

GE

Energy Financial Services

New Jersey's Solar REC Market

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imagination at work



GE- The right mix for growth

GE Key Facts/Honors:

- Founded by Thomas Edison in 1878 as the Edison Electric Co.
- Only company still listed in Dow Jones Industrial Index since 1896
- 6 global businesses operating in more than 100 countries
- 315,000 employees worldwide
- \$149.7 billion in revenues, 2005
- AAA Rated
- World's Most Respected Company (1999-2005) Financial Times
- Global Most Admired Company (2005) Fortune Magazine

GE Infrastructure



Energy Financial Services

GE Industrial



Energy

GE Commercial Finance



Water

GE Consumer Finance



Oil & Gas

GE Healthcare



Rail

NBC Universal



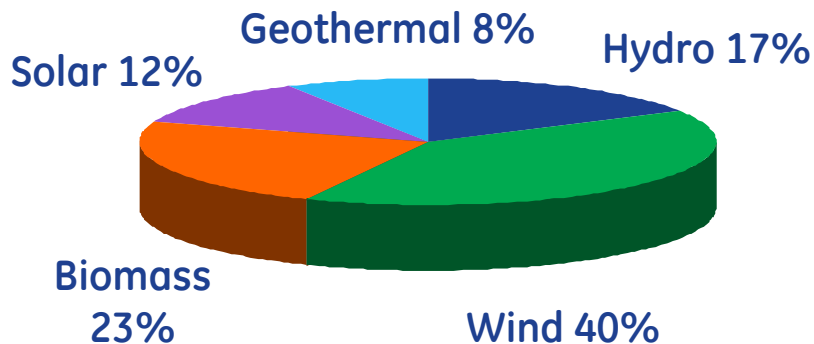
Aircraft Engines



Commercial Aviation Services (GECAS)

EFS Renewable Energy

\$1 Billion Renewable Energy Portfolio



- 4,000+ MW renewable portfolio
- Broad range of financial products...debt & equity
- 10 wind projects closed in last 12 months
- Multiple turbine suppliers
- \$250MM invested '05, \$500+MM expected '06
- Tech investing ramping up
- 20-person dedicated team

Goal...\$3 Billion by '08

Our Renewable Offerings

- **Project Finance:**

- Products: debt, equity, leasing, structured products
- Basis of underwriting: cash flow, contracts
- Assets: wind, hydro, biomass, waste-to-energy, solar, geothermal, landfill gas

- **Equipment Finance**

- Products: leases, loans
- Basis of underwriting: collateral value, credit of obligor

- **Corporate Finance**

- Term loans
- Revolving credit facilities

- **Project Development Capital**

- **Clean-tech Equity**



Notable Recent Renewable Investments

Airtricity

\$120 MM (with co-investors)
Equity Investment
First EFS TX wind farm
investment
2006

Krusemark Wind

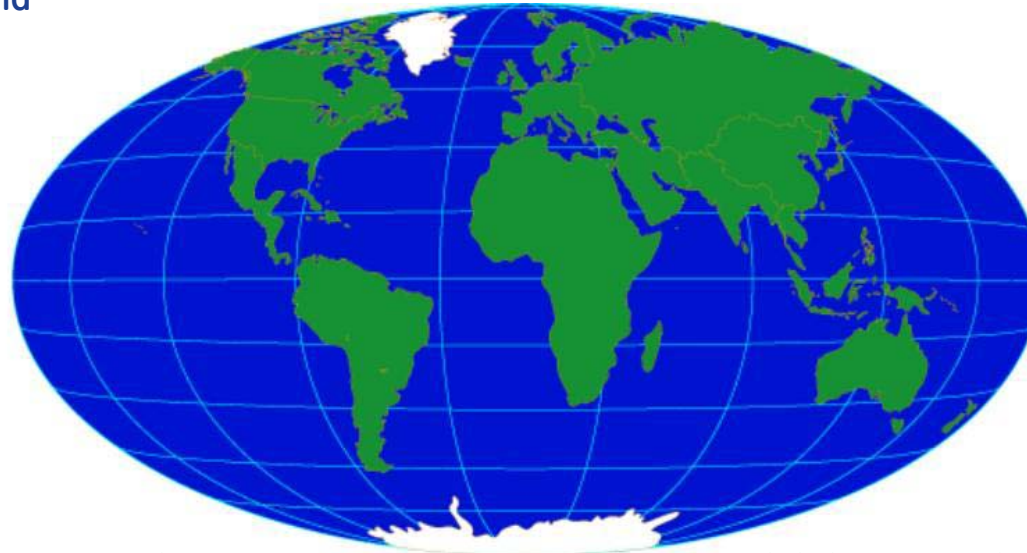
Undisclosed
Project Debt Financing
1.5 MW GE turbines
2006

Kumeyaay Wind

\$51 MM
Equity Investment
Largest wind farm on
Indian land
2005

Ocean Power Delivery

\$2.6 MM
Equity Investment
First commercial wave
energy farm
2006



Alsleben Wind

Undisclosed
Equity Investment
Among Germany's largest
wind farms
2005

PowerLight

\$75 MM
Equity Investment
World's largest solar PV
2006

Solar Integrated Tech.

