee will be billed annually as set forth in the borrower's loan agreement and will be determined by multiplying the SREC Processing Fee in affect at the time times the number of SRECs generated by the borrower's project for the previous year.

25. There are other potential fees encompassed within the SLIII Program Rules that may be assessed to a borrower, such as Milestone Fees and name change fees.

26. All PSE&G administrative costs will be paid by borrowers over the life of the Solar Loan III Program. A "true-up mechanism" will ensure all costs are recovered from the borrowers and that the borrowers only pay the actual cost incurred. The SLIII Program Rules attached hereto as Attachment F contain additional details on the true-up mechanism.

Meter Reading

27. All projects will have a PSE&G revenue grade meter installed at the customer's expense to measure solar system output. A second revenue grade meter may be installed as a backup at the customer's expense provided the meter meets the current accuracy standards as set forth by the Board at N.J.A.C. 14:8 *et. seq.*

28. If a meter reading is simply missed for the month, the generation for that month will be credited when the next actual meter reading is obtained and entered into the Pennsylvania, Jersey, Maryland ("PJM") Environmental Information Services ("EIS") *Generation Attribute Tracking System* ("GATS"). SRECs will be credited to the loan in the month in which they are created.

29. PSE&G may offer residential customers the option of registering for "MyAccount" on the PSEG website, which will enable them to enter meter readings in any month that their meter is not read by a PSE&G meter reader.

30. If the PSE&G meter is not functioning properly and actual accurate generation data cannot be obtained from this meter, and the Borrower has a backup revenue grade meter installed for the system, PSE&G will accept data from the back-up meter if it is accompanied by a specifications sheet for the meter indicating the meter satisfies the above referenced Board requirements. In the cases where a PSE&G owned meter is functioning properly, but there is an issue with remote telemetry, PSE&G reserves the right to conduct a site visit and obtain generation data directly from the meter.

31. If the PSE&G meter is not functioning properly and actual generation data cannot be obtained from this meter, and the Borrower does not have a backup revenue grade meter installed for the system, PSE&G will not enter any generation data into PJM GATS for the period when the actual generation data cannot be obtained.

32. Each third-party aggregator is required to install and own a meter that meets the then current standards as approved by the Board for each residential project for which the aggregator receives funding under Solar Loan III. Each third-party aggregator must provide PSE&G with SREC generation data along with access to the data for validation. Third-party aggregators are responsible for ensuring the accuracy and availability of all data.

Cost Recovery and Bill Impacts

33. PSE&G will recover the net revenue requirements for the Solar Loan III Program via a new Solar Loan III Program component ("SLIIIc") of the Company's electric RGGI Recovery Charge ("RRC"). The SLIIIc will be applicable to all electric rate schedules on an equal cents per kilowatt-hour basis for recovery of the costs associated with the Solar Loan III Program. The initial SLIIIc will be based on revenue requirements from June 1, 2013, or the date of the written Board Order, through September 30, 2014. Thereafter, the SLIIIc will be changed nominally on an annual basis in conjunction with the annual filing for all other existing RRC components, incorporating a true-up for actual results and a forecast of revenue requirements for the twelve months succeeding the anticipated Board approval date.

34. The SLIII Signatory Parties stipulate that the revenue requirements recovered through the SLIIIc will be calculated to include a return on investment and a return of investment over the lives of the capital assets. The Program investments are proposed to be treated as separate utility assets, and depending on the type of investment, either depreciated or amortized as described in the corresponding section below. The revenue requirements associated with the direct costs of the Program would be expressed as:

*Revenue Requirements = (Cost of Capital * Net Investment) – Net Loan Accrued Interest + Amortization and/or Depreciation + Net Operation and Maintenance Costs – Net Proceeds from the sale of SRECs – Cash Payments in lieu of SRECs*

The details of each of the above terms are described as follows:

Cost of Capital – This is PSE&G's overall weighted average cost of capital ("WACC"). The overall cost of capital utilized to set rates for the initial rate period of the Program will be 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of

10.0% and the Company's embedded long-term cost of debt as of March 31, 2013 of 5.1702%.

<u>Net Investment</u> – The net investment for the Program would be comprised of the following:

- Total Loan Outstanding Balances. The Total Loan Outstanding Balances are defined as: *Loan Accrued Interest Balances + Loan Principal Balances*

- SREC inventory

<u>Total Loan Outstanding Balances</u> – The detailed monthly return calculation on the total loan outstanding balances would be as follows:

Loan Accrued Interest + Loan Interest Rate to WACC Differential Cost

<u>Where</u>

*Loan Accrued Interest = Average Daily Outstanding Loan Balance * (Annual Loan Interest Rate / 365) * (# of Days in Month)*

<u>And</u>

*Loan Interest Rate to WACC Differential Cost = Loan Accrued Interest *((Pre Tax WACC /Loan Interest Rate) – 1)*

<u>SREC Inventory</u> – The detailed monthly return calculation on the SREC Inventory would be as follows:

*Average Daily Outstanding SREC Inventory Balance * (Pre Tax WACC / 365) * (# of Days in Month)*

<u>Net Loan Accrued Interest</u> – This amount is subtracted from revenue requirements. It is defined as (Loan Accrued Interest – Loan Interest Paid). It accounts for timing differences from when loan interest is accrued and loan interest is paid. Over the life of loan, the Loan Accrued Interest is equal to the Loan Interest Paid.

<u>Depreciation/Amortization</u> – This is composed of Loan Principal Paid / Amortized.

<u>Net Operations and Maintenance Costs</u> – is calculated as Gross Operation and Maintenance Costs less any revenues received from the borrowers. Gross Operations and Maintenance Costs would include PSE&G labor and other related on-going costs required to manage and administer the Program including related information technology expenses, the cost of the SM, and SREC disposition expenses.

Revenues received from the borrowers would include any revenue received from the following sources as described in the Program Rules:

- Applications fees

- Administrative Fees

- SREC Processing Fees

- Any other applicable Fees

The SLIII Signatory Parties stipulate that the Net Operation and Maintenance Costs must equal zero over the life of the Solar Loan III Program as shown in Attachment G hereto.

The SLIII Signatory Parties further stipulate that common costs shared by all three of PSE&G's solar loan programs be allocated based on forecasted MW capacity installed for the upcoming year. Therefore, every December a forecast will be conducted of the cumulative total capacity installed by the end of the following year for the Solar Loan III Program. For Solar Loan I and Solar Loan II, the current methodology of allocating costs based on the total forecasted capacity installed for the program will be maintained. The ratio of the forecasted installed capacity for each program to total forecasted installed capacity for all of the solar loan programs will be applied to all common costs for the following year starting on January 1.

Net Proceeds from the sale of SRECs – The net SREC proceeds reduce revenue requirements and is defined as:

SREC Value Credited to Loans + Gain/(Loss) on Sale of SRECs - SREC Floor Price Costs

SREC Value Credited to Loans – The SREC Value Credited to Loans is defined as the number of SRECs generated and credited to the loans times the higher of the "market value" of SRECs as defined in the Loan Agreements or the Floor Price.

Gain/(Loss) on Sale of SRECs – The proceeds from the Sale of SRECs less their corresponding inventory cost. Inventory cost is the value the SREC received when they were credited to loans as defined above.

SREC Disposition Expenses – All costs related to the disposition of SRECs for the Program.

SREC Floor Price Costs – When the market value of the SRECs credited to loans, as defined in the Loan Agreements, is less than the value of the SRECs priced at the Floor Price, the differential value reduces the Net Proceeds from the sale of SRECs.

Cash Payments in lieu of SRECs – This includes when the borrower chooses to repay loan with cash and any required true up cash payments.

35. The SLIII Signatory Parties further stipulate that the initial revenue requirement calculation will use a WACC of 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 10.0%, and the Company's long-term cost of debt as of March 31, 2013 of 5.1702% (See Attachment H for WACC calculations). The SLIII Signatory Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations, effective as of the date of the Board's base rate case order authorizing a change in the WACC. The Parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the date of the next scheduled annual true-up but in any event, no later than January 1 of the subsequent year. The Parties stipulate that after the initial revenue requirements period, the SLIIIc will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial SLIIIc for the period ending September 30, 2014 is set forth in Attachment H and Attachment I attached hereto and made a part of this Stipulation. The corresponding forecasted rates for all periods are set forth in Attachment M attached hereto and made part of this stipulation

36. In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines utilized in the preceding month. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. In the event that neither commercial paper nor bank credit lines were utilized in the preceding month, the last calculated rate will be used. The interest rate shall not exceed PSE&G's overall rate of return as authorized by the Board. The interest amount charged to the SLIII balance will be computed using the methodology set forth in Attachment J hereto, based on the net of tax average monthly balance. Simple interest shall accrue on any under and over recovered balance, and shall be included in the deferred SLIII balance at the end of each reconciliation period. The true-up calculation of over-and under-recoveries shall be included in the Company's Annual Filing.

37. The Parties request that the Board set the effective date of the initial SLIIIc as of June 1, 2013 or the date of the Board's written Order approving this Settlement, whichever is later.

38. The SLIIIc will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under recovered balance to be recovered from or returned to ratepayers over the following year. Any Board ordered cost recovery adjustments resulting from the review of the actual costs will be made to the over/under deferred balance and reflected in the charges established for the following year pursuant to a Final Board Order. The SLIII Signatory Parties stipulate that the Company will file an annual petition (Annual Filing) to adjust its SLIIIc in conjunction with the annual filing for the existing components of the electric RRC, with the first Annual Filing currently scheduled to be made by no later than July 1, 2014 for rates effective October 1, 2014 through September 30, 2015.

39. Each Annual Filing will contain a reconciliation of PSE&G's actual SLIII recoveries (which were based on PSE&G's projected SLIII costs) and actual revenue requirements for the prior period, and a forecast of revenue requirements for the remainder of the current period and for the upcoming 12-month period that shall be based upon the Company's authorized ROE and capital structure for this Program. The Annual Filing also will present actual costs incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudence. The Annual Filing will also provide information consistent with the information in the Minimum Filing Requirements ("MFRs") provided in the existing Solar Loan II Program. The Annual Filing will be subject to review by the Parties with opportunity for discovery and filed comments prior to the issuance of a Board Order establishing the Company's revised SLIIIc. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings, if required by law.

40. The Parties agree that the proposed SLIIIc rate, as set forth in the tariff sheets in Attachment C, attached hereto are just and reasonable and PSE&G is authorized to implement the proposed rates on June 1, 2013 or on the date of the written BPU Order approving this Stipulation, whichever is later.

41. A typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours on an annual basis and on BGS-FP service with PSE&G would see an initial increase in the annual bill from $1,349.08 to $1,349.24 or $0.16 or approximately 0.01%. See Attachment K for residential customer bill impacts. As currently projected, the maximum rate impacts for the same typical residential electric customers from the SLIII Program would occur in the October 1, 2018 through September 30, 2019 cost recovery period. The expected maximum increase from the SLIII Program for a typical residential customer in the October 1, 2018 through September 30, 2019 cost recovery period would be $0.000292 per kWh (including sales and used tax (SUT)), for a typical annual residential bill impact of $2.12 (0.157%) or about $0.18 per month.

Program Rules

42. The SLIII Signatory Parties agree that the SLIII Program Rules shall be as set forth in Attachment F. PSE&G shall have the right to amend the SLIII Program Rules as required for commercial reasons, after ten business days advance notice to Board Staff and Rate Counsel unless Board Staff notifies PSE&G in writing within that same ten business day period that it objects to the amendment. In such event, Board Staff shall have the right to seek Board review of the amendment on an expedited basis so as not to delay the Program implementation.

Comments and Reply Comments on the Stipulation

PSE&G

PSE&G states that the Solar Loan III filing was made in accordance with the May 23 Order and that the Stipulation incorporates modifications from existing solar loan programs to enhance ratepayer protections, including a competitive solicitation, an independent Solicitation Manager, and the collection of all administrative costs from borrowers. PSE&G comments at 12, 14-15. PSE&G also maintains that it demonstrated on the record that the rate impact of Solar Loan III as filed was reasonable, and that the smaller rate impact of the Stipulation must therefore also be reasonable. Id. at 15.

Rate Counsel

Rate Counsel, referencing its post-hearing brief, argues that the Solar Loan III program embodied in the Stipulation also fails to incorporate a competitive process that will provide for the lowest achievable cost within market segments and does not ensure that additional administrative costs will be paid by the solar developer or customer rather than ratepayers. Rate Counsel comments at 37. Rate Counsel states that the retention of a Solicitation Manager to provide guidance would leave PSE&G with authority to conduct the solicitations and select winning bidders, with no role specified for Board staff or Rate Counsel. Id. at 38. In addition, Rate Counsel argues that by allowing borrowers who have not yet received full certification under the Board's certification process pursuant to section (t) of the Solar Act, the Solar Loan III program would potentially admit borrowers whose bids included remediation costs. Id. at 39. Rate Counsel contends that, generally, the Stipulation lacks sufficient Board oversight or the reporting requirements that were part of Solar Loan I and II. Ibid. As a result, Rate Counsel maintains that the process violates the basic safeguards of utility regulatory oversight. Id. at 41-42. Rate Counsel criticizes the "Residential-Aggregated" segment on the ground that there is no Board supervision of the selection processes or qualifications of third-party aggregators and no discussion of credit requirements for applicants. Id. at 41. Rate Counsel also argues that there is no evidence in the record regarding various portions of the Stipulation which were not included in the petition, such as the hiring of a Solicitation Manager, and insufficient evidence that the Solar Loan III program will comply with the directive of the May 23 Order that all administrative costs be paid by the solar developer or solar generation customer. Id. at 41-43.

SEIA

SEIA supports the Stipulation as a reasonable balance of conflicting positions on future public utility investment in New Jersey's renewable energy programs. SEIA asserts that Solar Loan III will help to maintain a healthy solar market by responding to the shortage in long-term SREC contracts and ensuring market momentum during the current period of oversupply. Updates to the program's market segmentation more accurately reflect current market conditions, and the Stipulation "calibrates the number and focus of MW allocated to utility invested solar." SEIA comments at 2.

MSEIA

MSEIA states that the SLIII program is vital to the survival of the small, New Jersey-based companies which make up its membership because it will support the continued growth of New Jersey's solar market.

KDC

KDC states that the Stipulation represents an appropriate balance of the various competing interests involved in the proceeding.

PSE&G Reply Comments

In its Reply Comments, PSE&G counters due process challenges by citing the "extensive discovery and submission of direct testimony," rebuttal testimony, motion practice, surrebuttal testimony, hearings, and briefings as well as "informal settlement discussions that helped establish the basis for the stipulation[.]" PSE&G Reply Comments at 3. The majority of parties have signed the Stipulation, as it is a balanced compromise that achieves the goals of the Energy Master Plan and the Solar Act. Id. at 4. According to PSE&G, due process only requires that all parties have "notice and an opportunity to be heard on the issues raised in the Stipulation." (citing In re Public Service Electric and Gas Company's Rate Unbundling, Stranded Costs and Restructuring Filings, 330 N.J.Super. 65 (App. Div. 2000), aff'd, 167 N.J. 377 (2001)). Id. at 7.

PSE&G claims that the non-signatory parties' criticisms of the terms of the SL3 program are based on the mistaken presumption that the Board should assume "control over the day-to-day operations of a public utility investment program." Id. at 9. PSE&G asserts that any modification of program rules from that required by the Board under the original Solar Loan programs beyond the hiring of the Solicitation Manage that the Company has already agreed to, is without basis and would result in delayed implementation of the program. Id. at 12.

DISCUSSION AND FINDING

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997). The Board recognizes that the Stipulation was not signed by all the parties in this proceeding; nonetheless, it is well-established that the Board may consider and rely upon a non-unanimous stipulation as a fact-finding tool so long as the Board independently examines the existing record and expressly finds that the stipulated rates yield rates that satisfy the statutory standards. Id. at 270.

As a threshold matter, the Board considers the allegation made by Rate Counsel[3] that the process through which the Stipulation was negotiated was so procedurally defective that the Board cannot

[3] While the New Jersey Large Energy Users Coalition ("NJLEUC") joined with Rate Counsel in opposing the Stipulation on both procedural and substantive grounds, NJLEUC is not a party to this proceeding.

consider the settlement, and that Rate Counsel and other parties have been deprived of due process. Rate Counsel alleges that the settlement process itself was flawed because, according to Rate Counsel, it was appraised of settlement discussions only after "major terms" had been agreed upon. Rate Counsel comments at 16.

As acknowledged by Rate Counsel in its comments, the Stipulation was entered into after this matter had been fully litigated and briefed. Rate Counsel comments at 1, 16. Rate Counsel presented the direct, rebuttal and surrebuttal testimony of several witnesses, engaged in extensive discovery, cross examined PSE&G's witnesses within the Solar 4 All Extension hearings, submitted a post-hearing brief and the above-cited objections to the Stipulation. Rate Counsel was provided with notice and the opportunity to be heard both at the hearings and after the Signatory Parties agreed to the Stipulation, and that is the essence of due process. In any event, Rate Counsel has presented its challenges to the Stipulation to the Board, and the Board has carefully reviewed and considered those objections. As a non-consenting party, Rate Counsel has had the opportunity to be heard on the merits of the Stipulation but it does not have the right to prevent other parties from presenting a proposed settlement to the Board for its consideration. In re Petition of Public Service Elec. and Gas Co., 304 N.J. Super. 247 (App.Div. 1997). While the Board agrees that the settlement process should be open for participation by the parties to the proceeding, it is not persuaded that the non-consenting party has not had an opportunity to review the settlement and provide its positions, and that any new proposals within the Stipulation were not based on concepts that had been considered during the proceedings. In re Public Serv. Elec. and Gas Company's Rate Unbundling, Stranded Costs & Restructuring Filing, 330 N.J.Super. 65,111 (App. Div. 2000), aff'd 167 N.J. 377 (2001). Therefore, the Board will consider the Stipulation on the merits.

PSE&G's Solar Loan III program was filed in response to the Board's May 23 Order. In that Order, the Board approved Staff's recommendation to extend the EDC SREC programs by 180 MW, split among the participating EDCs, over three years. The Board adopted Staff's recommendations related to extending the EDC SREC programs and directed the EDCs to file a notice of intent to participate in Extended EDC SREC Program consistent with those recommendations. All four of the EDCs submitted timely notice of intent. The program capacity was to be divided up among the EDCs based on retail sales.

Consistent with the May 23 Order, PSE&G's proposed program size for SLIII is 97.5 MW. The Stipulation proposes five market segments: 10% allocated to residential market segment; 10% allocated to the residential aggregation (third party owned) market segment; 13.48 % allocated to small non-residential (less than 150 kW) market segment; 61.39% allocated to large non-residential (greater than 150 kW to 2 MW) market segment; and 5.13% of the program to the landfill/brownfields (up to 5 MW) market segment. This allocation was developed with significant input from interveners.

One key recommendation made by Staff and adopted by the Board in the May 23 Order was that capacity be "set-aside for residential and small businesses market segments" and "grid supply projects for municipal landfills and brownfields". Id. at 27. The settlement proposal allows for PSE&G to reallocate capacity during each solicitation from under-utilized market segments to oversubscribed segments, except that for the first solicitation any unused capacity in the residential or residential aggregated segments will be added to their respective segments capacity in the second solicitation. Stipulation, Attachment F at 3 of 8.

The May 23 Order also included a Staff recommendation that "the loan or solicitation process shall be developed to provide for the lowest achievable and available cost within the market segments on a 'competitive' basis that tracks the market rate and without a set floor price." May 23 Order at 27. As filed, the Solar Loan III petition included a "competitive solicitation process" for non-residential borrowers and a "market based process" for residential borrowers. The negotiated settlement embodied in the Stipulation proposes a competitive solicitation process for all market segments in which participants are offered periodic opportunities to bid a proposed SREC floor price. Within each market segment, qualified projects will be ranked from lowest to highest SREC floor price and capacity blocks will be filled by the ranked list of qualified projects until the capacity is fully allocated. The Solicitation Manager, a modification recommended by Rate Counsel, will independently review and rank the bids and provide guidance to the Company, Staff and Rate Counsel on the competitiveness of the SREC floor prices and of the individual segments. Rate Counsel and Staff have the right to provide comments on this information. The Stipulation thus comports with Staff's recommendation to provide for the lowest achievable cost.

The May 23 Order also requires that all administrative costs be borne by the project developer. Id. at 27. The SLIII program rules comply with that requirement by requiring that all of PSE&G's administrative costs be paid by borrowers over the term of the program. Stipulation, Attachment F at 6.

Taking all of the above into consideration, the Board now reviews the cost recovery proposed for the SLIII petition. In the SLIII petition, PSE&G requested that the Board approve recovery of all SLIII program costs though a separate component of the electric Regional Greenhouse Gas Initiative Recovery Charge ("RRC") mechanism. PSE&G proposed that the recovery mechanism be reviewed and modified via annual filings by PSE&G. Detailed testimony on PSE&G's proposed cost recovery mechanism and estimated rate impacts on customers were presented in the direct testimony witness Stephen Swetz. See Exhibit P-4. PSE&G requested that it earn a return on its net investment based on a Weighted Average Cost of Capital of 8.21% per year as the Board approved in the Company's last base rate case in May 2010. Schedule SS-SLIII-2 to P-4. Swetz used the corresponding pre-tax WACC of 11.8520% per year to calculate revenue requirements. Swetz asserted the overall cost of capital utilized to set rates for the initial rate period of the Program should be based on the Company's most recent base rate case, BPU Docket No. GR09050422, which is 8.21 percent (11.852 percent on a pre-tax basis), based on a return on equity of 10.3 percent and current tax rates. Company witness Paul R. Moul testified that based on his judgment and the results of his four analyses, "the reasonable cost of common equity is 10.875% for the company...[and] the 10.3% equity return obtained from the settlement of the company's last base rate case is reasonable." Exhibit P-7.

For cost recovery, the Company proposed a surcharge mechanism with a true-up provision that it calculated would recover the total projected revenue requirement of $126.56 million for the SLIII Program over fifteen to twenty years.

