



July 31, 2012

In The Matter Of The Petition Of  
Public Service Electric And Gas Company  
For Approval Of A Solar Loan III Program And  
An Associated Cost Recovery Mechanism And  
For Changes In The Tariff For Electric Service,  
B.P.U.N.J. No. 15 Electric Pursuant To  
N.J.S.A. 48:2-21 And N.J.S.A. 48:2-21.1

BPU Docket No. \_\_\_\_\_

***VIA ELECTRONIC MAIL & REGULAR MAIL***

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

Dear Secretary Izzo:

Enclosed for filing please find an original and ten copies of Public Service Electric and Gas Company's Petition, testimony, supporting schedules and appendix in the above-referenced matter.

Very truly yours,

A handwritten signature in blue ink that reads "Matthew Weissman".

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STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

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

P E T I T I O N

BPU Docket No. \_\_\_\_\_

Public Service Electric and Gas Company (“PSE&G”, the “Company”), a corporation of the State of New Jersey, having its principal offices at 80 Park Plaza, Newark, New Jersey, respectfully petitions the New Jersey Board of Public Utilities (“Board” or “BPU”) pursuant to N.J.S.A. 48:3-98.1, et seq., as follows:

**EXECUTIVE SUMMARY OF THE PROPOSED SOLAR LOAN III PROGRAM**

1. PSE&G is proposing a third solar loan program as a continuation of its successful Solar Loan I and Solar Loan II programs (“current programs”). The proposed loan program (“Solar Loan III” or “Program”) is modeled on the current programs and should be approved pursuant to N.J.S.A. 48:3-98.1. In addition, the Program has been specifically designed to meet the recommendations of the Office of Clean Energy (“OCE”) as contained in the Order issued by the Board dated May 23, 2012 in Docket

No. EO11050311V. In that proceeding the OCE considered the proper role of electric distribution companies (“EDCs”) in the solar business (“May 2012 Order”).

2. In Solar Loan III, as in the current programs, PSE&G will provide loans to borrowers for solar photovoltaic systems (“Solar Systems”) which can be repaid using solar renewable energy certificates (“SRECs”) or cash.

3. In the May 2012 Order, the Board adopted the OCE’s recommendation to extend Electric Distribution Company (“EDC”) financing programs by 180 MW over a three-year period. PSE&G’s share of the 180 MW, pursuant to communication from the OCE, is 97.5 MW based on a three-year allocation. Subject to the actual floor prices, which help determine the size of each loan and will be set in a market-based fashion as described in this filing, PSE&G intends to invest up to \$193 million over a three-year period by providing loans to parties to develop PSE&G’s allocation of 97.5 MW dc of Solar Systems.<sup>1</sup>

4. The Program will begin upon Board approval and will remain open for applications for three years or until the capacity is filled, whichever comes first. All customers located in PSE&G’s electric service territory will be eligible to submit applications to participate.

5. The basic Program structure is substantially similar to the Solar Loan II Program. PSE&G will offer long-term loans for qualifying solar photovoltaic projects in the

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<sup>1</sup> All references to MW capacity of Solar Systems in this testimony are in direct current or “dc.” The electricity

following Program segments: (1) residential; (2) non-residential projects less than or equal to 150 kW; (3) non-residential projects greater than 150 kW, up to a maximum of 2 MW per project; and (4) projects on landfills/brownfields.

6. The loans will be repaid in SRECs or cash, at the borrower's option. PSE&G will auction the SRECs it receives in periodic auctions, using the same auction format as utilized for the Solar Loan II Program and pursuant to the BPU Order dated November 7, 2008, in Docket Number EO07040278 ("November 2008 Order"), or its successor auction process as determined by the Board. All net proceeds from the sale of SRECs will be applied against the Program's revenue requirements. However, consistent with the OCE recommendation adopted by the Board in the May 2012 Order, PSE&G will not auction the SRECs that it receives through the Solar Loan III Program until the Energy Year ("EY") 2016, unless otherwise directed by the Board.

7. PSE&G is proposing certain modifications for the Solar Loan III Program as compared with the existing Solar Loan II Program, based in part upon the recommendations set forth in the May 2012 Order and designed to minimize the Program's impact on PSE&G ratepayers. As discussed in the testimony of Joseph A. Forline, submitted herewith as Attachment A, these changes include, among other things, a market-based method for determining the floor price at which to value the SRECs provided in repayment of the loans; a new method for determining the market price of SRECs provided by borrowers

in payment for their loans; and an increase in the loan application fee and borrower's administrative fee, and the introduction of an SREC processing fee, all intended to offset the total administrative costs over the life of the Program.

8. In addition, based on its experience to date in implementing Solar Loan I and II, PSE&G proposes that it will no longer retain a call option in SRECs generated after a residential loan has been paid off. While PSE&G will continue to hold an option to purchase the SRECs generated by non-residential projects, the terms of PSE&G's option held in commercial loans is being modified as compared with Solar Loan II. These and other aspects of Solar Loan III are discussed further in Mr. Forline's testimony and in the Solar Loan III Program Rules ("Program Rules"), which are included at Schedule JAF-SLIII-2 of that testimony.

9. PSE&G proposes to recover all Program costs through a new component of the Regional Greenhouse Gas Initiative Recovery Charge ("RRC"). PSE&G proposes to earn a return on its net investment based on a Weighted Average Cost of Capital ("WACC") of 8.21% annually. The weighted pre-tax cost of capital is 11.8520%, as discussed in the pre-filed testimony and schedules of Stephen Swetz, which are included with this Petition as Attachment B. A complete discussion of the cost recovery mechanism is provided in the following sections of this Petition and in Mr. Swetz' pre-filed testimony and schedules.

10. The new Solar Loan III Program component of the electric RRC will be \$0.000023 per kWh without Sales and Use Tax (“SUT”) or \$0.000025 per kWh including SUT. When combined with the other current electric RRC components the combined charge is \$0.001222 per kWh without SUT (\$0.001308 per kWh including SUT).

11. As a result of the proposed rate set forth in Attachment G, PSE&G’s class average residential customer using 780 kWh in each summer month and 7,360 kWh annually would experience an increase in their annual bill from \$1,336.60 to \$1,336.76 (an increase of \$0.16), or approximately 0.01% based on Delivery Rates and Basic Generation Service Fixed Pricing (“BGS-FP”) charges in effect July 1, 2012 and assuming that the customer receives BGS-FP service from PSE&G.

**BACKGROUND – N.J.S.A. 48:3-98.1, THE ENERGY MASTER PLAN AND THE  
OCE’S GENERIC PROCEEDING**

12. PSE&G is a public utility engaged in the distribution of electricity and the provision of electric Basic Generation Service (“BGS”), and distribution of gas and the provision of Basic Gas Supply Service (“BGSS”), for residential, commercial and industrial purposes within the State of New Jersey. The Company provides service to approximately 2.2 million electric and 1.8 million gas customers in an area having a population of approximately six million persons and which extends from the Hudson River opposite New York City, southwest to the Delaware River at Trenton and south to Camden, New Jersey.

