New Jersey's Solar REC Market

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Vice President, PowerLight Corp.

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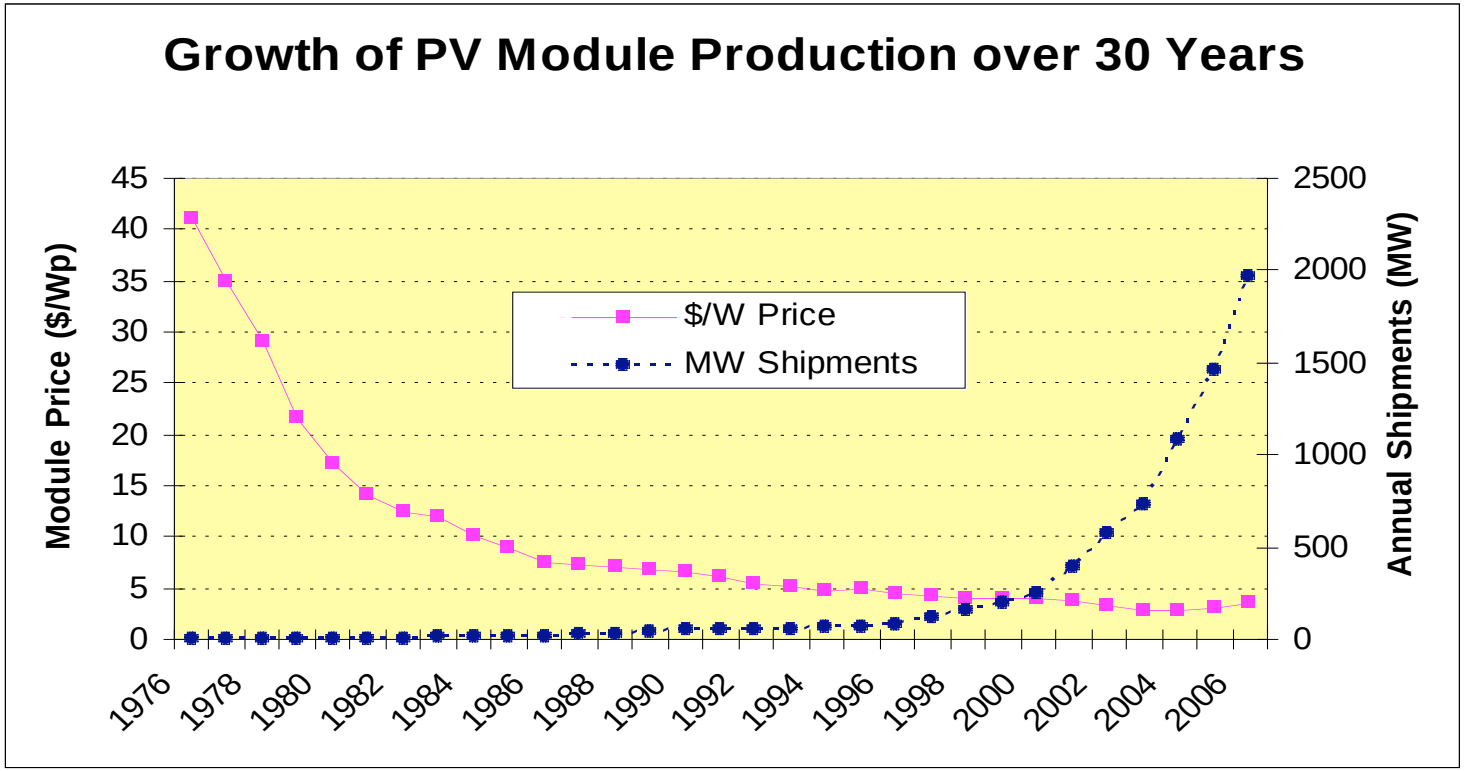
PV Basics