Rate Counsel witness Andrea C. Crane, noting that the Company's 8.21% return is taken from the Company's last base rate case as stated above, recommended that the Board approve an ROE no higher than 9.75%, consistent with a recent BPU-approved electric utility ROE. In re the Petition of Atlantic City Electric Company for Approval of Amendments to Its Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to N.J.S.A. 48:2.21 and N.J.S.A. 49:2.21.1 and for Other Appropriate Relief, BPU Docket No. ER11080469, (Order dated 10/23/2012). Ms. Crane also recommended that the BPU update the company's return on debt to reflect the embedded debt cost, as well as the current capital structure. Ms. Crane contended that if the Board finds that the Company's shareholders are bearing no risk in offering the SLIII Program then the Company's cost of debt would be an appropriate return to use as its cost of capital; if the Board finds that the Company shareholders are incurring some risk, then it may be appropriate to include a return on equity that is higher than the Company's cost of debt, but lower than the return awarded on electric distribution plant recovered in base rates. RC-1 at 17-18. In support of her position, Ms. Crane noted that market conditions had changed substantially, and that the Company had failed to reflect key changes in its request to earn its currently authorized WACC on investment made in the Extension Program. Specifically, Ms. Crane noted key declines in costs such as U.S. Government bonds and the company's embedded cost of debt. RC-1 at 15-18. In addition, Ms. Crane argued that the proposed program structure and cost recovery method of the SLIII, which guaranteed the company recovery of 100% of its costs through the Regional Greenhouse Gas Initiative Recovery Charge, was of significantly lower risk to PSE&G than its investment in traditional distribution plant. Ms. Crane asserts that the return awarded to PSE&G for this program should be commensurate with this lower risk. RC-1 at 17-18.

Rate Counsel consultant Matthew I. Kahal evaluated the four analyses performed by PSE&G witness Moul and argued that PSE&G's cost of equity today is not 10.3 percent or more and that it is in fact "far below" 10.3 percent. Kahal asserted that Crane's recommendation of 9.75 percent is "entirely reasonable-and in fact conservatively higher-given current market conditions." Kahal also disagreed with PSE&G witness Swetz's position on the use of an embedded cost of debt taken from the company's 2009/2010, characterizing such a number as "stale." Kahal, however, did not object to Swetz's use in rebuttal testimony of an updated 5.35 percent estimate of the embedded cost of debt as of November 2012 assuming the accuracy of Swetz's calculation. RC-5 at 4, lines 1-8.

In comments on the Stipulation, Rate Counsel argues that the Stipulation is contrary to the State and Board objectives of assuring that ratepayer-funded subsidies are kept at the lowest possible level through competition because PSE&G would have two competitive advantages over the solar developers: a guaranteed 10% return on its investment and no cap on the amount it can spend. Rate Counsel states that the stipulated conditions including the "pass-through mechanism" will allow the Company to develop solar facilities without cost or risk because the Company would always be made whole by its ratepayers Rate Counsel comments at 27. Rate Counsel also maintains that the stipulated 10 percent ROE is not supported by the record evidence and that the Board must approve an ROE based on evidence in the record. Rate Counsel points to its witness's recommendation of a maximum 9.75 percent ROE. Rate Counsel again asserts that the Company will face virtually no risk in the recovery of SLIII program costs from ratepayers because in Rate Counsel's view the Stipulation virtually guarantees cost recovery and does so on a contemporaneous basis. Rate Counsel comments at 45-47.

In its comments, the Company asserts that information developed in testimony, discovery, hearings and briefs support the conclusion that "there is substantial evidence in the record supporting approval of . . . the Solar Loan III Program, as well as the proposed cost recovery mechanism and return on equity." PSE&G comments at 2. On the issue of reviewing costs for recovery, PSE&G states that provisions of the Stipulation ensure that PSE&G's actual costs incurred in connection with these projects will be subject to review for reasonableness and prudence in PSE&G's Annual Cost Recovery Filings made to reconcile the Company's actual recoveries against its actual revenue requirements. See Stipulation at para. 78-79-, Exhibit P-7 (Moul Rebuttal) at 3, 1.3-5 and PSE&G Comments at 12. The Company states that the Stipulation's provisions call for discovery, comments and public hearings for each Annual Cost Recovery Filing. PSE&G comments at 16 Although Mr. Moul justified a 10.875 percent ROE in his testimony, according to the Company, and the Board has previously approved a 10.3% ROE for programs developed under <u>N.J.S.A.</u> 48:3-98.1, PSE&G is willing to accept the 10% ROE in the Stipulation. PSE&G comments at 17. The Company rejects Rate Counsel's position that a lower ROE should apply and instead argues that "...Solar4All Extension and Solar Loan III are voluntary programs that PSE&G, alone among all public utilities in New Jersey, has chosen to pursue in support of the State's Energy Master Plan policies, justifying an ROE 'premium' even if one were to assume the propriety of Rate Counsel's "base" figure of 9.75%." <u>Ibid.</u> As to the potential rate impact of the proposed programs, PSE&G contends that the rate impacts of the SLIII Program as filed were reasonable and have been reduced to less than 40% of the original amount due to changes that PSE&G agreed to in the Stipulation. PSE&G comments at 9.

After reviewing the record, including the comments filed in support of and in opposition to the Stipulation, the Board **FINDS** that the costs of capital have been declining since the Board approval of the Company's last base rate case. The Board **FINDS** that the Stipulation makes use of the rate base/rate of return model and provides contemporaneous cost recovery through a surcharge and true-up adjustment provision. Accordingly, the Board **FINDS** that the ROE PSE&G is permitted to earn should be less than the 10.3 percent originally requested. With regard to the Company's assertion that it deserves to earn a "premium" return based on the voluntary nature the SLIII Program, the Board rejects the award of a "premium" ROE based on factors unrelated to program costs.

The Board recognizes that, when setting a return on equity, regulators think in term of a "zone of reasonableness," that is, a range within which experts can disagree. The allowed return on common equity approved in PSE&G's last base rate case and requested in this matter was 10.3 percent. More recent returns approved by the Board have ranged from 10.15 percent to 9.75 percent which suggests that 10.3 percent is outside the zone of reasonableness and therefore is higher than necessary to attract capital and maintain the financial integrity of PSE&G.[4] The Board **FINDS** that the 10.0 percent return on common equity agreed to in the Stipulation is within the zone of reasonableness, and **APPROVES** the 10% ROE for this program based on the types of projects to be built as proposed in the Stipulation.

The Board notes that the interest component in Weighted Average Cost of Capital is the current embedded cost of debt or 5.1702 percent. The current embedded cost of debt is lower than the embedded cost of debt from the last base rate case and better reflects current conditions in the capital markets. This updated cost of debt also benefits ratepayers. The Board **FINDS** that the current cost of debt is reasonable.

With regard to the method of recovery, the Board notes that contemporaneous recovery of program costs should be utilized only in the most limited of circumstances. Generally, rates should be determined in a process that allows for full consideration of costs and revenues to determine just and reasonable rates. Full base rate case proceedings allow for thorough examination of a utility's cost of providing service as well as consideration of any cost savings in operations and or additional revenue that may offset costs to arrive at an accurate cost of service estimate. In the case at hand, the program size and term are of limited scope, and approval of the return and recovery method simply utilizes the terms of an existing limited program. Based on the fact that this program is a continuation of a previously approved program with like features, the Board **FINDS** that extension of the cost recovery provisions of the SLIII Program as reflected in the Stipulation is not unreasonable.

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[4] In re the Petition of Atlantic City Electric Company for Approval of Amendments to Its Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to N.J.S.A. 48:2.21 and N.J.S.A. 49:2.21.1 and for Other Appropriate Relief, BPU Docket No. ER11080469, Order dated 10/23/2012; In re the Petition of Middlesex Water Company for Approval of an Increase in Rates for Water Service and Other Tariff Changes, BPU Docket No. WR12010027, Order dated July 20, 2012; In re the Petition of New Jersey American Water Company, Inc. for Approval of Increased Tariff Rates and Changes for Water and Sewer Service; Change in Depreciation Rates and Other Tariff Modifications, BPU Docket No. WR11070460, Order dated May 1, 2012; In re the Petition of Aqua New Jersey, Inc. for Approval of an Increase in Rates for Water Service and Other Tariff Changes, BPU Docket No. WR11120859, Order dated April 11, 2012.

As discussed above, the SLIII program was filed in compliance with the May 23 Order. In that Order, the Board approved Staff's recommendation that "[t]here should be a set-aside for residential and small business market segments." Id. at 27. The Program Rules for SLIII state that "underutilized capacity from any segment may be reallocated to other oversubscribed segments for that same solicitation, except that for the first solicitation, any unused capacity (kW) in the Residential or Res-Aggregated Segments will be added to their respective segments' capacity in the second solicitation." Stipulation, Attachment F, at 3 of 8. The Board considers this language in light of the clear directive of the May 23 Order. The Board **HEREBY ORDERS** that the allocations to the residential and small business segments identified in the Stipulation are deemed set-asides for those market segments. No capacity shall be allocated away from those segments unless and until unused capacity remains in either or both of these segments at the time of the final solicitation under the SLIII program.

The May 23 Order also provides that "[t]he SRECs generated by the extended EDC SREC Program will be available for sale in EY2016." Ibid. In compliance with this provision of the May 23 Order, the Board **ORDERS** that no SRECs generated under this program shall be available for sale prior to Energy Year 2016 unless the SREC market comes into balance or is under-supplied or the Board otherwise orders. The Board **DIRECTS** PSE&G to revise its program cost schedules to account for any carrying costs associated with this delay in the ability to sell SRECs, as permitted by the Board in the May 23 Order. Id. at 27.

While generally finding that the Stipulation complies with the law and Board policy, the Board is mindful of Rate Counsel's concerns about oversight of the SLIII Program and its use of ratepayer funds. The Board agrees that for the public interest to be best served, Board oversight must be clearly delineated, and the functioning of the SLIII Program must be as transparent as possible. Accordingly, the Board therefore **FINDS** that the Stipulation must be modified as set forth below to provide sufficient additional reporting and controls to ensure that ratepayer funds are used in a reasonable and prudent manner. The Board is not persuaded that requiring such additional reporting and controls in any way supplants the Company's right to control its day to day operations but only reflects the Board's obligation to supervise the activities of a public utility to ensure that it provides safe, adequate and proper service at just and reasonable rates. N.J.S.A. 48:2-13, 2-23.

Therefore, after a review of the full record including all the filings, testimony and comments, the Board **FINDS** that it is prudent and reasonable to require monthly reporting measures within the Solar Loan III Program. The Board **DIRECTS** PSE&G to submit a Solar Loan III Monthly Activity Report ("MAR") for the duration of the Solar Loan III Program. The Solar Loan III monthly activity reporting shall be consistent with the requirement set forth in Appendix A – Solar Loan III Monthly Activity Reporting.

The Solar Loan III MAR shall be transmitted to Secretary of the Board, Board Staff and Rate Counsel consistent with the requirements set forth in Appendix A. The Solar Loan III MAR shall be transmitted to the Office of Clean Energy and the Division of Energy and Rate Counsel electronically on or before the 20th day of the following month for which the Solar Loan III MAR is reporting.

Additionally, after a review of the full record including all the filings, testimony and comments the Board **FINDS** that it is prudent and reasonable to require project award selection evaluation measures within the SLIII Program. The Board **DIRECTS** that PSE&G implement a project selection assessment process for each type of project prior to the award of any loan. Within 30 days of the date of this Order, PSE&G shall submit to the Board Staff and Rate Counsel for review the specific Project Award Selection Policies and Procedures Manual for making a loan in each segment including the following sectors:

1. Residential;
2. Residential Aggregated;
3. Small Non-Residential;
4. Large Non-Residential; and
5. Landfills

The SLIII Project Award Selection Policy and Procedures Manual shall include the specific evaluation criteria for meeting the objectives of the program as well as the cost effectiveness criteria for each segment for the selection of a project for a loan. In addition, the standard contracts and lease agreement for all segments shall be submitted as part of the SLIII Policies and Procedures Manual. The cost effectiveness criteria shall be based on the best available cost data and shall be updated every six 6 months during the duration of the SLIII program.

The SLIII project selection assessment and evaluation for each landfill project shall be submitted to the Board Staff and Rate Counsel for review 10 business days prior to the award of the loan. The assessment and evaluation shall include the rationale for each landfill award as determined by the SLIII Project Award Selection Policy and Procedures Manual as well the cost effectiveness of the landfill award. The assessment and evaluation of the landfill project shall document the total cost of each project and all general and specific contract conditions. Board Staff and Rate Counsel shall, within 10 business days, raise any issues as to why the project does not meet the approved SLIII Landfill Policies and Procedures; if no action is taken within the 10 business days by Board Staff or Rate Counsel, the project shall be deemed authorized. If Board Staff or Rate Counsel objects that the project award is not consistent with the SLIII Landfill objectives, PSE&G may file a formal request for Board review of the project.

The Stipulation states that, based on the rates in effect as of February 1, 2013, a typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours on an annual basis and on BGS-FP service with PSE&G would see an initial increase in the annual bill from $1,349.08 to $1,349.24 or $0.16 or approximately 0.01%. The maximum expected rate impact for the same typical residential customer from this program is projected to occur in the October 1, 2018 through September 30, 2019 cost recovery period and is expected to be an annual increase of $2.12 or 0.157%. The Board **FINDS** these rates to be reasonable in light of the expected benefits of the SLIII Program as described above.

The Company's costs will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

As modified by this Order, the Board **APPROVES** the Stipulation. Approval of the Stipulation as modified is predicated on the specific facts of this matter and establishes no precedent for the resolution of other matters.

The rates resulting from approval of SLIII shall be implemented on June 1, 2013 or the date of service of this Order, whichever comes later. The Board **DIRECTS** PSE&G to file proposed tariff sheets substantially in conformance with the attachments to the Stipulation within five (5) days of the service of this Order.

DATED: 5/31/13

BOARD OF PUBLIC UTILITIES
BY:

Robert M. Hanna

ROBERT M. HANNA
PRESIDENT

Jeanne M Fox

JEANNE M. FOX
COMMISSIONER

JOSEPH L. FIORDALISO
COMMISSIONER

Mary-Anna Holden

MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities

In the Matter of the Petition of Public Service and Gas Company for Approval of a Solar Loan III Program and an Associated Cost Recovery Mechanism and for Changes in the Tariff for Electric Service B.P.U.N.J. No. 15 Electric Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:21.1
DOCKET NO. EO12080726

NOTIFICATION LIST

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Attachment A

Monthly Reporting for PSE&G Solar Loan III
Monthly Activity Report ("MAR")

The Solar Loan III MAR shall be transmitted in an Excel spreadsheet and a Word document format as appropriate,

The MAR shall be transmitted in hardcopy to the Divisions of Energy and Audits and to the Office of Clean Energy and to Rate Counsel and electronically to each on or before the 20th day of the following month for which the MAR is reporting.

The MAR shall report on the following segment

1. Residential;
2. Residential Aggregated;
3. Small Non-Residential;
4. Large Non-Residential; and
5. Landfills.

The following data shall be provided by project after a loan application has been submitted for a project and, once the loan has been committed and closed, by segment:

i. The capacity of each loan application/closing
ii. Owner of the project;
iii. Owner of the property;
iv. Installer/developer;
v. Operator of the installed project
vi. Total cost per project, including
    A. design costs,
    B. equipment cost by panel, inverter and balance of system,
    C. labor cost,
    D. soft costs, including permitting and interconnection
vii. Site location of the installation by street address, city and zip code;
viii. Owner location if different than the site location;
ix. Market segment;
x. Inventory of equipment installed including both the panels and the inverter and all balance of system equipment;
xi. Status of the installation and
xii. Application fees;

Summary of the number of units and the capacity installed per month and year to date (YTD) for each segment/sub-segment separately and in total.

Summary of the total loan applications by segment for the month and YTD.

Summary of the total loan closings by segment for the month and YTD

Summary of the funds expended per month and YTD for each segment and in total.

Summary of the SREC revenues by segment for the month or quarter depending on the SREC auction timeframe and YTD.

Summary of the funds committed per month and YTD for each segment and in total.

Summary of any problems encountered during the month

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RECEIVED

APR 30 2013

BOARD OF PUBLIC UTILITIES
MAIL ROOM

PSEG
Services Corporation

April 26, 2013

In the Matter of the Petition of
Public Service Electric and Gas Company
for Approval of a Solar Loan III Program and
an Associated Cost Recovery Mechanism and
for Changes in the Tariff for Electric Service,
B.P.U.N.J. No. 15 Electric Pursuant to
N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1
("Solar Loan III Petition")
BPU Docket No. EO12080726

In the Matter of the Petition of
Public Service Electric and Gas Company
for Approval of an Extension of a
Solar Generation Investment Program
and Associated Cost Recovery Mechanism
and for Changes in the Tariff for Electric Service,
B.P.U.N.J. No. 15 Electric Pursuant to
N.J.S.A. 48:2-21, 48:2-21.1 and N.J.S.A. 48:3-98.1
("Solar4All Extension Petition")
BPU Docket No. EO12080721

VIA ELECTRONIC & REGULAR MAIL

Kristi Izzo, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625

Dear Secretary Izzo:

Enclosed for filing are an original and ten (10) copies of a Settlement Agreement in the above-referenced matters.

The following parties have signed the Settlement Agreement with respect to the Solar4All Extension Petition: Public Service Electric and Gas Company ("PSE&G"), the Staff of the New Jersey Board of Public Utilities ("BPU "or "Board"), the Solar

Energy Industries Association ("SEIA"), Mid-Atlantic Solar Energy Industries Association ("MSEIA"), Prologis, and KDC Solar LLC ("KDC Solar"). The signature pages of the aforementioned parties are attached to the Settlement Agreement. In addition to the parties that have signed the Settlement Agreement, we have been advised that Sundurance Energy agrees in principle with the agreement and intends to sign on to it shortly. In addition, the Solar Energy Coalition has provided a letter, which is being submitted herewith, in support of the Settlement Agreement with respect to the Solar 4 All Petition.

The following parties have signed the Settlement Agreement with respect to the Solar Loan III Petition: PSE&G, Board Staff, SEIA, MSEIA, and KDC Solar. The signature pages of the aforementioned parties are also attached to the Settlement Agreement. The letter from the Solar Energy Coalition referenced above has also been filed in support of the Solar Loan III Petition.

PSE&G has agreed to extend the Board's review period for these matters, as provided for under N.J.S.A. 48:3-98.1, to no later than May 31, 2013. Also provided herewith is an Extension Stipulation providing for that extension and also providing that the parties shall have until May 9, 2013 to submit comments on the Settlement Agreement, with reply comments due on or before May 13, 2013. Board Staff has agreed that these matters will be listed for determination on the Board's May 29, 2013 agenda and that an Order will be issued no later than May 31, 2013.

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,

Matthew Weissman

Matthew M. Weissman

C **E-Mail Only**
Attached Service List
Robert M. Hanna, President
Joseph Fiordaliso, Commissioner
Jeanne M. Fox, Commissioner
Mary-Anna Holden, Commissioner

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
SOLAR4ALL EXTENSION
BPU DOCKET NO. EO12080721

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF AN EXTENSION OF A SOLAR GENERATION INVESTMENT PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. NO. 15 ELECTRIC PURSUANT TO N.J.S.A. 48:2-21, 48:2-21.1 AND N.J.S.A. 48:3-98.1 ("SOLAR4ALL EXTENSION PETITION")	)	**STIPULATION** BPU Docket No. EO12080721
IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF A SOLAR LOAN III PROGRAM AND AN ASSOCIATED COST RECOVERY MECHANISM AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. NO. 15 ELECTRIC PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1	)	**STIPULATION** BPU Docket No. EO12080726

APPEARANCES FOR SOLAR4ALL EXTENSION

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William Potter, Esq., Potter and Dickson, for Mid-Atlantic Solar Energy Industries Association

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Pamela J. Scott, Esq., for Atlantic City Electric Company

APPEARANCES FOR SOLAR LOAN III:

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TO THE HONORABLE COMMISSIONER JOSEPH L. FIORDALISO:

It is hereby AGREED, as of the 26th day of April, 2013, by and between Public Service Electric and Gas Company ("PSE&G" or the "Company"), the Staff of the New Jersey Board of Public Utilities ("BPU "or "Board"), and the undersigned parties (hereinafter referred to as the "S4AE Signatory Parties") to execute this Settlement Agreement for PSE&G's Petition for Approval of an Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism and for Changes in the Tariff for Electric ("Solar4All Extension Petition" or "S4AE Program").

It is hereby FURTHER AGREED, as of the 26th day of April, 2013, by and between PSE&G, the Board Staff, and certain of the undersigned parties (hereinafter referred to as the "SLIII Signatory Parties") to execute this Settlement Agreement for PSE&G's Solar Loan III Program and Associated Cost Recovery Mechanism and for Changes in the Tariff for Electric Service ("Solar Loan III Petition," "Solar Loan III Program," or "SLIII").

The S4AE and SLIII Signatory Parties do hereby join in recommending that the Board issue a Final Decision and Order approving this Global Settlement Agreement, including the Program Rules for the S4AE Program and the SLIII Program attached hereto and the attached proposed sheets of PSE&G's Tariff for Electric Service, as set forth herein.

I. BACKGROUND

A. SOLAR 4 ALL EXTENSION PROGRAM

On February 28, 2012 PSE&G held a pre-filing meeting at the Board's offices in Trenton, New Jersey during which it set forth its intention to seek an extension of the original Solar 4 All Program ("Original Program"). In subsequent meetings held on April 18, 2012 in Trenton and on July 12, 2012 at the Company's offices in Newark, PSE&G updated Board Staff and Rate Counsel regarding its plans to file for an extension of the Original Program.

On August 1, 2012, PSE&G filed a Petition ("S4AE Petition")[1] with the Board seeking approval of an extension of its existing approved Solar 4 All Program.[2] PSE&G also filed the supporting testimonies of PSE&G's Vice President of Customer Operations, Joseph A. Forline; Stephen Swetz, Director – Corporate Rates and Revenue Requirements, PSEG Services Corporation; and Donna M. Powell, Assistant Controller of PSEG Services Corporation.

By letter dated August 31, 2012, Board Staff notified PSE&G that the Petition was administratively incomplete.

On September 12, 2012, PSE&G submitted a supplemental filing to address the deficiencies identified in Staff's August 31, 2012 letter.

By letter dated October 19, 2012, Staff notified the Company that the Petition was administratively complete.

By Order dated October 23, 2012, the Board determined that this matter should be retained by the Board for review and hearing and designated Board President Hanna as the

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[1] I/M/O Petition of Public Service Electric and Gas Company for Approval of an Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism and For Changes in the Tariff For Electric Service, BPU Docket No. EO12080721

[2] In re Petition of Public Service Electric and Gas Company for Approval of a Solar Generation Investment Program and Associated Cost Recovery Mechanism, Docket No. E009020125.

presiding officer.[3] By Order dated November 19, 2012, President Hanna set forth the procedural schedule for this matter.