13. PSE&G is subject to regulation by the BPU for the purposes of setting its retail distribution rates and to assure safe, adequate and reliable electric distribution and natural gas distribution service pursuant to N.J.S.A. 48:2-21, et seq.

14. Pursuant to N.J.S.A. 48:3-98.1(a)(1), an electric or gas public utility may provide and invest in renewable energy programs, which programs may be eligible for rate treatment approved by the Board, including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. See N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program cost investments in the utility's rate base, or recovering the utility's technology and program costs through another ratemaking methodology approved by the Board. Id.

15. This Petition, seeking cost recovery for a renewable energy program pursuant to N.J.S.A. 48:3-98.1, is being filed pursuant to N.J.S.A. 48:3-98.1(b). In determining PSE&G's right to the recovery of Program costs as proposed herein, it is respectfully requested that the Board take into account its previous approval of the Solar Loan I and Solar Loan II programs, which are largely similar to the instant proposal and have successfully contributed to the substantial growth in solar capacity in New Jersey during the operation of those programs.<sup>2</sup>

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<sup>2</sup> Following the enactment of N.J.S.A. 48:3-98.1, in an Order dated August 7, 2008 ("August 2008 Order"), the Board directed PSE&G to file an SREC-based financing program by March 2009, with the option that the program could be structured as a modification of PSE&G's Solar Loan I Program, which had been approved by the Board on April 16, 2008. On March 31, 2009, PSE&G filed for approval of its Solar Loan II Program, which



16. In considering this Petition, the statute also provides that the Board “may take into account the potential for job creation from such programs, the effect on competition for such programs, existing market barriers, environmental benefits, and the availability of such programs in the marketplace.” N.J.S.A. 48:3-98.1. These issues are addressed in the pre-filed testimony of Joseph A. Forline, included with this Petition as Attachment A.

17. The Board should also take into account that the proposed Solar Loan III Program is consistent with the directives set forth in the Board’s May 2012 Order, as discussed herein and in Mr. Forline’s testimony.

18. The proceeding resulting in that May 2012 Order began in the fall of 2011, when the OCE Staff commenced a stakeholder process to develop recommendations related to electric distribution company (“EDC”) SREC programs, including PSE&G’s current loan programs as well as its Solar 4 All<sup>TM</sup> Program, which involves direct utility investment in Solar Systems. The Board sought recommendations regarding whether EDC programs should continue, terminate or be modified.

19. As that stakeholder proceeding continued, on December 6, 2011, Governor Christie released New Jersey’s Energy Master Plan (“EMP”), the blueprint for energy

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was structured as a modification of the Solar Loan I Program. PSE&G’s Solar Loan II Program was approved by the Board in an Order dated November 10, 2009, under Docket Number EO09030249. Specifically, the Board found that the Solar Loan II Program satisfied the requirements of the August 2008 Order in a manner that supported the Board’s goal of transitioning to market based incentives for solar generation I/M/O the Petition of Public Service Electric and Gas Company for Approval of a Solar Loan II Program and Associated Cost Recovery, Decision and Order Approving Stipulation, Docket No. EO09030249 (November 10, 2009).

development, including solar energy specifically, for the State. The EMP contains several recommendations designed to ensure the continued growth of the solar market in New Jersey in the most cost effective manner possible.

20. On April 18, 2012, during the pendency of the utility solar stakeholder proceeding and in accordance with the Board's requirements under N.J.S.A. 48:3-98.1, PSE&G held a pre-filing meeting at the Board's offices in Trenton, New Jersey during which it set forth its intention to seek an extension of its existing Solar Loan II Program.<sup>3</sup>

21. Subsequently, the Board issued the May 2012 Order setting forth findings and directives coming out of the EDC SREC proceeding described above.<sup>4</sup> In accordance therewith, PSE&G filed a notice with the Board of its intent to participate in the extended EDC SREC Programs. PSE&G was advised, in a subsequent communication from the OCE, that its share of the 180 MW is 97.5 MW.

22. As also provided for under the May 2012 Order and subsequent communications from the OCE, PSE&G convened a pre-filing meeting for its Solar Loan III Program with Board Staff and Rate Counsel on July 12, 2012 at PSE&G's offices in Newark, New Jersey.

23. In support of this Petition, Mr. Joseph A. Forline, PSE&G's Vice President of Customer Operations, provides an overview of the Program and its goals, and explains how this Program supports the State's renewable energy, business development,

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<sup>3</sup> See Board Order Pursuant to N.J.S.A. 48:3-98.1(c) (120-Day Order), BPU Docket No. EO08030164.

and environmental goals (Attachment A). Mr. Forline also testifies about the details of the Program, including the segments, the solicitation process, and the customer complaint resolution process. Mr. Stephen Swetz, Director – Corporate Rates and Revenue Requirements, files testimony addressing revenue requirements and cost recovery issues (Attachment B). Ms. Donna M. Powell, Assistant Controller – PSE&G, testifies in support of the accounting treatment for the Program costs and revenues (Attachment C).

### **TRANSITION FROM SOLAR LOAN II TO SOLAR LOAN III**

24. PSE&G will continue to process applications under the current program until the Solar Loan III Program is approved by the BPU. All loans awarded capacity under the current program will remain in that program.

25. Upon commencement of the Solar Loan III Program, any remaining unawarded capacity from the current program will be rolled into the new program. PSE&G has not modeled any Solar Loan II unused capacity in the Solar Loan III revenue requirement calculations included with Mr. Swetz’ testimony.

26. Under the current programs, PSE&G is operating under an advisory opinion from the New Jersey Department of Banking and Insurance (“DOBI”) that because of the interest rate charged to consumers, the implementation of those programs would not result in PSE&G being considered to be engaged in the “consumer loan

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<sup>4</sup> I/M/O the Review of Utility Supported Solar Programs, Order (May 23, 2012), Dkt. No. EO11050311V.

business” as defined under the Licensed Lenders Act, N.J.S.A. 17:11C-1 et seq. Following issuance of a Board order approving the Solar Loan III Program, PSE&G will seek confirmation from DOBI that its prior determination remains valid for this Program, and residential solicitations will be held in abeyance pending that confirmation.

### **COST RECOVERY PROPOSAL**

27. PSE&G is requesting that the Board grant approval of recovery of all Solar Loan III Program costs. PSE&G proposes to recover all Program costs via a separate component of the electric RRC mechanism previously approved by the Board. The Solar Loan III Program component of the RRC would be reviewed and modified in the annual filing that PSE&G makes with the Board. PSE&G’s proposed cost recovery mechanism for the Program, including the estimated rate impacts on customers and proposed initial rates, is fully-described in the pre-filed testimony and schedules of Mr. Swetz.

28. Pursuant to N.J.S.A. 48:3-98.1(b) and consistent with the cost recovery mechanism approved in the Solar Loan II Program, PSE&G requests that it earn a return on its net investment in the Program based on the Company’s pre-tax WACC. The overall cost of capital utilized to set rates for the initial rate period of the Program will be based on the Company’s most recent base rate case, BPU Docket No. GR09050422, which is 8.21% (11.8520% on a pre-tax basis), based on a return on equity of 10.3% and current tax rates. Any changes to current tax rates would be reflected in an adjustment to the pre-tax WACC. In addition, any change in the WACC authorized by the Board in a

subsequent electric, gas, or combined base rate case will be reflected in the appropriate corresponding subsequent monthly revenue requirement calculations. Mr. Swetz testifies to the proper return on the Company's investment in his testimony.