PV prices have fallen 10x in the last 30 years



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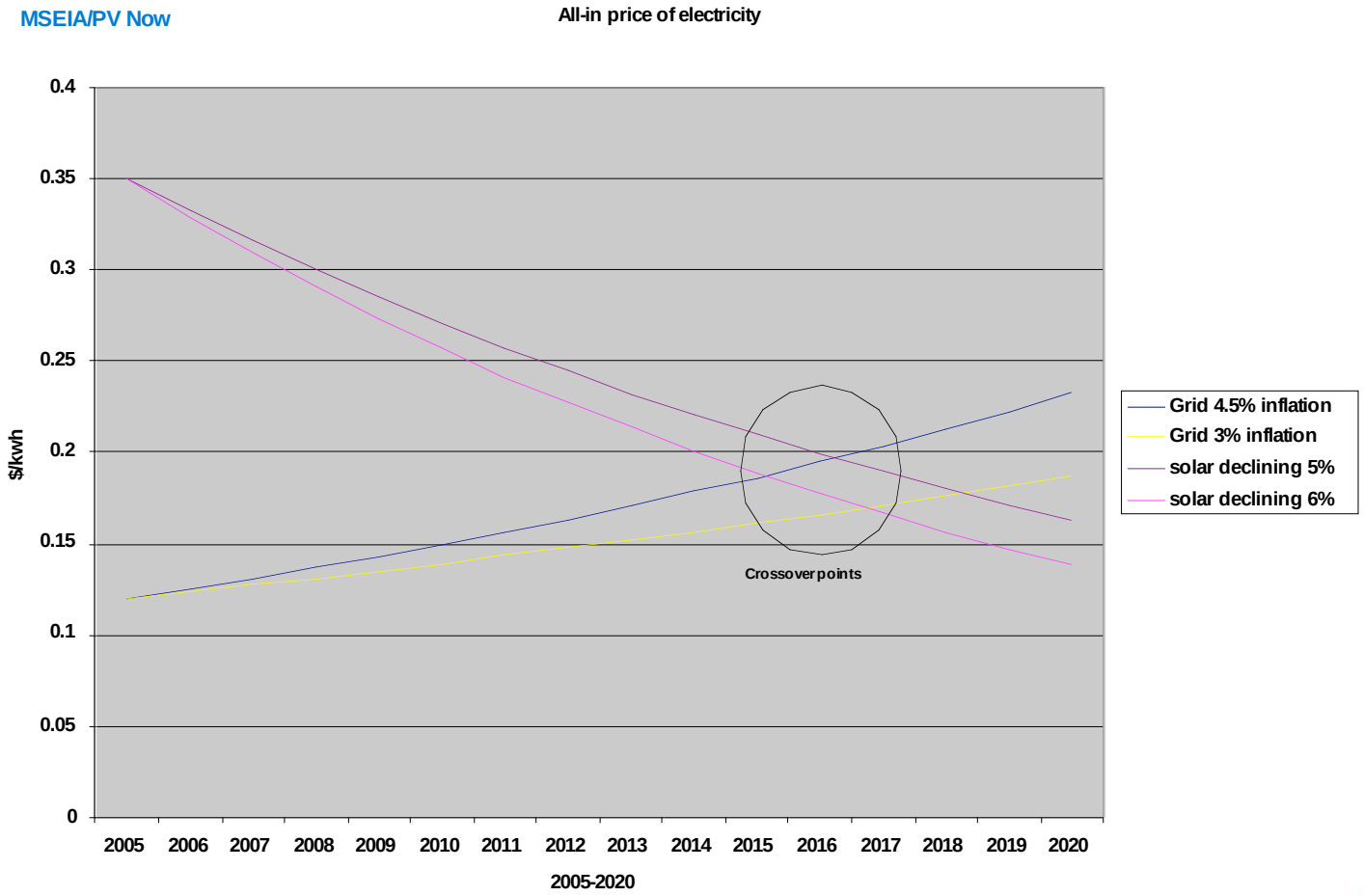
Solar Becoming Viable, Especially As Peaking Power