\$26 MM
Single Investor Lease
Solar roofs on schools
2005/2006

Investment Evaluation

Key Drivers for Renewable Projects:

- Wind/Solar resource
- Power price and contract structure
- O&M costs
- Tax benefits
 - MACRS, PTCs, ITCs
- Additional value streams
 - RECs, rebates

Key Questions

- What affects the project's financial performance?
- Can we evaluate and manage these risks?
- Does the structure benefit all parties? Are interests aligned?
- What is the technology's track record?
- Do the manufacturer, operator and warranty provider have sufficient operational experience and staying power?

Risk Allocation:

Acceptable project risk:

- Construction
- Operational
- O&M
- Solar/wind resource

Risks we prefer to avoid:

- Policy risk
- Commodity risk

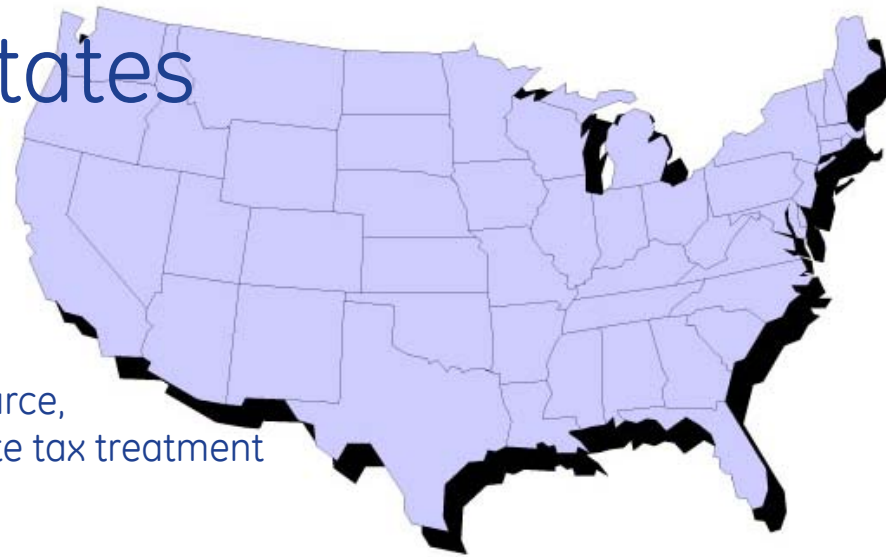


Effective Renewable Policy

- **Government incentives close the renewables – fossil fuel gap**
 - The value they create is often essential to project success
- **To close this gap, incentive policies must be:**
 - **Predictable:** Investors must be able to evaluate cash flows from rebates, tax credits and REC sales
 - **Long term:**
 - Incentive life must match investment horizon
 - REC programs that facilitate long term contracts create value for investor
 - **Sustainable:** Programs must not unduly burden rate payers, utilities or governments
 - **Efficient:** Program rules must be straightforward and uniform
- **REC value is subject to commodity and policy risk**
 - Programs must be structured so that investors can manage both

Investors require long term certainty to value the cash flows generated by incentives programs

Examples From Other States



- **New York:**

- RPS compliance run through NYSERDA
- 10 year contracts with state provide certainty & create value incorporated in investment decision
- Wind development efforts due to: good wind resource, available land, stable REC contracts, favorable state tax treatment

- **California:**

- Lack of un-bundled trading creates an in-efficient REC market
- National leader in both wind and solar, due primarily to “wind rush” of the eighties and aggressive government buy-downs for solar
- Aggressive RPS encourages utilities to sign long term contracts with renewable facilities
- Bundled REC and power contracts may reduce REC value but adds certainty for investors
- New solar performance based incentive provides predictability

- **Texas:**

- Change to RPS compliance requirements devalue RECs, and create uncertainty
- Texas leads the nation in installed wind capacity due to good wind, available land in large tracts, access to transmission, and overall State support

- **Connecticut:**

- Expansion of eligibility criteria in '05 causes REC prices to drop from \$35/MWh to \$3
- State is addressing the need for certainty through “Project 100” which will secure 10 year PPAs and REC contracts for new renewable projects

New Jersey

- **Current incentive program**

- Aggressive RPS: 22.5% by 2021 with 2.5% solar set aside
- Meaningful non-compliance penalties
- Strong rebate program

- **Achieving results**

- NJ has added >11MW of solar in 2006, doubling installed capacity

- **Limitations to REC program**

- Load serving entities have limited visibility on SREC demand due to Basic Generation Service (BGS) load auctions
- Short term REC contracts do not support long term investment decisions
- Ability of the BPU to change non-compliance penalties can create uncertainty