29. The Company also requests that, again consistent with the Solar Loan II Program, the interest on its deferred balances for the Solar Loan III Program be based upon the Company's interest rate obtained on its commercial paper and/or bank credit lines utilized in the preceding month. If both commercial paper and bank credit lines have been utilized, the weighted average of both sources of capital shall be used. Any over/under recovery of the actual revenue requirements compared to revenues would be deferred. Simple interest shall accrue on any under and over recovered balances, and shall be included in the deferred balances at the end of each reconciliation period. Mr. Swetz also addresses the interest on the deferred balance in his testimony.

30. Ms. Donna M. Powell testifies regarding the accounting treatment the Company will use for the Program. She also supports certain financial statements that are required under the Board's Minimum Filing Requirements.

31. PSE&G hereby files the following Attachments D through G. Attachment D is a draft Form of Notice of Filing. Concurrent with the filing of this Petition with the BPU, this Notice of Filing will be served on the County Executives and Clerks of all Municipalities within the Company's electric service territory. Contained in Attachment E is the draft Form of Notice of Filing and of Public Hearings, which sets forth the

requested changes to the electric rates and will be placed in newspapers having a circulation within the Company's electric service territory upon receipt, scheduling and publication of public hearing dates. One public hearing will be held in each geographic area within the Company's service territory, i.e., Northern, Central, and Southern. This Notice of Filing and of Public Hearings will be served on the County Executives and Clerks of all Municipalities within the Company's electric service territory upon publication of public hearing dates. In addition, PSE&G has provided a residential rate impact summary as Attachment F. Proposed tariff sheets (clean and redlined) have been provided as Attachment G. Two copies of the Petition and supporting attachments will be served upon the Department of Law and Public Safety, 124 Halsey Street, P.O. Box 45029, Newark, New Jersey 07102 and upon the Director, Division of Rate Counsel, 31 Clinton Street, Newark, New Jersey 07101. A copy has been e-mailed to the persons identified on the service list provided with this filing.

### **REQUEST FOR REVIEW AND APPROVAL**

32. PSE&G requests that the proposed rates to recover all of the Program costs be approved by the Board, along with the Program and cost recovery mechanism proposed in this filing, within the timeframe established under N.J.S.A. 48:3-98.1 et seq. PSE&G also requests that the Board authorize the Company to implement the proposed rate contemporaneously with the Board's approval of this Petition. Once the proposed

Solar Loan III Program component of the RRC has been approved, it will operate like the other components of the RRC, subject to deferred accounting and periodic true-up through filings with the Board.

33. PSE&G respectfully requests that the BPU retain jurisdiction of this matter and not transfer the filing to the Office of Administrative Law. In light of the similarities between this Program and the current Solar Loan II Program, and in light of the Solar Loan III Program's conformance with the outcome of the OCE's utility solar proceeding set forth in the May 2012 Order, PSE&G believes evidentiary hearings are not required for the Board to approve this Program and the proposed cost recovery mechanism. PSE&G is confident that these and any issues other parties raise can be resolved through settlement or through written comments filed with the Board prior to its decision.

34. Attached hereto, and incorporated herein by reference, is Appendix A, which identifies where in the instant filing all of the applicable Minimum Filing Requirements are set forth. Once a petition has been filed with the Board, Board Staff has 30 days, commencing on the date the petition was filed, to determine whether the petition is administratively complete; to advise the utility in writing whether or not the petition is administratively complete; and to set forth the deficiencies and the items required to remedy the deficiencies. See 120-Day Order, at p. 6.

35. PSE&G has committed significant effort and resources to comply with the Board's Minimum Filing Requirements as well as the May 2012 Order, and requests that

the Board Staff find this filing to be administratively complete as expeditiously as possible.

### **COMMUNICATIONS**

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### **CONCLUSION**

For all the foregoing reasons, PSE&G respectfully requests that the Board retain jurisdiction of this matter and issue an order approving this Petition, specifically finding that:

1. The Program is in the public interest and that PSE&G is authorized to implement and administer the Program as a regulated utility service under the terms set forth in this Petition and accompanying Attachments;
2. The cost recovery mechanism proposed herein is just and reasonable, and PSE&G is authorized to recover all costs requested herein associated with the Program,



which will be recovered through a separate component of the electric RRC, which will be filed annually;

3. The proposed rates and charges, as set forth herein, are just and reasonable and PSE&G is authorized to implement the rates proposed herein.

Respectfully submitted,  
PUBLIC SERVICE ELECTRIC AND GAS COMPANY



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DATED: July 31, 2012  
Newark, New Jersey

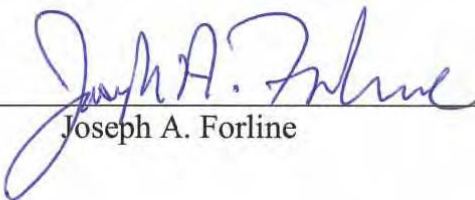
STATE OF NEW JERSEY )  
  :  
COUNTY OF ESSEX        )

Joseph A. Forline, of full age, being duly sworn according to law, on his oath deposes and says:

1. I am Vice President, Customer Operations, of Public Service Electric and Gas Company, the Petitioner in the foregoing Petition.

2. I have read the annexed Petition, and the matters and things contained therein are true to the best of my knowledge and belief.

3. Copies of the Petition have been delivered and emailed to the NJBPU, the Department of Law & Public Safety and the Division of Rate Counsel.

  
\_\_\_\_\_  
Joseph A. Forline

Sworn and subscribed to )  
before me this 31<sup>st</sup> day )  
of July 2012                 )

  
\_\_\_\_\_  
**CONSTANCE E. LEMBO**  
Notary Public of New Jersey  
Commission Expires 10/18/2016

1                   **PUBLIC SERVICE ELECTRIC AND GAS COMPANY**  
2                   **DIRECT TESTIMONY**  
3                   **OF**  
4                   **JOSEPH A. FORLINE**  
5                   **VICE PRESIDENT – CUSTOMER OPERATIONS**  
6

7                   My name is Joseph A. Forline and I am Vice President of Customer  
8                   Operations for Public Service Electric and Gas Company (“PSE&G,” the  
9                   “Company”). I have primary management and oversight responsibility for the design  
10                  and implementation planning of PSE&G’s renewable energy, energy efficiency, and  
11                  demand response programs, including oversight of the implementation of these  
12                  programs. My qualifications are included as Schedule JAF-SLIII-1.

13  
14                  **SCOPE OF TESTIMONY**

15                  I am testifying in support of PSE&G’s proposed Solar Loan III Program  
16                  (“Solar Loan III Program” or “Program”). My testimony is made up of three main  
17                  sections. First, I provide an overview of the Solar Loan III Program, including a brief  
18                  discussion of the background of and basis for the proposed Program, and a listing of  
19                  its key elements. In the next section, I provide a more detailed discussion of the  
20                  Program features, emphasizing some differences between Solar Loan III and  
21                  PSE&G’s current Solar Loan II Program, and including a breakdown of the Program  
22                  “segments.” Finally, I explain how Solar Loan III supports the State policy goals in  
23                  the areas of renewable energy, business development, and environmental protection.