Motions to intervene were filed on behalf of: the Solar Energy Industries Association ("SEIA"), WattLots, L.L.C. ("WattLots"), New Jersey Large Energy Users Coalition ("NJLEUC"), Petra Solar, Inc. ("Petra Solar") Mid-Atlantic Solar Energy Industries Association ("MSEIA"), Prologis, New Jersey Solar Industry Manufacturers Association ("NJSIMA"), Sundurance Energy ("Sundurance"), KDC Solar LLC ("KDC Solar"), and New Jersey Solar Energy Coalition ("NJSEC"). In addition, Atlantic City Electric Company ("ACE") filed a motion to participate. By Orders dated November 29, 2012 and January 9, 2013, the Board granted the aforementioned motions to intervene[4] and motion to participate.

Public hearings were held in New Brunswick on November 27, 2012, in Hackensack on November 29, 2012, and in Mt. Holly on December 4, 2012. Numerous members of the public spoke in support of the S4AE Program, including representatives from various labor unions, solar developers, contractors and environmental groups. Concerns about overall costs of the Program were expressed by AARP and Rate Counsel. Additionally, one customer expressed some general concerns over utility communication with customers and utility bills.

On January 18, 2013, the Rate Counsel submitted the pre-filed direct testimony of Andrea C. Crane and David E. Dismukes. In addition, direct testimony was filed by interveners SEIA, Wattlots, KDC, MSEIA, Sundurance and Petra Solar.

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[3] President Hanna subsequently designated BPU Commissioner Fiordaliso as the presiding officer in this matter.

[4] NJSEC's motion was conditioned upon it obtaining counsel. That condition was not met, so PSE&G has not included NJSEC as a signatory party to the within agreement.

On February 4, 2013, PSE&G submitted the pre-filed rebuttal testimony of Terrence J. Moran, Director of Market Strategy and Development; Paul Ronald Moul - Managing Consultant at the firm P. Moul & Associates; Stephen Swetz - Director – Corporate Rates and Revenue Requirements; and Jorge L. Cardenas - Vice President – Asset Management and Centralized Services. Rate Counsel, also on February 4, 2013, submitted the rebuttal testimony of David E. Dismukes. SEIA witness Katie Bolcar-Rever filed rebuttal testimony in response to the direct testimony of Wattlotts.

On February 8, 2013, Rate Counsel filed a motion *in limine* to strike the testimony of Paul Moul and Jorge Cardenas or, alternatively, extend by sixty days the time for Rate Counsel to issue discovery on the rebuttal testimony and to present written surrebuttal testimony.

On February 13, 2013, PSE&G filed its opposition to the motion asserting that the challenged testimony was properly submitted and responsive to Rate Counsel's testimony.

On February 15, 2013, a revised schedule was agreed to between the Parties, allowing time for written surrebuttal and limited discovery by Rate Counsel.

By Order dated February 21, 2013, President Hanna approved a revised procedural schedule. Pursuant to the modified procedural schedule, on March 1, 2013, Rate Counsel submitted the surrebuttal testimony of Andrea C. Crane, David E. Dismukes, and Matthew I Kahal.

Commissioner Fiordaliso presided over evidentiary hearings in this matter, which took place on March 18, 19 and 21, 2013. PSE&G proffered three witnesses covering the Program components, need for the Program, cost of capital and cost recovery. Rate Counsel also proffered three witnesses. SEIA and Wattlots each proffered a witness. In addition to the written pre-filed direct, rebuttal and surrebuttal testimony submitted by the parties, PSE&G and Wattlotts presented oral surrebuttal testimony at the time of the hearings.

Throughout the course of this proceeding, the parties have served and responded to numerous discovery requests, which have all been moved into evidence and are part of the record in this matter.

B. SOLAR LOAN III PROGRAM

The Solar Loan III Program was developed in accordance with the Board's Order dated May 23, 2012 in Docket No. EO11050311V ("May 2012 Order") concerning future public utility investment in renewable energy programs. The May 2012 Order adopted the recommendation of the Board's Office of Clean Energy ("OCE") to extend the existing Electric Distribution Company ("EDC") SREC financing programs by 180 MW over a three-year period. PSE&G's share of that additional capacity is 97.5 MW.[5] The May 2012 Order directed each EDC to indicate in writing its acceptance of its respective allocation. On June 1, 2012, PSE&G submitted correspondence accepting its respective allocation.

As provided for under the May 2012 Order and subsequent communications from the OCE, PSE&G convened a pre-filing meeting for its Solar Loan III Program with Board Staff and Rate Counsel on July 12, 2012.

5 All references to MW capacity of Solar Systems in this Settlement Agreement are in direct current or "dc." The electricity generated by a solar system passes through an inverter and is converted to alternating current or "ac."

On August 1, 2012, PSE&G filed a petition ("SLIII Petition") with the Board seeking approval of its Solar Loan III Program.[6] PSE&G also filed the supporting testimonies of PSE&G's Vice President of Customer Operations, Joseph A. Forline; Stephen Swetz, Director – Corporate Rates and Revenue Requirements, PSEG Services Corporation; and Donna M. Powell, Assistant Controller of PSEG Services Corporation.

By letter dated August 31, 2012, Board Staff notified PSE&G that the SLIII Petition was administratively complete and the 180-day review period under N.J.S.A. 48:3-98.1 commenced on August 31, 2012.

By Order dated September 13, 2012, the Board determined that the matter should be retained by the Board for review and hearing and designated Commissioner Fiordaliso as the Presiding Officer.

By Order dated October 4, 2012 Commissioner Fiordaliso set forth the procedural schedule for this matter. The procedural schedule anticipated a March 2013 agenda date.[7]

Public hearings were consolidated with the S4AE public hearings and held in New Brunswick on November 27, 2012, in Hackensack on November 29, 2012, and in Mt. Holly on December 4, 2012.

Motions to intervene were filed on behalf of the following parties: SEIA, NJSEC, KDC Solar and MSEIA. By Order dated December 3, 2012 Commissioner Fiordaliso granted the motions to intervene.

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6 I/M/O The Petition of Public Service Electric and Gas Company for Approval of a Solar Loan III Program and Associated Cost Recovery Mechanism, Docket No. E012080726.

7 By Order dated January 23, 2013, the Board approved a Stipulation to extend the deadline for Board action on the Petition to April 1, 2013.The Board subsequently approved a Stipulation to extend the deadline for Board action until May 1, 2013.

On January 11, 2013, Rate Counsel submitted the pre-filed direct testimony of Andrea C. Crane and David E. Dismukes.

On February 6, 2013, PSE&G submitted the pre-filed rebuttal testimony of Terrence J. Moran, Director of Market Strategy and Development; Paul Ronald Moul - Managing Consultant at the firm P. Moul & Associates; Stephen Swetz - Director – Corporate Rates and Revenue Requirements; and Jorge L. Cardenas - Vice President – Asset Management and Centralized Services. SEIA also filed rebuttal testimony.

On February 12, 2013, Rate Counsel filed a motion *in limine* to strike the testimony of Paul Moul and Jorge Cardenas or, in the alternative, extend by sixty days the time for Rate Counsel to issue discovery on the rebuttal testimony and to present written surrebuttal testimony.

On February 15, 2013, the Parties agreed to a revised schedule, allowing time for written surrebuttal and limited discovery by Rate Counsel.

By Order dated February 21, 2013, Commissioner Fiordaliso approved that revised procedural schedule, and on March 1, 2013, Rate Counsel submitted the surrebuttal testimonies of Andrea C. Crane, David E. Dismukes, and Matthew I. Kahal.

Throughout the course of the proceeding, the Parties served and responded to numerous discovery requests, which are part of the record in this matter. In addition, a discovery conference was held on November 7, 2012.

Hearings in this matter were scheduled for April 1 and 2, 2013.

By Order dated April 1, 2013, Commissioner Fiordaliso approved a Stipulation canceling the hearings and accepting the agreement of the parties with respect to items comprising the record.[8] Pursuant to that Stipulation and Order, the record in the SLIII proceeding includes, among other things, (a) all prefiled testimony submitted in this docket; (b) all discovery responses provided by the parties in this docket; and (c) the transcripts and Exhibits included in the record of the separate matter, I/M/O the Petition of Public Service Electric and Gas Company for Approval of an Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism and for Changes in the Tariff for Electric Service, B.P.U.N.J. No. 15 Electric, Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:3-98.1, BPU Docket No. EO12080721, to the extent those record items pertain to witnesses of parties in the Solar Loan III proceeding and concern issues that are substantially similar or identical to issues addressed and testimony submitted in the Solar Loan III proceeding.

C. SETTLEMENT EFFORTS

Throughout the course of both the S4AE and SLIII proceedings, both formal and informal settlement efforts have been on-going. Settlement meetings among all parties were conducted on November 27, 2012, December 4, 2012, and January 14, 2013 at PSE&G's offices in Newark, New Jersey and on April 24, 2013 at PSE&G's offices in Trenton, New Jersey

On October 29, 2012 Superstorm Sandy made landfall in New Jersey. Although remaining committed to the continued development of solar in New Jersey in accordance with New Jersey's Energy Master Plan ("EMP") goals and objectives, PSE&G has incorporated the priority of strengthening and making its distribution system more resilient into its settlement

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[8] I/M/O The Petition of Public Service Electric and Gas Company for Approval of a Solar Loan III Program and Associated Cost Recovery, Docket No. EO12080726, Order Adopting Stipulation Setting Contents of the Record and Canceling Evidentiary Hearings (April 1, 2013).

efforts in the within matters. Additionally, pursuant to the EMP, the State of New Jersey is supportive of solar investment particularly on landfills and brownfields. As such, and in consideration of these issues as well as other issues raised in these proceedings by various parties, PSE&G has agreed to certain modifications to the S4AE and SLIII Programs as set forth below.

In light of the foregoing, the Signatory Parties have agreed to submit this Settlement Agreement, the terms of which are set forth below. Specifically, the Signatory Parties hereby **STIPULATE AND AGREE** to the following:

II. STIPULATED MATTERS

A. SOLAR 4 ALL EXTENSION PETITION

Program Size, Segments, Solicitation Process and Allocation of Capacity

1. The Signatory Parties agree that the Program Size will be capped at 45 MW (dc) of grid-connected solar-projects interconnected to a utility's electrical distribution system under the terms and conditions of this settlement. The capital investment (excluding AFUDC) over the initial build-out period is estimated to be $247.2 million. The reduced size of the S4AE Program is the result of a negotiation between the parties reflecting the different views as set forth in the testimony presented by several parties indicating support for PSE&G's continued involvement in solar development, at a reduced Program size and scope.

2. The Solar Photovoltaic System ("Solar System") must be capable of generating solar renewable energy certificates ("SRECs") as defined under the Board's regulations.

3. No capacity will be placed into service before Energy Year ("EY") 2015, and no more than 20 MWs of the 45MWs will be placed in service in EY 2015, with the remainder going into service in EY 2016 or thereafter.

4. The S4AE Program will have the following Segments:

A. Landfills/brownfields – 42 MW, minimum project size 1000 kW
B. Underutilized government facilities – 1 MW, minimum project size 100 kW
C. Pilot program on grid security/storm preparedness – 1 MW, minimum project size 100 kW
D. Pilot program for innovative parking lot applications – 1 MW, minimum project size 100 kW

Segments B, C and D are collectively referred to as "Pilots."

The reduced scope of the Program Segments reflects the result of negotiations among the parties consistent with the evidence presented in this proceeding reflecting the unique challenges with achieving the EMP's objective of building solar on landfills and brownfields. In addition, the parties expressed an interest in exploring the evaluation of the innovative use of solar technologies through pilot programs.

5. PSE&G will have flexibility to move capacity only between the Pilots. PSE&G may increase the landfills/brownfields Segment by up to 3 MWs, but may not reduce solar on landfills/brownfields to increase the size of another Pilot Segment. For solar on landfills/brownfields, PSE&G will seek Board certification of project location pursuant to the Board's Order implementing the Solar Act of 2012, N.J.S.A. 48:3-87 subsection (t) by submitting an application to the Board for NJDEP review and approval by the Board.

6. PSE&G shall not transfer any costs from a canceled project to a new Solar4All Extension project unless those costs directly benefit the new project.

Selection Process and Site Identification for Segments A & B

7. PSE&G will be responsible for identifying and selecting suitable sites for the Solar Systems. Additionally, PSE&G may also request landfill or brownfield site owners to submit proposals for consideration. PSE&G will give favorable consideration to those projects in which the site owner and solar contractor have coordinated and prepared a fully engineered, ready to build project.

8. PSE&G may retain the services of an engineering firm for site assessment, development of the scope of work, permitting, proposal review, and other services.

9. PSE&G and a host site owner will enter into a suitable agreement ("Lease") containing typical terms and conditions including rent payments, insurance, indemnifications, owner responsibility for pre-existing site conditions, and access, all to be negotiated with the site owner. All Leases between PSE&G and the site owner will have a 20 year term, unless applicable law requires a shorter term, and may contain options to extend the term as negotiated by the parties.

10. The determination of the lease payment will follow the methodology established in the current Solar 4 All™ program and will be escalated by a percentage annually for a term of 20 years. The lease payment will be set at a price per kWh of projected output in the first year.

11. Additional payments may be made to site owners, which may also include pre- and post- commercial operation payments, and other option payments necessary to secure property rights for the site.

12. The site owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions.

Selection Process and Site Identification for Segments C & D

13. For Segments C and D, PSE&G will conduct a solicitation requesting proposals that meet the objectives of each pilot/demo segment. Notices for each solicitation will be posted on the PSE&G website and may also be promoted through other means as determined by PSE&G.

14. Each proposal shall contain: (i) a project description, site plan solar array layout, and total installed watts (dc); (ii) the total installed cost of the pilot/demo solar system; (iii) an annual energy output estimate in kWh for the first year using a methodology as may be appropriate and acceptable to PSE&G; (iv) a project schedule; and (v) a clear and detailed description of how the proposed pilot/demo Solar System meets the objectives of the segment.

15. PSE&G will evaluate and select proposals for segments C and D based on the objectives and criteria established for each segment. PSE&G reserves the right to reject any or all proposals that, in its view, do not meet the segment's objectives and criteria.

Construction and Interconnection of Projects for Segments A and B

16. Developers will be hired through a competitive bid process to provide the engineering, permitting, procurement and construction services required to develop the projects, with preference for New Jersey providers and prevailing wages required.

17. Upon the final acceptance of a proposal, PSE&G will enter into a contract with the developer to build the Solar System. The contract will contain typical terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the Site Owner.

18. Alternatively, PSE&G may procure the equipment directly, with preference for New Jersey providers, and hire developers through a competitive bid process as described in paragraph 16 to provide the engineering, permitting and construction services.

19. PSE&G (a) will initiate the PJM Interconnection process, and (b) seek to identify the interconnection costs associated with viable sites as determined by PSE&G.

20. PSE&G will perform the interconnection work for projects in PSE&G's territory and may perform portions of the other work.

<u>Construction and Interconnection of Projects for Segments C and D</u>

21. For each segment, PSE&G will conduct a solicitation requesting proposals that meet the objectives of each pilot/demonstration segment, with preference for New Jersey providers and prevailing wages required. Notice for each solicitation will be posted on the PSE&G website and may also be promoted through other means as determined by PSE&G.

22. Upon the final acceptance of a proposal, PSE&G will enter into a contract to build the pilot/demo Solar System. The contract will contain typical terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the site owner.

23. PSE&G and site owner will enter into a suitable agreement containing typical terms and conditions including insurance, indemnifications, owner responsibility for pre-existing site conditions, and access. Because of the uniqueness of the pilot/demo projects, the exact nature of any financial transactions between PSE&G and the site owner will be determined on a case by case basis.

24. The site owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions. PSE&G will not be responsible for pre-existing site conditions.

25. PSE&G (a) will initiate the PJM Interconnection process, and (b) seek to identify the interconnection costs associated with viable sites as determined by PSE&G.

26. PSE&G will perform the interconnection work for projects in PSE&G's territory and may perform portions of the other work.

Reporting

27. PSE&G will provide Project Milestone Reporting including but not limited to SREC Registration Program (SRP) Package submission date, SRP acceptance date, and construction initiation date. In addition, PSE&G will provide quarterly construction updates to the Board, including construction completion and authorization to energize dates.

Sale of SRECs

28. SRECs will be sold in the year generated or in the next available auction following the close of the Energy Year.

<u>**Cost Recovery and Bill Impacts**</u>

29. PSE&G will recover the net revenue requirements for the Solar4All Extension Program via a new Solar Generation Investment Extension Program ("SGIEP") component of the Company's electric RGGI Recovery Charge ("RRC"). The SGIEP will be applicable to all electric rate schedules on an equal cents per kilowatt-hour basis for recovery of the costs associated with the Solar 4 All Extension Program. The initial SGIEP will be based on revenue requirements from June 1, 2013, or the date of the written Board Order, through September 30, 2014. Thereafter, the SGIEP will be changed nominally on an annual basis in conjunction with the annual filing for all other existing RRC components, incorporating a true-up for actual results and a forecast of revenue requirements for the twelve months succeeding the anticipated Board approval date.

30. The Signatory Parties stipulate that the revenue requirements recovered through the SGIEP will be calculated to include a return on investment and a return of investment over the lives of the capital assets. The Program investments are proposed to be treated as separate utility assets, and depending on the type of investment, either depreciated or amortized as described in the corresponding section below. The revenue requirements associated with the direct costs of the Program would be expressed as:

*Revenue Requirements = (Pre-Tax Cost of Capital * Net Investment) + Amortization and/or Depreciation + Operation and Maintenance Costs – Revenues from Solar Output – ITC Amortization w/ Tax Gross Up + Tax Associated from ITC Basis Reduction*

31. The details of each of the above terms are described as follows:

<u>Cost of Capital</u> – This is PSE&G's overall weighted average cost of capital ("WACC"). The overall cost of capital utilized to set rates for the initial rate period of the Program will be 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on

equity of 10.0% and the Company's embedded long-term cost of debt as of March 31, 2013 of 5.1702%.

Net Investment – This is the Gross Plant-in-Service less associated accumulated depreciation and/or amortization less Accumulated Deferred Income Tax ("ADIT").

Depreciation/Amortization – The depreciation or amortization of the Program assets will vary depending on its asset class. The table below summarizes the book recovery and associated base tax depreciation applied to the corresponding asset classes. The base tax depreciation is calculated on the total amount of the asset less any bonus depreciation and any applicable tax credits.

Asset Class	Book Recovery	Base Tax Depreciation
Solar Panels, acquisition and installation costs	20 year dep.	5 year MACRS
Inverters	5 year dep.	
Communications Equipment		
Meters	20 year dep.	20 year MACRS

The amortization/depreciation would be based on a monthly vintaging methodology instead of the mass property accounting typically used for utility property.

Operations and Maintenance Costs – Operations and Maintenance Costs will include:

- PSE&G labor and other related on-going costs required to manage the physical assets.
- Administrative costs related to the management of the Program.
- Rent/lease or other payments or bill credits made to non-PSE&G host sites/facilities and the fair values of rents for use of electric transmission sites/facilities.
- Insurance Expense

Revenues from Solar Output – PSE&G will pursue generating revenues from solar output from the following sources:

- Sales of energy in the applicable PJM wholesale markets
- Capacity payments from the PJM capacity market
- Sales of SRECs through an auction process

PSE&G will apply all net revenues it receives from the energy and capacity sales in the PJM markets and the sale of SRECs to customers to offset the Extension Program revenue requirements.

Investment Tax Credit ("ITC") –The Company will return all of the ITC it utilizes to ratepayers in accordance with Federal income tax law. The return of the ITC to ratepayers must be amortized over the book life of the assets. The ITC benefit is partially offset by the tax impact associated with the tax basis reduction equal to fifty percent of the ITC. This tax basis reduction is prescribed by Federal income tax law governing the ITC. The impact on revenue requirements is generated by applying the book depreciation method to the difference between the book basis and the tax basis multiplied by the tax rate, and then multiplied by the revenue conversion factor.

32. The Signatory Parties further stipulate that the initial revenue requirement calculation will use a WACC of 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 10.0%, and the Company's embedded long-term cost of debt as of March 31, 2013 of 5.1702% (See Attachment A for WACC Calculation). The Signatory Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations, effective as of the date of the Board's base rate case order authorizing a change in the WACC. The Parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the date of the next scheduled annual true-up but in any event, no later than January 1 of the subsequent year. The Parties stipulate that after the initial revenue requirements period, the SGIEP will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial SGIEP for the period ending September 30, 2014 is set forth in Attachment A attached hereto and made a part of this Stipulation. The corresponding forecasted rates for all periods are set forth in Attachment L attached hereto and made part of this stipulation.

33. In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines utilized in the preceding month. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. In the event that neither commercial paper nor bank credit lines were utilized in the preceding month, the last calculated rate will be used. The interest rate shall not exceed PSE&G's overall rate of return as authorized by the Board. The interest amount charged to the SGIEP balance will be computed using the methodology set forth in Attachment B attached hereto and made a part of this Stipulation, based on the net of tax average monthly balance. Simple interest shall accrue on any under and over recovered balance, and shall be included in the deferred SGIEP balance at the end of each reconciliation period. The true-up calculation of over-and under-recoveries shall be included in the Company's Annual Filing.

34. The Parties agree that PSE&G has the right to request Board approval to roll the net, unrecovered Program investment balance into base rates at the time of a future electric base rate case filing.

35. The Parties request that the Board set the effective date of the initial SGIEP as June 1, 2013.

36. The SGIEP will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under recovered balance to be recovered from or returned to ratepayers over the following year. Any Board ordered cost recovery adjustments resulting from the review of the actual costs will be made to the over/under deferred balance and reflected in the charges established for the following year pursuant to a

Final Board Order. The Signatory Parties stipulate that the Company will file an annual petition (Annual Filing) to adjust its SGIEP in conjunction with the annual filing for the existing components of the electric RRC, with the first Annual Filing currently scheduled to be made by no later than July 1, 2014 for rates effective October 1, 2014 through September 30, 2015.