Sustained support will bring PV to the crossover point



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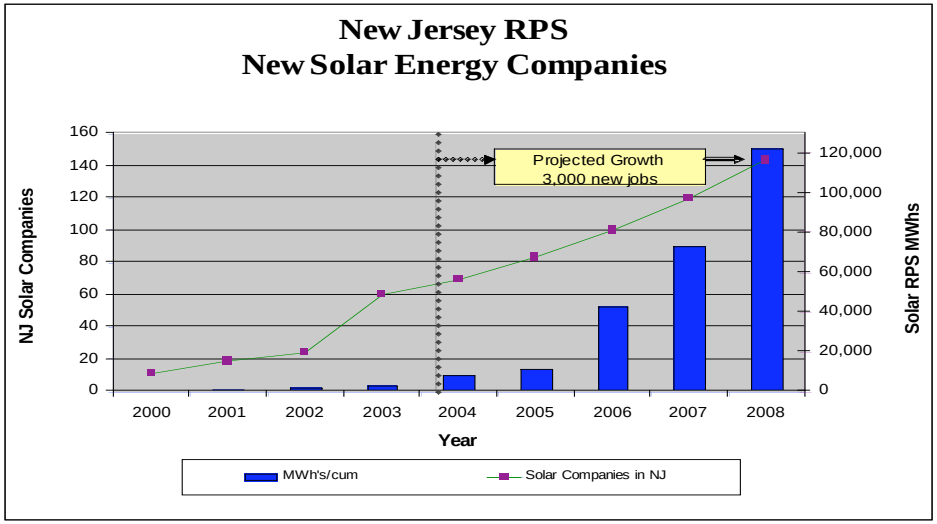
NJ Policies Create A National Leader

Existing NJ Policies Bridge the Price Gap and Remove Barriers:

Market Incubator Components:

- Rebate programs via SBC funding
- Early REC market
- Net metering and simplified interconnection



780% solar industry growth

over the last 5 years

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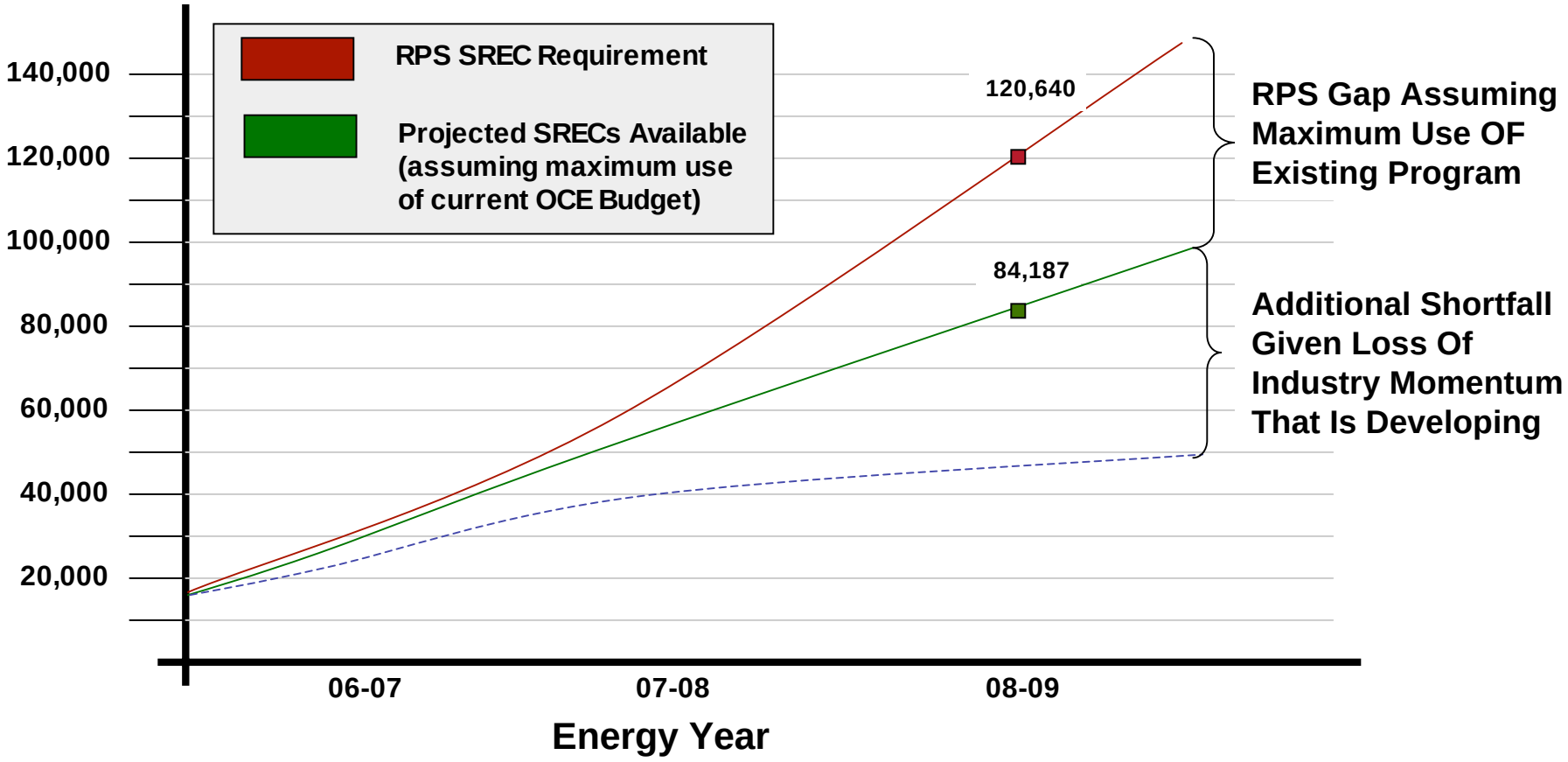
Solar Industry At Crossroads: Opportunity And Risks