1           In addition to my testimony, the Company is presenting the testimony of  
2 Mr. Stephen Swetz regarding the Program’s revenue requirements and cost recovery  
3 issues (Attachment B); and Ms. Donna M. Powell regarding the accounting treatment  
4 for the Program costs and revenues (Attachment C). All of our testimonies contribute  
5 toward satisfying the Minimum Filing Requirements applicable in this case.<sup>1</sup>

6           The electronic version of this filing contains the Program assumptions,  
7 including investments, costs, participation, and market sizing and impacts, in the  
8 electronic work paper labeled WP-JAF-SLIII-1.xls.

9

10 **I.     OVERVIEW OF THE SOLAR LOAN III PROGRAM**

11           The Solar Loan III Program is being proposed by PSE&G as a follow-  
12 up to the extremely successful solar loan programs already conducted by the  
13 Company (Solar Loan I and Solar Loan II, or “current programs”), pursuant to the  
14 same innovative structure flowing from N.J.S.A. 48:3-98.1. The Program was also  
15 developed in accordance with the New Jersey Board of Utilities (“Board” or “BPU”)   
16 Order dated May 23, 2012 in Docket No. EO11050311V (“May 2012 Order”),  
17 concerning future public utility investment in renewable energy programs. The May

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<sup>1</sup> In an Order issued pursuant to the statute regulating public utility investment in, and cost recovery for, energy efficiency and renewable energy programs (N.J.S.A. 48:3-98.1(c)), the Board established the specific information, or “Minimum Filing Requirements,” to be filed with a request, such as this one, seeking authorization for that investment and approval of a requested cost recovery method. See BPU Order Pursuant to N.J.S.A. 48:3-98.1(c) (“120-Day Order”), BPU Docket No. EO08030164. A table indicating how PSE&G has satisfied the Minimum Filing Requirements (“MFRs”) in this case is included in this filing at Appendix A.

1 2012 Order adopts the Office of Clean Energy (“OCE”) Staff’s recommendation to  
2 extend the Electric Distribution Company (“EDC”) Solar Renewable Energy Credit  
3 (“SREC”) financing programs by 180 MW over a three-year period. PSE&G’s share,  
4 allocated based on sales, is 97.5 MW. In response to the May 2012 Order, PSE&G  
5 intends to invest up to \$193 million over a three-year period by providing loans to  
6 parties to develop 97.5 MW dc of solar photovoltaic (“PV”) systems (“Solar  
7 Systems”).<sup>2</sup>

8           The Solar Loan III Program includes several modifications designed to  
9 meet the recommendations of the OCE Staff contained in the May 2012 Order. For  
10 example, instead of administratively determining a floor price as done under the Solar  
11 Loan I and Solar Loan II programs, PSE&G will use a competitive solicitation  
12 process for non-residential borrowers and a market based process for residential  
13 borrowers. PSE&G will not auction SRECs that it receives through the Solar Loan III  
14 Program until Energy Year (“EY”) 2016 unless otherwise directed by the Board.  
15 PSE&G is also proposing a new method for determining the “market price” of SRECs  
16 provided by borrowers in payment for their loans. The loan application fee and  
17 borrower’s administrative fee are being increased, and the Program includes an SREC  
18 processing fee, all to ensure that borrowers pay fees that are closely aligned with the  
19 total administrative costs to run the Program. Based on its experience to date with

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<sup>2</sup> All references to MW capacity of Solar Systems in this testimony are in direct current or “dc.” The electricity generated by a solar system passes through an inverter and is converted to alternating current or “ac.”

1 Solar Loan II, PSE&G also proposes that it will no longer retain a call option in  
2 SRECs generated after a residential loan has been paid off, and the terms of the option  
3 held in commercial loans is being modified. These and other aspects of Solar Loan III  
4 are discussed further in the following section of my testimony and in the Solar Loan  
5 III Program Rules (“Program Rules”), which are included herewith at Schedule JAF-  
6 SLIII-2.

7

8 **II THE SOLAR LOAN III PROGRAM IN DETAIL**

9

10 As under the current programs, PSE&G will offer long-term loans for  
11 qualifying solar photovoltaic projects, and the loans will be repaid in SRECs or cash,  
12 at the borrower’s option. The value of the SREC provided by the borrower, for  
13 purposes of paying down the loan, is the higher of the floor price or the market price.

14 As noted, the Company is proposing that several modifications from the  
15 Solar Loan II program be incorporated into the Solar Loan III Program. Many of  
16 these modifications are in response to the BPU Staff’s recommendations as contained  
17 in the May 2012 Order, and are designed to minimize the Program’s impact on  
18 PSE&G’s ratepayers.

19 **A. Loan Solicitation and the Floor Price**

20 Solar Loan III includes new market-based solicitation processes for non-  
21 residential as well as residential loans.

1           1.     Non-Residential Loans

2           A periodic solicitation process will be utilized to obtain loan  
3 applications for non-residential solar projects. Each potential borrower will submit a  
4 loan application with a proposed SREC floor price specific to its project. This price  
5 will be used to value SRECs for the borrower’s loan repayment. The floor price will  
6 be capped at \$310 per SREC, which includes a \$10 per SREC processing fee. For  
7 each solicitation within a segment, projects will be ranked from lowest SREC bid  
8 price to the highest until the capacity block for the segment is filled. Projects that  
9 don’t make the capacity cut-off may be included in the next solicitation and allowed  
10 to re-bid their SREC prices if they choose. Solicitations are expected to be conducted  
11 six times a year, and PSE&G reserves the right to conduct more or less frequent  
12 solicitations depending on market conditions and administrative workload. The  
13 process is more fully described in the Program Rules at Schedule JAF–SLIII-2.

14           2.     Residential Loans

15           A periodic solicitation process will be utilized for residential solar  
16 projects. Unlike the non-residential segment, however, the SREC floor price will be  
17 initialized at \$310 per SREC (the maximum allowed floor price), which includes a  
18 \$10 per SREC processing fee. If the total capacity from the applications received for  
19 the first solicitation exceeds the capacity allocated to that solicitation by more than  
20 25%, the floor price for the next solicitation will be decreased by \$25 per SREC.

1 Conversely if, at some point after the initial floor price value has been decreased as  
2 described in the prior sentence, the total capacity of the applications received is less  
3 than 75% of the capacity allocated to the solicitation, the floor price for the next  
4 solicitation will be increased by \$25 per SREC, again up to the maximum level of  
5 \$310 per SREC. The process is more fully described in the Program Rules at  
6 Schedule JAF–SLIII-2.