37. Each Annual Filing will contain a reconciliation of PSE&G's actual SGIEP recoveries (which were based on PSE&G's projected SGIEP costs) and actual revenue requirements for the prior period, and a forecast of revenue requirements for the remainder of the current period and for the upcoming 12-month period that shall be based upon the Company's authorized ROE and capital structure for this Program. The Annual Filing also will present actual costs incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudence. The Annual Filing will also provide information consistent with the information in the Minimum Filing Requirements ("MFRs") provided in the existing S4A Program. The Annual Filing will be subject to review by the Parties with opportunity for discovery and filed comments prior to the issuance of a Board Order establishing the Company's revised SGIEP. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings, if required by law.

38. The Parties agree that the proposed SGIEP rate, as set forth in the tariff sheets in Attachment C, attached hereto are just and reasonable and PSE&G is authorized to implement the proposed rates on June 1, 2013 or on the date of the written BPU Order approving this Stipulation, whichever is later.

39. A typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours on an annual basis and on BGS-FP service with PSE&G would

see an initial increase in the annual bill from $1,349.08 to $1,349.36 or $0.28 or approximately 0.02%. See Attachment D for residential customer bill impacts. As currently projected, the maximum rate impacts for the same typical residential electric customers from the SGIEP would occur in the October 1, 2015 through September 30, 2016 cost recovery period. The expected maximum increase from the SGIEP for a typical residential customer in the October 1, 2015 through September 30, 2016 cost recovery period would be $0.000601 per kWh (including sales and used tax (SUT)), for a typical annual residential bill impact of $4.44 (0.329 %) or about $0.37 per month.

Program Rules

40. The Signatory Parties agree that the Program Rules for S4AE ("S4AE Program Rules") shall be as set forth in Attachment E. PSE&G shall have the right to amend the S4AE Program Rules as required for commercial reasons, after ten business days advance notice to Board Staff and Rate Counsel unless Board Staff notifies PSE&G in writing within that same ten business day period that it objects to the amendment. In such event, Board Staff shall have the right to seek Board review of the amendment on an expedited basis so as not to delay Program implementation.

B. SOLAR LOAN III PETITION

Program Size, Segments, Solicitation Process and Allocation of Capacity

41. The Signatory Parties agree that the Solar Loan Program shall be 97.5 MW in total size.

42. Loan applications will be grouped into the following market segments:

a. Residential-Individual Customer – net-metered

b. Residential-Aggregated by a 3rd Party–net-metered ("Res-Aggregated")- Third parties that aggregate residential customers shall be allowed to participate and will be treated as non-residential applicants under the Solar Loan III Program through the Res-Aggregated Segment. For the solicitations, they will be required to bid individual residential projects including individual solar renewable energy certificate ('SREC') Floor Prices. After review by the Solicitation Manager described below, the final group of selected residential projects submitted by a third party aggregator will be combined, and the third party aggregator will be assigned the capacity of the combined residential projects selected and from then on will be treated as a non-residential application for credit review and loan management. In the event that individual residential projects have different SREC bid prices, a weighted average SREC bid price will be calculated. The weighted average SREC floor price will be rounded to the nearest $5.00 increment. Once individual residential projects have been accepted and the third party aggregator has been assigned capacity, substitute projects will not be allowed.

c. Non-residential ≤ 150kW – net-metered ("Small Non-Res")

d. Non-residential >150kW (up to 2 MW per project) – net-metered ("Large Non-Res")

e. Landfills/brownfields (up to 5 MW per project) – either net-metered or grid connected ("Landfills") and as defined in P.L.1999, c.23 (C.48:3-49). PSE&G will manage the Landfills/brownfield solicitation process directly or through a third-party vendor. Prior to being qualified for the Program, PSE&G reserves the right to require applicants to demonstrate proof of project viability through geotechnical engineering reports, landfill closure certifications and other documents as required. PSE&G may also require applicants to show proof of site control and a minimum level of site development before being designated as a qualified applicant. Applicants that are required to be certified pursuant to the Board's Order implementing the Solar Act of 2012, N.J.S.A. 48:3-51 subsection (t) must submit their application to the Board no more than 10 calendar days after PSE&G provides notification that they have been conditionally accepted into the Program.

43. There will be no Call Option for any segment.

44. PSE&G plans to conduct solicitations every other month or six times a year. However, PSE&G reserves the right to alter the schedule based on market conditions, administrative workload, and other factors.

45. Both residential and non-residential borrowers will participate in a competitive solicitation process ("Solicitation Process") in which there will be no pre-set maximum floor price.

46. The cost of the Solicitation Process will be included in the borrower fees and PSE&G's administrative costs as described below.

47. Upon commencement of the Solar Loan III Program, any remaining un-awarded capacity from PSE&G's Solar Loan II program will be rolled into the first solicitation for the Large Non-Res segment.

48. Subsequent to the first Solar Loan III solicitation, if additional Solar Loan II capacity becomes available, it will be rolled into the next available solicitation for the Large Non-Res segment.

49. PSE&G will hire an independent Solicitation Manager ("SM"), selected through a competitive bid process who will independently review and rank the bids received and provide guidance to the Company regarding competitive SREC floor prices and the competitiveness of individual segments based on such factors as the number of bidders, a statistical analysis of bids to identify and reject outliers, kW bid size, and range of pricing. The SM will also provide its guidance to the Board Staff and Rate Counsel for review and comment.

50. Capacity will be made available at each solicitation as follows:

	Solicitation

Class	% of Total	Total MW	#1	#2	#3	#4 - #12	#13 - #18
Residential	10.00%	9.75	0.300	0.500	0.850	0.900	TBD
Res-Aggregated	10.00%	9.75	0.300	0.500	0.850	0.900	TBD
Small Non-Res	13.48%	13.14	2.628	1.314	1.314	0.876	TBD
Large Non-Res	61.39%	59.86	11.972	5.986	5.986	3.991	TBD
Landfills	5.13%	5.00	5.000	0.000	0.000	0.000	TBD
Total		97.50	20.200	8.300	9.000	6.667	TBD

Loan Terms and Credit Criteria

51. All loans will have a ten-year term.

52. A potential borrower will submit a loan application with a proposed SREC floor price specific to their project.

53. The floor price will remain in effect for the duration of the loan term. ✓

54. Estimated generation from the solar power system for the purposes of sizing the loans will be determined using PV Watts or an equivalent estimating model subject to PSE&G's approval.

55. All systems that are located in PSE&G's electric service territory and are eligible for SRECs will be eligible to participate.

56. Projects accepted under the SLIII Program will be ineligible for any benefits from other PSE&G or BPU renewable energy programs, with the exception of net-metering and receipt of SRECs generated by the solar system.

57. Projects under construction may not apply for loans in the Residential-Individual Customer, Small Non-Res, and Large Non-Res segments. "Under construction" means anything other than site clearance or site preparation. The receipt and storage of equipment at the facility site will not be considered "under construction", provided no attempt is made to assemble or erect the equipment. In the Res-Aggregated and Landfill market segments, projects under construction but not in commercial operation are eligible to apply for the Solar Loan III Program. "Commercial Operation" means that the system is operating and has received its final inspection in preparation for the issuance of SRECs.

58. For non-residential projects, loan applicants must be registered to do business in New Jersey.

59. All applicants must meet minimum insurance requirements as specified in the appropriate solar loan agreement.

60. All applicants are responsible for solar system maintenance for the duration of the loan term.

61. PSE&G will enter into appropriate subordination agreements with the property owners and landlords to protect PSE&G's security interest in the solar equipment.

Fees

62. Application Fee – an application fee of $20 per kW, with a maximum of fee of $7,500, will be required at the time of application. Once an applicant has been notified that the application has been conditionally accepted into the program, the application fee becomes non-refundable. If an applicant is not accepted, the application fee will be returned. Res-Aggregators may receive a partial refund if the full capacity bid is not accepted.

63. Administration Fee – there will be an administration fee of $85 per kW. The administration fee will be deducted from the loan proceeds at the time the loan is issued to the borrower.

64. SREC Processing Fee – there will be a fee for the processing and management of the SRECs generated by the borrower's solar generation facility, which will include the costs of the SREC auction. For the Residential Segment, the SREC Processing Fee will be $120 per kW and will be deducted from the loan proceeds at the time the loan is issued to the borrower. For all other segments, the SREC Processing Fee will initially be set at $10.18 per SREC and then will be reset on an annual basis as described below. The SREC Processing Fee will be billed annually as set forth in the borrower's loan agreement and will be determined by multiplying the SREC Processing Fee in affect at the time times the number of SRECs generated by the borrower's project for the previous year.

65. There are other potential fees encompassed within the SLIII Program Rules that may be assessed to a borrower, such as Milestone Fees and name change fees.

66. All PSE&G administrative costs will be paid by borrowers over the life of the Solar Loan III Program. A "true-up mechanism" will ensure all costs are recovered from the borrowers and that the borrowers only pay the actual cost incurred. The SLIII Program Rules attached hereto as Attachment F contain additional details on the true-up mechanism.

Meter Reading

67. All projects will have a PSE&G revenue grade meter installed at the customer's expense to measure solar system output. A second revenue grade meter may be installed as a backup at the customer's expense provided the meter meets the current accuracy standards as set forth by the Board at N.J.A.C. 14:8 *et. seq.*

68. If a meter reading is simply missed for the month, the generation for that month will be credited when the next actual meter reading is obtained and entered into the Pennsylvania, Jersey, Maryland ("PJM") Environmental Information Services ("EIS") Generation Attribute Tracking System ("GATS"). SRECs will be credited to the loan in the month in which they are created.

69. PSE&G may offer residential customers the option of registering for "MyAccount" on the PSEG website, which will enable them to enter meter readings in any month that their meter is not read by a PSE&G meter reader.

70. If the PSE&G meter is not functioning properly and actual accurate generation data cannot be obtained from this meter, and the Borrower has a backup revenue grade meter installed for the system, PSE&G will accept data from the back-up meter if it is accompanied by a specifications sheet for the meter indicating the meter satisfies the above referenced Board requirements. In the cases where a PSE&G owned meter is functioning properly, but there is an issue with remote telemetry, PSE&G reserves the right to conduct a site visit and obtain generation data directly from the meter.

71. If the PSE&G meter is not functioning properly and actual generation data cannot be obtained from this meter, and the Borrower does not have a backup revenue grade meter

installed for the system, PSE&G will not enter any generation data into PJM GATS for the period when the actual generation data cannot be obtained.

72. Each third-party aggregator is required to install and own a meter that meets the then current standards as approved by the Board for each residential project for which the aggregator receives funding under Solar Loan III. Each third-party aggregator must provide PSE&G with SREC generation data along with access to the data for validation. Third-party aggregators are responsible for ensuring the accuracy and availability of all data.

Cost Recovery and Bill Impacts

73. PSE&G will recover the net revenue requirements for the Solar Loan III Program via a new Solar Loan III Program component ("SLIIIc") of the Company's electric RGGI Recovery Charge (RRC). The SLIIIc will be applicable to all electric rate schedules on an equal cents per kilowatt-hour basis for recovery of the costs associated with the Solar Loan III Program. The initial SLIIIc will be based on revenue requirements from June 1, 2013, or the date of the written Board Order, through September 30, 2014. Thereafter, the SLIIIc will be changed nominally on an annual basis in conjunction with the annual filing for all other existing RRC components, incorporating a true-up for actual results and a forecast of revenue requirements for the twelve months succeeding the anticipated Board approval date.

74. The SLIII Signatory Parties stipulate that the revenue requirements recovered through the SLIIIc will be calculated to include a return on investment and a return of investment over the lives of the capital assets. The Program investments are proposed to be treated as separate utility assets, and depending on the type of investment, either depreciated or amortized

as described in the corresponding section below. The revenue requirements associated with the direct costs of the Program would be expressed as:

*Revenue Requirements = (Cost of Capital * Net Investment) – Net Loan Accrued Interest + Amortization and/or Depreciation + Net Operation and Maintenance Costs – Net Proceeds from the sale of SRECs – Cash Payments in lieu of SRECs*

The details of each of the above terms are described as follows:

Cost of Capital – This is PSE&G's overall weighted average cost of capital ("WACC"). The overall cost of capital utilized to set rates for the initial rate period of the Program will be 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 10.0% and the Company's embedded long-term cost of debt as of March 31, 2013 of 5.1702%.

Net Investment – The net investment for the Program would be comprised of the following:

- Total Loan Outstanding Balances. The Total Loan Outstanding Balances are defined as: *Loan Accrued Interest Balances + Loan Principal Balances*
- SREC inventory

Total Loan Outstanding Balances – The detailed monthly return calculation on the total loan outstanding balances would be as follows:

Loan Accrued Interest + Loan Interest Rate to WACC Differential Cost

where

*Loan Accrued Interest = Average Daily Outstanding Loan Balance * (Annual Loan Interest Rate / 365) * (# of Days in Month)*

And

*Loan Interest Rate to WACC Differential Cost = Loan Accrued Interest *((Pre Tax WACC /Loan Interest Rate) – 1)*

SREC Inventory – The detailed monthly return calculation on the SREC Inventory would be as follows:

*Average Daily Outstanding SREC Inventory Balance * (Pre Tax WACC / 365) * (# of Days in Month)*

Net Loan Accrued Interest – This amount is subtracted from revenue requirements. It is defined as (Loan Accrued Interest – Loan Interest Paid). It accounts for timing differences from when loan interest is accrued and loan interest is paid. Over the life of loan, the Loan Accrued Interest is equal to the Loan Interest Paid.

Depreciation/Amortization – This is composed of Loan Principal Paid / Amortized.

Net Operations and Maintenance Costs – is calculated as Gross Operation and Maintenance Costs less any revenues received from the borrowers. Gross Operations and Maintenance Costs would include PSE&G labor and other related on-going costs required to manage and administer the Program including related information technology expenses, the cost of the SM, and SREC disposition expenses.

Revenues received from the borrowers would include any revenue received from the following sources as described in the Program Rules:

- Applications fees
- Administrative Fees
- SREC Processing Fees
- Any other applicable Fees

The SLIII Signatory Parties stipulate that the Net Operation and Maintenance Costs must equal zero over the life of the Solar Loan III Program as shown in Attachment G hereto.

The SLIII Signatory Parties further stipulate that common costs shared by all three of PSE&G's solar loan programs be allocated based on foreeasted MW capacity installed for the upcoming year. Therefore, every December a forecast will be conducted of the cumulative total capacity installed by the end of the following year for the Solar Loan III Program. For Solar Loan I and Solar Loan II, the current methodology of allocating costs based on the total forecasted capacity installed for the program will be maintained. The ratio of the forecasted installed capacity for each program to total forecasted installed capacity for all of the solar loan programs will be applied to all common costs for the following year starting on January 1.

Net Proceeds from the sale of SRECs – The net SREC proceeds reduce revenue requirements and is defined as:

SREC Value Credited to Loans + Gain/(Loss) on Sale of SRECs - SREC Floor Price Costs

SREC Value Credited to Loans – The SREC Value Credited to Loans is defined as the number of SRECs generated and credited to the loans times the higher of the "market value" of SRECs as defined in the Loan Agreements or the Floor Price.

Gain/(Loss) on Sale of SRECs – The proceeds from the Sale of SRECs less their corresponding inventory cost. Inventory cost is the value the SREC received when they were credited to loans as defined above.

SREC Disposition Expenses – All costs related to the disposition of SRECs for the Program.

SREC Floor Price Costs – When the market value of the SRECs credited to loans, as defined in the Loan Agreements, is less than the value of the SRECs priced at the Floor Price, the differential value reduces the Net Proceeds from the sale of SRECs.

Cash Payments in lieu of SRECs – This includes when the borrower chooses to repay loan with cash and any required true up cash payments.

75. The SLIII Signatory Parties further stipulate that the initial revenue requirement calculation will use a WACC of 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 10.0%, and the Company's long-term cost of debt as of March 31, 2013 of 5.1702% (See Attachment H for WACC calculations). The SLIII Signatory Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations, effective as of the date of the Board's base rate case order authorizing a change in the WACC. The Parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the date of the next scheduled annual true-up but in any event, no later than January 1 of the subsequent year. The Parties stipulate that after the initial revenue requirements period, the SLIIIc will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial SLIIIc for the period ending September 30, 2014 is set forth in Attachment H and Attachment I attached hereto and

made a part of this Stipulation. The corresponding forecasted rates for all periods are set forth in Attachment M attached hereto and made part of this stipulation

76. In calculating the monthly interest on net over and under recoveries, the interest rate shall be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines utilized in the preceding month. If both commercial paper and bank credit lines have been utilized the weighted average of both sources of capital shall be used. In the event that neither commercial paper nor bank credit lines were utilized in the preceding month, the last calculated rate will be used. The interest rate shall not exceed PSE&G's overall rate of return as authorized by the Board. The interest amount charged to the SLIII balance will be computed using the methodology set forth in Attachment J hereto, based on the net of tax average monthly balance. Simple interest shall accrue on any under and over recovered balance, and shall be included in the deferred SLIII balance at the end of each reconciliation period. The true-up calculation of over-and under-recoveries shall be included in the Company's Annual Filing.

77. The Parties request that the Board set the effective date of the initial SLIIIc as of June 1, 2013 or the date of the Board's written Order approving this Settlement, whichever is later.

78. The SLIIIc will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under recovered balance to be recovered from or returned to ratepayers over the following year. Any Board ordered cost recovery adjustments resulting from the review of the actual costs will be made to the over/under deferred balance and reflected in the charges established for the following year pursuant to a Final Board Order. The SLIII Signatory Parties stipulate that the Company will file an annual

petition (Annual Filing) to adjust its SLIIIc in conjunction with the annual filing for the existing components of the electric RRC, with the first Annual Filing currently scheduled to be made by no later than July 1, 2014 for rates effective October 1, 2014 through September 30, 2015.

79. Each Annual Filing will contain a reconciliation of PSE&G's actual SLIII recoveries (which were based on PSE&G's projected SLIII costs) and actual revenue requirements for the prior period, and a forecast of revenue requirements for the remainder of the current period and for the upcoming 12-month period that shall be based upon the Company's authorized ROE and capital structure for this Program. The Annual Filing also will present actual costs incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudence. The Annual Filing will also provide information consistent with the information in the Minimum Filing Requirements ("MFRs") provided in the existing Solar Loan II Program. The Annual Filing will be subject to review by the Parties with opportunity for discovery and filed comments prior to the issuance of a Board Order establishing the Company's revised SLIIIc. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings, if required by law.

80. The Parties agree that the proposed SLIIIc rate, as set forth in the tariff sheets in Attachment C, attached hereto are just and reasonable and PSE&G is authorized to implement the proposed rates on June 1, 2013 or on the date of the written BPU Order approving this Stipulation, whichever is later.

81. A typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours on an annual basis and on BGS-FP service with PSE&G would see an initial increase in the annual bill from $1,349.08 to $1,349.24 or $0.16 or approximately

0.01%. See Attachment K for residential customer bill impacts. As currently projected, the maximum rate impacts for the same typical residential electric customers from the SLIII Program would occur in the October 1, 2018 through September 30, 2019 cost recovery period. The expected maximum increase from the SLIII Program for a typical residential customer in the October 1, 2018 through September 30, 2019 cost recovery period would be $0.000292 per kWh (including sales and used tax (SUT)), for a typical annual residential bill impact of $2.12 (0.157%) or about $0.18 per month.

Program Rules

82. The SLIII Signatory Parties agree that the SLIII Program Rules shall be as set forth in Attachment F. PSE&G shall have the right to amend the SLIII Program Rules as required for commercial reasons, after ten business days advance notice to Board Staff and Rate Counsel unless Board Staff notifies PSE&G in writing within that same ten business day period that it objects to the amendment. In such event, Board Staff shall have the right to seek Board review of the amendment on an expedited basis so as not to delay the Program implementation.

C. General Provisions Applicable to S4AE and SLIII Programs

83. The Signatory Parties agree that PSE&G will attempt to resolve any disputes that arise under the Solar Loan III and Solar 4 All Extension Programs on an informal basis. Any disputes that cannot be resolved informally shall be resolved in the appropriate legal forum.

84. This Settlement Agreement represents a mutual balancing of interests, contains independent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event that any particular aspect of the Settlement Agreement is not accepted and approved in

its entirety by the Board, any Signatory Party aggrieved thereby shall have the right to litigate all issues addressed herein to conclusion.

85. It is the intent of the Signatory Parties that the provisions hereof be approved by the Board as being in the public interest. The Signatory Parties further agree that they consider the Settlement Agreement binding on them for all purposes herein.

86. It is specifically understood and agreed that this settlement represents a negotiated agreement made exclusively for the Solar Loan III and Solar 4 All Extension proceedings. Except as expressly provided herein the Signatory Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Signatory Parties further agree that this Settlement Agreement is not binding upon them in any other proceeding, except to enforce the terms of this Settlement Agreement.

87. Following execution of this Settlement Agreement the Company's rates will remain subject to audit by the Board, and this Settlement Agreement shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

JEFFREY S. CHIESA
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

By: [signature]
T. David Wand
Deputy Attorney General

Dated: April 26, 2013

PUBLIC SERVICE ELECTRIC AND
GAS COMPANY

By: Matthew Weissman
Matthew M. Weissman
General Regulatory Counsel - Rates

Dated: April 26, 2013

DIVISION OF RATE COUNSEL

By: ______________________
Paul E. Flanagan, Esq.
Litigation Manager

Dated: April __, 2013

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By: ______________________
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Reed Smith LLP

Dated: April __, 2013

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By: ______________________
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Reed Smith LLP

Dated: April ___, 2013

PETRA SOLAR, INC. (S4AE Only)

By: ______________________
Basem Ramada, Esq

Dated: April __, 2013

MID-ATLANTIC SOLAR ENERGY INDUSTRIES ASSOCIATION

By: ______________________
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Dated: April ___, 2013

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Chadbourne & Parke, LLP

Dated: April __, 2013

NEW JERSEY SOLAR INDUSTRY MANUFACTURERS ASSOCIATION (S4AE Only)

By: ____________________________
Hani Khoury, Esq.
Awad & Khoury

Dated: April ___, 2013

SUNDURANCE ENERGY (S4AE Only)

By: ______________________________
Allen Bucknam, CEO
SunDurance Energy

Dated: April __, 2013

KDC SOLAR LLC (S4AE)

By: ______________________________
Michael R. Yellin, Esq.
Cole, Schotz, Meisel, Forman & Leonard, P.A.,

Dated: April ___, 2013

NEW JERSEY LARGE ENERGY USERS COALITION

By: ______________________________
Stephen S. Goldenberg, Esq.
Fox Rothschild, LLP

Dated: April __, 2013

SOLAR ENERGY INDUSTRIES ASSOCIATION

By: ______________________________
Michael A. Grum, Esq.
Stevens & Lee, P.C.

