



Agenda Date: 07/29/09
Agenda Item: 2K

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

OFFICE OF CLEAN ENERGY
AND DIVISION OF ENERGY

IN THE MATTER OF THE VERIFIED PETITION OF)
ROCKLAND ELECTRIC COMPANY CONCERNING A) ORDER
PROPOSAL FOR AN SREC-BASED FINANCING)
PROGRAM UNDER N.J.S.A 48:3-98.1) DOCKET NO. EO09020097

(SERVICE LIST ATTACHED)

BY THE BOARD:

The New Jersey Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. ("EDECA"), provided for the New Jersey Board of Public Utilities ("Board") to adopt Renewable Energy Portfolio Standards ("RPS"), and authorized the Board to amend those standards by regulation. The RPS requires retail electricity suppliers and providers to include a minimum percentage of qualified renewable energy in the electricity they sell during each one-year period ending May 31 (a "Reporting Year").

Suppliers and providers may comply with solar RPS requirements by submitting Solar Renewable Energy Certificates ("SRECs"), or by paying a Solar Alternative Compliance Payment ("SACP"). A supplier or provider who holds too few SRECs to comply with the RPS can make up for the shortfall by paying the SACP for each megawatt-hour ("MWh") of the shortfall. Because a supplier or provider has the option of either paying the SACP or obtaining SRECs to comply with the solar RPS, the amount of the SACP, in practice, becomes the upper limit on the price of an SREC in the market.

In 2006, Board Staff ("Staff") began a stakeholder process to consider various models to enhance the ability of energy suppliers and providers to meet the targets for solar electric generation established in the RPS rules, and to support the continued growth of New Jersey's solar market. It became clear in the stakeholder process that, for the time being, the growth of the solar sector will continue to depend upon the availability of incentives above and beyond what the electricity markets can provide. It also became clear that rebate-type incentives were not sustainable in the long term. Accordingly, the Board's Order dated December 6, 2007 *I/M/O the Renewable Energy Portfolio Standards, Alternative Compliance Payments and Solar Alternative Compliance Payments* Docket No. EO06100744 ("December 6 Order") set a course toward reducing New Jersey reliance on rebates and transitioning to a more market-based means of providing solar incentives. The Board's primary considerations in that transition included: the cost that ratepayers bear; fairness and equity to all ratepayer classes; job growth; improved reliability and security of New Jersey's electricity infrastructure; the ability to achieve

sustained orderly development of the solar portion of that infrastructure; reducing transaction costs; and supporting other policy goals, especially with respect to environmental protection and public health.

In the December 6 Order, the Board established a rolling eight-year SACP schedule, establishing the SACP for each of the eight Reporting Years up to and including the year ending May 31, 2016. This SACP schedule intended to send an important signal to financial markets that there will be a certain amount of predictability in the future price of SRECs. Furthermore, the Board provided more flexibility in the trading of SRECs by establishing a two-year SREC trading life, and allowed each solar electric generation system to continue generating SRECs over a 15-year qualification life. The Board also put controls in place to limit the overall cost of solar incentives. Because some of these Board measures required regulatory changes to the RPS Rules, the Board adopted some amendments to the RPS rules in its February 11, 2009, meeting *I/M/O Adopted Amendments to the Renewable Portfolio Standards N.J.A.C. 14:8-2*, Docket No. EX08040255 ("Solar Transition Rules"). The Solar Transition Rules were published in the New Jersey Register on March 16, 2009.

Recognizing that SREC-based financing depends not only upon certainty about long-term maximum prices for SRECs but also on greater certainty about the minimum cash flow that a project can generate from the creation and sale of SRECs, the December 6 Order stated that "there is a widespread consensus that an additional mechanism or mechanisms will be necessary for the market to achieve levels of growth sufficient to meet RPS requirements at an acceptable cost." The Board directed the Office of Clean Energy ("OCE") to initiate a proceeding to explore whether additional securitization was needed, and if so, to provide specific recommendations regarding the methods and costs of providing such securitization.

At the June 13, 2008 Board agenda meeting, Staff summarized a Straw Proposal on solar securitization and the process and procedures for bringing a final recommendation to the Board in July. On August 7, 2008, the Board issued an Order *I/M/O the Renewable Energy Portfolio Standard: Amendments to the Minimum Filing Requirements for Energy Efficiency, Renewable Energy, and Conservation Programs, and for Electric Distribution Company Submittals of Filings in Connection with Solar Financing* Docket No. EO06100744 ("August 7 Order"). In the August 7 Order the Board directed Rockland Electric Company ("RECO" or "Company") to file with the Board a solar financing plan by January 31, 2009.

On August 22, 2008 RECO submitted a Motion for Reconsideration of the August 7 Order arguing that its proposed Residential Solar Loan Program in BPU Docket No. EO08090703¹ would be more effective in developing market support of solar projects in its service territory. By Order dated December 10, 2008, *I/M/O Rockland Electric Company's Motion for Reconsideration or, in the Alternative, Clarification in Part of the Board's August 7, 2008*, Docket No. EO06100744 ("December 10 Order"), the Board rejected the Company's request to provide only a Residential Solar Loan Program, but determined that RECO was not prohibited from pursuing a solar loan program in addition to an SREC-based financing program. The December 10 Order further provided that RECO could proceed with its own SREC-based financing program or it could opt to participate in the program submitted to the Board by Atlantic City Electric ("ACE") or Jersey Central Power & Light ("JCP&L"). Despite this option, RECO filed its independent SREC-based financing program ("Program") on February 2, 2009.

¹ *In the Matter of the Verified Petition of Rockland Electric Company for Approval of a Residential Solar Loan Program Pursuant to N.J.S.A. 48:3-98.1*. BPU Docket No. EO08090903. Filed September 3, 2008.

On March 4, 2009, Staff notified RECO that the filing was deemed administratively complete based on Staff's review of the Company's petition². By Order dated May 15, 2009 the Board approved a provisional procedural schedule and granted intervenor status to Solar Alliance ("SA"). On May 29, 2009, RECO, Board Staff, and the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel") held a discovery meeting and agreed to make changes to the procedural schedule. By order dated June 15, 2009, the Board designated Commissioner Fiordaliso as presiding officer. By Order dated June 15, 2009 Commissioner Fiordaliso modified the procedural schedule as agreed to by the Parties in the discovery meeting held on May 29, 2009.

RECO published notice in newspapers of general circulation in its service territory describing the filing, including the date, time and place of the required public hearings. Two public hearings were held on June 25, 2009, in Township of Mahwah, New Jersey. A total of two members of the public appeared at the two public hearings.

On June 10, 2009, Rate Counsel filed the direct testimony of Andrea Crane from the Columbia Group, Inc and Davis Dismukes from Acadian Consulting Group. On June 17, 2009, RECO, Staff, Rate Counsel and SA (collectively the "Parties") held a settlement meeting to discuss a draft stipulation proposed by RECO and circulated to the Parties on June, 9, 2009. On June 24, 2009, RECO filed Rebuttal Testimony of Jane J. Quin. The Parties consented to the admission of RECO's petition and attachments filed with the petition - including the testimonies of Jane J. Quin and William A. Atzl, Jr - into the record of this proceeding without the need for appearance at an evidentiary hearing or cross-examination.

The Proposed Stipulation

On July 27, 2009 the Parties executed a stipulation on this matter ("Stipulation") agreeing on most of the Program details but leaving open two issues for the Board to decide upon: (i) the portfolio approach allowing for SREC PSA terms from a portfolio between 10 to 15 years or in case the portfolio approach is approved the NPV ranking methodology suggested by Rate Counsel; and (ii) the change-in-law language of the SREC PSA environmental attributes clause. These two open issues are identified in the Stipulation as "Contested Issues". The Parties have agreed for the purpose of this proceeding only to be bound by the Board's determinations on the Contested Issues and waived their right to appeal such determinations.

DISCUSSION

In the Stipulation, the Parties reached a settlement on a number of "Uncontested Issues" but left open the Contested Issues for the Board to decide upon³.

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. I/M/O 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). Accordingly, the 180-day period for a Board determination commenced on February 2, 2009.

³ Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions contained in this Order.

Uncontested Issues

Program Size

The Program size in Megawatts (“MWs”) per year, as set forth in the Stipulation, is as follows:

Reporting Year	MWs
2009/10 (06/2009 – 05/2010)	2.267
2010/11 (06/2010 – 05/2011)	0.803
2011/12 (06/2011 – 05/2012)	0.699
Total	3.769

The number of MWs to be solicited in each year will be subject to an annual review by the Board based, in part, on its review of recommendations of the Solicitation Manager (“SM”), the SREC requirements under the August 7 Order, and the inventory of New Jersey solar project commitments developed pursuant to the Program and independent markets.

Segmentation

The August 7 Order established that the RPS percentage requirements, determining the size of the Program, should be applied to two market segments: projects less than or equal to 50 kilowatts (“kW”) and projects greater than 50kW and less than or equal to 500kW. Because the capacity of these segments to compete in the solicitation process is as yet unknown, the Parties agreed to support the establishment of an “aspirational goal” that approximately 50% of the 3.769 MW to be solicited are to be provided by the small project segment (i.e., projects less than or equal to 50 kW).

Frequency of Solicitations and MW to Be Solicited

The first RECO solicitation will take place in conjunction with round 2 of the ACE and JCP&L first year solicitations and will cover 100% of RECO’s first year goal (i.e. 2.267 MW). A second solicitation round for RECO may take place in conjunction with round 3 of the ACE and JCP&L first year solicitations and would cover the balance of the first year MW goal that remains uncommitted after the first RECO solicitation round. The second solicitation may also include all or a portion of the second year goal, based on an assessment of, among other things, the results of the first solicitation round and the market’s ability to respond effectively with competitive bids.

In addition, the Stipulation established a schedule of solicitations for RECO with the caveat that the Board may revise the schedule based on experience and the recommendations of the SM.

RECO					
Year	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
2009	N/A	N/A	July Approval	R1: 2.267MW (est. Nov)	2.267
2010	R3: MW TBD (est. Feb)	R4: 0.402MW (est. June)	R5: 0.401MW (est. Sept)	0	0.803
2011	R6: MW TBD (est. Jan)	R7: 0.349MW (est. June)	R8: 0.349MW (est. Sept)	R9: MW TBD	0.698
2012	TBD	TBD	N/A	N/A	0
TOTAL					3.769

Timing of Solicitations

The Stipulation established the following timetable for the occurrence of events in the solicitation process:

When	Action
Day 1	Round X ⁴ Solicitation
Day 46	Round X Bids due
Day 55	SM reviews preliminary recommendations with Staff, RECO, Rate Counsel for input
Day 65	Deadline for any opportunity for input – SM develops final recommendations to the Board
Day 75	SM submits Round X recommendations to Board <i>[with findings on: (a) competitiveness of process, (b) recommended awards, (c) Round Y MW, and (d) any special treatment of the small project segment relative to the Board's aspirational goal]</i>
Day 80	Board Meeting and Written Order ⁵ <i>[Addressing RX awards, RY MW; RECO and SM prepare notification documents and announcement materials reflecting Board decisions]</i>
Day 85	Round X Final Awards <i>[Announce results, Notify all bidders]</i>
Day 110	Round Y Solicitation
Day 125	Execute Agreements with Round X Winners
Day 155	Round Y Bids Due

⁴ "Round X" means any given solicitation. "Round Y" means any given solicitation following a Round X solicitation.

⁵ Timing of Board action is subject to schedule of Board agenda meetings and/or ability to schedule an extraordinary Board meeting.

Solicitation Process

The Request For Proposals (“RFPs”) shall: (i) articulate that projects will be ranked by price; (ii) state that prices will be reviewed for competitiveness; (iii) reference an unspecified price limit; and (iv) clearly articulate that the full MW solicited may or may not be awarded based on an assessment of the competitiveness of pricing resulting from the solicitation. The SM will be responsible for finalizing the terms of the RFP and the solicitation process.