7 **B. Market Price of SRECs**

8 To more closely align with then-current market conditions, market price  
9 (“Market Price”) will be defined under Solar Loan III as the most recent clearing price  
10 obtained from the SREC auction periodically conducted in accordance with the  
11 Board’s Order dated November 7, 2008 in Docket Number EO07040278 (“November  
12 2008 Order”), or any subsequent Board Order. If the auction results in clearing prices  
13 based on more than one SREC vintage, i.e., a price for 2011 SRECs and a price for  
14 2012 SRECs, then the Market Price will be the auction clearing price for SRECs of  
15 the same vintage as those being valued. If the SREC auction is discontinued and the  
16 Board does not approve an alternative SREC sales process, the Market Price will be  
17 reasonably determined by PSE&G using publicly available SREC prices, which may  
18 include prices from SREC brokers or dealers.



1           **C.     The Call Option**

2           To reduce the complexity of the loan and the administrative burden for  
3 both residential consumers and PSE&G, PSE&G will no longer take a call option in  
4 the SRECs after a residential loan is paid off. As of June 30, 2012 residential loans  
5 comprised 81% of all loans issued under the current programs, but only 8% of  
6 capacity. In addition, by eliminating the call option, residential homeowners will no  
7 longer have to explain the call option to potential home purchasers, who may view the  
8 call option as a cloud on title.

9           PSE&G will continue to take a call option with respect to loans in the  
10 commercial segment. However, the commercial call option will be modified so that  
11 (a) PSE&G will exercise the option on a monthly basis, and (b) the strike price will be  
12 50% of the Market Price. This will create additional revenues for the benefit of  
13 ratepayers.

14           **D.     Increased Loan Application and Administrative Fees, And The New**  
15           **SREC Processing Fee**

16           PSE&G proposes to increase the Loan Application Fee and  
17 Administration Fee, and to add an SREC Processing Fee. These changes will help  
18 offset PSE&G's administrative costs to operate the Program, and will ensure the fees  
19 borrowers pay are closely aligned with the total administrative cost to operate the  
20 Program.

1           An SREC Processing Fee of \$10 per SREC will be deducted from the  
2 value of each SREC used to repay the loan (the higher of the Market Price or the floor  
3 price), and the total SREC Processing Fee (\$10 multiplied by the number of SRECs  
4 applied to the loan) will be credited against the Program's revenue requirements in the  
5 month the SRECs are applied to the loan. All SRECs will be transferred to PSE&G at  
6 the full Market Price and added to the Company's SREC Inventory. The floor price  
7 cost will be calculated as the difference between the full competitively bid floor price  
8 and the Market Price.

9           As an example, if the borrower generates 10 SRECs, the Market Price is  
10 \$200 and the borrower's competitive solicitation results in a floor price of \$250, since  
11 the floor price is greater than the Market Price, the loan would be credited with a  
12 payment of \$2,400 ( $10 * (\$250 - \$10)$ ) and an SREC Processing fee of \$100 ( $10 *$   
13  $\$10$ ) would be applied against revenue requirements. In this example, \$2,000 ( $10 *$   
14  $200$ ) would be transferred into the SREC inventory and the SREC Floor price would  
15 be calculated at \$500 ( $10 * (\$250 - \$200)$ ).

16           If the Market Price in the above example was \$300, since the Market  
17 Price is above the floor price, the borrower's loan would be credited with a payment  
18 of \$2,900 ( $10 * (\$300 - \$10)$ ) and a credit of \$100 ( $10 * \$10$ ) would still be applied  
19 against revenue requirements. The full Market Price of \$3,000 ( $10 * \$300$ ) would be  
20 transferred into the SREC Inventory and there would not be any floor price cost.

1           **E.     Solar Loan III Administrative And Investment Budget**

2           The proposed administrative budget along with associated fees from  
3 borrowers is set forth in Schedules JAF-SLIII-3 and JAF-SLIII-4. The proposed  
4 budget for the Solar Loan III Program is \$193 million, which assumes the maximum  
5 SREC floor price of \$310. Since the actual floor prices will be set by the  
6 marketplace, the final average of all floor prices, which determines the actual total of  
7 all loan amounts, cannot be determined beforehand. For example, a 500 kW solar  
8 system will generate approximately 590 SRECs per year. At an SREC floor price of  
9 \$310 and an SREC Processing Fee of \$10, the annual loan payment will be  
10 approximately \$177 thousand ( $590 * (\$310 - \$10)$ ) which would support a loan of  
11 approximately \$990 thousand. However, at an SREC floor price of \$150, the annual  
12 loan payment is reduced to about \$83 thousand ( $590 * (\$150 - \$10)$ ), which only  
13 supports a loan of about \$462 thousand.

14           The following table provides examples of what the total Solar Loan III  
15 investment amount will be for various assumed levels of actual average SREC floor  
16 prices, net of the SREC Processing Fee.

1

<b>Average SREC Floor Price</b>	<b>Total Investment (\$ millions)</b>
\$300	193
\$250	155
\$200	122
\$150	90

2

3 **F. Program Delivery Methods**

4 Through its solar loan programs, including Solar Loan III, PSE&G is  
5 essentially providing financial services to qualified borrowers. The Company will  
6 perform marketing, the competitive solicitation, lending due diligence, closing and  
7 loan servicing over the life of each loan. The Company intends to use the same  
8 general form of loan applications and loan documents that are currently in use,  
9 modified to reflect changes indicated in this filing and to reflect current commercial  
10 practices. A sample of the loan agreements for residential and non-residential loans,  
11 incorporating those modifications, are shown in shown in Schedules JAF-SLIII-5 and  
12 JAF-SLIII-6, respectively.

13 The Company will continue to use the auction process approved by the  
14 Board in its November 2008 Order to sell SRECs it receives in repayment of the  
15 loans. PSE&G will not auction the SRECs that it receives through the Solar Loan III  
16 Program until the EY2016 unless otherwise directed by the Board. As a result, the

1 first SREC auction is forecasted to occur in January 2016 with all subsequent auctions  
2 forecasted to occur on a quarterly basis thereafter.

3 **G. Allocation Of O&M Common Costs Amongst The Solar Loan**  
4 **Programs**

5 The Company is proposing that the Solar Loan III allocation of the operation  
6 and maintenance (“O&M”) common costs be based on its forecasted MW capacity  
7 installed for the upcoming year. Therefore, every December a forecast will be  
8 conducted of the cumulative total capacity installed by the end of the following year  
9 for the Solar Loan III Program. The current methodology of allocating costs for Solar  
10 Loan I and Solar Loan II, based on the total forecasted capacity installed for each  
11 program, will be maintained. The ratio of the forecasted installed capacity for each  
12 program to total forecasted installed capacity for all of the solar loan programs will be  
13 applied to all common costs for the following year starting on January 1.

14 **H. Project Milestones**

15 All projects that receive loan commitments will be required to meet certain  
16 project milestones to ensure that the projects are diligently pursued. If any milestones  
17 are not met, PSE&G will have the discretion to grant an extension, impose a fee  
18 (“Missed Milestone Fee”), or terminate the loan commitment, in which case the  
19 applicant will forfeit the application fee. All Missed Milestone Fees will be credited  
20 to the Program revenue requirements. See the Program Rules.