Urgent Priority: Ensure continuity of the existing program, and accelerate migration to a market-based environment that can create scale.

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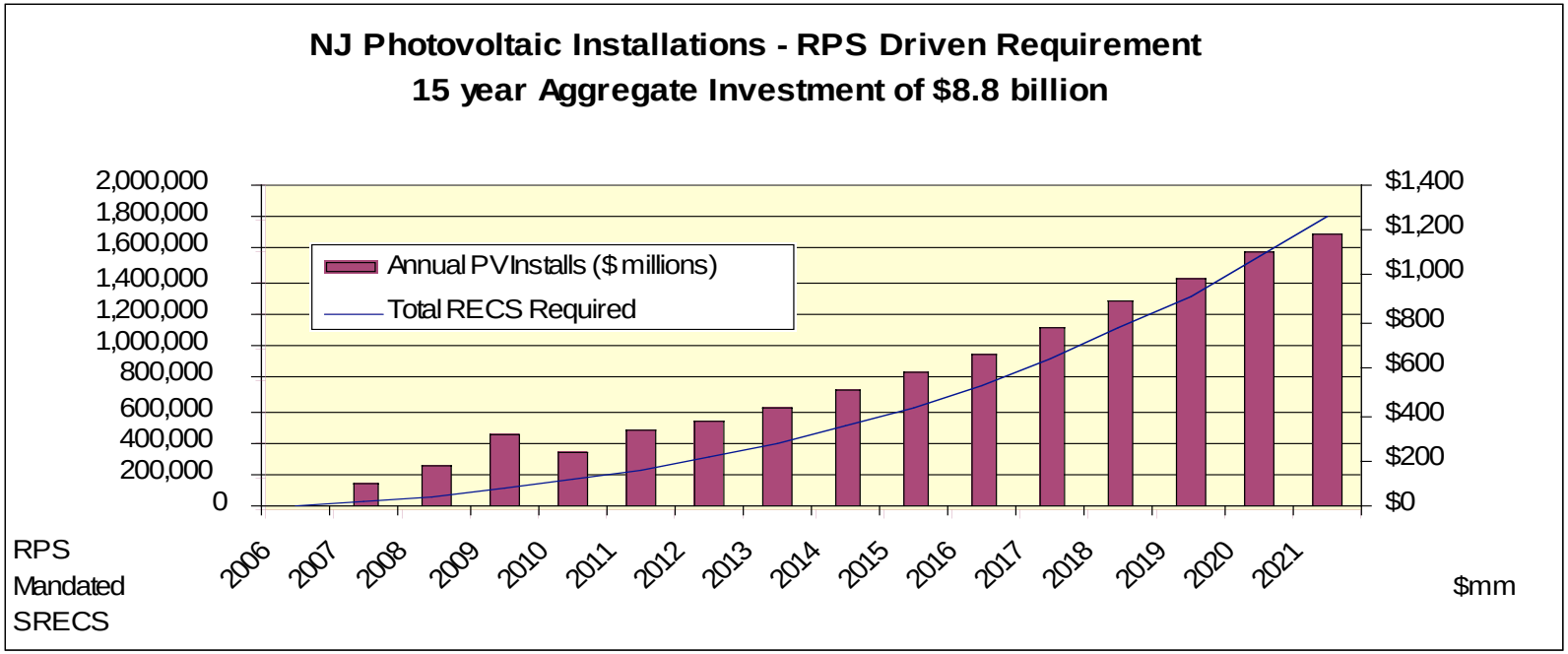
RPS Drives Rapid Growth and Investment in NJ