Dated: April 16, 2013

SUNDURANCE ENERGY (S4AE Only)

By: ______________________________
Allen Bucknam, CEO
SunDurance Energy

Dated: April __, 2013

KDC SOLAR LLC (S4AE)

By: Thomas P. G. ______________________________
~~Michael R. Yellin, Esq.~~
~~Cole, Schotz, Meisel, Forman &~~
~~Leonard, P.A.~~

Dated: April 26, 2013

NEW JERSEY LARGE ENERGY USERS COALITION

By: ______________________________
Stephen S. Goldenberg, Esq.
Fox Rothschild, LLP

Dated: April __, 2013

SOLAR ENERGY INDUSTRIES ASSOCIATION

By: ______________________________
Michael A. Gruin, Esq.
Stevens & Lee, P.C.

Dated: April __, 2013

PETRA SOLAR, INC.

By: ______________________________
Basem Ramada, Esq

Dated: April __, 2013

MID-ATLANTIC SOLAR ENERGY INDUSTRIES ASSOCIATION

By: R William Potter
William Potter, Esq.
Potter and Dickson

Dated: April 26, 2013

PROLOGIS

By: ______________________________
Robert F. Shapiro, Esq.
Chadbourne & Parke, LLP

Dated: April __, 2013

NEW JERSEY SOLAR INDUSTRY MANUFACTURERS ASSOCIATION

By: ______________________________
Hani Khoury, Esq.
Awad & Khoury

Dated: April ___, 2013

SUNDURANCE ENERGY

By: ______________________________
Robert T. Lawless Esq.
Hedinger & Lawless, LLC

Dated: April __, 2013

KDC SOLAR LLC (S4AE)

By: ______________________________
Michael R. Yellin, Esq.
Cole, Schotz, Meisel, Forman & Leonard, P.A.,

Dated: April ___, 2013

NEW JERSEY LARGE ENERGY USERS COALITION

By: ______________________________
Stephen S. Goldenberg, Esq.
Fox Rothschild, LLP

Dated: April __, 2013

SOLAR ENERGY INDUSTRIES ASSOCIATION

By: ______________________________
Michael A. Gruin, Esq.
Stevens & Lee, P.C.

Dated: April __, 2013

April 25, 2013

Via Electronic Mail

Kristie Izzo
New Jersey Board of Public utilities
44 South Clinton Ave., 9th Floor
PO Box 350
Trenton, NJ 08625 – 0350

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF AN EXTENSION OF A SOLAR GENERATION INVESTMENT PROGRAM AND ASSOCIATED COST RECOVERY MECHANISM AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. NO. 15 ELECTRIC PURSUANT TO N.J.S.A. 48:2-21, 48:2-21.1 AND N.J.S.A. 48:3-98.1 ("SOLAR4ALL EXTENSION PETITION")

STIPULATION

BPU Docket No. EO12080721

IN THE MATTER OF THE PETITION OF PUBLIC SERVICE ELECTRIC AND GAS COMPANY FOR APPROVAL OF A SOLAR LOAN III PROGRAM AND AN ASSOCIATED COST RECOVERY MECHANISM AND FOR CHANGES IN THE TARIFF FOR ELECTRIC SERVICE, B.P.U.N.J. NO. 15 ELECTRIC PURSUANT TO N.J.S.A. 48:2-21 AND N.J.S.A. 48:2-21.1

STIPULATION

BPU Docket No. EO12080726

Dear Secretary Izzo:

As you know, the New Jersey Solar Energy Coalition was granted conditional intervener status on December 3, 1012 subject to our retaining counsel in order to participate in the evidentiary portion of the process. While we did not participate in the evidentiary hearings, we carefully followed the debate and reviewed all documents throughout the process. In addition, as appropriate, we participated in a number of conference calls regarding both of the docketed matters referenced above in settlement and other discussions with all parties.

The New Jersey Solar Energy Coalition is a broad coalition of residential; third party aggregated residential, small commercial, large commercial, brownfield, and landfill solar developers and EPC

63 Allen Street, Rumson, NJ 07760
Phone: 732.360.6004 E- mail: info@njsec.org www.njsec.org

contractors, engineering, law, and accounting firms specializing in the development of solar energy in New Jersey and as such these matters are very important to our members.

We have carefully reviewed the global settlement documents dated April 23, 2013 that were circulated to all parties earlier this week. We have discussed the features of that settlement with our membership and we fully support the proposed global settlement. We find that this settlement carefully balances many economic, energy, environmental and land use issues; supports the policies of the New Jersey State Energy Master Plan; and is consistent with the goals of the fabric of law that structures New Jersey's market based solar energy program.

We hope that this global settlement can be brought to the full Board at the earliest opportunity for their approval.

Very truly yours,

Gary Weisman, President

New Jersey Solar Energy Coalition

63 Allen Street, Rumson, NJ 07760
Phone: 732.360.6004 E- mail: info@njsec.org www.njsec.org

PSE&G Economic Energy Efficiency Extension Program
Weighted Average Cost of Capital (WACC)

	Percent	Cost	Weighted Cost	Revenue Conversion Factor	Pre-Tax Weighted Cost	Discount Rate
Other Capital	48.8000%	5.1702%	2.5231%	1.0000	2.5231%	
Customer Deposits	0.0000%	0.0000%	0.0000%	1.0000	0.0000%	
Sub-total	48.8000%		2.5231%		2.5231%	1.4924%
Preferred Stock	0.0000%	0.0000%	0.0000%	1.6906	0.0000%	0.0000%
Common Equity	51.2000%	10.0000%	5.1200%	1.6906	8.6560%	5.1200%
Total	100.0000%		7.6431%		11.1790000%	6.6124%
Monthly WACC			0.63692%		0.93158000%	

Reflects a tax rate of 40.850%

PSE&G Solar 4 All Extension
Revenue Requirements Calculation
($000's)

Solar 4 All Extension: Total Program

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
						Plant					
	Program Investment	Gross Plant	Depreciation Expense	Accumulated Depreciation	Net Plant	Tax Depreciation	Book Deprec Tax Basis	Deferred Tax Exp	Accumulated Deferred Tax	Net Investment	Return Requirement
Jan-13	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-
Jun-13	144	-	-	-	-	-	-	-	-	-	-
Jul-13	116	-	-	-	-	-	-	-	-	-	-
Aug-13	597	-	-	-	-	-	-	-	-	-	-
Sep-13	571	-	-	-	-	-	-	-	-	-	-
Oct-13	428	-	-	-	-	-	-	-	-	-	-
Nov-13	3,644	-	-	-	-	-	-	-	-	-	-
Dec-13	1,622	-	-	-	-	-	-	-	-	-	-
Jan-14	2,597	-	-	-	-	-	-	-	-	-	-
Feb-14	4,558	-	-	-	-	-	-	-	-	-	-
Mar-14	4,826	-	-	-	-	-	-	-	-	-	-
Apr-14	8,004	-	-	-	-	-	-	-	-	-	-
May-14	3,831	-	-	-	-	-	-	-	-	-	-
Jun-14	7,721	-	-	-	-	-	-	-	-	-	-
Jul-14	11,581	-	-	-	-	-	-	-	-	-	-
Aug-14	11,146	-	-	-	-	-	-	-	-	-	-
Sep-14	9,427	-	-	-	-	-	-	-	-	-	-
	Program Assumption	Program Assumption	Refer to each Segment "Bk Depr" Worksheets	Prior Month + Col 3	Col 2 - Col 4	Refer to each Segment "Tax Depr" Worksheets	Refer to each Segment "Tax Depr" Worksheets	(Col 6 - Col 7) * [Income Tax Rate]	Prior + Col 8	Col 5 - Col 9	(Prior Col 6 + Col 6) / 2 * Monthly Pre Tax WACC
2013	7,122	-	-	-	-	-	-	-	-	-	-
2014	102,656	-	-	-	-	-	-	-	-	-	-
2015	121,348	191,416	7,747	7,747	183,670	31,825	6,585	10,311	10,311	173,359	13,498
2016	16,097	254,060	13,878	21,625	232,436	61,364	11,796	20,248	30,559	201,876	22,788
2017	-	254,060	14,643	36,267	217,793	47,331	12,446	14,250	44,809	172,983	20,953
2018	-	254,060	14,643	50,910	203,150	28,500	12,446	6,558	51,367	151,783	18,153
2019	-	254,060	14,643	65,553	188,508	24,495	12,446	4,922	56,289	132,218	15,874
2020	-	254,060	13,349	78,902	175,159	15,445	11,347	1,674	57,963	117,195	13,941
2021	-	254,060	12,201	91,103	162,957	3,295	10,371	(2,890)	55,073	107,885	12,581
2022	-	254,060	12,056	103,160	150,901	277	10,248	(4,073)	51,000	99,901	11,614
2023	373	254,433	12,094	115,253	139,180	343	10,285	(4,061)	46,938	92,241	10,740
2024	6,595	261,026	12,790	128,044	132,984	1,706	10,962	(3,789)	43,149	89,835	10,177
2025	9,441	270,469	14,394	142,438	128,031	4,338	12,586	(3,369)	39,780	88,251	9,954
2026	1,375	271,845	15,476	157,913	113,931	4,873	13,667	(3,592)	36,188	77,743	9,278
2027	-	271,845	15,613	173,527	98,318	3,322	13,805	(4,282)	31,905	66,412	8,058
2028	-	271,845	15,576	189,103	82,742	2,398	13,768	(4,645)	27,261	55,481	6,813
2029	-	271,845	14,879	203,982	67,862	1,894	13,071	(4,566)	22,695	45,167	5,626
2030-2037	-	271,845	67,862	271,845	-	2,329	57,887	(22,695)	(0)	0	13,822
Total	265,007		271,845			233,735	233,735	0			203,869

PSE&G Solar 4 All Extension

Revenue Requirements Calculation

($000's)

Solar 4 All Extension: Total Program

	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
	Expenses					Revenue from Sale of				ITC			
	O&M	Administrative	Rent	Insurance	Other	Energy	Capacity	SRECs	Other	Amortization	Tax Gross-up	Tax Assoc. w/50% ITC Basis Reduction	Revenue Requirements
Jan-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun-13	17	106	-	-	-	-	-	-	-	-	-	-	123
Jul-13	17	106	-	-	-	-	-	-	-	-	-	-	123
Aug-13	17	106	-	-	-	-	-	-	-	-	-	-	123
Sep-13	17	106	-	0	-	-	-	-	-	-	-	-	123
Oct-13	17	106	-	0	-	-	-	-	-	-	-	-	123
Nov-13	17	106	-	1	-	-	-	-	-	-	-	-	124
Dec-13	17	106	-	1	-	-	-	-	-	-	-	-	124
Jan-14	17	110	-	2	-	-	-	-	-	-	-	-	129
Feb-14	17	110	-	2	-	-	-	-	-	-	-	-	130
Mar-14	17	110	-	3	-	-	-	-	-	-	-	-	130
Apr-14	17	110	-	5	-	-	-	-	-	-	-	-	132
May-14	17	110	-	5	-	-	-	-	-	-	-	-	133
Jun-14	17	110	-	7	-	-	-	-	-	-	-	-	134
Jul-14	17	110	-	10	-	-	-	-	-	-	-	-	137
Aug-14	17	110	-	12	-	-	-	-	-	-	-	-	139
Sep-14	17	110	-	14	-	-	-	-	-	-	-	-	141
	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Refer to each Segments "State Rebate and ITC" Worksheet Row 791	Col 21 * [Tax Rate] * [Rev. Conv. Fac.]	(Col 3 - Col 7) * [Tax Rate] * [Rev. Conv. Fac.]	Col 3 + Col 11 + Col 12 + Col 13 + Col 14 + Col 15 + Col 16 - Col 17 - Col 18 - Col 19 - Col 20 - Col 21 - Col 22 + Col 23 + Col 24
2013	117	745	-	2	-	-	-	-	-	-	-	-	863
2014	206	1,321	-	115	-	-	-	-	-	-	-	-	1,642
2015	1,751	1,368	1,361	481	-	1,803	-	3,856	-	2,324	1,605	802	17,419
2016	2,696	614	2,624	675	-	3,515	-	9,180	-	4,163	2,875	1,438	24,979
2017	2,876	1,453	2,848	698	-	3,851	-	10,460	-	4,393	3,034	1,517	23,250
2018	2,952	1,504	2,919	719	-	4,056	556	10,407	-	4,393	3,034	1,517	19,960
2019	3,030	1,556	2,992	740	-	4,236	1,106	10,355	-	4,393	3,034	1,517	17,227
2020	3,109	1,611	3,067	762	-	4,368	1,129	10,303	-	4,005	2,766	1,383	14,652
2021	3,191	1,667	3,144	785	-	4,621	1,144	10,250	-	3,660	2,528	1,264	12,630
2022	3,275	1,725	3,222	809	-	4,962	1,163	10,198	-	3,617	2,498	1,249	11,513
2023	3,361	1,786	3,303	833	-	5,224	1,184	10,143	-	3,617	2,498	1,249	10,700
2024	3,450	1,848	3,386	858	-	5,454	1,210	10,093	-	3,617	2,498	1,249	10,887
2025	3,541	1,913	3,470	884	-	5,651	1,228	10,036	-	3,617	2,498	1,249	12,374
2026	3,634	1,980	3,557	910	-	5,965	1,250	9,979	-	3,617	2,498	1,249	12,775
2027	3,730	2,049	3,646	938	-	6,246	1,269	9,913	-	3,617	2,498	1,249	11,739
2028	3,828	2,121	3,737	966	-	5,711	1,295	9,839	-	3,617	2,498	1,249	11,330
2029	3,931	2,195	3,830	997	-	5,749	1,315	9,772	-	3,617	2,498	1,249	9,757
2030-2037	26,197	20,566	21,087	9,207	5,458	23,485	6,613	7,663	-	19,952	13,779	6,889	99,597
Total	74,874	48,022	68,194	21,379	5,458	94,897	20,463	152,448	0	76,218	52,638	26,319	323,297

PSE&G Solar 4 All Extension

Revenue Requirements Calculation

($000's)

Solar 4 All Extension: Segment A - Landfills / Brownfields

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
						Plant					
	Program Investment	Gross Plant	Depreciation Expense	Accumulated Depreciation	Net Plant	Tax Depreciation	Book Deprec Tax Basis	Deferred Tax Exp	Accumulated Deferred Tax	Net Investment	Return Requirement
Jan-13	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-
Jun-13	144	-	-	-	-	-	-	-	-	-	-
Jul-13	116	-	-	-	-	-	-	-	-	-	-
Aug-13	584	-	-	-	-	-	-	-	-	-	-
Sep-13	558	-	-	-	-	-	-	-	-	-	-
Oct-13	414	-	-	-	-	-	-	-	-	-	-
Nov-13	3,349	-	-	-	-	-	-	-	-	-	-
Dec-13	1,327	-	-	-	-	-	-	-	-	-	-
Jan-14	2,583	-	-	-	-	-	-	-	-	-	-
Feb-14	974	-	-	-	-	-	-	-	-	-	-
Mar-14	1,242	-	-	-	-	-	-	-	-	-	-
Apr-14	7,990	-	-	-	-	-	-	-	-	-	-
May-14	3,817	-	-	-	-	-	-	-	-	-	-
Jun-14	7,332	-	-	-	-	-	-	-	-	-	-
Jul-14	11,567	-	-	-	-	-	-	-	-	-	-
Aug-14	10,757	-	-	-	-	-	-	-	-	-	-
Sep-14	4,465	-	-	-	-	-	-	-	-	-	-
	Program Assumption	Program Assumption	Refer to WP-SS-S4AE-2a (Land) "Bk Depr" Worksheets	Prior Month + Col 3	Col 2 - Col 4	Refer to WP-SS-S4AE-2a (Land).xls "Tax Depr" Worksheets	Refer to WP-SS-S4AE-2a (Land).xls "Tax Depr" Worksheets	(Col 6 - Col 7) * [Income Tax Rate]	Prior + Col 8	Col 5 - Col 9	(Prior Col 6 + Col 6) / 2 * Monthly Pre Tax WACC
2013	6,492	-	-	-	-	-	-	-	-	-	-
2014	82,137	-	-	-	-	-	-	-	-	-	-
2015	116,559	164,667	6,280	6,280	158,388	27,344	5,338	8,989	8,989	149,398	10,788
2016	16,097	227,311	12,411	18,691	208,621	54,188	10,549	17,826	26,816	181,805	20,326
2017	-	227,311	13,176	31,866	195,445	43,016	11,199	12,997	39,813	155,632	18,861
2018	-	227,311	13,176	45,042	182,270	25,907	11,199	6,008	45,821	136,449	16,326
2019	-	227,311	13,176	58,217	169,094	21,903	11,199	4,373	50,194	118,801	14,273
2020	-	227,311	12,055	70,272	157,040	14,128	10,246	1,586	51,779	105,260	12,530
2021	-	227,311	10,907	81,179	146,133	3,276	9,271	(2,449)	49,330	96,802	11,294
2022	-	227,311	10,762	91,941	135,370	259	9,148	(3,631)	45,699	89,671	10,423
2023	373	227,684	10,800	102,741	124,943	325	9,185	(3,619)	42,080	82,864	9,644
2024	5,665	233,349	11,403	114,144	119,205	1,502	9,789	(3,385)	38,695	80,510	9,132
2025	9,202	242,550	12,890	127,034	115,517	3,974	11,276	(2,983)	35,712	79,805	8,961
2026	1,375	243,926	13,948	140,981	102,945	4,600	12,333	(3,159)	32,553	70,392	8,395
2027	-	243,926	14,085	155,066	88,859	3,151	12,471	(3,807)	28,746	60,114	7,295
2028	-	243,926	14,048	169,114	74,812	2,245	12,434	(4,162)	24,584	50,228	6,168
2029	-	243,926	13,444	182,558	61,367	1,795	11,830	(4,099)	20,484	40,883	5,093
2030-2037	-	243,926	61,367	243,926	-	2,217	52,362	(20,484)	(0)	0	12,628
Total	237,899		243,926			209,829	209,829	0			182,135

PSE&G Solar 4 All Extension

Revenue Requirements Calculation

($000's)

Solar 4 All Extension: Segment A - Landfills / Brownfields

	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
	Expenses					Revenue from Sale of				ITC			
	O&M	Administrative	Rent	Insurance	Other	Energy	Capacity	SRECs	Other	Amortization	Tax Gross-up	Tax Assoc. w/50% ITC Basis Reduction	Revenue Requirements
Jan-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun-13	17	99	-	-	-	-	-	-	-	-	-	-	116
Jul-13	17	99	-	-	-	-	-	-	-	-	-	-	116
Aug-13	17	99	-	-	-	-	-	-	-	-	-	-	116
Sep-13	17	99	-	0	-	-	-	-	-	-	-	-	116
Oct-13	17	99	-	0	-	-	-	-	-	-	-	-	116
Nov-13	17	99	-	1	-	-	-	-	-	-	-	-	117
Dec-13	17	99	-	1	-	-	-	-	-	-	-	-	117
Jan-14	17	103	-	2	-	-	-	-	-	-	-	-	121
Feb-14	17	103	-	2	-	-	-	-	-	-	-	-	122
Mar-14	17	103	-	2	-	-	-	-	-	-	-	-	122
Apr-14	17	103	-	3	-	-	-	-	-	-	-	-	123
May-14	17	103	-	4	-	-	-	-	-	-	-	-	124
Jun-14	17	103	-	6	-	-	-	-	-	-	-	-	126
Jul-14	17	103	-	8	-	-	-	-	-	-	-	-	128
Aug-14	17	103	-	11	-	-	-	-	-	-	-	-	131
Sep-14	17	103	-	12	-	-	-	-	-	-	-	-	131
	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Refer to WP-SS-S4AE-2a (Land).xls "State Rebate and ITC" Worksheet Row 791	Col 21 * [Tax Rate] * [Rev. Conv. Fac.]	(Col 3 - Col 7) * [Tax Rate] * [Rev. Conv. Fac.]	Col 3 + Col 11 + Col 12 + Col 13 + Col 14 + Col 15 + Col 16 - Col 17 - Col 18 - Col 19 - Col 20 - Col 21 - Col 22 + Col 23
2013	117	695	-	2	-	-	-	-	-	-	-	-	814
2014	206	1,233	-	95	-	-	-	-	-	-	-	-	1,534
2015	1,619	1,277	1,180	427	-	1,562	-	3,298	-	1,884	1,301	651	14,175
2016	2,561	573	2,439	619	-	3,269	-	8,481	-	3,723	2,571	1,286	22,170
2017	2,738	1,356	2,658	640	-	3,595	-	9,765	-	3,953	2,730	1,365	20,752
2018	2,811	1,403	2,725	659	-	3,787	483	9,716	-	3,953	2,730	1,365	17,797
2019	2,885	1,453	2,793	679	-	3,955	1,033	9,667	-	3,953	2,730	1,365	15,285
2020	2,961	1,503	2,863	699	-	4,078	1,053	9,618	-	3,616	2,498	1,249	12,996
2021	3,039	1,556	2,934	720	-	4,314	1,068	9,569	-	3,272	2,260	1,130	11,098
2022	3,119	1,610	3,008	742	-	4,632	1,086	9,520	-	3,229	2,230	1,115	10,083
2023	3,201	1,667	3,083	764	-	4,877	1,105	9,469	-	3,229	2,230	1,115	9,364
2024	3,286	1,725	3,160	787	-	5,091	1,129	9,422	-	3,229	2,230	1,115	9,507
2025	3,373	1,785	3,239	811	-	5,275	1,147	9,369	-	3,229	2,230	1,115	10,924
2026	3,462	1,848	3,320	835	-	5,568	1,167	9,316	-	3,229	2,230	1,115	11,413
2027	3,553	1,913	3,403	860	-	5,830	1,185	9,254	-	3,229	2,230	1,115	10,495
2028	3,647	1,980	3,488	886	-	5,331	1,209	9,184	-	3,229	2,230	1,115	10,148
2029	3,743	2,049	3,575	912	-	5,366	1,228	9,122	-	3,229	2,230	1,115	8,757
2030-2037	25,056	19,195	19,818	8,358	4,984	21,096	6,218	7,490	-	18,010	12,438	6,219	92,373
Total	71,375	44,821	63,685	19,496	4,984	87,627	19,109	142,260	0	68,193	47,096	23,548	289,686