1           **I.       Additional Features Of Solar Loan III**

- 2           • Loan Size. Loans will be sized based on the competitively bid floor  
3           price less the \$10 SREC Processing Fee.
- 4           • Interest Rate. PSE&G proposes that the interest rate for residential  
5           loans will be set equal to that of non-residential loans (11.8520%).
- 6           • Loan Term. PSE&G proposed that all loans (residential and non-  
7           residential) will have a ten year term.
- 8           • Credit Review. Requirements and criteria to be used to review the  
9           creditworthiness of applicants are shown in Schedule JAF-SLIII-7.
- 10          • Insurance. For non-residential borrowers, the PSE&G may waive or  
11          reduce insurance requirements as circumstances warrant.
- 12          • Quality Assurance. PSE&G will hire a third party to inspect one  
13          hundred percent (100%) of the Solar Loan III Program projects in  
14          accordance with the Clean Energy Program requirements and will  
15          provide the inspection results to the OCE Staff. The OCE Staff may  
16          accept the PSE&G inspection report in lieu of conducting its own  
17          inspections.

18           **J.       Program Segments**

19           PSE&G proposes that loans under the Solar Loan III Program will be  
20   made in four program segments: (1) Residential Segment; (2) Small Non-Res

1 Segment (non-residential projects less than or equal to 150 kW); (3) Large Non-Res  
2 Segment (non-residential projects greater than 150 kW, up to a maximum of 2 MW  
3 per project); and 4) Landfill Segment (projects on landfills and brownfields). The  
4 Company is proposing to remove the net metering requirement for participation in the  
5 Landfill Segment.

6 **Residential Segment (9.8 MW)**  
7 **Target Market and Eligibility**

8           The Residential Segment is open to all residential customers in  
9 PSE&G's service territory, as well as third party providers who aggregate residential  
10 customers. Third party providers shall be treated as non-residential applicants under  
11 the Solar Loan III Program. However, their bid capacity will be credited to the  
12 Residential Segment. Additionally, individual residential applications will receive  
13 priority in filling the residential capacity block. After all individual residential  
14 capacity has been awarded in each solicitation, any remaining capacity will be  
15 available to third-party providers.

16 **Non-Residential Segments (87.7 MW)**  
17 **Target Market and Eligibility**

18           There will be three non-residential segments. The Small Non-Res  
19 Segment will be allocated 14.63 MWs; the Large Non-Res Segment will be allocated  
20 68.13 MWs; and the Landfill Segment will be allocated 5 MWs. Capacity may be  
21 moved between segments as described in the Program Rules at Schedule JAF-SLIII-2.

1           **K.     Dispute Resolution Procedures**

2           Customer complaints relating to the design, delivery, or administration  
3 of the Program segments potentially could be received through two means: directly to  
4 various PSE&G customer contact personnel and departments or directly to the Board.  
5 In both instances the immediate issue would be referred to the appropriate PSE&G  
6 management personnel to investigate and resolve.

7           PSE&G will attempt to resolve disputes with its customers informally in  
8 the first instance. See Schedule JAF-SLIII-8 for the flow chart on how customer  
9 complaints will be processed. Disputes that involve PSE&G’s administration of the  
10 Program that cannot be resolved informally will be resolved through the BPU’s  
11 existing process for customer complaints within the appropriate Division. Disputes  
12 between PSE&G and its sub-contractors will be resolved in accordance with contract  
13 provisions. Disputes under the Program that involve monetary claims or civil  
14 damages that cannot be decided by the Board will be resolved in an appropriate court  
15 of law.

16

17       **III    THE PROGRAM WILL SUPPORT THE STATE’S RENEWABLE**  
18       **ENERGY, BUSINESS DEVELOPMENT, AND ENVIRONMENTAL**  
19       **GOALS**

20  
21           The Solar Loan III Program will have an overall positive impact on the  
22 solar energy marketplace in New Jersey and support the goals of the EMP by building



1 on the experience obtained through the successful Solar Loan I & II Programs and  
2 promoting new, clean, in-State generation in a cost-effective manner. After the  
3 construction of the borrower's Solar System is complete and the project is  
4 operational, the Solar Loan III Program will provide a ten-year term loan that will  
5 provide the borrower with "take-out" financing. Through Solar Loan III, which when  
6 fully deployed will provide financing for 97.5 MW of additional solar generating  
7 capacity in New Jersey, PSE&G will continue to provide needed long term stability  
8 for net-metered solar projects, as well as potential grid-connected landfill projects.  
9 This source of financing is particularly important given the current availability of  
10 financing for renewable projects.

11           The Solar Loan III Program will also create direct environmental  
12 benefits to New Jersey by facilitating the development of emission-free solar  
13 generation, displacing the combustion of fossil fuels used for generating electricity.  
14 PSE&G estimates that the 97.5 MW of solar capacity under Solar Loan III will  
15 eliminate 73,900 metric tons of CO<sub>2</sub> emissions, or the equivalent of removing 14,100  
16 cars from the roads. It will also eliminate 140 metric tons of NO<sub>x</sub> and 440 metric tons  
17 of SO<sub>2</sub>.

18           At this stage in the development of New Jersey's solar industry, it is  
19 important to continue varied approaches to support the State's SREC model, which is  
20 intended to make above-market solar energy projects competitive in New Jersey. A

1 portfolio of approaches is necessary to achieve the State's multiple policy goals,  
2 which include continuing to grow a sustainable solar industry, creating jobs, ensuring  
3 universal access and driving down costs for ratepayers. PSE&G believes that its solar  
4 loan programs, which are not similar to any other current programs administered by  
5 the Board's Office of Clean Energy or any other EDC for that matter, accomplish  
6 these results and complement other initiatives at work in New Jersey, such as the  
7 EDC long-term SREC contracting programs as well as PSE&G's Solar 4 All approach  
8 to utility-owned, grid-connected projects.

9                   This concludes my testimony at this time.

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**Schedule Index**

Schedule JAF-SLIII-1 – Qualifications

Schedule JAF-SLIII-2 – Program Rules

Schedule JAF-SLIII-3 – Administrative Costs

Schedule JAF-SLIII-4 – Administrative Costs

Schedule JAF-SLIII-5 – Residential Loan Document

Schedule JAF-SLIII-6 – Commercial Loan Document

Schedule JAF-SLIII-7 – Credit Requirements

Schedule JAF-SLIII-8 – Complaint Process Flow Chart

**Electronic Work Paper Index**

WP-JAF-SLIII-1.xls – Detailed Program Assumptions

1  
2  
3  
4  
5  
  
6  
  
7  
  
8  
  
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**QUALIFICATIONS  
OF  
JOSEPH A. FORLINE  
VICE PRESIDENT – CUSTOMER OPERATIONS**

My name is Joseph A. Forline and I am employed by Public Service Electric and Gas Company (“PSE&G,” “Company”). I have been Vice President – Customer Operations for the Company since December 2006. Prior to that, I was Division Manager – Gas Operations. I am responsible for Utility Marketing and Market Strategy, Customer Contact, Customer Service Centers, Meter Reading and Advanced Metering, Billing and Revenue Operations, and Collections. I also have primary management and oversight responsibility for the design and implementation of PSE&G’s renewable energy, energy efficiency and demand response programs.