The names of bidders in the RFP will not be disclosed to the SM. Instead, the SM will see only numbers or other identifiers assigned to bidders under a system developed and administered by Staff. Published award results will include: ___ bids received totaling ___ MW; ___ awards totaling ___ MW; ___ bids totaling ___ MW were rejected for reasons such as developer caps, price, etc. Submitters of rejected bids will be advised by the SM as to the basis for rejection, and eligibility for subsequent rounds. The pricing in the proposals submitted in response to the RFP must be the same for the entire term of the SREC PSA. Individually accepted prices will not be posted. However, the low and average price for all accepted projects will be posted on the Board’s website.

RECO will not bid SREC projects into this process. However, unregulated affiliates of RECO may bid up to 50% of the MW goal to be solicited for each year. Bidders, other than RECO affiliates, will not be subject to this developer cap or the 20% developer cap of the August 7 Order.

The SM will review preliminary results and recommendations with RECO, Staff and Rate Counsel for input. The Solar Alliance will not participate in the review process. Staff will present the final recommendations of the SM to the Board. Staff’s presentation to the Board will be based on its own independent assessment of the SM’s comments and review. All solicitation awards and the execution of SREC PSAs with awarded bidders will be explicitly approved by the Board. The SM will make itself available during the Board’s deliberations to respond to inquiries, if necessary.

Each SREC PSA will be executed no sooner than 45 days after the issuance of the written Board Order approving the relevant solicitation award and execution of the related SREC PSA. Within 14 days of Board approval of the solicitation award, the winning bidder must provide a cash deposit equal to \$75 per project kW, but not less than \$500 and not more than \$20,000.

Project Ranking

Although Rate Counsel proposed a different ranking methodology in case the Board decides to accept a portfolio approach regarding the term of the SREC PSAs, the Parties reached an agreement on two ranking issues. First, the bid outlier rejection process whereby RECO, Staff and Rate Counsel will send to the SM their recommendations for a pricing “soft cap” (i.e., guidance as to the price above which bids should not be accepted). The soft cap recommendations to be considered by the SM will be based upon, among other things, the lowest SREC price bid, the SACP, and the distribution of SREC prices for all projects submitted. The SM’s review process will not include review of the financial basis for proposed pricing.

The Master SREC PSA

The Parties made some changes to the filed master SREC PSA as a result of the settlement discussions. Among these changes the Parties: (i) provided that construction of awarded projects must occur within 12 months of an executed SREC PSA unless an extension for project

completion is granted by the Board following formal petition to the Board for such an extension; (ii) established quarterly payments to SREC sellers; (iii) changed the regulatory-out provision; and (iv) added an SREC environmental attributes provision, the change-in-law portion of which is contested.

Cost Recovery

In addition to Program administrative costs, RECO is allowed to recover all reasonable and prudent amounts paid to purchase SRECs under the PSAs. The recovery of costs will be effected through a rate element of a rider ("RGGI Surcharge") equal to a per kWh charge applicable to all customers in all customer classes, whether full service BGS customers or delivery service shopping customers. As net Program costs for the first year are uncertain and may vary (depending on the relationship between the SREC purchase prices resulting from the solicitations and the sales prices resulting from the SREC auctions), RECO will revisit the RGGI Surcharge rate within 12 months of the awards from the first solicitation.

Revenues received from the auction of the SRECs that RECO purchase as part of the SREC Program will be applied to reduce the costs to be recovered through the RGGI Surcharge. The interest rate on over and under recoveries will be the interest rate based on a two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which rates are published), plus sixty basis points, but will not exceed the overall rate of return for RECO as authorized by the Board. The interest rate will be reset each month and its calculation will be based on the net of tax beginning and end average monthly balance. RECO will accrue simple interest with an annual roll-in at the end of each year.

SREC Transaction Fee

RECO will collect a fee, referred to as an "SREC Transaction Fee", for each SREC that is procured and subsequently sold pursuant to the Program. The SREC Transaction Fee will be \$39.11 per SREC. The SREC Transaction Fee will remain in effect for the duration of the contracts entered into by RECO pursuant to the Program, and will not be taken into account in the future for purposes of establishing RECO's base rates. RECO will recover the SREC Transaction Fee through the RGGI Surcharge.

Metering

Customers will be required to install the appropriate meter enclosure adjacent to the existing RECO meter. RECO will: (i) provide and install the meter to record the SREC generation of the solar project at the customer's or project developer's cost; (ii) book the costs of meters and associated installation costs as contributions in aid of construction; (iii) read meters; and (iv) register SRECs using the PJM GATS platform.

CORE Rebates

The August 7 Order establishes that projects receiving a rebate from CORE program in 2001 through 2008 were sufficiently supported by a rebate method of delivering solar incentives and therefore EDC's long-term contracts for those projects would not serve the Board's goals. By Board Order dated January 8, 2009 *I/M/O Comprehensive Energy Efficiency and Renewable Resource Analysis for 2009-2012: 2009 Programs and Filings: Compliance Filings Docket No. EO07030203* ("January 8 Order"), the Board decided to extend the use of 2008 CORE rebates funds into 2009. Staff recommends the Board to clarify the combined interpretation of the August 7 and January 8 Orders in terms of Program eligibility of projects.

Contested Issues

The Stipulation identifies the following Contested Issues: (i) the portfolio approach allowing for SREC PSA terms from a portfolio between 10 to 15 years or in case the portfolio approach is approved the NPV ranking methodology suggested by Rate Counsel; and (ii) the change-in-law language of the SREC PSA environmental attributes clause. Under the Stipulation the Parties agreed for the purpose of this proceeding only to be bound by the Board's determinations on the Contested Issues and waived their right to appeal such determinations.

Term of the SREC PSA

The August 7 Order established that one of the characteristics of the long-term SREC PSA shall be a contract term of 15 years, unless the Electric Distribution Companies ("EDCs") elect to consider a portfolio approach in which the EDC enters into contracts with terms between 10 and 15 years. Pursuant to this option given to the EDCs in the August 7 Order, RECO filed a program allowing for a portfolio approach.

Rate Counsel opposes the portfolio approach proposed by RECO and believes it is in the best interest of ratepayers to limit the eligibility of projects to those bidding for a 15-year SREC PSA term. Rate Counsel believes that a 15-year term approach would provide rate certainty to ratepayers by acquiring additional 5 years of SRECs now at a known price. Furthermore, Rate Counsel argues that because the Program only locks certain percentages of the RPS requirements with long-term SREC PSAs, the rest of the RPS requirements can be met through open market spot or bilateral transactions. Thus Rate Counsel believes this would represent a relatively balanced portfolio of short-term and long-term deals. In the event that the Board permits bids for projects with proposed SREC PSA terms from 10 to 15 years, Rate Counsel asserts that the bids should be ranked based on the NPV of the payments over the proposed term of the SREC PSA for each SREC generated by the project over the proposed term of the SREC PSA. Rate Counsel concedes, however, that under their proposed methodology, ratepayers may pay more or less depending on the market price of SRECs in years not under a long-term SREC PSA.

RECO supports the portfolio approach because the potential for shorter term agreements reduces the long term risk presented to the Company and its customers from locked-in market prices. Furthermore, RECO's rebuttal testimony asserts that allowing market forces to determine the appropriate contract terms and assess the pricing risks between years 11 to 15 is consistent with the Board's desire to transition to a more market-based means of supporting solar development. RECO claims that although Rate Counsel appears to want longer term contracts as a risk hedge, its position does the opposite by restricting access to market forces, limiting risk diversification from the Program and locking in long-term obligations in the face of unknown future prices. Regarding Rate Counsel's alternative NPV ranking methodology, RECO asserts that Rate Counsel's methodology skews the evaluation by always favoring longer-term proposals, thereby delaying the application of market forces to the SREC industry and putting ratepayers at risk in the 11 to 15 year timeframe of purchasing over-priced SRECs.

Staff recommends that the Board adopt RECO's portfolio approach. Although Staff understood Rate Counsel's position to hedge the risk and to reduce ratepayer's uncertainty in years not covered under a long-term SREC PSA, it must be acknowledged that locking in a fixed SREC price for the full 15 years would prevent ratepayers and RECO from diversifying the risk of future SREC prices within the Program. Rate Counsel's 15-year approach may require RECO ratepayers to pay more for SRECs in years not covered under a long-term SREC PSA in the event that SREC market prices fall below the fixed SREC contracted price. By the same token

with a 15-year term approach, neither RECO nor ratepayers would be able to take advantage of lower market prices. Additionally, Staff believes that allowing market forces to dictate what contract terms are appropriate would provide the flexibility needed to facilitate investments in the solar sector and be consistent with the Board's direction to promote a market-based solar industry. Regarding Rate Counsel's proposed NPV methodology in case the Board allows a portfolio approach, Staff believes that because this methodology calculates a price per SREC rather than the total cost that the utility would pay over the life of the contracts; this methodology distorts the ranking system and over-values longer-term SREC PSAs over shorter-term SREC PSAs.

SREC Environmental Attributes – Change-in-Law Language

During the settlement process the Parties agreed to add a new clause identifying the environmental attributes of SRECs subject of the master SREC PSA. Rate Counsel favored this addition but recommended language requiring that additional benefits or value created over the term of the PSA as a result of changes in local, state or federal laws or regulations and with impact on the contracted SRECs or the solar projects financed under the Program, be transferred to the SREC purchaser and credited against the Program costs. The language proposed by Rate Counsel is: *"If a change in local, state or federal laws or regulations, including but not limited to changes in tax laws or regulations, becomes effective between the time of contract award and the end of the Delivery Period, and such change increases the value of Seller's Project or increases the value of contracted SRECs to Seller during the Delivery Period as a result of the renewable character of Seller's Project, then, at Purchaser's request, Seller shall cooperate with Purchaser to transfer such increased value to Purchaser. In such cases, Seller shall continue to receive payments from Purchaser pursuant to the terms of this Agreement, adjusted for such benefit"*.

In the Stipulation, Staff, SA and RECO opposed Rate Counsel's proposed language on the grounds that the uncertainty this language would introduce in the master SREC PSA would impair its value as a useful financing vehicle for solar projects. In its rebuttal testimony RECO asserts that given the small pool of expected bidders for the Program such a requirement could have a chilling impact on developers participation in the solicitation process thereby impacting the ability to meet the Board's MW target for RECO, and/or inflate the prices of the SREC bids and thereby negatively impact the cost of the Program. Moreover, the Company asserts that any obligation placed on RECO to engage in post-contracting efforts to secure additional benefits from the SREC purchasers would place additional administrative burdens on the Company such as monitoring projects and laws to determine whether there are any changes that might impact project value, determine just what the change in value is, and address likely disputes with the SREC seller over the said value. In addition, the Company would have to enforce collection of the said value from Seller via either withheld payments or case-by-case collection actions. Such burdens will increase the cost of administering the Program and create higher costs to ratepayers. Rate Counsel asserts that no financing risk would be introduced by such language because the adjustment proposed would not apply retroactively to the economic revenues originally considered in financing solar projects but only to any surplus economic benefit thereafter.

DISCUSSION AND FINDINGS

Based upon the above discussion and the record on these proceedings presented to the Board, the Board **HEREBY FINDS** that the uncontested provisions of the Stipulation adequately satisfy the program requirements set forth in the August 7 Order, are reasonable and appropriate under the circumstances, and represent an appropriate settlement and stipulation on the part of the Parties.