PSE&G Solar 4 All Extension
Revenue Requirements Calculation
($000's)
Solar 4 All Extension: Segments B, C, and D - Pilots

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
						Plant					
	Program Investment	Gross Plant	Depreciation Expense	Accumulated Depreciation	Net Plant	Tax Depreciation	Book Deprec Tax Basis	Deferred Tax Exp	Accumulated Deferred Tax	Net Investment	Return Requirement
Jan-13	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-
Jun-13	-	-	-	-	-	-	-	-	-	-	-
Jul-13	-	-	-	-	-	-	-	-	-	-	-
Aug-13	14	-	-	-	-	-	-	-	-	-	-
Sep-13	14	-	-	-	-	-	-	-	-	-	-
Oct-13	14	-	-	-	-	-	-	-	-	-	-
Nov-13	295	-	-	-	-	-	-	-	-	-	-
Dec-13	295	-	-	-	-	-	-	-	-	-	-
Jan-14	14	-	-	-	-	-	-	-	-	-	-
Feb-14	3,584	-	-	-	-	-	-	-	-	-	-
Mar-14	3,584	-	-	-	-	-	-	-	-	-	-
Apr-14	14	-	-	-	-	-	-	-	-	-	-
May-14	14	-	-	-	-	-	-	-	-	-	-
Jun-14	389	-	-	-	-	-	-	-	-	-	-
Jul-14	14	-	-	-	-	-	-	-	-	-	-
Aug-14	389	-	-	-	-	-	-	-	-	-	-
Sep-14	4,961	-	-	-	-	-	-	-	-	-	-
	Program Assumption	Program Assumption	Refer to WP-SS-S4AE-2d (Pilot).xls "Bk Depr" Worksheets	Prior Month + Col 3	Col 2 - Col 4	Refer to WP-SS-S4AE-2d (Pilot).xls "Tax Depr" Worksheets	Refer to WP-SS-S4AE-2d (Pilot).xls "Tax Depr" Worksheets	(Col 6 - Col 7) * [Income Tax Rate]	Prior + Col 8	Col 5 - Col 9	(Prior Col 6 + Col 6) / 2 * Monthly Pre Tax WACC
2013	631	-	-	-	-	-	-	-	-	-	-
2014	20,520	-	-	-	-	-	-	-	-	-	-
2015	4,789	26,749	1,467	1,467	25,282	4,482	1,247	1,321	1,321	23,960	2,710
2016	-	26,749	1,467	2,934	23,815	7,176	1,247	2,422	3,743	20,071	2,461
2017	-	26,749	1,467	4,401	22,348	4,315	1,247	1,253	4,996	17,351	2,092
2018	-	26,749	1,467	5,869	20,880	2,593	1,247	550	5,546	15,334	1,827
2019	-	26,749	1,467	7,336	19,413	2,591	1,247	549	6,096	13,318	1,601
2020	-	26,749	1,294	8,630	18,119	1,317	1,100	88	6,184	11,935	1,411
2021	-	26,749	1,294	9,924	16,825	20	1,100	(441)	5,743	11,082	1,287
2022	-	26,749	1,294	11,218	15,531	18	1,100	(442)	5,301	10,230	1,191
2023	-	26,749	1,294	12,513	14,236	18	1,100	(442)	4,859	9,378	1,096
2024	930	27,679	1,387	13,900	13,779	204	1,193	(404)	4,455	9,325	1,045
2025	240	27,919	1,504	15,404	12,515	364	1,310	(387)	4,068	8,447	993
2026	-	27,919	1,528	16,932	10,987	273	1,334	(433)	3,635	7,362	883
2027	-	27,919	1,528	18,460	9,458	171	1,334	(475)	3,160	6,299	763
2028	-	27,919	1,528	19,989	7,930	153	1,334	(483)	2,677	5,253	646
2029	-	27,919	1,435	21,424	6,495	99	1,241	(466)	2,211	4,284	533
2030-2037	-	27,919	6,495	27,919	-	113	5,524	(2,211)	(0)	0	1,184
Total	27,109		27,919			23,906	23,906	0			21,734

PSE&G Solar 4 All Extension
Revenue Requirements Calculation
($000's)

Solar 4 All Extension: Segments B, C, and D - Pilots

	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
	Expenses					Revenue from Sale of				ITC			
	O&M	Administrative	Rent	Insurance	Other	Energy	Capacity	SRECs	Other	Amortization	Tax Gross-up	Tax Assoc. w/50% ITC Basis Reduction	Revenue Requirements
Jan-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun-13	-	7	-	-	-	-	-	-	-	-	-	-	7
Jul-13	-	7	-	-	-	-	-	-	-	-	-	-	7
Aug-13	-	7	-	-	-	-	-	-	-	-	-	-	7
Sep-13	-	7	-	-	-	-	-	-	-	-	-	-	7
Oct-13	-	7	-	-	-	-	-	-	-	-	-	-	7
Nov-13	-	7	-	-	-	-	-	-	-	-	-	-	7
Dec-13	-	7	-	-	-	-	-	-	-	-	-	-	7
Jan-14	-	7	-	-	-	-	-	-	-	-	-	-	7
Feb-14	-	7	-	1	-	-	-	-	-	-	-	-	8
Mar-14	-	7	-	1	-	-	-	-	-	-	-	-	9
Apr-14	-	7	-	1	-	-	-	-	-	-	-	-	9
May-14	-	7	-	1	-	-	-	-	-	-	-	-	9
Jun-14	-	7	-	1	-	-	-	-	-	-	-	-	9
Jul-14	-	7	-	1	-	-	-	-	-	-	-	-	9
Aug-14	-	7	-	1	-	-	-	-	-	-	-	-	9
Sep-14	-	7	-	2	-	-	-	-	-	-	-	-	10
	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Program Assumption	Refer to WP-SS-S4AE-2c (Pilot).xls "State Rebate and ITC" Worksheet Row 791	Col 21 * [Tax Rate] * [Rev. Conv. Fac.]	(Col 3 - Col 7) * [Tax Rate] * [Rev. Conv. Fac.]	Col 3 + Col 11 + Col 12 + Col 13 + Col 14 + Col 15 + Col 16 - Col 17 - Col 18 - Col 19 - Col 20 - Col 21 - Col 22 + Col 23
2013	-	50	-	-	-	-	-	-	-	-	-	-	50
2014	-	88	-	20	-	-	-	-	-	-	-	-	108
2015	131	91	181	54	-	241	-	558	-	440	304	152	3,244
2016	135	41	185	56	-	245	-	699	-	440	304	152	2,809
2017	138	97	190	58	-	256	-	695	-	440	304	152	2,498
2018	142	100	195	59	-	270	72	692	-	440	304	152	2,164
2019	145	104	199	61	-	282	74	689	-	440	304	152	1,942
2020	149	107	204	63	-	290	75	685	-	388	268	134	1,656
2021	152	111	210	65	-	307	76	681	-	388	268	134	1,532
2022	156	115	215	67	-	330	78	678	-	388	268	134	1,431
2023	160	119	220	69	-	347	79	674	-	388	268	134	1,336
2024	164	123	226	71	-	363	81	671	-	388	268	134	1,380
2025	168	128	231	73	-	376	82	667	-	388	268	134	1,451
2026	172	132	237	75	-	397	83	663	-	388	268	134	1,362
2027	177	137	243	78	-	415	85	659	-	388	268	134	1,244
2028	181	141	249	80	-	380	86	654	-	388	268	134	1,183
2029	188	146	255	84	-	382	88	650	-	388	268	134	1,000
2030-2037	1,141	1,371	1,269	849	474	2,390	395	173	-	1,941	1,341	670	7,223
Total	3,499	3,201	4,510	1,883	474	7,270	1,354	10,188	0	8,025	5,542	2,771	33,612

PSE&G Solar 4 All Extension

Under/(Over) Calculation

0.000035 Proposed SGIEP Rate $/kWh
40.850% Tax Rate

		1	2	3	4	5	6	7	8
	RGGI S4AE Under/(Over) Calculation	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
(1)	SGIEP RGGI Revenue	-	-	-	-	-	132,109	150,989	153,609
(2)	Revenue Requirements (excluding Incremental WACC)	-	-	-	-	-	123,062	123,062	123,062
(3)	Monthly Under/(Over) Recovery	-	-	-	-	-	(9,046.1)	(27,926.5)	(30,546.7)
(4)	Deferred Balance	-	-	-	-	-	(9,046)	(36,973)	(67,519)
(5)	Monthly Interest Rate	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%
(6)	After Tax Monthly Interest Expense/(Credit)	-	-	-	-	-	(0.72)	(3.65)	(8.29)
(7)	Cumulative Interest	-	-	-	-	-	(0.72)	(4.37)	(12.66)
(8)	Balance Added to Subsequent Year's Revenue Requirements								
(9)	Net Sales - kWh (000)						3,774,531	4,313,972	4,388,835
(10)	Incremental Interest From WACC Change								
(11)	Cummulative Incremental Interest								
(12)	Average Net of Tax Deferred Balance	-	-	-	-	-	(2,675)	(13,610)	(30,904)

PSE&G Solar 4 All Extension

Under/(Over) Calculation

0.000035 Proposed SGIEP Rate $/kWh
40.850% Tax Rate

	RGGI S4AE Under/(Over) Calculation	9 Sep-13	10 Oct-13	11 Nov-13	12 Dec-13	13 Jan-14	14 Feb-14	15 Mar-14	16 Apr-14
(1)	SGIEP RGGI Revenue	128.945	114,924	113,326	122.168	132,185	117,237	121,902	112,623
(2)	Revenue Requirements (excluding Incremental WACC)	123,115	123,119	123,897	124,179	128,827	129,604	130,293	131,926
(3)	Monthly Under/(Over) Recovery	(5,829.3)	8,194.4	10,571.3	2,011.3	(3,357.4)	12,366.8	8,390.5	19,302.5
(4)	Deferred Balance	(73,349)	(65,154)	(54,583)	(52,572)	(55,929)	(43,562)	(35,172)	(15,869)
(5)	Monthly Interest Rate	0.02683%	0.02683%	0.02683%	0.02683%	0 02683%	0.02683%	0.02683%	0.02683%
(6)	After Tax Monthly Interest Expense/(Credit)	(11.18)	(10.99)	(9.50)	(8.50)	(8.61)	(7.89)	(6.25)	(4.05)
(7)	Cumulative Interest	(23.83)	(34.82)	(44.32)	(52.82)	(61.43)	(69.32)	(75.57)	(79.62)
(8)	Balance Added to Subsequent Year's Revenue Requirements								
(9)	Net Sales - kWh (000)	3 684,138	3 263 557	3 237 889	3 490 519	3,776,705	3,349,640	3,482,928	3,217,804
(10)	Incremental Interest From WACC Change								
(11)	Cummulative Incremental Interest								
(12)	Average Net of Tax Deferred Balance	(41,662)	(40,962)	(59,869)	(53,577)	(54,250)	(49,746)	(39,367)	(25,521)

PSE&G Solar 4 All Extension
Under/(Over) Calculation

0.000035 Proposed SGIEP Rate $/kWh
40.850% Tax Rate

	RGGI S4AE Under/(Over) Calculation	17 May-14	18 Jun-14	19 Jul-14	20 Aug-14	21 Sep-14	Total	
(1)	SGIEP RGGI Revenue	114,374	133,859	153,598	155,534	129,515	2,086,898	SGIEP Rate * Row 9
(2)	Revenue Requirements (excluding Incremental WACC)	132,536	134,279	137,045	139,394	141,025	2,068,427	From SS-S4AE-3, Col 26
(3)	Monthly Under/(Over) Recovery	18,161.3	420.1	(16,553.8)	(16,139.1)	11,510.4	(18,470.5)	Row 2 - Row 1
(4)	Deferred Balance	2,292	2,712	(13,842)	(29,981)	(18,470)		Prev Row 4 + Row 3
(5)	Monthly Interest Rate	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%		Monthly Interest Rate
(6)	After Tax Monthly Interest Expense/(Credit)	(1.08)	0.40	(0.88)	(3.48)	(3.84)		(Prev Row 4 + Row 4) / 2 * (1 - Tax Rate) * Row 5
(7)	Cumulative Interest	(80.70)	(80.30)	(81.18)	(84.66)	(88.50)		Prev Row 7 + Row 6
(8)	Balance Added to Subsequent Year's Revenue Requirements					(18,558.99)		Row 4 + Row 7 + Row 11
(9)	Net Sales - kWh (000)	3,267,842	3,824,536	4,388,527	4,443,815	3,700,417		
(10)	Incremental Interest From WACC Change							
(11)	Cummulative Incremental Interest							Prev Row 11 + Row 10
(12)	Average Net of Tax Deferred Balance	(6,789)	2,502	(5,565)	(21,911)	(24,226)		(Prev Row 4 + Row 4) / 2 * (1 - Tax Rate)

PUBLIC SERVICE ELECTRIC AND GAS COMPANY | **XXX Revised Sheet No. 65**

B.P.U.N.J. No. 15 ELECTRIC | **Superseding XXX Revised Sheet No. 65**

RGGI RECOVERY CHARGE

Component:	Charge (per kilowatthour)
Carbon Abatement Program	$ 0.000045
Demand Response Working Group Modified Program	$ 0.000000
Energy Efficiency Economic Stimulus Program	$ 0.000434
Demand Response Program	$ 0.000122
Solar Generation Investment Program	$ 0.000432
Solar Loan II Program	$ 0.000067
Energy Efficiency Economic Extension Program	$ 0.000099
Solar Generation Investment Extension Program	$ 0.000035
Solar Loan III Program	$ 0.000020
Sub-total per kilowatthour	$ ~~0.001199~~0.001254

Charge including New Jersey Sales and Use Tax (SUT) .... $ ~~0.001283~~0.001342

RGGI RECOVERY CHARGE

This charge is designed to recover the revenue requirements associated with the PSE&G Regional Greenhouse Gas Initiative (RGGI) programs. The charge will be reset nominally on an annual basis. For the Demand Response Working Group Modified Program. Interest at the two-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered balances. For all other programs, interest at the weighted average of the interest rates on PSE&G's commercial paper and bank credit lines utilized in the prior month will be accrued monthly on any under- or over- recovered balances. The interest rates shall be reset each month.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

B.P.U.N.J. No. 15 ELECTRIC

XXX Revised Sheet No. 65
Superseding
XXX Revised Sheet No. 65

RGGI RECOVERY CHARGE

Component:	**Charge (per kilowatthour)**
Carbon Abatement Program	$ 0.000045
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Demand Response Program	$ 0.000122
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Solar Loan II Program	$ 0.000067
Energy Efficiency Economic Extension Program	$ 0.000099
Solar Generation Investment Extension Program	$ 0.000035
Solar Loan III Program	$ 0.000020
Sub-total per kilowatthour	$ 0.001254

Charge including New Jersey Sales and Use Tax (SUT) .... $ 0.001342

RGGI RECOVERY CHARGE

This charge is designed to recover the revenue requirements associated with the PSE&G Regional Greenhouse Gas Initiative (RGGI) programs. The charge will be reset nominally on an annual basis. For the Demand Response Working Group Modified Program. Interest at the two-year constant maturity treasury rate plus 60 basis points will be accrued monthly on any under- or over-recovered balances. For all other programs, interest at the weighted average of the interest rates on PSE&G's commercial paper and bank credit lines utilized in the prior month will be accrued monthly on any under- or over- recovered balances. The interest rates shall be reset each month.

TYPICAL RESIDENTIAL ELECTRIC BILL IMPACTS

The effect of the proposed changes due to the new proposed Solar Generation Investment Extension Program component of the RGGI Recovery Charge (RRC) on typical residential electric bills, if approved by the Board, is illustrated below:

Residential Electric Service					
If Your Monthly Summer kWhr Use Is:	And Your Annual kWhr Use Is:	Then Your Present Annual Bill (1) Would Be:	And Your Proposed Annual Bill (2) Would Be:	Your Annual Bill Change Would Be:	And Your Percent Change Would Be:
170	1,600	$314.24	$314.24	$0.00	0.00%
415	3,900	723.56	723.72	0.16	0.02
780	7,360	1,349.08	1,349.36	0.28	0.02
803	7,800	1,428.80	1,429.08	0.28	0.02
1,320	12,400	2,275.04	2,275.48	0.44	0.02

(1) Based upon current Delivery Rates and Basic Generation Service Fixed Pricing (BGS-FP) charges in effect April 1, 2013 and assumes that the customer receives BGS-FP service from Public Service.

(2) Same as (1) except includes changes from the new proposed Solar Generation Investment Extension Program component of the RRC.

Residential Electric Service					
If Your Annual kWhr Use Is:	And Your Monthly Summer kWhr Use Is:	Then Your Present Monthly Summer Bill (3) Would Be:	And Your Proposed Monthly Summer Bill (4) Would Be:	Your Monthly Summer Bill Change Would Be:	And Your Percent Change Would Be:
1,600	170	$32.50	$32.50	$0.00	0.00%
3,900	415	75.81	75.83	0.02	0.03
7,360	780	142.73	142.76	0.03	0.02
7,800	803	147.12	147.15	0.03	0.02
12,400	1,320	245.40	245.45	0.05	0.02

(3) Based upon current Delivery Rates and Basic Generation Service Fixed Pricing (BGS-FP) charges in effect April 1, 2013 and assumes that the customer receives BGS-FP service from Public Service.

(4) Same as (3) except includes changes from the new proposed Solar Generation Investment Extension Program component of the RRC.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
Solar 4 All™ Extension Program Rules for:

Segment	Name	Segment Size	Minimum Project Size
Segment A	Landfills and Brownfields	42 MW	1 MW
Segment B	Underutilized Government Facilities	1 MW	100 kW
Segment C	Pilot: Grid Security / Storm Preparedness	1MW	100 kW
Segment D	Pilot: Innovative Parking Lot Applications	1 MW	100 kW

GENERAL REQUIREMENTS APPLICABLE TO ALL SEGMENTS

1. Upon completion, Solar Systems must be interconnected to the PSE&G electric distribution system. Net metered projects will not be considered.

2. The Solar Systems in Segments B, C and D may be ground-mounted systems, parking lot canopy systems, or rooftop systems.

3. The Solar System must be capable of generating solar renewable energy certificates ("SRECs") as defined under NJ BPU regulations.

4. For landfill and brownfield projects, PSE&G will seek Board certification pursuant to the Board's Order implementing the Solar Act of 2012, N.J.S.A. 48:3-51 subsection (t) by submitting an application to the Board for NJDEP review and approval by the Board.

5. PSE&G, the Site Owner, or Solar Contractor will initiate the PJM Interconnection process, and identify the interconnection costs associated with viable sites as determined by PSE&G.

6. PSE&G will perform the work and procure the materials necessary to interconnect the Solar Systems to the electric grid and may perform additional portions of the work.

SEGMENTS A & B

7. Site Selection. Potential sites will be evaluated by a number of factors which may include ease of permitting, ease of interconnection, site conditions, and other factors as determined by PSE&G.

    a. PSE&G may retain the services of an engineering firm for site assessment, development of the scope of work, permitting, proposal review, and other services.

    b. Alternatively, PSE&G may also request landfill or brownfield property owners to submit proposals for consideration.[1]

8. Selection of Contractors. PSE&G will invite reputable solar companies ("Contractors") to participate in a competitive bidding process to provide the engineering, permitting, procurement and construction services required to develop the projects. Alternatively, PSE&G may procure the equipment directly and hire Contractors through a competitive bid process to provide the engineering, permitting, and construction services. More information regarding the competitive bidding process is set forth below.

9. Prior to Board Approval, PSE&G may begin site selection, site evaluation, and bid processes, and contract and lease negotiations. All contracts and leases will be effective only after (a) Board Approval of the Solar 4 All Extension Program and (b) PSE&G's determination that the contract is in compliance with conditions of Board Approval.

Competitive Bidding Process for Contractors

10. For each site PSE&G has identified and selected for development, PSE&G will invite Contractors to submit proposals for the engineering, permitting and construction (and procurement if applicable) of the project ("Proposals"). At a minimum, each Proposal shall contain:

    - A project description, site plan solar array layout, and total installed watts (dc).

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[1] PSE&G will also give favorable consideration for those projects in which the site owner and solar contractor have coordinated and prepared a fully engineered, ready to build project.

- The total installed cost of the Solar System as specified by the competitive bid process.
- An annual energy output estimate in kWh for the first year using a methodology as may be appropriate and acceptable to PSE&G.
- A project schedule.
- Financial status of the Contractor including audited financial statements or other means to determine the suitability of the Contractor.
- Priority will be given to NJ firms to the extent permitted by applicable law.

Contract between PSE&G and the Solar Contractor

11. Upon the final acceptance of a Proposal, PSE&G will enter into a construction contract with the Contractor to build the Solar System. The contract will contain typical terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on the successful negotiation of a lease with the Site Owner.

Agreement with the Site Owner

12. PSE&G and the Site Owner will enter into a suitable lease agreement ("Lease") containing typical terms and conditions including rent payments, insurance, indemnifications, owner responsibility for pre-existing site conditions, and access, all to be negotiated with the Site Owner. Lease payments will commence upon the commercial operation of the Solar System. The lease payment will be determined using the methodology established in the current Solar 4 All program and will be escalated by a percentage annually for a term of 20 years unless applicable law requires a shorter term and may contain options to extend the term as negotiated by the parties.. The lease payment will be set at a price per kWh of projected output in the first year.

13. Additional payments may be made to site owners, which may also include pre and post commercial operation payments, and other option payments necessary to secure property rights for the site.The Site Owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions. PSE&G will not be responsible for pre-existing site conditions.

SEGMENTS C & D

Solicitations

14. For each segment, PSE&G will conduct a solicitation requesting proposals that meet the objectives of each pilot/demo segment.

15. Notices for each solicitation will be posted on the PSE&G website and may also be promoted through other means as determined by PSE&G.

16. PSE&G will evaluate and select proposals based on the objectives and criteria established for each segment. PSE&G reserves the right to reject any or all proposed that, in its view, do not meet the segment's objectives and criteria.

Proposal Requirements

17. At a minimum, each Proposal shall contain:

- A project description, site plan solar array layout, and total installed watts (dc).
- The total installed cost of the pilot/demo Solar System.
- An annual energy output estimate in kWh for the first year using a methodology as may be appropriate and acceptable to PSE&G.
- A project schedule.
- A clear and detailed description of how the proposed pilot/demo Solar System meets the objectives of the segment and how it will foster the adoption of new, creative and cost effective technical solutions and business models that will further contribute to the develop of solar in NJ.
- Priority will be given to NJ firms to the extent permitted by applicable law.