**EDUCATIONAL BACKGROUND**

I have a Bachelor of Science degree in Engineering from Rutgers University – College of Engineering, and a Masters of Business Administration degree from Rutgers University. I am also a graduate of the University of Michigan Executive Development Program and earned a Certified Energy Manager credential from the American Association of Energy Engineers in 2009.

1 **WORK EXPERIENCE**

2 I have worked for PSE&G for more than 27 years, and have a broad background in  
3 electric and gas operations, customer operations, and the appliance service business.  
4 Areas of expertise include gas distribution, gas engineering, electric street lighting,  
5 metering operations, and damage prevention.

6

7 I am an active member of the customer service executive committees for the  
8 American Gas Association, the Edison Electric Institute, and Customer Service Week.

9 I led the implementation of the SAP CCS Customer System for PSE&G in 2009,  
10 which has been identified as the most comprehensive SAP implementation ever in  
11 North America, and in 2010 was awarded the Customer Service Week Expanding  
12 Excellence Award for Best CIS Implementation.

13

14 I am a member of the board of advisors for the Rutgers Camden School of Business,  
15 the Board of Directors for the March of Dimes New Jersey Chapter, a board member  
16 for the United Way of Burlington County and the Board of Trustees for the Cooper  
17 Hospital Foundation in Camden. I have supported economic development on the  
18 Camden waterfront as a Board member for the Coopers Ferry Development  
19 Corporation and am a graduate of the Leadership New Jersey Program, class of 2006.

**SOLAR LOAN III PROGRAM RULES**

**Eligibility Requirements**

- Definition of a Solar Project – A photovoltaic solar electric generating system that converts sunlight into measurable and verifiable alternating current (“AC”) electric power.
- All solar projects must be installed within PSE&G’s service territory.
  - Net-metered projects must be installed at a customer location that receives (or that will receive in the case of new construction) retail electricity service from PSE&G.
- The solar photovoltaic panels must have a minimum 20-year output warranty.
- Projects accepted under this program will be ineligible for any benefits from other PSE&G or BPU renewable energy programs, except for net metering and the SRECs generated by the solar system.
- For non-residential projects, loan applicants must be registered to do business in New Jersey.
- The applicant must meet minimum insurance requirements as specified in the Solar Loan Agreement.
- The applicant must make provision for solar system maintenance for the duration of the loan term.
- No entity caps will apply to this program.
- All systems that are located in PSE&G’s electric service territory and are eligible for SRECs will be eligible to participate.
- Loan applications will be grouped into market segments as defined below for review:
  - Residential – net-metered
  - Non-residential ≤ 150kW – net-metered (“Small Non-Res”)
  - Non-residential >150kW (up to 2 MW per project) – net-metered (“Large Non-Res”)
  - Landfills/brownfields (up to 5 MW per project) – either net-metered or grid connected (“Landfills”)

**Competitive Solicitation Process for All Segments**

- PSE&G will manage the solicitation process directly or through a third-party vendor.
- Applicants must submit a complete application package including the credit application and appropriate loan application fee to participate in the solicitation process.
- PSE&G plans to conduct solicitations every other month or six times a year. However, PSE&G reserves the right to alter the schedule based on market conditions, administrative workload, and other factors.

- The following is a typical solicitation schedule; however, PSE&G may modify the schedule based on market conditions, administrative workload, and other factors:

EVENT	DATE
Solicitation "X" Opens	Day 1
Deadline for Participants to Submit Offers	Day 5
PSE&G Preliminary Offer Review, Receive App. Fee, & Remedy Minor Deficiencies	Day 6-15
PSE&G Ranks Qualified Offers by Bid Price (non-res) & Date/Time Received	Day 16
PSE&G Notifies Applicants of Status (via email)	Day 17
PSE&G Commences Secondary Project Credit & Interconnection Review	Day 18
Solicitation "X" Closes - Pending Applicants are Notified (via email)	Day 40
PSE&G Posts Solicitation Results on website	Day 41
Solicitation "X+1" Opens	Abt. Day 45

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

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

			Solicitation													
Segment	% of Total	Total MW	#1	#2	#3	#4	#5	#6	#7	#8	#9	#10	#11	#12	#13 - #18	
Residential	10%	9.750	1.95	0.98	0.98	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	TBD
Small Non-Res	15%	14.625	2.93	1.46	1.46	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	TBD
Large Non-Res	70%	68.125	13.63	6.81	6.81	4.54	4.54	4.54	4.54	4.54	4.54	4.54	4.54	4.54	4.54	TBD
Landfills	5%	5.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	TBD
Total		97.50	23.50	9.25	9.25	6.17	6.17	6.17	6.17	6.17	6.17	6.17	6.17	6.17	6.17	TBD

NOTE: Percentages are rounded to nearest whole number

**Competitive Solicitation Process for Non-Residential Borrowers**

- PSE&G will conduct a periodic, competitive solicitation process through which a potential borrower will submit a loan application with a proposed SREC floor price specific to their project.
- The proposed SREC floor price must include the SREC Processing Fee, which is described in more detail below.

- If the proposed SREC floor price is \$200, with every SREC generated \$190 will be applied to the loan and \$10 will be applied to the SREC Processing Fee.
- The loan will be sized based on the proposed SREC floor price less the SREC Processing Fee. Therefore, if the applicant's proposed SREC floor price is \$200; their loan will be sized based on an SREC floor price of \$190.
- Proposed SREC floor prices must be in multiples of \$5.00.
- Within each segment, qualified projects will be ranked from the lowest to the highest SREC floor price.
- Applicants that bid the same SREC floor price within a segment will be further ranked according to the date-stamp with the earliest date and time listed first.
- The maximum SREC floor price will be \$310.
- Each capacity block will be filled by the ranked list of qualified projects until the capacity is fully allocated.
- If the capacity of the bids received is equal to or less than the segment capacity block size:
  - All projects will be conditionally accepted, and will be considered for further screening, such as credit and interconnection review.
  - During each solicitation, underutilized capacity from any segment may be reallocated to other oversubscribed segments, except the Landfills segment which shall have a hard cap of 5 MW.
  - For the Landfills segment, underutilized capacity may only be reallocated to other segments beginning with solicitation #4.
  - After any reallocation to other segments, the unused capacity will be added to the capacity block for that segment in the next solicitation.

If an individual project by virtue of its size would cause the capacity in a particular segment to be over-subscribed, PSE&G will accept the project and lower the capacity of the next available capacity block for that segment by the amount the particular segment was over-subscribed. For example, if by accepting a 1 MW project, the Large Non-Res segment capacity of 13.63 MW (Solicitation #1) is exceeded by 0.2 MW, the Large Non-Res segment for Solicitation #2 will be reduced from 6.81 MW to 6.61 MW.

- Where appropriate, applicants will be notified after the close of the solicitation that their projects have been conditionally accepted subject to further review and acceptance on other loan criteria such as credit and interconnection considerations.
- Applications that were not selected will be placed on a pending list. If conditionally accepted projects screen out, or opt out, before the current solicitation close date, applications on the pending list will be substituted according to their original rank order.
- Applicants remaining on the pending list after the solicitation close date will be notified and may then participate in the next solicitation; however, they will keep their original



timestamp. During the open period for the next solicitation, these applicants will have the option to modify their bid floor price. Applicants who choose not to enter the next solicitation will have their application fee returned.