On the contested term of the SREC PSA, the Board **HEREBY FINDS** that RECO's portfolio approach to the SREC PSA term is consistent with the Board's August 7 Order and with the Board's goal to promote a market-based solar industry. The Board **FURTHER FINDS** that ratepayers and RECO should be allowed to diversify the risk of future SREC prices in years 10 to 15 within this Program and that the proposed Rate Counsel's NPV ranking methodology may give advantage to longer-term SREC PSAs over shorter-term SREC PSAs. The Board **FURTHER FINDS** that the risk associated with the prices over years 11 to 15 can be best estimated and reflected by the market rather than through mandated contract lengths in this particular situation.

On the contested language issue, the Board **FINDS** that two ways exist for transferring future benefits or value to the SREC purchaser as suggested by Rate Counsel. The first way would be to offset the cost of the surplus benefits or enhanced project value by reducing the SREC fixed price under the SREC PSA. This option would directly affect the value of the SREC PSA as a financing vehicle because the revenue stream of the contract would be subject to the uncertainty of future changes in laws or regulations affecting the value of the contracted SRECs or the solar projects financed under the Program. The second way of implementing Rate Counsel's proposal would be to establish in the SREC PSA an unsecured obligation upon the SREC seller to transfer these benefits to the SREC purchaser. Putting the SREC purchaser in a situation where it would have to initiate claims for these unsecured obligations on a case-by-case basis is likely to significantly increase the administrative cost of the Program. The Board **HEREBY FINDS** that Rate Counsel's proposed change-in-law language may undermine the purpose of the Program to support the incipient solar industry by facilitating market-based financing of solar projects and that Rate Counsel's proposed language may result in higher costs to ratepayers if as a result of future claims the administrative costs of the Program are increased. Nevertheless, the Board believes that Rate Counsel's concerns worth further review and **HEREBY DIRECTS** Staff to monitor the situation and to bring this issue to the Board in the event any future changes in laws and/or regulations create a significant and measurable surplus benefit or enhanced value affecting the SRECs purchased and/or the projects financed under the Program.

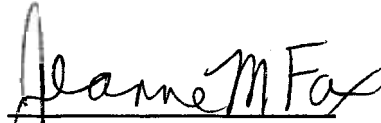
Accordingly, the Board **HEREBY ADOPTS** the Stipulation provisions as part of the Program and **HEREBY APPROVES** the master SREC PSA (attachment A), incorporating the changes agreed in the Stipulation with Staff, RECO and SA's proposed language for the SREC environmental attributes clause and the understanding that contract terms between 10 to 15 will be permitted. The Board **FURTHER WAIVES** the developer cap established in the August 7 Order for the purpose of the Program.

The Board **HEREBY RATIFIES** all provisional rulings by Commissioner Fiordaliso for the reasons stated in his Orders.

Finally, the Board **HEREBY CLARIFIES** that projects receiving rebates under the January 8 Order are not eligible to participate in the Program.


DATED: 7/31/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

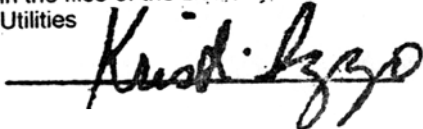

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
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



**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

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In the Matter of the Verified Petition of	:	
Rockland Electric Company Concerning a	:	
Proposal for an SREC-Based Financing	:	STIPULATION OF
Program Under <u>N.J.S.A.</u> 48:3-98.1	:	SETTLEMENT
	:	
BPU DOCKET NO. EO09020097	:	
	:	
	:	
-----	X	

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement (“Stipulation”) is hereby made and executed as of the 24th day of July, 2009, by and among Rockland Electric Company (“RECO” or “Company”), the Staff of the Board of Public Utilities (“Staff”), the New Jersey Department of the Public Advocate, Division of Rate Counsel (“Rate Counsel”) and The Solar Alliance (“SA”) (each, a “Party” and, collectively, the “Parties”) in settlement of the above-captioned proceeding.

RECO, Staff and the SA join in recommending that the Board of Public Utilities (“Board”) issue an Order approving this Stipulation in its entirety, and Rate Counsel joins in recommending its approval except with respect to those provisions from which it explicitly dissents.

Background

Pursuant to the requirements of the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. (“EDECA”), the Board has adopted Renewable Portfolio Standards (“RPS”) rules, N.J.A.C. 14:8-2.1 et seq., that, among other things, require that a specified portion

of the electricity supplied to New Jersey customers by each supplier or provider be supplied from solar electric generation systems. Under the RPS rules, suppliers and providers may comply with the solar requirements by submitting Solar Renewable Energy Certificates (“SRECs”)¹ or by paying a Solar Alternative Compliance Payment (“SACP”)², or by a combination of the two methods. In 2006, the Board directed its Staff to commence a stakeholder process to explore models that would enhance the ability of energy suppliers and providers to meet the RPS targets for solar electric generation and to support the continued growth of New Jersey’s solar market. This process resulted in, among other things, Board action at its September 12, 2007 agenda meeting, which was memorialized in the Board’s Order dated December 6, 2007 (*I/M/O the Renewable Energy Portfolio Standards, Alternative Compliance Payments and Solar Alternative Compliance Payments*, Docket No. EO06100744 (“December 6 Order”)). The December 6 Order (i) established a rolling eight-year SACP schedule at levels that were higher than pre-existing SACP levels, (ii) established a two-year SREC trading life, (iii) established a 15-year SREC qualification life during which each solar electric generation system can continue to generate SRECs, and (iv) put controls in place to limit the overall cost of solar incentives. In addition, pursuant to the December 6 Order the Board has adopted the so-called “Solar Transition Rules” published in the New Jersey Register on March 16, 2009 (*Adopted Amendments to the Renewable Portfolio Standards N.J.A.C. 14:8-2*, Docket No. EX08040255), at 41 N.J.R. 1261(a).

In the December 6 Order, the Board also directed the Board’s Office of Clean Energy (“OCE”) to initiate a proceeding to explore whether additional mechanisms could be established

¹ An SREC represents the solar renewable energy attributes of one megawatt-hour of generation from an eligible solar generation facility certified by the Board’s Office of Clean Energy (“OCE”).

² In practice, the SACP sets the upper limit on the price of an SREC in the market.

to support the financing of solar generation projects by providing greater assurances about the cash flow to be expected from such projects, noting that such financing depends not only upon certainty about long-term maximum prices for SRECs, as provided by the established rolling eight-year SACP schedule, but also requires greater certainty about the minimum cash flow from such projects. The creation of more certainty about project cash flow was initially referred to as solar “securitization,” but has more recently been referred to as SREC-based financing so as to avoid confusion with the different concept of “securitization” used in EDECA.

Following that proceeding, in an Order dated August 7, 2008 in *I/M/O Renewable Energy Portfolio Standard: Amendments to the Minimum Filing Requirements for Energy Efficiency, Renewable Energy, and for Conservation Programs; and for Electric Distribution Company Submittals of Filings in connection with Solar Financing*, Docket No. EO06100744 (“August 7 Order”), the Board, among other things, ordered RECO to file, by January 31, 2009, a proposal pursuant to N.J.S.A. 48:3-98.1 for SREC-based financing of solar generation projects that would incorporate the criteria and provisions outlined by the Board in the August 7 Order. On August 27, 2008 RECO filed a motion for reconsideration, or in the alternative, clarification of some portions of the Board’s August 7 Order. With respect to reconsideration, RECO requested that the Board allow it to implement a solar loan program in its service territory in lieu of the Board’s requirement that RECO provide an SREC-based financing program through long-term contracts to purchase SRECs. The Board denied this request and rendered certain findings in its Order on Motion for Reconsideration dated December 10, 2008 in Docket No. EO06100744 (“December 10 Order”).

Pursuant to the Board’s directives in the August 7 and December 10 Orders, and under RECO’s cover letter dated January 30, 2009, RECO submitted to the Board for filing a Verified

Petition concerning an SREC-based financing program, *I/M/O the Verified Petition of Rockland Electric Company for Approval of an SREC-Based Financing Program And An Associated Cost Recovery Mechanism*, which was date stamped February 2, 2009 and assigned Docket No. EO09020097 (“Petition”).

On March 3, 2009, Staff sent a administrative completeness notice to RECO. Thereafter, meetings with interested stakeholders, including representatives of the solar industry, were convened. RECO has responded to numerous data requests in the discovery process and has informally provided additional data and information in connection with these proceedings. The SA moved to intervene under cover letter dated April 7, 2009, and was granted intervenor status by Board Order dated May 15, 2009 (“Procedural Order”). The Procedural Order also retained this matter before the Board and established a preliminary procedural schedule. By Order dated June 15, 2009, the Board designated Commissioner Joseph L. Fiordaliso as presiding officer with authority to modify the procedural schedule, rule on motions, and otherwise control the conduct of these proceedings. By Order Modifying Procedural Schedule dated June 15, 2009, Commissioner Fiordaliso adopted a modified procedural schedule.

RECO’s Petition attached certain Exhibits and Attachments, including the Testimony of Jane J. Quin and the Testimony of William A. Atzl, Jr. On June 10, 2009, Rate Counsel filed the Direct Testimony of Andrea Crane and the Direct Testimony of David M. Dismukes. On June 24, 2009, RECO filed the Rebuttal Testimony of Jane J. Quin. By executing this Stipulation, the Parties hereby consent to the admission of RECO’s Petition and Attachments and the witness testimony described in this paragraph into the record of this proceeding, waive the witnesses’ live appearance at the evidentiary hearing for cross-examination and request that Commissioner Fiordaliso and the Board admit these materials as part of the record.

RECO, Staff, Rate Counsel and the SA have also engaged in detailed settlement conferences and communications. During the course of the settlement discussions, it was agreed that the efficiency of RECO's SREC-based financing program would be enhanced if the program undertaken by RECO was similar to and coordinated to the extent feasible with the SREC-based financing programs approved by the Board for Atlantic City Electric Company ("ACE") and Jersey Central Power & Light Company ("JCP&L") (JCP&L, ACE, and RECO, collectively, are referred to as "EDCs"), as is reflected in this Stipulation. RECO, Staff and the SA have reached agreement on all relevant issues. Rate Counsel agrees with all of the provisions of this Stipulation except for (1) the provision allowing RECO to enter into SREC Purchase and Sale Agreements ("PSA") with the owners or developers of solar projects for a range of permissible terms, from 10 to 15 years, and provisions related thereto, as discussed in paragraph 15 below; and (2) the omission from the PSA of the language referred to in paragraph 10, as discussed in paragraph 16 below. The provisions of this Stipulation with which Rate Counsel is in agreement are collectively referred to as the "Uncontested Provisions," and the provisions discussed in paragraphs 15, 16, and 17 below, with which Rate Counsel is not in agreement, are collectively referred to as the "Contested Provisions." As provided in paragraph 18 and 19 below, the Parties request the Board to consider their respective positions on the Contested Provisions based on the Petition and other evidence, including witness testimony, in the record without the filing of position papers, and further waive their rights to appeal the Board's determinations as to the Contested Provisions.

Stipulation

The Parties DO HEREBY STIPULATE AND AGREE as to the following findings, conclusions and determinations for purposes of a full, final and complete resolution of all issues

in connection with RECO’s SREC-based financing program, except for Rate Counsel’s explicit dissent from the Contested Provisions and subject to paragraph 10 below:

1. The Parties agree, in general, that an SREC-based financing program for RECO pursuant to the terms of this Stipulation is consistent with the August 7, 2008 and December 10, 2008 Orders.

2. RECO will implement an SREC-based financing program (“Program”) in accordance with the terms and provisions set forth in paragraphs 3 through 14 below.

3. The Program will commence in conjunction with the second round solicitation scheduled for ACE and JCP&L as set forth on Attachment A hereto and end on May 31, 2012.