Contract between PSE&G and the Solar Contractor

18. Upon the final acceptance of a Proposal, PSE&G will enter into a contract with the Contractor to build the pilot/demo Solar System. The contract will contain typical

terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the Site Owner.

Agreement with the Site Owner

19. PSE&G and Site Owner will enter into a suitable agreement containing typical terms and conditions including insurance, indemnifications, owner responsibility for pre-existing site conditions, and access. Because of the uniqueness of the pilot/demo projects, the exact nature of any financial transactions between PSE&G and the Site Owner will be determined on a case by case basis.

20. The Site Owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions. PSE&G will not be responsible for pre-existing site conditions.

ALLOCATION OF CAPACITY

21. The program size shall be capped at 45 MW, with no more than 20 MW going in-service in EY 2015 and the balance going into service in EY 2016.

22. PSE&G will have the flexibility to move capacity only between Segment B, C and D but cannot decrease the capacity of Segment A.

    PSE&G may move capacity from Segments B, C and D to Segment A.

SOLAR LOAN III PROGRAM RULES

Eligibility Requirements

- Definition of a Solar Project – A photovoltaic solar electric generating system that converts sunlight into measurable and verifiable alternating current ("AC") electric power.
- All solar projects must be installed within PSE&G's service territory.
  - Net-metered projects must be installed at a customer location that receives (or that will receive in the case of new construction) retail electricity service from PSE&G.
- The solar photovoltaic panels must have a minimum 20-year output warranty.
- Projects accepted under this program will be ineligible for any benefits from other PSE&G or BPU renewable energy programs, except for net metering and the SRECs generated by the solar system.
- Projects under construction may not apply for loans in the Residential-Individual Customer, Small Non-Res, and Large Non-Res segments. "Under construction" means anything other than site clearance or site preparation. The receipt and storage of equipment at the facility site will not be considered "under construction", provided no attempt is made to assemble or erect the equipment. In the Res-Aggregated and Landfill market segments, projects under construction but not in commercial operation are eligible to apply for the Solar Loan III Program. "Commercial Operation" means that the system is operating and has received its final inspection in preparation for the issuance of SRECs.
- For non-residential projects, loan applicants must be registered to do business in New Jersey.
- The applicant must meet minimum insurance requirements as specified in the Solar Loan Agreement.
- The applicant must make provision for solar system maintenance for the duration of the loan term.
- All systems that are located in PSE&G's electric service territory and are eligible for SRECs will be eligible to participate.

Competitive Solicitation Process for All Segments

- Loan applications will be grouped into market segments as defined below for review:
  - Residential-Individual Customer – net-metered
  - Residential-Aggregated by a 3rd Party – net-metered ("Res-Aggregated")
  - Non-residential ≤ 150kW – net-metered ("Small Non-Res")

- Non-residential >150kW (up to 2 MW per project) – net-metered ("Large Non-Res")

- Landfills/brownfields (up to 5 MW per project) – either net-metered or grid connected ("Landfills") and as defined in P.L.1999, c.23 (C.48:3-49) et al. PSE&G will manage the solicitation process directly or through a third-party vendor.

- Applicants must submit a complete application package including the credit application and appropriate loan application fee to participate in the solicitation process.

- PSE&G plans to conduct solicitations every other month or six times a year. However, PSE&G reserves the right to alter the schedule based on market conditions, administrative workload, and other factors.

- Upon commencement of the Solar Loan III Program, any remaining unawarded capacity from the Solar Loan II program will be rolled into the first solicitation for the Large Non-Res segment. Subsequent to the first Solar Loan III solicitation, if additional Solar Loan II capacity becomes available, it will be rolled into the next available solicitation for the Large Non-Res segment.

- PSE&G may require applicants to submit documentation via a web portal to participate in the Solar Loan Program

- PSE&G will hire an independent Solicitation Manager ("SM") selected through a competitive bid process who will review and rank the bids received and provide guidance to the Company regarding competitive SREC Floor prices and the competitiveness of individual segments based on such factors as the number of bidders, a statistical analysis of bids to identify and reject outliers, kW bid and range of pricing. The following is a typical solicitation schedule; however, PSE&G may modify the schedule based on market conditions, administrative workload, and other factors:

EVENT	DATE
Solicitation "X" Opens	Day 1
SA Provides SREC Floor Price Benchmark	By Day 5
Deadline for Participants to Submit Offers	Day 5
PSE&G Preliminary Offer Review, Receive App. Fee, & Remedy Minor Deficiencies	Day 6-15
PSE&G Ranks Qualified Offers first by Bid Price & then by Date/Time Received	Day 16
SA Reviews Bids & Provides Recommendations to PSE&G	Day 17-19
PSE&G Notifies Applicants of Status (via email)	Day 20
PSE&G Commences Secondary Project Credit & Interconnection Review and Landfill Technical Review as appropriate	Day 21
Solicitation "X" Closes - Pending Applicants are Notified (via email)	Day 40
PSE&G Posts Solicitation Results on website	Day 41
Solicitation "X+1" Opens	Abt. Day 45

Note: All dates are business days, e.g. Day 5 is the fifth business day after the solicitation began.

- The actual solicitation schedule will be published on the PSE&G website.
- Any applicant whose project and credit application is not complete and whose application fee has not been received by Day 15 will not be considered for the pending solicitation.
- Capacity will be made available at each solicitation as follows:

Class	% of Total	Total MW	Solicitation #1	#2	#3	#4 - #12	#13 - #18
Residential	10.00%	9.75	0.300	0.500	0.850	0.900	TBD
Res-Aggregated	10.00%	9.75	0.300	0.500	0.850	0.900	TBD
Small Non-Res	13.48%	13.14	2.628	1.314	1.314	0.876	TBD
Large Non-Res	61.39%	59.86	11.972	5.986	5.986	3.991	TBD
Landfills	5.13%	5.00	5.000	0.000	0.000	0.000	TBD
Total		97.50	21.850	8.775	9.125	6.417	TBD

- PSE&G will conduct a periodic, competitive solicitation process through which a potential borrower will submit a loan application with a proposed SREC floor price specific to their project.
- Proposed SREC floor prices must be in multiples of $5.00
- Within each segment, qualified projects will be ranked from the lowest to the highest SREC floor price.
- Applicants that bid the same SREC floor price within a segment will be further ranked according to the date-stamp with the earliest date and time listed first.
- Each capacity block will be filled by the ranked list of qualified projects until the capacity is fully allocated.
- If the capacity of the bids received is equal to or less than the segment capacity block size:
  - All projects will be conditionally accepted, and will be considered for further screening, such as credit and interconnection review.
  - During each solicitation, underutilized capacity from any segment may be reallocated to other oversubscribed segments for that same solicitation, except that for the first solicitation, any unused capacity (kW) in the Residential or Res-Aggregated Segments will be added to their respective segments' capacity in the second solicitation.
  - After any reallocation of unused capacity to other oversubscribed segments, as applicable, any remaining unused capacity in a segment will be added to the capacity block for that segment in the next solicitation.

If an individual project by virtue of its size would cause the capacity in a particular segment to be over-subscribed, PSE&G will accept the project and lower the capacity of the next available capacity block for that segment by the amount the particular segment was over-subscribed. For example, if by accepting a 1 MW project, the Large Non-Res segment capacity of 11.972 MW (Solicitation #1) is exceeded by 0.2 MW, the Large Non-Res segment for Solicitation #2 will be reduced from 5.986 MW to 5.786 MW.

- Where appropriate, applicants will be notified after the close of the solicitation that their projects have been conditionally accepted subject to further review and acceptance on other loan criteria such as credit and interconnection considerations.
- Applications that met the acceptance criteria but were not accepted because of capacity limitations will be placed on a pending list. If conditionally accepted projects screen out, or opt out, before the current solicitation close date, applications on the pending list will be substituted according to their original rank order.
- Applicants remaining on the pending list after the solicitation close date will be notified and may then participate in the next solicitation; however, they will keep their original timestamp. During the open period for the next solicitation, these applicants will have the option to modify their bid floor price. Applicants who choose not to enter the next solicitation will have their application fee returned.

For the last solicitation only, if an individual project by virtue of its size would cause the capacity of the total Program to exceed 97.5 MW, PSE&G will offer to accept the applicant based on the remaining capacity in the Program. For example, if there were only 900 kW remaining in the Program and the next project on the pending list is a 1 MW project, PSE&G would offer the applicant a loan based on the remaining 900 kW. If the applicant declines, the next applicant in the pending list will be offered space in the capacity block. Continuing with the above example, if this second applicant's project size is less than 900 kW, the second applicant will be accepted and any remaining capacity will be offered to the third applicant on the pending list. If the second applicant's project is greater than 900 kW, PSE&G will offer to accept the second applicant based on the remaining 900 kW. This process will continue until the last capacity block is filled.

Res-Aggregated Segment

Third parties that aggregate residential customers shall be allowed to participate and will be treated as non-residential applicants under the Solar Loan III Program through the Res-Aggregated Segment. For the solicitations, they will be required to bid individual residential projects including individual SREC Floor Prices. After review by the SA, the final group of selected residential projects will be combined and the third party aggregator will be assigned the capacity of the combined residential projects and from then on will be treated as a non-residential application for credit review and loan management. In the event that individual residential projects have different SREC bid prices, a weighted average SREC bid price will be calculated. The weighted average SREC floor price will be rounded to the nearest $5.00 increment. Once individual residential projects have been accepted and the third party aggregator has been assigned capacity, substitute projects will not be allowed.

Landfill Segment Projects

Prior to being qualified for the Program, PSE&G reserves the right to require applicants to demonstrate proof of project viability through geotechnical engineering reports, landfill closure certifications and other documents as required. PSE&G may also require applicants to show proof of site control and a minimum level of site development before being designated as a qualified applicant. Applicants that are required to be certified pursuant to the Board's Order implementing the Solar Act of 2012, N.J.S.A. 48:3-51 subsection (t) must submit their application to the Board no more than 10 calendar days after PSE&G provides notification that they have been conditionally accepted into the Program.

General Program Rules

- All loans will have a ten-year term.
- The floor price will remain in effect for the duration of the loan term.
- There will be no Call Option for any segment.
- Approved Residential and Res-Aggregated solar projects must be completed within six months after PSE&G issues a loan commitment. PSE&G may withdraw the loan commitment if a Residential Segment project fails to meet this deadline.At PSE&G's discretion, PSE&G may request additional project documentation (e.g. detailed project schedule, EPC agreement, PPA agreement) from the borrower. Upon request from PSE&G, borrowers are required to provide such documentation as requested by PSE&G in a timely manner.
- Projects that are required to be certified under section t. of the Solar Act of 2012 must submit their application to the BPU, along with a copy to PSE&G, no more than 10 calendar days after PSE&G provides notification that they have been conditionally accepted into the program.
- Unless waived by PSE&G, Non-Residential projects must to meet certain milestones during the project lifecycle. These milestones are shown below:

Milestone	Due Date (Days)	Grace Period (Days)	Missed Milestone Fee ($/kW)	Remedy Period (Days)
Commitment Letter signed by Borrower	5	10	25	15
File Permits	60	75	25	90
Commence Construction	90	105	25	120

- All due dates are calendar days relative to the date of the commitment letter signed by PSE&G. For example, the Commitment Letter Grace Period ends ten calendar days after PSE&G issues the Commitment Letter.

- If an applicant misses a due date and fails to cure within the applicable Grace Period, and has not been granted an extension by PSE&G, the applicant will be charged the appropriate Missed Milestone Fee, which will be deducted from the proceeds of the loan at closing.
- If, by the end of the Remedy Period, the applicant has not complied with the Milestone, the loan commitment may be revoked, at PSE&G's sole discretion, and the associated capacity will become available for a subsequent competitive solicitation. PSE&G will obtain a security interest in the solar equipment.
- PSE&G will enter into appropriate subordination agreements with the property owners and landlords to protect PSE&G's security interest in the solar equipment.
- If, after credit review, an applicant requests either a name change that requires an additional credit review or to change the location of the solar system, PSE&G reserves the right to reject the request. If the request is accepted, there will be a $3/kW fee to cover the additional administrative cost of accommodating such change.
- Estimated generation from the solar power system for the purposes of sizing the loans will be determined using PV Watts or an equivalent estimating model subject to PSE&G's approval.
- PSE&G may require applicants to provide a New Jersey certification number in advance of closing a loan as proof that a project is eligible to receive SRECs.

Fees .

- Application Fee – an application fee of $20 per kW-dc (maximum of $7,500) will be required at the time of application. Once an applicant has been notified that the application has been conditionally accepted into the program, the application fee is non-refundable. If an applicant is not accepted, the application fee will be returned in full or partially, in the case of Res-Aggregators, if the full bid capacity is not accepted.
- Administration Fee – there will be an administration fee of $85/kW. The administration fee will be deducted from the loan proceeds at the time the loan is issued to the borrower.
- SREC Processing Fee – there will be a fee for the processing and management of the SRECs generated by the borrower's solar generation facility. For the Residential Segment, the SREC Processing Fee will be $120/kW and will be deducted from the loan proceeds at the time the loan is issued to the borrower. For all other segments, the SREC Processing Fee will initially be set at $10.18/SREC and then will be reset on an annual basis as described below. The SREC Processing Fee will be billed annually at the time of the borrower's annual true-up as defined in the borrower's loan agreement and will be determined by multiplying the SREC Processing Fee in affect at the time by the number of SRECs generated by the borrower's project for the previous year.
- Over the term of the Solar Loan III program all PSE&G administrative costs are to be paid by borrowers. The true-up mechanism will ensure all costs are recovered from the borrowers and that the borrowers only pay the actual cost incurred.

- The initial non-residential SREC Processing Fee will be set based on PSE&G forecast of common costs divided by the expected number of non-residential SRECs to be generated by the Program. The SREC Processing Fee for future years will be determined by taking the net balance of fees and administrative costs for the current year and adding it to, or subtracting it from, the forecast of common costs and then dividing by the remaining number of non-residential SRECs expected to be generated for the remaining years. This approach will ensure that there will not be significant year to year volatility in the SREC Processing Fee.
- The Application and Administration Fees and the volume costs will be tracked together and after the last loan has closed the balance will be added to the SREC Processing Fee balance.

Basis For Rejection

PSE&G will have final authority on whether any particular application is complete and eligible for a solar loan. An application will be rejected for reasons including:

- If the application fails to meet eligibility and/or threshold requirements.
- If the applicant fails to submit required supporting documentation within the required time frame or is unable to verify or document any material representation within the application.
- If there are material misrepresentations in the project application.
- If the applicant engages in illegal or improper conduct or attempts to improperly influence PSE&G's decision-making process.
- Changes in laws or regulations affecting this program.
- If the applicant fails to permit disclosure of information contained in an application to the BPU, PSE&G or PSE&G agents or contractors charged with evaluating the solar project application.
- If PSE&G determines that the solar application does not represent a bona fide project or that the applicant will be unable to fulfill the requirements of this solar program.

Loan Defaults

- For the protection of the ratepayers, PSE&G will use reasonably prudent means to recover the outstanding loan balance on defaulted loans.
- If PSE&G ultimately determines that it is prudent to remove the solar system, PSE&G will sell the solar system and credit the net proceeds against the regulatory asset (i.e., the regulatory asset that PSE&G is recovering through the RGGI clause).
- Contemporaneously with the removal of a rooftop solar system, PSE&G will take appropriate steps to stabilize the affected areas of the roof to prevent leakage.
- PSE&G will repair the affected areas of the roof so that it reflects the general condition of the portions of the roof not affected by the removal of the solar system.

Late Payments

- For any loans that have annual or biennial true-up payments that are 30 days past due, PSE&G reserves the right to charge a late payment charge equal to 1% of the outstanding loan balance.

Meter Reading

- All projects will have a PSE&G revenue grade meter installed at the customer's expense to measure solar system output. Estimated generation will not be accepted. A second revenue grade meter may be installed as a backup at the customer's expense provided the meter meets the current ANSI accuracy standards as approved by the BPU.
- If a meter reading is simply missed for the month, the generation for that month will be credited when the next actual meter reading is obtained and entered into PJM GATS. SREC's will be credited to the loan in the month in which they are created.
- PSE&G may offer Residential customers the option of registering for "MyAccount" on the PSEG website, which will enable them to enter meter readings in any month that their meter is not read by a PSE&G meter reader
- If the PSE&G meter is not functioning properly and actual accurate generation data cannot be obtained from this meter, and the Borrower has a backup revenue grade meter installed for the system PSE&G will accept data from the back-up meter if it is accompanied by a spec sheet for the meter indicating the meter satisfies the above referenced ANSI code. In the case where the PSE&G owned meter is functioning properly, but there is an issue with remote telemetry, PSE&G reserves the right to conduct a site visit and obtain generation data directly from the meter.
- If the PSE&G meter is not functioning properly and actual generation data cannot be obtained from this meter, and the Borrower does not have a backup revenue grade meter installed for the system PSE&G will not enter any generation data into PJM GATS for the period when the actual generation data cannot be obtained.
- Each third party aggregator is required to install and own a meter that meets the then current accuracy standards as approved by the BPU for each residential project for which the aggregator receives funding under Solar Loan III, and must provide PSE&G SREC generation data along with read-only access to the data for validation. Third party aggregators are responsible for the accuracy and availability of all data.

PSE&G Solar Loan III Program
Administrative Cost Schedule

Admin Fees

Year	Residential (1)=(22)*(31) Application ($)	Residential (2)=(32)*(27) Admin ($)	Residential (3)=(33)*(27) SREC Processing Fee ($)	Residential (4)=(1)+(2)+(3) Total Res ($)	Non-Residentail (including Res-Aggregator Segment) (5) see Note 1 Application ($)	(6)=(26)*(32) Admin ($)	(7) see Notes 2 & 3 SREC Processing Fee ($/SREC)	(8)=(7)*(30) SREC Processing Fee ($)	(9)=(5)+(6)+(8) Total Non-Res ($)	(10)=(1)+(2)+(5)+(6) Total Volume Fees ($)	(11)=(3)+(8) Total Common Fees ($)	(12)=(10)+(11) Total Fees ($)
2013	87,000	-	-	87,000	551,558	-	10.08	-	551,568	638,558	-	638,558
2014	54,000	147,689	208,502	410,191	196,346	1,253,436	11.25	71,652	1,521,446	1,851,472	280,154	1,931,626
2015	54,000	247,564	349,502	651,065	196,346	2,271,072	11.04	319,716	2,787,145	2,768,982	669,217	3,438,199
2016	-	257,125	363,000	620,124	-	2,352,218	10.68	649,714	3,001,943	2,609,343	1,012,714	3,622,067
2017	-	176,373	248,997	425,369	-	1,581,875	10.28	918,464	2,500,349	1,758,247	1,167,460	2,925,708
2018	-	-	-	-	-	-	9.97	1,026,209	1,026,219	-	1,026,209	1,026,209
2019	-	-	-	-	-	-	9.54	977,234	977,244	-	977,234	977,234
2020	-	-	-	-	-	-	9.54	972,320	972,329	-	972,320	972,320
2021	-	-	-	-	-	-	9.54	967,482	967,492	-	967,482	967,482
2022	-	-	-	-	-	-	9.54	962,844	962,654	-	962,644	962,644
2023	-	-	-	-	-	-	9.54	957,816	957,826	-	957,816	957,816
2024	-	-	-	-	-	-	9.54	895,155	895,164	-	895,155	895,155
2025	-	-	-	-	-	-	9.54	685,204	685,214	-	685,204	685,204
2026	-	-	-	-	-	-	9.54	391,065	391,075	-	391,065	391,065
Total	196,000	828,750	1,170,000	2,193,750	944,250	7,458,601		9,794,676	18,197,887	9,428,601	10,964,676	20,391,278

Admin Costs / Cash Flows

Year	Admin Costs (13) from JAF-SLIII-3 col (3) Volume ($)	(14) from JAF-SLIII-3 col (1) Common ($)	(15)=(13)+(14) Total ($)	Cash Flows (16)=(10)-(13) Net Volume Cash Flow ($)	(17)=(11)-(14) Net Common Cash Flow ($)	(18)=(12)-(15) Net Cash Flow ($)	(19)=cumsum of (16) Cumulative Net Volume ($)	(20)=cumsum of (17) Cumulative Net Common ($)	(21)=cumsum of (18) Cumulative Net Total ($)
2013	1,452,500	-	1,452,500	(813,943)	-	(813,943)	(813,943)	-	(813,943)
2014	1,925,000	242,347	2,167,347	(273,528)	37,807	(235,721)	(1,087,471)	37,807	(1,049,664)
2015	1,973,125	481,169	2,454,294	785,857	188,049	983,905	(291,614)	225,856	(65,758)
2016	1,913,931	740,081	2,654,012	695,412	272,633	968,045	403,798	498,489	902,286
2017	1,656,513	855,436	2,711,949	(98,266)	312,025	213,759	305,532	810,514	1,116,045
2018	-	881,099	881,099	-	450,642	145,111	-	1,261,156	1,261,156
2019	-	907,532	907,532	-	69,702	69,702	-	1,330,858	1,330,858
2020	-	934,758	934,758	-	37,562	37,562	-	1,368,421	1,368,421
2021	-	962,800	962,800	-	4,682	4,682	-	1,373,102	1,373,102
2022	-	991,684	991,684	-	(29,040)	(29,040)	-	1,344,062	1,344,062
2023	-	1,021,435	1,021,435	-	(63,619)	(63,619)	-	1,280,444	1,280,444
2024	-	1,052,078	1,062,078	-	(156,923)	(156,923)	-	1,123,520	1,123,520
2025	-	1,083,640	1,083,640	-	(398,436)	(398,436)	-	725,084	725,084
2026	-	1,116,150	1,116,150	-	(725,084)	(725,084)	-	-	-
Total	9,121,070	11,270,208	20,391,278	305,532	-	-			

Notes:

1 (5)=(31)*((23)+(24))+ 7500/1000*((25)+(26)) For the Large Non-Res and Landfill Segment it is assumed that the average project size is 1000 kW and that these projects will be subject to the $7,500 cap on the Application Fee
2 For the initial year, the SREC Processing Fee rate is set annually by sublacting the projected Residential SREC Processing Fees (30) from the projected Total Common Admin Costs (14) and then dividing by the projected number of SRECs generated by the Non-Residential Segments (30).
3 For subsequent years, the SREC Processing Fee rate is set by subtracting that year's Cummulative New Common Costs (17) from the projected Common Admin Costs (14) and then dividing by the projected number of SREC generated by the Non-Residential segments (30).
4 After the last loan is closed, the net balance of Volume Related Costs (19) will be transferred to the net balance of Common Costs (17).