Opportunity For Market-Based Growth:

- RPS with solar carve out and ACP sets the stage
- New 1,500 MW goal by 2021 lays the foundation for large scale investment



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Feed-in Tariffs Around the World

1. **Germany**:

- 20-year feed in tariff
- ~$0.50/kWh with automatic decline of 6% per year
- 600 MW installed in 2005
- Cumulatively, 1.400 MW at the end of 2005
- Still worldwide leader, but slowing growth (decreasing tariff and high module prices)
- Mostly rooftops but many multi-MW ground mounted systems

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Feed-in Tariffs Around the World

2. Spain:

•25-year feed-in tariff -- established in March 2004
•$0.25 - $0.50/kWh depending on system size
•Approx. 15 MW were installed in 2005
•Cumulatively, 30 MW at the end of 2005
•Current PV cap is 400 MW, estimated to be reached by 2010
•Mostly developed in 100 kW increments to get higher tariff

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Feed-in Tariffs Around the World

3. Portugal

- 15-year feed-in tariff
- $0.26 - $0.49/kWh
- Cumulatively 5 MW installed at the end of 2005
- Current Cap of 150 MW
- Serpa at 11 MW will be the largest project in Portugal

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Feed-in Tariffs Around the World

4. Italy

- 20-year feed-in tariff as of August 2005 – reverse auction
- $0.52 - $0.58 range depending on bid
- Cumulatively around 30 MWs installed
- Current Cap of 150 MW, extension to 500 MW under discussion
- Project Allocations for 25 MW of 1 MW projects expected in July 2006

5. France and Greece

- 20-year feed-in tariffs developing
- $0.36 - $0.60/kWh range

6. Ontario, Canada

- 20-year feed-in tariff passed in 2006
- $0.37/kWh
- Very little grid-connected activity due to low feed-in and lack of tax benefits

Transition To A REC-Based Environment

Simple but not Easy Key Elements for Meaningful Solar Development

- Project revenue streams that produce acceptable ROI to attract investment – electricity, tax benefits, RECs.
- Long-term revenue confidence to “go to the bank.”

MSEIA
MID-ATLANTIC SOLAR ENERGY INDUSTRIES ASSOCIATION

Voted September 14 to focus on “hybrid” REC Transition model:

MidAtantic Solar Energy Industry Association represents 71 solar companies in New Jersey, Pennsylvania, and Delaware

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Transition To A REC-Based Environment

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MID-ATLANTIC SOLAR ENERGY INDUSTRIES ASSOCIATION

1. **Small systems**: Tariff plus RECs– tariff will compensate for higher cost of small systems and increased difficulty of aggregating and selling small numbers of RECs
2. **Large systems**: REC only with "facilitated commodity" model – using existing REC trading platform with tweaks:
    1. Raise ACP to compensate for loss of rebate
    2. Extend REC life to 2-years to ease trading
    3. Allow grid-supply projects to earn SRECs
    4. Establish underwriting to guarantee minimum REC term and floor price

Conclusions

The Foundation For a Sustainable Solar Market Has Been Laid, and Market Viability Has Been Established – over the last 6 years.