The Program size (MW per year³) goals are as follows:

	RECO
2009/10 (06/2009 – 05/2010)	2.267
2010/11 (06/2010 – 05/2011)	0.803
2011/12 (06/2011 – 05/2012)	0.699
Total	3.769

- a. MW to be solicited in each year are subject to an annual review by the Board relative to SREC requirements in the August 7 Order, and the “inventory” of New Jersey solar project commitments developed pursuant to this SREC Program and independent markets.
- b. The schedule reflects planned MW to be solicited each year – construction of awarded projects must occur within 12 months of an executed SREC Purchase and Sale Agreement (“PSA”) unless an extension for project completion is granted by the Board following formal petition to the Board by the bidder for such an extension.

4. The frequency and timing of solicitations under the Program are as follows:

³ For these purposes, “years” generally refer to the PJM Planning Year cycle.

- a. MW solicited in each round are subject to adjustment by the Board based on its review of recommendations of the Solicitation Manager (“SM”), which SM has been or will be jointly retained by ACE and JCP&L through a competitive solicitation process, based on the SM’s assessment of competitive market response to the prior solicitation. RECO will pay a pro rata share of the costs associated with services provided by the SM. For the first year solicitations:
- i. First RECO solicitation (in conjunction with Round 2 of ACE and JCP&L first year solicitations): 100% of first year goal (i.e. 2.267 MW for RECO).
 - ii. A second solicitation for RECO (in conjunction with Round 3, if any, of ACE and JCP&L first year solicitations) would be conducted for the balance of first year MW goal that remains uncommitted after the first solicitation. The second solicitation may also include all or a portion of the second year goal, based on an assessment of, among other things, the results of the first solicitation round and the market’s ability to respond effectively with competitive bids.
- b. Timing⁴

It is the Parties intent that the solicitations for RECO occur simultaneously with the timing of the solicitations for ACE and JCP&L to the extent practicable, commencing with the second round solicitation for ACE and JCP&L (“Round 2” or “RD2”). In any event, consistent with the Board’s determinations for ACE and JCP&L, the Parties agree that the following timetable for solicitation activities should apply to RECO for each round of its solicitation.

When	Action
Day 1	Round X Solicitation ⁵
Day 46	Round X Bids due
Day 55	SM reviews preliminary recommendations with Staff, RECO, Rate Counsel for input

⁴ Starting with “Day 46,” references to “Days” are the approximate number of calendar days from the Round X Solicitation date, subject to adjustment if, for example, a “Day” falls on a weekend or holiday.

⁵ “Round X” means any given solicitation. “Round Y” means any given solicitation following Round X solicitation.

When	Action
Day 65	Deadline for any opportunity for input – SM develops final recommendations to the Board
Day 75	SM submits Round X recommendations to Board <i>[with findings on: (a) competitiveness of process, (b) recommended awards, (c) Round Y MW, and (d) any special treatment of the small project segment relative to the Board’s aspirational goal]</i>
Day 80	Board Meeting and Written Order ⁶ <i>(Addressing RX awards, RY MW; RECO and SM prepare notification documents and announcement materials reflecting Board decisions)</i>
Day 85	Round X Final Awards <i>(Announce results, Notify all bidders)</i>
Day 110	Round Y Solicitation
Day 125	Execute Agreements with Round X Winners
Day 155	Round Y Bids Due

- c. Attachment A hereto shows a planned schedule of events for the program. Schedules are subject to revision by the Board based on experience and recommendations of the SM.

5. Segmentation of Projects (less than or equal to 50 kW, and over 50 kW but less than or equal to 500 kW): The Parties agree that RECO shall have no required set-aside but will support the establishment of an aspirational goal that approximately 50% of the 3.769 MW to be solicited are to be provided by the small project segment (i.e., projects less than or equal to 50 kW).

6. Provisions concerning cost recovery and related issues (including rider for recovery, interest rate on over- and under-recoveries, SREC Transaction Fee, etc.) are as follows:

- a. Recoverable costs include all amounts paid by RECO to purchase SRECs under the SREC PSAs, the “SREC Transaction Fee” referred to below and all reasonable and prudent incremental administrative costs. Recovery of these recoverable costs will be effected through a

⁶ Timing of Board action is subject to schedule of Board agenda meetings and/or ability to schedule an extraordinary Board meeting.

rate element of a rider (“RGGI Surcharge”) using an equal per kWh charge applicable to all customers in all customer classes, whether full service BGS customers or delivery service shopping customers.

- b. Revenues received from the auction of the SRECs that the EDCs purchase as part of the SREC Program will be applied to reduce the costs to be recovered through the RGGI Surcharge. Revenues shall be net of all costs associated with the PSE&G auction process.
- c. The interest rate on over- and under-recoveries shall be the interest rate based on a two-year constant maturity Treasuries as published in the Federal Reserve Statistical Release on the first day of each month (or the closest day thereafter on which rates are published), plus sixty basis points, but shall not exceed the overall rate of return for RECO as authorized by the Board. The interest rate shall be reset each month. Additionally, the calculation shall be based on the net of tax beginning and end average monthly balance. RECO shall accrue simple interest with an annual roll-in at the end of each year.
- d. RECO will collect a fee, referred to as an "SREC Transaction Fee", for each SREC that is procured and subsequently sold pursuant to the Program. The SREC Transaction Fee will be \$39.11 per SREC. The SREC Transaction Fee will remain in effect for the duration of the contracts entered into by RECO pursuant to the Program, and will not be taken into account in the future for purposes of establishing RECO's base rates. RECO will recover the SREC Transaction Fee through the "RGGI Surcharge" proposed in the Petition.
- e. The RGGI Surcharge rate for the initial year will be set to recover the estimated annual costs and will be reconciled on an annual basis. RECO will revisit the RGGI Surcharge rate within 12 months of the awards from the first solicitation.

7. The solicitation process (including, specifically, issues such as the competitiveness of the solicitation process, assessment/ranking of competing bid prices, and regulatory review/approval process) is described below:

- a. Projects with which RECO will enter into SREC PSAs will be selected through a solicitation process entailing the issuance of a Request For Proposals (“RFP”). The SM will be responsible for finalizing the terms of the RFP and the solicitation process with input from RECO.

- b. The pricing in the proposals submitted in response to the RFP must be the same for the entire term of the SREC PSA.
- c. Proposed solicitation RFP will (i) articulate that projects will be ranked by price (i.e., the Net Present Value (“NPV”) of the payment stream for one SREC over the proposed term of the SREC PSA (see paragraph 10 below) using a discount rate of 7.68% for RECO, (ii) state that prices will be reviewed for competitiveness, (iii) reference an unspecified price limit, and (iv) clearly articulate that the full MW solicited may or may not be awarded based on an assessment of the competitiveness of pricing resulting from the solicitation.
- d. Published award results will include (by sector): __ bids received totaling __ MW; __ awards totaling __ MW; __ bids totaling __ MW were rejected for reasons such as developer caps, price, etc.
 - i. Individually accepted prices will not be posted. The low and average price for all accepted projects will be posted on the Board’s web-site.
 - ii. Submitters of rejected bids will be advised by the SM as to the basis for rejection, and eligibility for subsequent rounds (i.e., relative to developer cap compliance).
- e. The names of bidders in the RFP will not be disclosed to the SM. Instead, the SM will see only numbers or other identifiers assigned to bidders under a system developed and administered by Staff.
- f. The SM will review preliminary results and recommendations with RECO, Staff and Rate Counsel for input, but final recommendations for Staff presentation to the Board shall be based on SM’s own independent assessment (i.e., allow SM 10 days free of input). The Solar Alliance (due to potential conflicts of interest) will not participate in the review process. (See, also, paragraph 4.b above and paragraph 12.d.vi below.)
- g. All solicitation awards and the execution of SREC PSAs with winning bidders will be explicitly approved by the Board within approximately 5 days after submission of SM recommendations. The SM will be available during the Board’s deliberations to respond to its inquiries about its recommendations.
- h. Within 14 days of Board approval of a bid selection, the winning bidder must provide a cash deposit equal to \$75 per project kW, but not less than \$500 and not more than \$20,000. The deposit will be returned to the bidder, without interest, at the Commencement Date (as defined in the SREC PSA) or will be forfeited in accordance with General Term and Condition A.11 of the SREC PSA.

Rate Counsel dissents from 7c(i) insofar as it is inconsistent with Rate Counsel's position with respect to the permitted term of the SREC PSA. In the event that the Board permits bids for projects with proposed SREC PSA terms from 10 to 15 years (see paragraph 11 below), then it is Rate Counsel's position that the bids should be ranked based on the NPV of the payments over the proposed term of the SREC PSA for each SREC generated by the project over the proposed term of the SREC PSA.

8. Each SREC PSA will be executed no sooner than 45 days after the issuance of the written Board Order approving the relevant solicitation award and execution of the related SREC PSA.

9. The form of SREC PSA initially proposed by RECO has been revised pursuant to agreements reached during the course of settlement discussions, all as reflected in Attachment B hereto. Subject to paragraph 10 below, Attachment B is the final version of the master SREC PSA.

10. The last two sentences of Section 6.C in Attachment B are bracketed. Rate Counsel's position is that those two sentences should be in the final form of the SREC PSA approved by the Board, and the position of Staff, SA and RECO is that they should not be in the final form of the SREC PSA approved by the Board.

11. RECO's solicitations will seek proposals for projects with proposed SREC PSA terms from 10 to 15 years. Rate Counsel dissents from this provision.

12. The ranking methodology to assess competing bids in the solicitation process will be as follows:

- a. Bid outlier rejection process: RECO, Staff and Rate Counsel will send to the SM, for its consideration, their recommendations for a pricing "soft cap" (i.e., guidance as to the price above which bids should not be accepted) that will consider, among other things, the lowest SREC

price bid, the SACP and the distribution of SREC prices for all projects submitted. Such recommendations will be provided within 15 days of SM selection/award. Neither the SA, nor any other entity other than the SM, the EDCs, Staff and Rate Counsel, shall participate in this process.

- b. The SM's review process will not include review of the financial basis for proposed pricing (e.g. credit worthiness, financial underpinnings for proposal, terms of agreement with host customer (if any), etc.).
- c. Project pricing will be ranked according to the NPV per SREC over the proposed term of the SREC PSA using the methodology set forth in Attachment C hereto.
- d. Ranking will be conducted by the SM, in sequence:
 - i. Review proposals for eligibility and completeness – reject ineligible/incomplete proposals.
 - ii. Rank proposals by NPV per SREC.
 - iii. The Parties agree that there should be no developer cap for the Program and recommend that the Board grant a waiver of the developer cap for the Program.
 - iv. Assess segment participation in the solicitation and ranking process.
 - v. Develop preliminary findings (segment participation, developer cap, competitiveness of pricing, recommendations for next round of solicitation, etc.).
 - 1. The last accepted proposal in the solicited block may not yield an aggregate MW of project agreements that exceeds the size of the block by more than 150 kW.
 - vi. Present preliminary findings and recommendations to the EDCs, Staff and Rate Counsel for input (see Items 2.b and 5.c above).
 - vii. Following input, prepare recommendations to the Board, which will be presented to the Board by Staff.

Rate Counsel dissents from 12.c and 12.d insofar as they are inconsistent with Rate Counsel's position with respect to the permitted term of the SREC PSA. In the event that the Board permits bids for projects with proposed SREC PSA terms from 10 to 15 years (see paragraph 11

above), then it is Rate Counsel's position that the bids should be ranked based on the NPV of the payments over the proposed term of the SREC PSA for each SREC generated by the project over the proposed term of the SREC PSA.

13. RECO will coordinate its sale of purchased SRECs to the extent feasible with the other EDCs and the Public Service Electric and Gas Company ("PSE&G") auction of SRECs that PSE&G acquires under its solar loan program. In particular, RECO currently intends to include the sale of their purchased SRECs in the PSE&G auctions, consistent with the August 7 Order.