Year	Application Forecast (kW) (22) Res	(23) Res-Agg	(24) NRS	(25) NRL	(26) LF		Closing Forecast (kW) (27) Res	(28) Non-Res	SREC Forecast (29) Res	(30) Non-Res
2013	4,350	4,350	7,884	35,917	5000		-	-	-	-
2014	2,700	2,700	2,628	11,972			1,738	14,746	750	6,371
2015	2,700	2,700	2,628	11,972			2,913	26,718	3,311	28,967
2016							3,025	27,673	6,791	60,859
2017							2,075	18,610	9,926	69,388
2018									11,435	102,929
2019									11,380	102,415
2020									11,321	101,900
2021									11,266	101,393
2022									11,208	100,886
2023									11,153	100,380
2024									10,383	93,613
2025									7,890	71,810
2026									4,526	40,984
2027									1,469	13,356
Total	9,750	9,750	13,140	59,860	5,000		9,750	67,748	112,929	1,015,451

	(31) Application Fee ($/kW)	(32) Admin Fee ($/kW)	(33) SREC Processing Fee ($/kW)
Residential	20	85	120
Non-Residentia	20	85	n/a

PSE&G Solar Loan III Program
Weighted Average Cost of Capital (WACC)

	Percent	Cost	Weighted Cost	Revenue Conversion Factor	Pre-Tax Weighted Cost	Discount Rate
Other Capital	48.8000%	5.1702%	2.5231%	1.0000	2.5231%	
Customer Deposits	0.0000%	0.0000%	0.0000%	1.0000	0.0000%	
Sub-total	48.8000%		2.5231%		2.5231%	1.4924%
Preferred Stock	0.0000%	0.0000%	0.0000%	1.6906	0.0000%	0.0000%
Common Equity	51.2000%	10.0000%	5.1200%	1.6906	8.6560%	5.1200%
Total	100.0000%		7.6431%		11.1791000%	6.6124%
Monthly WACC			0.63693%		0.93159000%	

Reflects a tax rate of 40.850%

PSE&G Solar Loan III Program
Electric Revenue Requirements Calculation - Summary

Annual Pre-Tax WACC 11.1791%
Monthly Pre-Tax WACC 0.93159%

	(1) Total Loan Outstanding Balance	(2) SREC Inventory	(3) Total Net Loan Investment	(4) Return Requirement On Net Loan Investments	(5) Incremental Return Requirement On Net Loan Investments	(6) Net Plant Investment	(7) Return Requirement on Plant Investment	(8) Incremental Return Requirement on Plant Investment	(9) Loan Accrued Interest	(10) Loan Interest Paid	(11) Net Loan Accrued Interest	(12) Loan Principal Paid / Amortized
Monthly Calculations												
Jan-13	-	-	-	-	-	-	-		-	-	-	-
Feb-13	-	-	-	-	-	-	-		-	-	-	-
Mar-13	-	-	-	-	-	-	-		-	-	-	-
Apr-13	-	-	-	-	-	-	-		-	-	-	-
May-13	-	-	-	-	-	-	-		-	-	-	-
Jun-13	-	-	-	-	-	-	-		-	-	-	-
Jul-13	-	-	-	-	-	-	-		-	-	-	-
Aug-13	-	-	-	-	-	-	-		-	-	-	-
Sep-13	-	-	-	-	-	-	-		-	-	-	-
Oct-13	-	-	-	-	-	-	-		-	-	-	-
Nov-13	-	-	-	-	-	-	-		-	-	-	-
Dec-13	-	-	-	-	-	-	-		-	-	-	-
Jan-14	-	-	-	-	-	-	-		-	-	-	-
Feb-14	-	-	-	-	-	-	-		-	-	-	-
Mar-14	-	-	-	-	-	-	-		-	-	-	-
Apr-14	-	-	-	-		-	-		-	-	-	-
May-14	-	-	-	-		-	-		-	-	-	-
Jun-14	-	-	-	-		-	-		-	-	-	-
Jul-14	33,877,248	-	33,877,248	308,440		-	-		308,440	-	308,440	-
Aug-14	34,192,846	-	34,192,846	315,598		-	-		315,598	-	315,598	-
Sep-14	33,942,283	379,400	34,321,683	318,654		-	-		318,538	569,100	(250,562)	-
	From Sched SS-SLIII-3a Col 11	From Sched SS-SLIII-3a Col 15	Col 1 + Col 2	From Sched SS-SLIII-3a Col 3 + Col 16	N/A	From Sched SS-SLIII-3a Col 27	(Prior Col 6 + Col 6) / 2 * [Monthly Pre Tax WACC]	N/A	From Sched SS-SLIII-3a Col 4	From Sched SS-SLIII 3a Col 7	Col 9 - Col 10	From Sched SS-SLIII 3a Col 6
Annual Summary												
2012	-	-	-	-							-	
2013	-	-	-	-		-	-		-	-	-	-
2014	33,317,032	1,424,200	34,741,232	1,906,052		-	-		1,884,524	1,884,524		251,776
2015	91,005,945	7,879,800	98,885,745	7,410,758		-	-		7,029,685	7,029,685	0	2,653,715
2016	146,666,220	4,850,800	151,517,020	13,715,024		-	-		13,439,438	13,439,438	-	6,855,562
2017	177,328,347	6,137,800	183,466,147	18,686,965		-	-		18,331,426	18,331,426	(0)	11,462,774
2018	162,250,584	6,106,400	168,356,984	19,658,587		-	-		19,231,437	19,231,437	-	15,077,763
2019	145,577,071	6,076,200	151,653,271	17,890,003		-	-		17,464,988	17,464,988	-	16,673,512
2020	127,121,504	6,045,600	133,167,104	15,934,020		-	-		15,510,733	15,510,733	-	18,455,567
2021	106,670,346	6,015,800	112,686,146	13,767,327		-	-		13,346,542	13,346,542	-	20,451,158
2022	83,989,670	5,984,400	89,974,070	11,366,172		-	-		10,947,524	10,947,524	-	22,680,676
2023	58,815,789	5,955,800	64,771,589	8,702,598		-	-		8,286,019	8,286,019	-	25,173,681
2024	33,829,163	4,932,400	38,761,563	5,785,474		-	-		5,396,880	5,396,880	-	24,986,626
2025	14,275,489	3,120,400	17,395,889	3,078,230		-	-		2,782,261	2,782,261	-	19,553,674
2026	3,227,568	1,253,800	4,481,368	1,137,414		-	-		969,295	969,295	-	11,047,921
2027	-	-	-	181,836		-	-		127,566	127,566	-	3,227,568
Total				139,220,461			-		134,748,316	134,748,316	(0)	198,552,174

PSE&G Solar Loan III Program
Electric Revenue Requirements Calculation - Summary

Annual Pre-Tax WACC 11.1791%
Monthly Pre-Tax WACC 0.93159%

	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(19a)	(20)	(21)	(22)
	Plant Depreciation	Depreciation / Amortization	O&M Expenses	SREC Value Credited to Loans	Gain / (Loss) on SREC Sales	SREC Disposition Expenses	SREC Call Option Net Benefit	SREC Floor Price Cost	Net Proceeds from the Sale of SRECs	Cash Payments to Loans	Revenue Requirements
Monthly Calculations											
Jan-13	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-
Jun-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Jul-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Aug-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Sep-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Oct-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Nov-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Dec-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Jan-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Feb-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Mar-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Apr-14	-	-	19,643	-	-	-	-	-	-	-	19,643
May-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Jun-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Jul-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Aug-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Sep-14	-	-	19,643	569,100	-	-	-	189,700	379,400	-	209,460
	From Sched SS-SLIII 3a Col 21	Col 12 + Col 13	From Sched SS-SLIII-3a Col 29	From Sched SS-SLIII-3a Col 5	From Sched SS-SLIII-3a Col 14	From Sched SS-SLIII-3a Col 17	From Sched SS-SLIII-3a Col 18	From Sched SS-SLIII 3a Col 19	Col 16 + Col 17 - Col 18 + Col 19 - Col 19a	From Sched SS-SLIII-3a Col 6	Col 4 + Col 7 - Col 11 + Col 14 + Col 15 - Col 20 - Col 21
Annual Summary											
2012	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	813,943	-	-	-	-	-	-	-	813,943
2014	-	251,776	235,721	2,136,300	-	-	-	712,100	1,424,200	-	969,350
2015	-	2,653,715	(983,905)	9,683,400	-	-	-	3,227,800	6,455,600	-	2,624,967
2016	-	6,855,562	(968,045)	20,295,000	-	-	-	6,765,000	13,530,000	-	6,072,542
2017	-	11,462,774	(213,759)	29,794,200	-	-	-	9,931,400	19,862,800	-	10,073,181
2018	-	15,077,763	(145,111)	34,309,200	-	-	-	11,436,400	22,872,800	-	11,718,440
2019	-	16,673,512	(69,702)	34,138,500	-	-	-	11,379,500	22,759,000	-	11,734,813
2020	-	18,455,567	(37,562)	33,966,300	-	-	-	11,322,100	22,644,200	-	11,707,625
2021	-	20,451,158	(4,682)	33,797,700	-	-	-	11,265,900	22,531,800	-	11,682,003
2022	-	22,680,676	29,040	33,628,200	-	-	-	11,209,400	22,418,800	-	11,657,088
2023	-	25,173,881	63,619	33,459,900	-	-	-	11,153,300	22,306,600	-	11,633,498
2024	-	24,986,626	156,923	30,383,506	-	-	-	10,127,306	20,256,200	-	10,672,823
2025	-	19,553,674	398,436	22,335,934	-	-	-	7,444,734	14,891,200	-	8,139,140
2026	-	11,047,921	726,084	12,017,216	-	-	-	4,005,216	8,012,000	-	4,898,419
2027	-	3,227,568	-	3,355,134	-	-	-	1,117,934	2,237,200	-	1,172,204
Total	-	198,552,174	0	333,300,490	-	-	-	111,098,090	222,202,400	-	115,570,236

PSE&G Solar Loan III Program
Electric Revenue Requirements Calculation - Detail

Annual Pre-Tax WACC	11.1791%
Monthly Pre-Tax WACC	0.93159%

	(1)	(2)	(3)	(3a)	(3b)	(4)	4a	4b	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Monthly Calculations	Loan Amount Issued	Capitalized Plant	Return On Total Outstanding Loan Balance	Loan Interest Rate to WACC Differential Cost - Commercial	Loan Interest Rate to WACC Differential Cost - Residential	Loan Accrued Interest	Loan Accrued Interest - Commercial	Loan Accrued Interest - Residentail	SREC Value Credited to Loans	Cash Payments to Loans	Loan Interest Paid	Loan Principal Paid / Amortized	Loan Accrued Interest Balance	Loan Principal Balance	Total Loan Outstanding Balance	Value of SREC Transferred to PSE&G	SREC Auction Sales	Gain / (Loss) on SREC Sales
Jan-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jul-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aug-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sep-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oct-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nov-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dec-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jan-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jul-14	33,568,808	-	308,440	-	-	308,440	275,928	32,512	-	-	-	-	308,440	33,568,808	33,877,248	-	-	-
Aug-14	-	-	315,598	-	-	315,598	282,331	33,266	-	-	-	-	624,038	33,568,808	34,192,846	-	-	-
Sep-14	-	-	318,538	-	-	318,538	284,961	33,576	569,100	-	569,100	-	373,476	33,568,808	33,942,283	379,400	-	-
	Program Assumption	Program Assumption	Col 3a + Col 3b + Col 4	WP-SS-SLIII-2.xls 'LoansC' wksht Col 32	WP-SS-SLIII-2.xls 'LoansR' wksht Col 32	WP-SS-SLIII-2.xls 'Loans' wksht Col 11	WP-SS-SLIII-2.xls 'LoansC' wksht Col 11	WP-SS-SLIII-2.xls 'LoansR' wksht Col 11	WP-SS-SLIII-2.xls 'Loans' wksht Col 13	WP-SS-SLIII-2.xls 'Loans' wksht Col 14	WP-SS-SLIII-2.xls 'Loans' wksht Col 16	WP-SS-SLIII-2.xls 'Loans' wksht Col 17	WP-SS-SLIII-2.xls 'Loans' wksht Col 18	WP-SS-SLIII-2.xls 'Loans' wksht Col 19	Col 9 + Col 10	WP-SS-SLIII-2.xls 'SREC Inv.' wksht Col 23	WP-SS-SLIII-2.xls 'SREC Inv.' wksht Col 25	WP-SS-SLIII-2.xls 'SREC Inv.' wksht Col 26
Annual Summary																		
2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2014	33,568,808	-	1,884,524	-	-	1,884,524			2,136,300	-	1,884,524	251,776	-	33,317,032	33,317,032	1,424,200	-	-
2015	60,342,629	-	7,029,685	-	-	7,029,685			9,683,400	-	7,029,685	2,653,715	-	91,005,945	91,005,945	6,455,600	-	-
2016	62,515,837	-	13,439,438	-	-	13,439,438			20,295,000	-	13,439,438	6,855,562	-	146,666,220	146,666,220	13,530,000	16,559,000	-
2017	42,124,901	-	18,331,426	-	-	18,331,426			29,794,200	-	18,331,426	11,462,774	-	177,328,347	177,328,347	19,862,800	18,675,800	-
2018	-	-	19,231,437	-	-	19,231,437			34,309,200	-	19,231,437	15,077,763	-	162,250,584	162,250,584	22,872,800	22,904,200	-
2019	-	-	17,464,988	-	-	17,464,988			34,138,500	-	17,464,988	16,673,512	-	145,577,071	145,577,071	22,759,000	22,789,200	-
2020	-	-	15,510,733	-	-	15,510,733			33,966,300	-	15,510,733	18,455,567	-	127,121,504	127,121,504	22,644,200	22,674,800	-
2021	-	-	13,346,542	-	-	13,346,542			33,797,700	-	13,346,542	20,451,158	-	106,670,346	106,670,346	22,531,800	22,561,600	-
2022	-	-	10,947,524	-	-	10,947,524			33,628,200	-	10,947,524	22,680,676	-	83,989,670	83,989,670	22,418,800	22,450,200	-
2023	-	-	8,286,019	-	-	8,286,019			33,459,900	-	8,286,019	25,173,881	-	58,815,789	58,815,789	22,306,600	22,335,200	-
2024	-	-	5,396,880	-	-	5,396,880			30,383,506	-	5,396,880	24,986,626	-	33,829,163	33,829,163	20,256,200	21,279,600	-
2025	-	-	2,762,261	-	-	2,762,261			22,335,934	-	2,762,261	19,553,674	-	14,275,489	14,275,489	14,891,200	18,703,200	-
2026	-	-	969,295	-	-	969,295			12,017,216	-	969,295	11,047,921	-	3,227,568	3,227,568	8,012,000	9,876,600	-
2027	-	-	127,566	-	-	127,566			3,355,134	-	127,566	3,227,568	-	-	-	2,237,200	3,491,000	-
Total	198,552,174	-	134,748,316	-	-	134,748,316	-	-	333,300,490	-	134,748,316	198,552,174	-			222,202,400	222,202,400	-

PSE&G Solar Loan III Program
Electric Revenue Requirements Calculation - Detail

Annual Pre-Tax WACC 11.1791%
Monthly Pre-Tax WACC 0.93159%

	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
Monthly Calculations	SREC Inventory	Return on SREC Inventory	SREC Disposition Expenses	SREC Call Option Net Benefit	SREC Floor Price Cost	Gross Plant	Plant Depreciation	Accumulated Depreciation	Net Plant	Tax Depreciation	Deferred Income Tax	Accumulated Deferred Income Tax	Net Plant Investment	Return Requirement on Plant Investment	O&M Expenses	Revenue Requirements
Jan-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,278	116,278
Jul-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,278	116,278
Aug-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,278	116,278
Sep-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,278	116,278
Oct-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,278	116,278
Nov-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,278	116,278
Dec-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,278	116,278
Jan-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,643	19,643
Feb-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,643	19,643
Mar-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,643	19,643
Apr-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,643	19,643
May-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,643	19,643
Jun-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,643	19,643
Jul-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,643	19,643
Aug-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,643	19,643
Sep-14	379,400	116	-	-	189,700	-	-	-	-	-	-	-	-	-	19,643	209,460
	Prior Col 15 + Col 12 - Col 13 - Col 14	WP-SS-SLIII-2.xls 'SREC Inv.' wksht Col 28	WP-SS-SLIII-2.xls 'SREC Inv.' wksht Col 29	Included in Col 14	WP-SS-SLIII-2.xls 'Loans' wksht Col 36	Prior Month Col 19 + Col 2	1/120 of Each Prior 120 Months of Col 2 (10 year amortization)	Prior Col 21 + Col 20	Col 19 - Col 21	See WP-SS-SLIII-1.xls 'AmortE' wksht	(Col 23 - Col 20) * Income Tax Rate	Prior Col 25 + Col 24	Col 22 - Col 25	(Prior Col 26 + Col 26) / 2 * Monthly Pre Tax WACC	Program Assumption	Col 3 - Col 4 - Col 5 - Col 6 + Col 7 + Col 8 - Col 14 + Col 16 + Col 17 - Col 18 + Col 19 + Col 21 + Col 28 + Col 29
Annual Summary																
2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	813,943	813,943
2014	1,424,200	21,528	-	-	712,100	-	-	-	-	-	-	-	-	-	235,721	969,350
2015	7,879,800	381,073	-	-	3,227,800	-	-	-	-	-	-	-	-	-	(983,905)	2,624,967
2016	4,850,800	275,586	-	-	6,765,000	-	-	-	-	-	-	-	-	-	(968,045)	6,072,542
2017	6,137,800	355,540	-	-	9,931,400	-	-	-	-	-	-	-	-	-	(213,759)	10,073,181
2018	6,106,400	427,150	-	-	11,436,400	-	-	-	-	-	-	-	-	-	(145,111)	11,718,440
2019	6,076,200	425,016	-	-	11,379,500	-	-	-	-	-	-	-	-	-	(69,702)	11,734,813
2020	6,045,600	423,287	-	-	11,322,100	-	-	-	-	-	-	-	-	-	(37,562)	11,707,825
2021	6,015,800	420,765	-	-	11,265,900	-	-	-	-	-	-	-	-	-	(4,682)	11,682,003
2022	5,984,400	418,648	-	-	11,209,400	-	-	-	-	-	-	-	-	-	29,040	11,857,088
2023	5,955,800	416,579	-	-	11,153,300	-	-	-	-	-	-	-	-	-	63,619	11,633,498
2024	4,932,400	388,594	-	-	10,127,306	-	-	-	-	-	-	-	-	-	156,923	10,672,823
2025	3,120,400	295,969	-	-	7,444,734	-	-	-	-	-	-	-	-	-	398,436	8,139,140
2026	1,253,800	168,119	-	-	4,005,216	-	-	-	-	-	-	-	-	-	725,084	4,898,419
2027	-	54,270	-	-	1,117,934	-	-	-	-	-	-	-	-	-	-	1,172,204
Total		4,472,145	-	-	111,098,090	-	-	-	-	-	-	-	-	-	0	115,670,236

PSE&G Solar Loan III Program
Under/(Over) Calculation

0.000020 Proposed SLIII Rate $/kWh
40.850% Tax Rate

		1	2	3	4	5	6	7	8
	RGGI SLIII Under/(Over) Calculation ($000)	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
(1)	Solar Loan III RGGI Revenue	-	-	-	-	-	75,491	86,279	87,777
(2)	Revenue Requirements (excluding Incremental WACC)	-	-	-	-	-	116,278	116,278	116,278
(3)	Monthly Under/(Over) Recovery	-	-	-	-	-	40,786.9	29,998.1	28,500.8
(4)	Deferred Balance	-	-	-	-	-	40,786.9	70,785.0	99,285.8
(5)	Monthly Interest Rate	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%
(6)	After Tax Monthly Interest Expense/(Credit)	-	-	-	-	-	3.24	8.85	13.49
(7)	Cumulative Interest	-	-	-	-	-	3.24	12.09	25.58
(8)	Balance Added to Subsequent Year's Revenue Requirements								
(9)	Net Sales - kWh (000)						3,774,531	4,313,972	4,388,835
(10)	Incremental Interest From WACC Change								
(11)	Cummulative Incremental Interest								
(12)	Average Net of Tax Deferred Balance	-	-	-	-	-	12,062.7	32,997.4	50,298.4

PSE&G Solar Loan III Program
Under/(Over) Calculation

0.000020 Proposed SLIII Rate $/kWh
40.850% Tax Rate

	RGGI SLIII Under/(Over) Calculation ($000)	9 Sep-13	10 Oct-13	11 Nov-13	12 Dec-13	13 Jan-14	14 Feb-14	15 Mar-14	16 Apr-14
(1)	Solar Loan III RGGI Revenue	73,683	65,671	64,758	69,810	75,534	66,993	69,659	64,356
(2)	Revenue Requirements (excluding Incremental WACC)	116,278	116,278	116,278	116,278	19,643	19,643	19,643	19,643
(3)	Monthly Under/(Over) Recovery	42,594.7	50,606.4	51,519.7	46,467.1	(55,890.7)	(47,349.4)	(50,015.1)	(44,712.6)
(4)	Deferred Balance	141,880.5	192,486.9	244,006.6	290,473.7	234,583.1	187,233.7	137,218.6	92,505.9
(5)	Monthly Interest Rate	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%
(6)	After Tax Monthly Interest Expense/(Credit)	19.13	26.53	34.63	42.40	41.66	33.46	25.74	18.23
(7)	Cumulative Interest	44.71	71.24	105.87	148.27	189.93	223.39	249.13	267.36
(8)	Balance Added to Subsequent Year's Revenue Requirements								
(9)	Net Sales - kWh (000)	3,684,138	3,283,557	3,237,889	3,490,519	3,776,705	3,349,640	3,482,928	3,217,804
(10)	Incremental Interest From WACC Change								
(11)	Cummulative Incremental Interest								
(12)	Average Net of Tax Deferred Balance	71,324.9	98,889.1	218,246.7	267,240.2	262,528.4	210,908.4	162,226.1	114,862.2