

A green banner with a sunburst on the left and leaves on the right. The text "Green Solutions for Customers" is in white.

Green Solutions
for Customers



PSE&G

We make things work for you.

PSE&G Solar Loan Program

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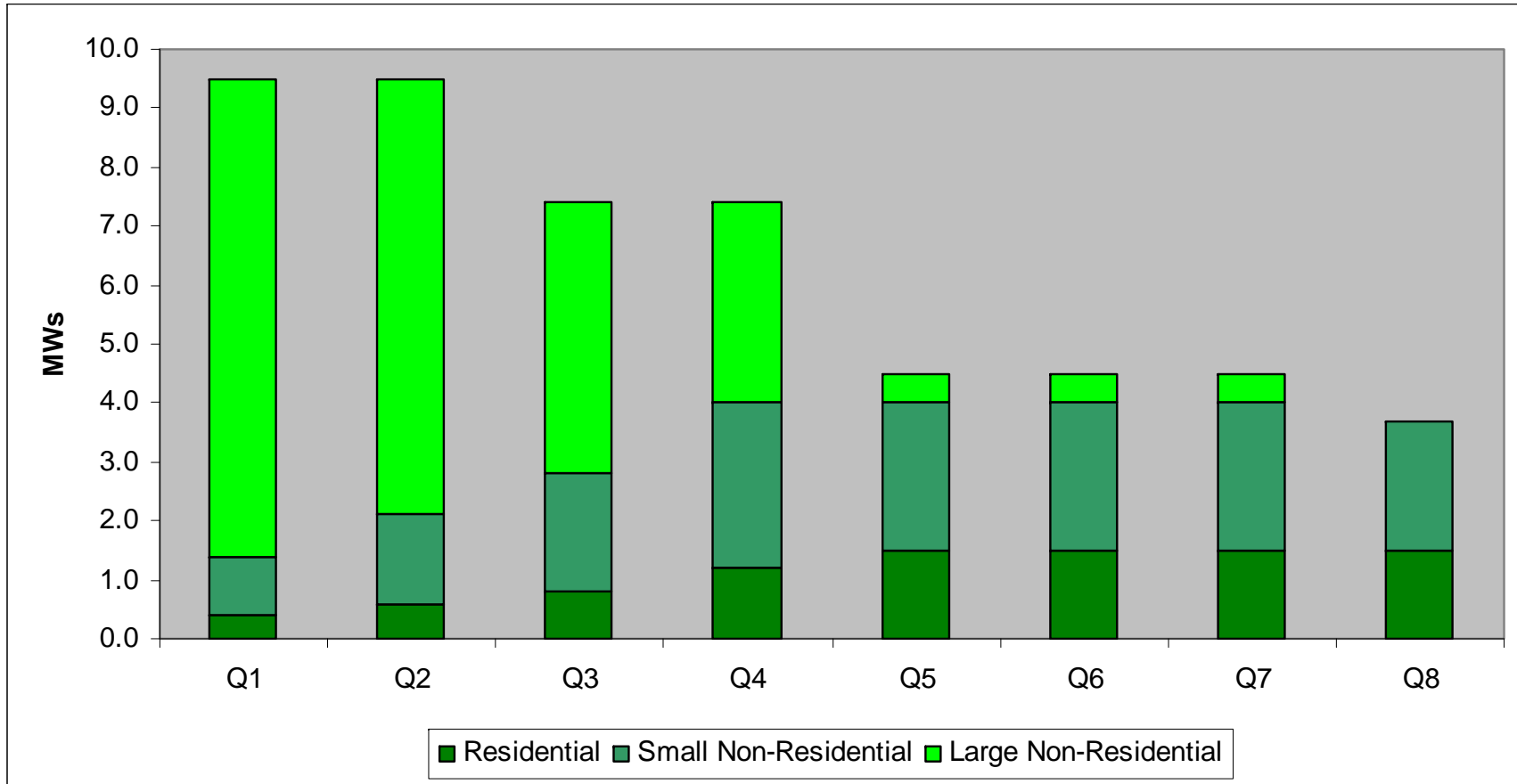


PSE&G

Solar Loan Program II

- **PSE&G term debt financing for 42 MW of commercial solar projects in our service territory, roughly \$121MM**
- **Accepting applications through Dec 2011**
- **Net metered projects only**
- **Follow on program to Solar Loan Program I (30 MW, \$104MM)**
- **PSE&G financed 21% of solar installations in 2009 in all NJ – 11.6 MW out of 55.2 MW**