14. Other miscellaneous elements of the Program are as follows:

a. RECO will not bid SREC projects into this process.

i. Subject to the foregoing, affiliates of RECO that are not regulated by the Board, including Orange and Rockland Utilities, Inc., Consolidated Edison Company of New York, Consolidated Edison, Inc. and their subsidiaries and affiliates, may bid SREC projects into this process up to a cap of 50% of the MW goal to be solicited for each year of the three years in the Program as set forth in paragraph 3 (i.e., 2009/10, 2010/11, and 2011/12) that takes into account awards in prior rounds of solicitations in the annual cycle (i.e., no one entity or combination of affiliated entities can obtain more than 50% of the MW goal for any one year of the Program.)

1. in applying the RECO affiliate cap, the last accepted RECO affiliate proposal may not yield aggregate MWs that exceed the cap by more than 50kW.

b. Required Bid Documents:

- i. Project Proposal Summary Sheet (including definition of, among other things, project, project location, RECO customer information, proposed price and SREC PSA term, developer and developer affiliations, “segment”, and class of service).
- ii. Agreement to sign standard SREC PSA within designated timeframe.
- iii. Signed Customer Acknowledgment (i.e. describing relationship with project developer, title to SRECs, describing any relationship between the project and the EDC, etc.).
- iv. Agreement to provide PJM with a signed Schedule A – Generator Owner’s Consent.
- v. Completed registration materials with the SREC Registration Program (former SREC-Only Project) or the completed application materials with the Renewable Energy Incentive Program (and, in either case, all attachments thereto).

c. Metering

- i. RECO meters will record the electrical output of the solar projects. Customers will be required to install the appropriate meter enclosure adjacent to the existing EDC meter. EDCs will, at the customer’s or project developer’s cost, provide and install the meter to record the SREC generation of the solar project. The EDCs will book the costs of meters and associated installation costs as contributions in aid of construction (“CIAC”).
- ii. RECO will read meters, and register SRECs using the PJM GATS platform.

d. Program Documentation

- i. Final program documents and materials (other than the SREC PSA, the final version of which is contained in Attachment B hereto) will be developed by RECO in consultation with Staff and Rate Counsel and, where appropriate, The Solar Alliance.

Rate Counsel dissents from 14.b.i insofar as it suggests the bidders can propose different SREC PSA terms, which is inconsistent with Rate Counsel's position with respect to the permitted term of the SREC PSA.

Contested Provisions

15. Paragraphs 7.c(i), 11, 12.c, 12.d and 14.b.i above collectively provide that bidders in the solicitation from which projects will be selected to enter into SREC PSAs with RECO may propose SREC PSA terms between 10 and 15 years and that awards will be made on the basis of the NPV per SREC. Rate Counsel dissents from these provisions.

16. It is the position of Staff, SA and RECO that the last two sentences in Section 6.C in Attachment B, which appear in brackets in Attachment B, should not be in the final form of the SREC PSA approved by the Board. It is Rate Counsel's position that the bracketed language should be included.

17. With respect to the Contested Provisions, Rate Counsel's positions are that: (a) only SREC PSAs with a term of 15 years should be permitted and that, therefore, awards should be based only on the bid SREC price, without the need for an NPV calculation; (b) if the Board permits bids for projects with proposed SREC PSA terms from 10 to 15 years, the ranking of projects should be based on the NPV of the payments over the proposed term of the SREC PSA for each SREC generated by the project over the proposed term of the SREC PSA; and (c) the last two sentences of Section 6.C in Attachment B, which appear in brackets in Attachment B, should be included in the final form of the SREC PSA approved by the Board.

18. The Parties agree that the Board may consider Rate Counsel's position and the other Parties' positions on the Contested Issues based on the Petition and other evidence in the record, including witness testimony. The Parties waive their rights to file position papers.

19. The Parties agree, for the purpose of this proceeding only, to be bound by the Board's determinations as to the Contested Issues, and to waive their rights to appeal such determinations.

Conclusion

20. The Parties agree that this Stipulation contains mutual balancing and interdependent clauses that, subject to resolution of the Contested Provisions, are intended to be accepted and approved in its entirety. In the event any Uncontested Provision of this Stipulation is not approved in its entirety by the Board, or the Board Order approving this Stipulation is modified by the Board or a Court of competent jurisdiction, then any of the Parties shall have the right, upon written notice to all of the other Parties within ten (10) days after receipt of any such adverse decision, to litigate all issues addressed herein to a conclusion and to pursue its available legal remedies.

21. The Parties agree that this Stipulation shall be binding on them for all purposes herein.

22. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and, except as otherwise expressly provided for herein:

- a. By executing this Stipulation, none of the Parties waive any rights under any prior stipulation, except where the terms of this Stipulation supersede such prior stipulation.
- b. The contents of this Stipulation shall not in any way be considered, cited or used by any of the Parties as an indication of any Party's position on the issues determined herein or any related or other issue litigated in this proceeding or any other proceeding or forum, except to enforce the terms of this Stipulation.

23. This Stipulation may be executed in any number of counterparts, each of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties.

WHEREFORE, the Parties have duly executed and do respectfully submit this Stipulation to the Board and recommend that the Board issue a final Decision and Order adopting and approving this Stipulation in its entirety in accordance with the terms hereof, except that, as discussed above, Rate Counsel does not recommend adoption and approval of the Contested Provisions.

Rockland Electric Company

By: _____

James C. Meyer
Kiker, Danzig, Scherer, Hyland &
Perretti LLP

Dated: _____

7/24/09

Ronald K. Chen
Public Advocate of New Jersey
Stefanie A. Brand
Director, Division of Rate Counsel

By: _____

Stefanie A. Brand
Director
Felicia Thomas-Friel
Deputy Public Advocate

Dated: _____

Anne Milgram
Attorney General of New Jersey
Attorney For
Staff of the Board of Public Utilities

By: _____

Caroline Vachier
Kerri Kirschbaum
Deputy Attorneys General

Dated: _____

The Solar Alliance

By: _____

Susan P. LeGros
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By: Stefanie A. Brand
Stefanie A. Brand
Director
Felicia Thomas-Friel
Deputy Public Advocate

Dated: July 24, 2009

Anne Milgram
Attorney General of New Jersey
Attorney For
Staff of the Board of Public Utilities

By: _____
Caroline Vachier
Kerri Kirschbaum
Deputy Attorneys General

Dated: _____

The Solar Alliance

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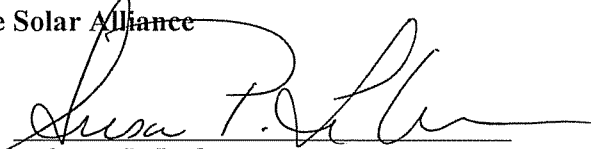
Dated: _____

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Attorney General of New Jersey
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Deputy Attorneys General

Dated: _____

The Solar Alliance

By: 
Susan P. LeGros
Stevens & Lee

Dated: July 24, 2009

PLANNED SOLICITATIONS 2009-2012*

RECO					
Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2009	N/A	N/A	July Approval	R2 ⁷ : 2.267MW (est. Nov)	2.267
2010	R3: MW TBD (est. Feb)	R4: 0.402MW (est. June)	R5: 0.401MW (est. Sept)	0	0.803
2011	R6: MW TBD (est. Jan)	R7: .349MW (est. June)	R8: .349MW (est. Sept)	R9: MW TBD	0.698
2012	TBD	TBD	N/A	N/A	0
TOTAL					3.769

* Values reflect the MW planned for solicitations. Schedule subject to revision by the Board based on experience, and time required for prudent processes.

⁷ The rounds referenced in this chart are the rounds utilized in the ACE/JCP&L solicitation in which RECO intends to participate. The first round for RECO will be RD2 of the ACE/JCP&L solicitation.

**SOLAR RENEWABLE ENERGY CERTIFICATE PURCHASE AND SALE
AGREEMENT**

THIS SOLAR RENEWABLE ENERGY CERTIFICATE PURCHASE AND SALE AGREEMENT (“Agreement”), dated as of _____, 20__, (the “Effective Date”), is made and entered into by and between Rockland Electric Company, a New Jersey corporation (“RECO” or “Purchaser” or “Us” or “We”), having offices at 82 E. Allendale Ave. – Suite 8, Saddle River, New Jersey 07458, and _____, [a _____] (“Seller” or “You”), having a [its] principal place of residence [business] at _____, New Jersey [Zip Code]. From time to time throughout this Agreement, each of Purchaser and Seller is referred to as, individually, a “Party” and together, collectively, as the “Parties” or “They.”

BACKGROUND

A. The New Jersey Board of Public Utilities (“Board”), in its Order dated [_____] in Docket No. EO09020097 (the “SREC Contracting Order”) approved RECO’s SREC-based contracting program and authorized and directed RECO to enter into long-term contracts to purchase the solar renewable energy certificates (“SRECs”) generated by solar photovoltaic generation projects (each a “Project”) within RECO’s service territory, which are installed, owned and operated by RECO customers or by solar project developers (each a “Project Developer”) at RECO customer locations, which Projects have been selected under Board-approved procedures for an award of a SREC purchase contract.

B. Seller is either (i) a RECO customer who is, or has entered into an agreement with, a Project Developer for purposes of developing, designing, procuring, installing and operating a Project at the premises or the facility owned or operated by Seller, or (ii) a Project Developer that has entered into an agreement with a RECO customer to install, own and operate a Project at the premises or the facility owned or operated by the customer (in either case, the “Facility”) physically located in the RECO service territory, as such Facility is identified in this Agreement as set forth in Appendix B attached hereto.

C. Seller’s Project as specified in Appendix B (“Seller’s Project”), has been selected for award of a SREC purchase contract.

D. RECO has agreed to purchase, and Seller has agreed to sell, the SRECs generated by Seller’s Project under the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the promises and the mutual covenants and agreements hereinafter set forth, the Parties hereto agree as follows:

1. Defined Terms. Capitalized terms not otherwise defined herein, shall have the meaning set forth in the General Terms and Conditions attached hereto as Appendix A.

2. Term of Agreement. The term of this Agreement (“Term”) shall commence on the Effective Date and shall terminate upon expiration of the Delivery Period, unless terminated earlier pursuant to the terms hereof.

3. Registration of Seller’s Project.

A. You shall be responsible to construct Seller’s Project, or to cause it to be constructed so that it may be registered, and to register Seller’s Project, or cause it to be registered, with the New Jersey Clean Energy Program under the direction of the Board’s Office of Clean Energy (“OCE”).

B. You shall submit all required applications and other forms to OCE, as required by OCE, and You, at your sole cost and expense, shall cause OCE to inspect, or arrange for inspection of, Seller’s Project in order for OCE to verify and certify that the SRECs generated by Seller’s Project are eligible for use in complying with the New Jersey Renewable Portfolio Standards (“RPS”) as set forth at N.J.A.C. 14:8-2.1 et seq., as amended, and as in effect from time to time during the Term of this Agreement, and You shall provide Us with a copy, or other acceptable evidence, of the OCE registration, inspection and certification confirming and verifying that Seller’s Project is capable of producing RPS-eligible SRECs.

4. Creation of SRECs.

A. When (i) Seller’s Project has been constructed, and registered, inspected and certified, with and by, OCE as capable of producing SRECs eligible for use in complying with the RPS, (ii) the Conditions Precedent as set forth in Section A of the attached General Terms and Conditions have been satisfied, completed or waived by Us, and (iii) you have delivered your written notice to Us that Seller’s Project is operational, You shall begin to sell and deliver SRECs to Us.

B. An “SREC” is a Solar Renewable Energy Certificate, which is issued on a monthly basis, and represents all rights, title and interest in and to the environmental attributes associated with the electricity generated by solar photovoltaic systems in New Jersey. One SREC represents the environmental attributes of one megawatt-hour of solar electric generation. Such electricity generation is tracked through monthly meter readings in accordance with applicable PJM-EIS-GATS (as defined in Section G of the attached General Terms and Conditions) Operating Rules and other related requirements.