Moving to the next level via a robust REC trading system will:

1. Create economic viability for large-scale deployment of PV to meet the RPS targets.
2. Produce a program that is good for the solar industry and the ratepayer
3. Unleash billions of dollars of NJ investment and job growth
4. Make NJ a national leader in renewable energy -- these models are scalable into national paradigms
5. Reduce the strain on the transmission and distribution grid
6. Produce meaningful environment benefits to NJ and the region

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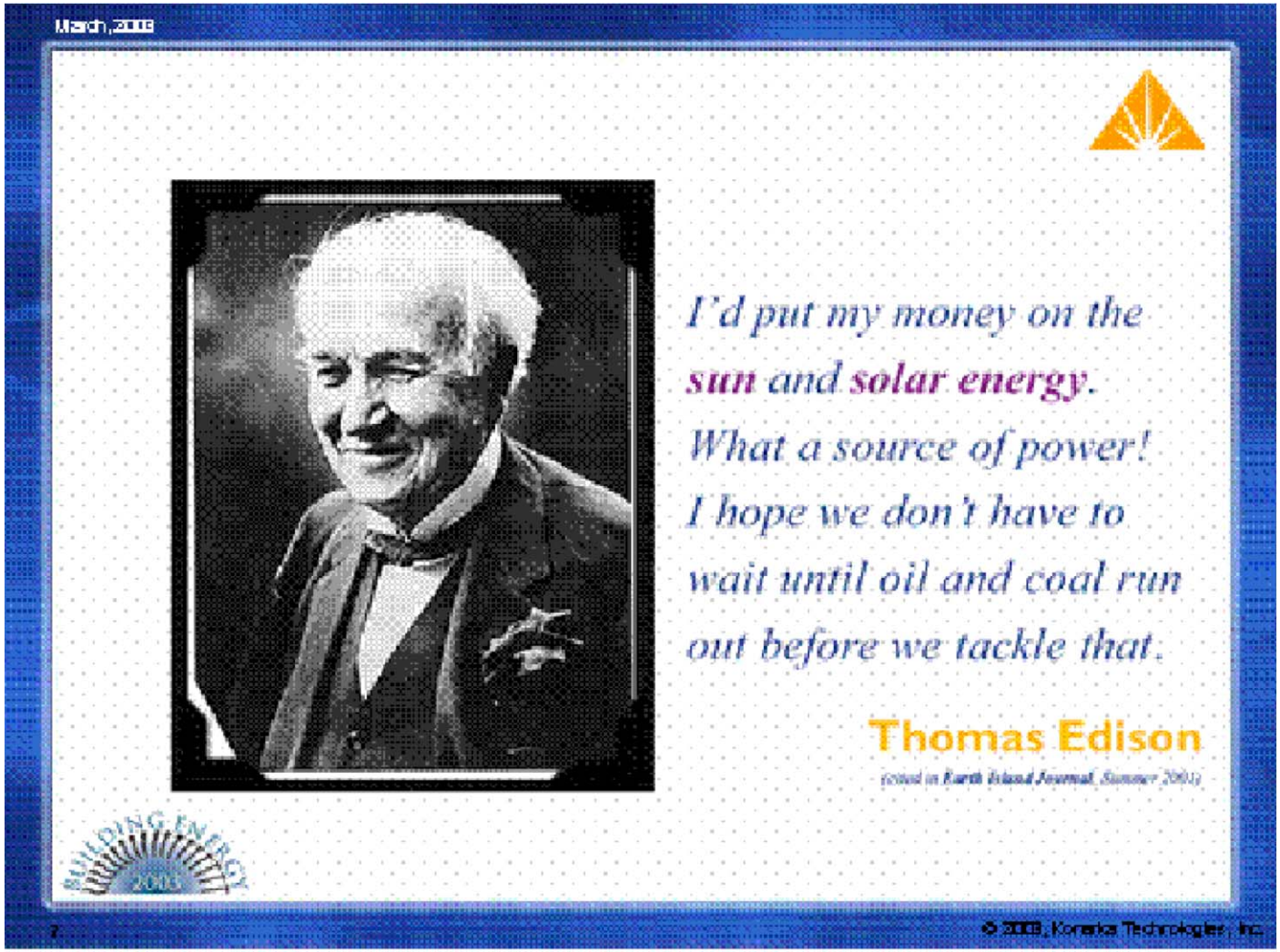
Let’s Up Our Bet and Join Thomas Edison and Put Our Money on Solar



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