Capacity Roll-Out by Segment



Loan Terms

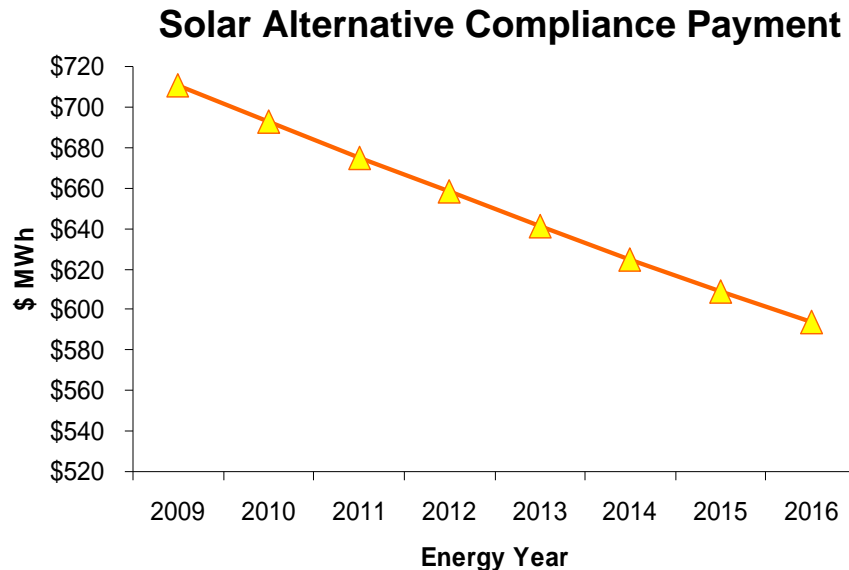
- **Loan Repayment:** SREC repayment option
- **Floor Price:** 15 year floor, upside exposure to Market Price
- **Loan Amount:** Determined by system's expected output
 - = NPV of expected SRECs @ floor price
 - ~\$2.98/w for larger projects, \$3.22/w <150 kW
- **Loan-to-Cost:** Determined by installation cost
 - Typically 50% - 60%, can be as high as 70%
- **Loan Term:** 15 Years
- **Interest Rate:** 11.31%
 - High IRR, Non-Cash, Removes SREC uncertainty, Payback < 2 or 3 years (with tax appetite)

SREC Floor Price Schedule

Floor prices depend on when an applicant submits an application:

Segment	Dec 2009 - Jun 2010	Jul 2010 - Dec 2010	Jan 2011 - Jun 2011	Jul 2011 - Dec 2011
Non-Residential up to 150 kWDC	410	395	380	360
Non-Residential >150 - 500 kWDC	380	365	350	330

What is an SREC Worth?



The **SACP** is the penalty generators pay for not generating their required solar energy output. It is effectively a **cap on SREC prices**.

- Unless you have a contract you do not know. Neither does anyone else.
- Are you owners willing to bet their company's cash flow on the SREC market?
- Put another way, do they have an appetite for SREC risk?

Market Price in the Solar Loan Program

- **“Market Price”** in the Solar Loan Program is the **“Cumulative Weighted Average Price” (CWAP)**
- This is an index managed by the Board of Public Utilities. It reflects all SREC sales, including those under long term purchase contracts.
- **Spot price** is the price of the last SREC sold.
- Spot is higher than CWAP right now. That could change in the future.

Collateral and Credit

Typical: Plain Vanilla Loan

- 1st and exclusive lien on SRECs
- 1st lien on equipment
- Subordinations as applicable
- Recourse to corporate entity that owns the project

Project Finance: PPA providers

- For experienced developers and PPA GPs only
- Limited recourse possible
- Credit enhancements:
 - L/C
 - Reserves: Debt Service, O&M, Inverter
 - Controlled revenue account
 - Collateral assignment of project documents, ownership interest of GP and LP

Other Considerations

- Loans can be prepaid at anytime
- If loan is paid of before the 15 year term PSE&G has the option to purchase SRECs at 75% of their Market Value
 - Benefits rate payers
- Administrative fee at closing:
 - 2.5% for projects up to 150 kW
 - 1.5% for projects above 150 kW