C. For purposes of this Agreement, only meter readings from the SREC Meter (as defined in Section A.6 of the General Terms and Conditions), and not engineering estimates, shall be accepted as the basis for establishing the actual amounts of generation from Seller’s Project for purposes of determining the number of SRECs created by Seller’s Project during the Term of this Agreement.

5. Delivery Period. The “Delivery Period” begins on the date that (i) You deliver written notice to Us that Seller’s Project is operating and able to generate SRECs and deliver them pursuant to the terms of this Agreement, whether or not RECO has completed its own work for the interconnection of Seller’s Project unless such delay is caused by Seller, and (ii) after satisfaction and/or completion by You, or waiver by Us, of the Conditions Precedent (such date being the “Commencement Date”). The Delivery Period shall terminate at 11:59 p.m. of the date that is [___ months (*i.e.*, ___ years)] following the Commencement Date. Each twelve consecutive months following the Commencement Date shall be a “Contract Year.”

6. Purchase and Sale Obligation.

A. You hereby agree to sell and deliver to Us, and We hereby agree to purchase and take delivery of, the SRECs produced from Seller’s Project as and when such SRECs are created by, and through, the actual generation of one megawatt hour of electricity by Seller’s Project, as registered on the SREC Meter or as otherwise provided herein, during the Term of this Agreement (the “Transferred SRECs”).

B. Only whole (as opposed to fractional) Transferred SRECs shall be considered eligible for payment under this Agreement.

C. In addition to Seller’s sale and Purchaser’s purchase of SRECs, Purchaser, without the payment of any additional consideration to Seller, shall receive title to, and Seller shall convey to Purchaser, any and all other Environmental Attributes associated with the electricity generated by the Seller’s Project. For purposes hereof, “Environmental Attributes” excludes electric energy and capacity produced, but includes any other emissions, air quality, or other environmental attribute, aspect, characteristic, claim, credit, benefit, reduction, offset or allowance, howsoever entitled or designated, resulting from, attributable to or associated with the generation of energy by a solar renewable energy facility, whether existing as of the date of the SREC Contracting Order or in the future, and whether as a result of any present or future local, state or federal laws or regulations or local, state, national or international voluntary program. If during the Delivery Period, a change in laws or regulations occurs that creates value in Environmental Attributes, including but not limited to any associated tax references and benefits, then at Purchaser’s request, Seller shall cooperate with Purchaser to register such Environmental Attributes or take other action necessary to obtain the value of such Environmental Attributes for Purchaser. [If a change in local, state or federal laws or regulations, including but not limited to changes in tax laws or regulations, becomes effective between the time of contract award and the end of the Delivery Period, and such change increases the value of Seller’s Project or increases the value of contracted SRECs to Seller during the Delivery Period as a result of the renewable character of Seller’s Project, then, at Purchaser’s request, Seller shall cooperate with Purchaser to transfer such increased value to Purchaser. In such cases, Seller shall continue to receive payments from Purchaser pursuant to the terms of this Agreement, adjusted for such benefit.]

D. We shall not purchase any energy or capacity from Seller’s Project under this Agreement, and You may enter into other agreements with others to sell energy and/or capacity produced by Seller’s Project. This Agreement also makes no provision for net metering by the Seller’s Project.

7. Assignment of SRECs. In furtherance of Your Agreement to sell the Transferred SRECs to Us for the Term of this Agreement, You hereby assign to Us, free and clear of all liens, security interests, encumbrances, and Claims (as defined in Section M of the attached General Terms and Conditions) or any interest therein or thereto by any other person, all of Your rights, title and interests in the Transferred SRECs.

8. Quantity of SRECs.

A. During each Contract Month of each Contract Year, You shall sell and deliver to Us, and We shall purchase and accept delivery of, 100% of the quantity of Transferred SRECs produced by Seller's Project, if any, during each such Contract Month of each Contract Year, up to, but not in excess of, on an annual basis, an amount calculated by multiplying (i) the Direct Current ("DC") nameplate generating capacity, expressed in kilowatts (i.e., kW) of the solar photovoltaic panels comprising Seller's Project by (ii) 1,300 hours (the product of such calculation being the "Annual SREC Generation Capacity").

B. In the event that Seller's Project produces SRECs in excess of such Annual SREC Generation Capacity, We shall have the option, but not the obligation, to purchase up to the total of such excess SRECs at 95% of the Purchase Price. Unless We exercise such option, and then only to the extent of the number of excess SRECs we choose to purchase, excess SRECs shall not be treated, or paid for, as Transferred SRECs

C. As used herein, "Contract Month" means each calendar month during the Delivery Period and, where the Commencement Date does not fall on the first day of a month, the remaining portion of such initial month.

9. Purchase Price for SRECs. We shall pay You \$ _____ (U.S.) per Transferred SREC ("Purchase Price") delivered to Us from Seller's Project during each Contract Month.

10. Delivery of SRECs.

A. Subject to Section G of the General Terms and Conditions, You shall arrange for the Delivery of the Transferred SRECs to Us.

B. "Delivery" occurs when title and risk of loss related to Transferred SRECs has been transferred from You to Us and when the transfer of SRECs are properly recorded within the PJM-EIS-GATS and credited to Purchaser's PJM-EIS-GATS "Active Subaccount," as defined in the PJM-EIS-GATS Operating Rules. Pursuant to the assignment set forth in Section 7 above, You shall execute such forms or instructions as We and/or PJM-EIS-GATS shall require in order to Deliver all Transferred SRECs each month directly into Purchaser's Active Subaccount.

C. We shall be required to read the SREC Meter and provide SREC Meter reading data to PJM-EIS-GATS only as frequently as is necessary to allow for the appropriate recordation of the Transferred SRECs within PJM-EIS-GATS. In the event that such readings are not required to be made on a monthly basis, We shall agree upon an estimate of the amount of Transferred SRECs for each Contract Month for which there is no actual SREC Meter

reading, and We shall pay you based upon such estimate, subject to reconciliation based on the next actual SREC Meter reading.

11. Payment for Transferred SRECs.

A. Notwithstanding the monthly Delivery of Transferred SRECs from You to Us, We shall pay You for such Transferred SRECs quarterly, by issuing a payment to You for the actual or estimated Transferred SRECs for the preceding Contract Quarter within 20 Business Days following the expiration of the Contract Quarter (*i.e.*, the 20th Business Day of the next Contract Month following the end of the applicable Contract Quarter, or in the case of the early termination or expiration of the term of this Agreement, the 20th Business Day of the month following the end of the calendar quarter in which such termination or expiration of the Term occurs). As used herein, “Contract Quarter” means each calendar quarter during the Delivery Period and, where the Commencement Date does not fall on the first day of the quarter, the remaining portion of such initial calendar quarter.

B. You shall have ten Business Days from receipt of the statement to contest the amount paid. If You in good faith dispute the correctness of a payment and the accompanying explanatory statement issued by Us, then You and We shall attempt in good faith to resolve the dispute promptly through negotiations. If it is determined that We have underpaid, then We shall pay You the amount that remains due and unpaid within ten Business Days of such determination.

C. As used herein, “Business Day” means any day other than a Saturday, Sunday or a Federal Reserve Bank holiday. A Business Day starts at 8:00 a.m. and closes at 5:00 p.m., local prevailing time in the New Jersey location of the Facility.

12. The General Terms and Conditions are attached hereto as Appendix A, and, by this reference, are made a part hereof.

IN WITNESS WHEREOF, and intending to be legally bound by the terms and conditions of this Agreement, the Parties have executed this Agreement as of the Effective Date hereof.

<p>_____</p> <p>Seller Name</p> <p>By _____</p> <p>Name _____</p> <p>Title _____</p>	<p>ROCKLAND ELECTRIC COMPANY</p> <p>By _____</p> <p>Name _____</p> <p>Title _____</p>
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APPENDIX A

GENERAL TERMS AND CONDITIONS

A. **CONDITIONS PRECEDENT.** Purchaser's obligations under this Agreement shall not become effective unless and until the following conditions are satisfied by Seller, in form and substance satisfactory to Purchaser and its counsel, on or prior to the Commencement Date. Capitalized terms not defined herein shall have the meaning set forth in the Agreement to which this Appendix A is attached and made a part thereof.

1. **Execution and Delivery of Agreement.** This Agreement and any associated material documents or other agreements, including, without limitation, an appropriate interconnection agreement, shall have been completed, duly executed and delivered by Seller to Purchaser.
2. **Other Documentation.** To the extent Purchaser has requested such documentation, Purchaser shall have received all requested Seller's Project Documents (as defined in Section K of these General Terms and Conditions) with respect to Seller's Project, each duly executed by each person that is a party thereto, each of which Seller's Project Documents shall be in full force and effect, and in form and substance satisfactory to Purchaser.
3. **Completion of Seller's Project.** The installation of Seller's Project at the Facility shall have been completed; provided that Seller shall have previously notified Purchaser in writing that Seller's Project is substantially complete, and Purchaser, at its option and discretion, shall have verified within 14 days of Seller's notice that Seller's Project has achieved operation. For purposes of this Agreement, in the event the Commencement Date has not occurred within one year of the Effective Date, this Agreement shall terminate without further obligation or liability to the Parties and the Parties shall be under no further obligation to advance this Agreement. Such one-year period may be extended only by Order of the Board following formal petition to the Board by Seller for such an extension.
4. **OCE Inspection Report.** Seller, at its sole cost and expense, shall have arranged for and caused OCE to inspect and certify Seller's Project and shall have provided to Purchaser a complete copy of (i) the OCE inspection report with respect to Seller's Project installed at the Facility, (ii) the OCE certification of Seller's Project, and (iii) the final "as built" Project Documents.
5. **Registration with PJM-EIS-GATS.** If Seller is required by PJM-EIS-GATS to become an Account Holder, then Seller, at its sole cost and expense, shall have registered Seller's Project with, and shall have subscribed to, PJM-EIS-GATS, and shall have opened an Active Subaccount in accordance with PJM-EIS-GATS Operating Rules for purposes of making Delivery of Transferred SRECs to Purchaser, and Seller shall provide evidence of same to Purchaser.
6. **The SREC Meter.** Seller shall have arranged, at its sole cost and expense, for (i) RECO to install, own and maintain a RECO kilowatt-hour meter ("**SREC Meter**") at Seller's Project located in accordance with RECO's procedures and applicable regulatory standards, and capable of measuring the electricity generated from the continued

operation of Seller's Project throughout the Term so as to be reported to, and subject to audit by, Purchaser and PJM-EIS pursuant to the PJM-EIS-GATS Operating Rules and other PJM-EIS requirements, as applicable, and (ii) net metering arrangements with RECO.

7. Certification Regarding Rebates. Seller shall have certified to Purchaser that it has not received, and will not receive, any rebates with respect to Seller's Project under the Customer On-Site Renewable Energy ("CORE") Program administered by OCE for the period 2001 through 2008.
8. No Defaults. No Event of Default under this Agreement or any other agreement applicable to Seller's Project has occurred and is continuing.
9. Continuing Representations and Warranties. The representations and warranties of Seller contained in this Agreement shall be true and correct as of the Commencement Date with the same effect as though made on such date, except, however: (i) for such changes as are specifically permitted hereunder; and (ii) to the extent made solely as of a previous date, such representations and warranties shall have been true and correct as of such previous date.
10. SREC Contracting Order. The Board's SREC Contracting Order, and/or any subsequent Board Order authorizing RECO to enter into such contracts and agreements, including, in particular, this Agreement, remains in full force and effect.
11. Deposit. Seller's failure to satisfy any of the foregoing Conditions Precedent (other than Condition Precedent 10) shall entitle Purchaser to retain the deposit made by Seller following the bidding process by which Seller's Project was selected to enter into this Agreement with Purchaser. At the Commencement Date, Purchaser shall return the Deposit to Seller, without interest.

B. INSPECTIONS. Prior to the Commencement Date and thereafter during the Term, Purchaser shall have the right, but not the obligation, to make inspections of Seller's Project, and/or retain a third party to make any such inspections on its behalf, and, following the Commencement Date, to verify that Seller's Project is being operated and maintained in accordance with prevailing industry standards. All inspections by Purchaser are for Purchaser's determination of completion of Seller's Project in accordance with Section A.3 above and otherwise for its internal purposes only, and are not to be deemed to constitute Purchaser's approval of Seller's Project and/or its continued operation.

C. TAXES, FEES AND EXPENSES. Seller shall pay any and all costs, fees, and expenses, including any and all Taxes and transaction costs, fees and expenses attributable to or arising from the sale of the Transferred SRECs under this Agreement and in order to (a) obtain the initial certification of for the Transferred SRECs, including any inspections of Seller's Project in connection therewith, and (b) provide for the filing and recording of any instrument delivered by Seller to convey the Transferred SRECs to Purchaser. Purchaser shall pay any and all costs, fees and expenses incurred in connection with (i) the certification of the Transferred SRECs, if any, required with respect to any subsequent sale of the Transferred SRECs by Purchaser, (ii) any other certifications or third party verifications concerning the Transferred SRECs, and (iii) any and all Taxes and transaction costs, fees and expenses attributable to or arising from the subsequent sale of the Transferred SRECs by Purchaser. If Purchaser is required by law or regulation to remit or pay Taxes, which are Seller's responsibility hereunder, Purchaser may deduct the amount of any such Taxes from the sums due to Seller under this Agreement. Nothing shall obligate or cause a Party to pay or be liable to pay any Taxes for which it is exempt under the law and for which it

timely asserts and diligently pursues such exemption, until final determination thereof. “Taxes” means any and all new or existing privilege, sales, use, consumption, excise, transaction, and other taxes or similar charges, and any increases in the same, but “Taxes” does not include income taxes or other similar taxes based on income or net revenues.

D. REPRESENTATION AND WARRANTIES.

1. Seller. Seller represents and warrants that:

i. If Seller is not an individual, it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, it has all regulatory authorizations necessary for it to legally perform its obligations under this Agreement, and the execution, delivery and performance of this Agreement is within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its Constitutive Documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it. “Constitutive Documents” means, with respect to any person that is a corporation, its certificate of incorporation or articles of incorporation, its by-laws and all shareholder agreements, voting trusts and similar arrangements applicable to any of its authorized shares of capital stock; with respect to any person that is a limited partnership, its certificate of limited partnership and partnership agreement; with respect to any person that is a limited liability company, its certificate of formation and its limited liability company agreement; and with respect to any person that is a grantor trust, its trust agreement, in each case, as the same may be amended or modified and in effect from time to time;

ii. This Agreement and each other document executed and delivered in accordance with this Agreement constitutes a legally valid and binding obligation enforceable against it in accordance with its terms; subject to any equitable defenses, bankruptcy principles, or the like;

iii. It is not bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming bankrupt;

iv. No Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement;

v. It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Agreement; and

vi. If Seller is the Project Developer, Seller has obtained and provided to Purchaser the written acknowledgement (in the form attached hereto as Appendix C) of the owner of the Facility (“Host”) acknowledging for Purchaser’s benefit that Seller has the right to locate Seller’s Project at the Facility and that Host has (a) no right, title or interest, including, but not limited to, any third party beneficiary rights, in the Transferred SRECs, which are to be sold to Purchaser under this Agreement, (b) no right, title or interest in this Agreement, including, but not limited to any third party beneficiary rights, (c) no

rights against Purchaser, and shall not look to Purchaser, with respect to any claim or damages with respect to any aspect of Seller's Project, including, but not limited to, the construction, operation or maintenance thereof at Host's Facility.

2. Purchaser. Purchaser represents and warrants that:

i. It is duly organized, validly existing and in good standing under the laws of the State of New Jersey, it has all regulatory authorizations necessary for it to legally perform its obligations under this Agreement, and the execution, delivery and performance of this Agreement is within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its Constitutive Documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;

ii. This Agreement and each other document executed and delivered in accordance with this Agreement constitutes a legally valid and binding obligation enforceable against it in accordance with its terms; subject to any equitable defenses, bankruptcy principles, or the like;

iii. It is not bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming bankrupt;

iv. No Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement;

v. It is acting for its own account pursuant to the directive of the Board as set forth in the SREC Contracting Order, and is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Agreement; and

vi. It has entered into this Agreement in compliance with the SREC Contracting Order and it has the capacity or ability to make or take delivery of all Transferred SRECs referred to in this Agreement.

E. FURTHER SELLER REPRESENTATIONS AND WARRANTIES. In addition to the representations and warranties of Seller made above, Seller also represents and warrants that (i) the number of Transferred SRECs credited to Seller's PJM-EIS-GATS Active Subaccount will be based on the energy generation from Seller's Project at the Facility based upon the reading of the SREC Meter, (ii) all Transferred SRECs produced by Seller's Project and sold to Purchaser hereunder shall be eligible for use in complying with the RPS as so certified by OCE or such other agent as designated and appointed by the Board from time to time, and (iii) Seller shall promptly notify Purchaser of any change in circumstance, which causes the foregoing representation and warranty to no longer be true, including providing a copy of any notice received from OCE or otherwise indicating or determining that the Transferred SRECs are no longer RPS-eligible ("Non-eligible SRECs"). Purchaser shall not be obligated to pay for Non-eligible SRECs, and Seller shall be responsible to reimburse Purchaser for any payments made to Seller for Non-eligible SRECs.

F. FURTHER ASSURANCES. Each of the Parties hereto agree to cooperate with the other and to provide such information, execute and deliver any instruments and documents and to take such other

actions as may be necessary or reasonably requested by the other Party, which are not inconsistent with the provisions of this Agreement and which do not involve the assumptions of obligations other than those provided for in this Agreement, in order to give full effect to this Agreement and to carry out the intent of this Agreement.

G. PJM-EIS-GATS. This Agreement provides for the use of the PJM-EIS-GATS. For purposes of this Agreement:

1. “PJM” means the PJM Interconnection, a regional transmission organization that coordinates and directs the operation and ensures reliability of the high-voltage electric power system service all or parts of the territory consisting of the states of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.
2. “PJM-EIS-GATS” means the electronic PJM Environmental Information Service-Generator Attribute Tracking System operated by the PJM-EIS-GATS Administrator to account for the creation, tracking and retirement of SRECs in the PJM “Control Area,” as that term is defined in the PJM-EIS-GATS Operating Rules.
3. “PJM-EIS-GATS Account” means a Party’s SREC account on PJM-EIS-GATS, as identified if applicable.
4. “PJM-EIS-GATS Administrator” means PJM Environmental Information Services, Inc., a wholly-owned subsidiary of PJM Technologies, Inc., or any successor thereto performing similar functions.
5. “PJM-EIS-GATS Operating Rules” means the Generation Attribute Tracking System (PJM-EIS-GATS) Operating Rules adopted by the PJM-EIS-GATS Administrator, as the same may be amended or modified and in effect from time to time by PJM-EIS-GATS.
6. In the event that PJM-EIS-GATS requires Seller to become an “Account Holder,” as defined in the PJM-EIS-GATS Operating Rules, then at Seller’s sole cost and expense, Seller shall become a PJM-EIS-GATS Account Holder and Seller shall open, maintain, or cause to be opened and maintained, until expiration of the Term, a Seller’s Active Subaccount into which Transferred SRECs from Seller’s Project may be deposited, and transferred to and from, in accordance with the applicable PJM-EIS-GATS Operating Rules.
7. If Seller is required to become an Account Holder, then each Month during the Delivery Period, no later than ten (10) Business Days after the Transferred SRECs are deposited into Seller’s PJM-EIS-GATS Account, Seller shall, in accordance with the PJM-EIS-GATS Operating Rules, cause all such Transferred SRECs generated in the relevant Contract Month to be made available for transfer to Purchaser’s PJM-EIS-GATS Active Subaccount. Within five (5) Business Days after Seller has caused all such Transferred SRECs generated in the relevant Contract Month to be made available for transfer to Purchaser’s PJM-EIS-GATS Active Subaccount, Purchaser shall confirm acceptance of the Transferred SRECs in accordance with the PJM-EIS-GATS Operating Rules.
8. If Seller is required to become an Account Holder, then title to the Transferred SRECs shall not pass from Seller to Purchaser until Purchaser confirms acceptance of the Transferred SRECs.

9. In the event that the processes and procedures provided in clauses (6), (7) and (8) above for the delivery of SRECs are no longer authorized by the Board or PJM-EIS-GATS, or both, the Parties agree to comply with, and act under and in accordance with, the Board's then applicable rules and/or Orders pertaining to the creation, issuance, verification, and tracking of SRECs by any successor entity or organization to PJM-EIS-GATS, as may be authorized from time to time by the Board.

H. FORCE MAJEURE.

1. Except as otherwise set forth in this Agreement, neither Party shall be liable for any failure or delay in performance of its respective obligations hereunder during the Delivery Period if and to the extent that such delay or failure is due to a Force Majeure Event. In the event of (i) a Force Majeure Event of 12 consecutive months duration, or (ii) Force Majeure Events cumulatively totaling 24 months, in which Seller fails to deliver any Transferred SRECs from Seller's Project to Purchaser, Purchaser shall have the right to terminate this Agreement without further liability to Seller, by giving Seller 15 Business Days written notice.
2. Force Majeure Event" means any cause beyond the reasonable control of, and not due to the fault or negligence of, the affected Party and which could not have been avoided by the affected Party's reasonable due diligence, including, as applicable, war, terrorism, riots, embargo or national emergency; curtailment of or inability to obtain electric power transmission services or interconnection; fire, flood, windstorm, earthquake, or other acts of God; strikes, lockouts, or other labor disturbances (whether among employees of Seller, its suppliers, contractors, or others); delays, failure, and/or refusal of suppliers to supply materials or services; orders, acts or omissions of the PJM-EIS-GATS Administrator, as applicable; orders or acts of any Governmental Authority (as defined in Section P.2 hereof) (other than those orders and acts addressed under Section P of these General Terms and Conditions); changes in laws or regulations (other than those changes addressed under Section P of these General Terms and Conditions); or any other cause of like or different kind, beyond the reasonable control of Seller. Notwithstanding the foregoing, a Force Majeure Event shall not be based on Seller's ability to sell SRECs at a price greater than the Purchase Price, Purchaser's ability to purchase SRECs at a price below the Purchase Price, Purchaser's inability to resell the SRECs or any events addressed under Section P of these General Terms and Conditions.

I. ASSIGNMENT/DELEGATION. Neither Purchaser nor Seller shall assign this Agreement nor delegate any of its duties hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed; otherwise any such assignment or delegation shall be voidable at the option of the other Party. Notwithstanding the foregoing, either Party may, without the prior consent of the other Party, (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements (and without relieving itself from liability hereunder), (ii) transfer or assign this Agreement to an affiliate of such Party which affiliate's creditworthiness is equal to or higher than that of such Party, or (iii) transfer or assign this Agreement to any person or entity (A) succeeding to all or substantially all of the assets of such Party, or (B) purchasing the Facility at or on which Seller's Project is located, provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.

1. Financing Cooperation. Purchaser agrees, at Seller's sole cost and expense, to (i) cooperate with Seller in responding to or complying with the reasonable requirements or reasonable requests of any Financing Party with respect to the obligations of Purchaser hereunder; provided, however, that such compliance will be only to the extent permitted under the SREC Contracting Order, (ii) provide reasonable assistance to Seller in complying with the reporting requirements set forth in any financing agreements of a Financing Party, and (iii) at any time, and from time to time, during the Term, after receipt of a written request by Seller, execute and deliver to Seller and/or any Financing Party, such estoppel statements (certifying, to the extent true and correct, among other things that (1) this Agreement is in full force and effect, (2) no modifications have been made, (3) no disputes or defaults exist, (4) no events have occurred that would, with the giving of notice or the passage of time, constitute a default under this Agreement, and (5) all amounts then due and owing have been paid) or consents to assignments of this Agreement by Seller as collateral security as may reasonably be required. "Financing Party" means any lenders or other third parties providing construction financing, long-term financing or other credit support in connection with the development, construction or operation of Seller's Project.

J. EVENTS OF DEFAULT; REMEDIES AND DAMAGES.

1. In the event ("Event of Default") of, or arising from, (i) the failure of either Party to make when due, any payment obligation required hereunder if such failure is not remedied within ten Business Days after written notice of such failure is given to the defaulting part (the "Defaulting Party") by the other Party; (ii) the failure of either Party to comply with any or all of its other respective obligations in good faith as herein set forth and such noncompliance is not cured within 30 Business Days after notice thereof to the Defaulting Party; or (iii) either Party (1) filing a petition in bankruptcy, (2) having such a petition filed against it, and (3) becoming otherwise insolvent or unable to pay its debts as they become due, the non-Defaulting Party may establish by written notice to the Defaulting Party a date on which this Agreement shall terminate early. The non-Defaulting Party may suspend performance of its obligations under this Agreement until such Event of Default is cured, or if the Event of Default is a failure to pay as set forth in clause (i) above, until such amounts have been paid, and if the non-Defaulting Party chooses to suspend performance Seller's right to receive payment, if applicable, is such Party's exclusion remedy for a failure to pay under clause (i) above.
2. If Seller fails to deliver any Transferred SRECs in any Contract Month, whether by reason of Force Majeure Event or otherwise, Purchaser shall have no obligation to pay Seller any amount for such Contract Month.
3. Except as otherwise provided herein, all other damages and remedies are hereby waived as to any Events of Default.

K. NO ASSUMPTION OF LIABILITIES. Purchaser shall not assume, and Seller shall retain and be responsible for, any and all liabilities and obligations of Seller of any kind or nature whatsoever with respect to Seller's Project, including, without limitation, any and all liabilities and obligations of Seller under Seller's Project Documents. "Project Documents" means this Agreement, OCE certifications and other evidence of OCE inspections of Seller's Project, and the executed project development agreement or other agreement between Seller and a Project Developer evidencing a legally enforceable obligation to develop, design, procure, and install a solar-powered photovoltaic generation system warranted to operate at the Facility for at least the Term of this Agreement, and, if Seller is a Project Developer, any applicable

leases, easements, power purchase agreements between the Project Developer and Host and licenses evidencing Project Developer's rights of access and rights to develop, design, procure, install and operate a solar-powered photovoltaic generation system at the Facility and warranted to operate at the Facility for at least the Term of this Agreement.

L. LIMITATION OF LIABILITY. WITH RESPECT TO ANY LIABILITY HEREUNDER, NEITHER SELLER NOR PURCHASER SHALL BE LIABLE TO THE OTHER FOR ANY CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS, OR BUSINESS INTERRUPTION DAMAGES, WHETHER BY STATUTE, IN TORT OR IN CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE.

M. NOTICES. Notices provided for or required under this Agreement shall be exercised in writing. The Parties shall be legally bound from the date the notification is exercised. Notices provided for or required in writing herein shall be delivered by hand or transmitted by facsimile or sent by postage prepaid, certified mail, return receipt requested, or by overnight mail or courier. Notices hand delivered, shall be deemed delivered by the close of the Business Day on which it was hand delivered (unless hand delivered after the close of the Business Day in which case it shall be deemed received by the close of the next Business Day). Notices provided by facsimile shall be deemed to have been received upon the sending of a Party's receipt of its facsimile machine's confirmation of a successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. Eastern prevailing time on a Business Day, then such facsimile shall be deemed to have been received on the following Business Day. Notices provided by postage prepaid, certified mail, return receipt requested, or by overnight mail or courier, shall be deemed delivered upon receipt.

N. INDEMNITY. Each Party shall indemnify, defend and hold harmless the other Party from and against any Claims arising from or out of any event, circumstance, act or incident first occurring or existing during the period when control and title to Transferred SRECs is vested in such Party as provided for in Section 10 of this Agreement. Each Party shall indemnify, defend and hold harmless the other Party against any Taxes for which such Party is responsible under Section C of these General Terms and Conditions.

O. REGULATORY AND TAX CHANGES

1. RECO Cost Recovery. The Parties recognize and agree that this Agreement and the amounts to be paid to Seller for SRECs hereunder, and the incurring of costs by Purchaser associated with this Agreement, are premised upon and subject to (i) RECO's continuing ability to timely and fully recover from its customers all amounts paid to Seller hereunder as well as administrative costs associated with this Agreement and all other amounts authorized to be recovered by RECO in the SREC Contracting Order, and (ii) the continuing validity of the certification and recognition by the Board of the SRECs generated by Seller's Project for purposes of RPS compliance, throughout the Term hereof.
2. Regulatory Changes. If the regulatory framework in effect as of the date hereof governing this Agreement and the program under which it was executed, whether such regulatory framework is set forth in regulations, the SREC Contracting Order, the Board Order approving this Agreement or otherwise, is amended or suspended by the Board or any other Governmental Authority and/or is otherwise no longer in force (collectively, a "Change" in the regulatory framework), RECO will continue to purchase SRECs from Seller ONLY IF all of the following conditions are met: (a) Seller continues to produce and sell SRECs in accordance with this Agreement; (b) the terms in this Agreement

governing the purchase and sale of SRECs remain in full force and effect; (c) despite the Change in the regulatory framework, RECO continues to receive rate treatment and cost recovery, in terms of amounts to be recovered for its SREC-based contracting program, including, without limitation, recovery of amounts paid under this Agreement to purchase SRECs, administrative costs, carrying costs, additional recoveries authorized by the Board in the SREC Contracting Order, and incentives, if any, and timeliness of recovery, that is no worse for RECO than was provided as of the date hereof. In the event that there is a Change in the regulatory framework and all of the foregoing conditions (a), (b) and (c) are not met, then, either: (x) the Parties shall promptly thereafter commence negotiations, which shall not exceed a period of 30 days, to amend this Agreement, if possible, to conform to the Change in the regulatory framework in a manner that does not cause RECO or its customers to be in a worse position than they would have been in had the regulatory framework and the rate treatment and cost recovery not been changed; or (y) upon 30 days prior written notice to RECO, Seller may terminate this Agreement and neither Party shall have any further liability or obligation hereunder except with respect to amounts due prior to the date of such termination. In the event that the Parties cannot negotiate an amendment to this Agreement that meets the requirements of clause (x) above, this Agreement shall terminate at the expiration of the 30-day negotiation period. “Governmental Authority” means the federal government, any state or local government or other political subdivision thereof (whether federal, state or local), any court and any administrative agency or other regulatory body, instrumentality, authority or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

3. Further Understandings. Notwithstanding the foregoing provisions of Section O.2 above, (a) Purchaser shall not be obligated to pay Seller hereunder during the pendency of any appeal with respect to any such Change in the regulatory framework, and (b) any termination of this Agreement or any amendment to this Agreement shall be effective retroactively from the date such Change in the regulatory framework, and Seller shall reimburse Purchaser for any amounts paid to Seller which exceed the amounts that should have been paid pursuant to the foregoing provisions of Section O.2 as a result of such final and non-appealable order regarding a Change in the regulatory framework.

P. FORWARD CONTRACT. Purchaser and Seller each acknowledge that, for purposes of this Agreement, it is a “forward contract merchant” and that all transactions pursuant to this Agreement constitute “forward contracts” within the meaning of the United States Bankruptcy Code.

Q. NETTING AND SETOFF. If Purchaser and Seller are required to pay any amount under this Agreement on the same day or in the same month, then such amounts with respect to each Party may be aggregated and the Parties may discharge their obligations to pay through netting, in which case the Party, if any, owing the greater aggregate amount shall pay to the Party owed the difference between the amounts owed. Each Party reserves to itself all rights, setoffs, counterclaims, combination of accounts, liens and other remedies and defenses which such Party has or may be entitled to (whether by operation of law or otherwise). The obligations to make payments under this Agreement and/or any other contract between the Purchaser and Seller, if any, may be offset against each other, set off or recouped therefrom.

R. WAIVER. The failure of Purchaser or Seller to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights

hereunder shall not be construed as a future waiver of any such provisions or the relinquishment of any such rights, but the same shall continue and remain in full force and effect for the term of this Agreement.

S. ENTIRE AGREEMENT. This Agreement, together with any attachments or exhibits specifically referenced herein, constitutes the entire contract between Purchaser and Seller with respect to the subject matter hereof, supersedes all prior oral or written representations and contracts, and may be modified only by a written amendment signed by Purchaser and Seller.

T. COMPLIANCE WITH LAWS. Seller and Purchaser shall comply with the provisions of all laws and any applicable order and/or regulations, or any amendments or supplements thereto, which have been, or may at any time be, issued by a Governmental Authority relating to this Agreement and the transactions hereunder.

U. GOVERNING LAW AND VENUE. This Agreement shall be construed, enforced, and performed in accordance with the laws of the State of New Jersey, without recourse to principles governing conflicts of law. Any lawsuit arising in connection with this Agreement shall be brought only in the state and federal courts of New Jersey.

V. AUDITING. During the Term, Purchaser may, at reasonable times and on reasonable notice, audit Seller's records pertaining to Seller's Project and the Transferred SRECs, and Seller shall maintain reasonable records relating to this Agreement for a period of two (2) years following termination of this Agreement.

APPENDIX B

DESCRIPTION OF SELLER'S PROJECT, SPECIFICATION OF LOCATION OF SELLER'S PROJECT AND DETAILS REGARDING THE SIZE, TYPE, MANUFACTURER AND RELATED DETAILS REGARDING THE QUALIFIED SOLAR PHOTOVOLTAIC GENERATION UNIT

APPENDIX C

HOST'S ACKNOWLEDGEMENT AND CERTIFICATION

Rockland Electric Company
Solar Financing Program
BPU Docket No. E009020097

Assumptions

1. Projects assumed to be in service at the same time - 12 months following the date of solicitation. Projects are not differentiated for earlier or later delivery.
2. NPV is based on annual discounting rather than more frequent intervals. More frequent intervals add unnecessary complexity.
3. NPV is discounted at RECO's proposed discount rate to a common date - the date of solicitation. Selecting an alternate "time zero" for NPV assessment will not impact the relative ranking of projects.

EXAMPLE:

The following is an illustrative example for a hypothetical solicitation taking place January 2009.

Solicitation Month Jan-09
RECO Discount Rate 7.68%

PROPOSED:	Required Inputs	
Term (yrs)	15	years
Price (\$/SREC)	\$350	per SREC

Year	Calendar Year	Price	NPV Factor	NPV Price
1	2010	\$350	0.9287	\$325
2	2011	\$350	0.8624	\$302
3	2012	\$350	0.8009	\$280
4	2013	\$350	0.7438	\$260
5	2014	\$350	0.6908	\$242
6	2015	\$350	0.6415	\$225
7	2016	\$350	0.5957	\$209
8	2017	\$350	0.5532	\$194
9	2018	\$350	0.5138	\$180
10	2019	\$350	0.4771	\$167
11	2020	\$350	0.4431	\$155
12	2021	\$350	0.4115	\$144
13	2022	\$350	0.3822	\$134
14	2023	\$350	0.3549	\$124
15	2024	\$350	0.3296	\$115
NPV of payments for each SREC over the proposed term of the SREC PSA				\$3,055