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

#### **Competitive Solicitation Process for Residential Borrowers**

- PSE&G will conduct a periodic, market based solicitation process through which a potential borrower will submit a loan application based on the then current Residential Floor Price.
- The Residential Floor Price may be adjusted up or down between solicitations based on market demand.
- The Residential Floor Price will be initialized at \$310 / SREC.
- The maximum SREC floor price will be \$310.
- The current Residential Floor Price will be posted on the PSE&G web site.
- Participation in the solicitation will require the submission of a complete application package including the credit application and appropriate loan application fee.
- All submitted applications will be time stamped upon receipt and will thereafter be reviewed for completeness.
- The residential capacity block will be filled by the ranked list of projects until the capacity is fully allocated.
- If the capacity of the bids received is equal to or less than the residential capacity block size:
  - All projects will be conditionally accepted, and will be considered for further screening, such as credit and interconnection review.
  - Underutilized capacity may be reallocated to other oversubscribed segments.
  - After any reallocation to other segments, the unused capacity will be added to the residential capacity block in the next solicitation.
- If an individual project by virtue of its size would cause the capacity to be over-subscribed, PSE&G will accept the project and lower the capacity of the last available capacity block by

the amount the capacity block was over-subscribed. For example, if by accepting a nine kW project, the Residential segment capacity of 1.95 MW (Solicitation #1) is exceeded by one kW, the Residential segment for Solicitation #2 will be reduced from 0.98 MW to 0.979 MW.

- Where appropriate, applicants will be notified after the close of the solicitation that their projects have been conditionally accepted subject to further review and acceptance on other loan criteria such as credit and interconnection considerations.
- Applications that were not selected will be placed on a pending list. If conditionally accepted projects screen out, or opt out, before the current solicitation cycle ends, applications on the pending list will be substituted according to their original rank order.
- If the total capacity of all the applications received in the current solicitation exceeds 125% of the current solicitation's capacity block, the Residential Floor Price for the following solicitation will be decreased by \$25 / SREC.
- If the total capacity of all the applications received in the current solicitation is less than 75% of the current solicitation's capacity block, the Residential Floor Price for the following solicitation will be increased by \$25 / SREC to a maximum floor price of \$310.
- Projects remaining on the pending list after the solicitation end date will have the option to enter the next solicitation using the then current Residential Floor Price. Any applicant choosing this option will keep its original timestamp. Applicants who choose not to enter the next solicitation will have their application fees returned.

### **Third Party Providers**

Third party providers who aggregate residential customers shall be treated as non-residential applicants under the Solar Loan III Program. However, their bid capacity will be credited to the Residential segment. Additionally, individual residential applications will receive priority in filling the residential capacity block. After all individual residential capacity has been awarded; any remaining capacity will be available to third party providers.

### **General Program Rules**

- All loans will have a ten-year term.
- The floor price will remain in effect for the duration of the loan term.
- Approved Residential solar projects must be completed within six months after PSE&G issues a loan commitment. PSE&G may withdraw the loan commitment if the project fails to meet this deadline.
- At PSE&G's discretion, PSE&G may request additional project documentation (e.g. detailed project schedule, EPC agreement) from the borrower. Upon request from PSE&G, borrowers are required to provide such documentation as requested by PSE&G in a timely matter.

- Unless waived by PSE&G, Non-Residential projects must to meet certain milestones during the project lifecycle. These milestones are shown below:

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

- All due dates are calendar days relative to the date of the commitment letter signed by PSE&G. For example, the Commitment Letter Grace Period ends ten calendar days after PSE&G issues the Commitment Letter.
- If an applicant misses a due date and fails to cure within the applicable Grace Period, and has not been granted an extension by PSE&G, the applicant will be charged the appropriate Missed Milestone Fee, which will be deducted from the proceeds of the loan at closing.
- If, by the end of the Remedy Period, the applicant has not complied with the Milestone, the loan commitment may be revoked, at PSE&G’s sole discretion, and the associated capacity will become available for a subsequent competitive solicitation.
- PSE&G will obtain a security interest in the solar equipment.
- PSE&G will enter into appropriate subordination agreements with the property owners and landlords to protect PSE&G’s security interest in the solar equipment.
- If, after credit review, an applicant requests either a name change that requires an additional credit review or to change the location of the solar system, PSE&G reserves the right to reject the request. If the request is accepted, there will be a \$3/kW fee to cover the additional administrative cost of accommodating such change.
- Estimated generation from the solar power system for the purposes of sizing the loans will be determined using PV Watts or an equivalent estimating model subject to PSE&G’s approval.
- All projects will have a separate revenue grade meter installed at the customer’s expense to measure solar system output.

**Fees**

- Application Fee – an application fee of \$20 per kW-dc (maximum of \$7,500) will be required at the time of application. Once an applicant has been notified that the application has been conditionally accepted into the program, the application fee is non-refundable. If an applicant is not accepted, the application fee will be returned.
- Administration Fee – there will be an administration fee equal to 4% of the loan. The administration fee will be deducted from the loan proceeds at the time the loan is issued to the borrower.

- SREC Processing Fee – there will be a fee for the processing and management of the SRECs generated by the borrower’s solar generation facility equal to \$10 per SREC generated. This fee will be deducted from the borrower’s floor price bid and the loan amount will be determined based on the borrower’s floor price bid less \$10. For example, if a borrower bids a floor price of \$200/SREC, the loan amount will be based on a floor price of \$190/SREC and, for each SREC generated, \$190 will go to the loan and \$10 will go to the SREC Processing Fee.

### **Basis For Rejection**

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

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

### **Loan Defaults**

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

**Late Payments**

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

## SOLAR LOAN III: RECOVERABLE ADMINISTRATIVE COST (O&M)

		(1)	(2)	(3)	(4)	(5)	(6)
Month	Yr	Solar Loan I, II, & III Total Common Costs	Solar Loan III Allocation of Common Costs	Solar Loan III Direct Administrative (O&M) Costs <sup>1</sup>	Total Solar Loan III Administrative Costs Excluding SREC Processing Fee	SREC Processing Fee	Net Solar Loan III Recoverable Administrative (O&M) Costs <sup>2</sup>
January	2013	115,956	5,891	52,846	58,738	-	58,738
February	2013	115,956	5,891	52,846	58,738	-	58,738
March	2013	115,956	5,891	52,846	58,738	-	58,738
April	2013	115,956	5,891	52,846	58,738	-	58,738
May	2013	115,956	5,891	52,846	58,738	-	58,738
June	2013	115,956	5,891	52,846	58,738	-	58,738
July	2013	115,956	5,891	52,846	58,738	-	58,738
August	2013	115,956	5,891	52,846	58,738	-	58,738
September	2013	115,956	5,891	52,846	58,738	-	58,738
October	2013	115,956	5,891	52,846	58,738	-	58,738
November	2013	115,956	5,891	52,846	58,738	-	58,738
December	2013	115,956	5,891	52,846	58,738	(4,000)	54,738
January	2014	119,435	24,616	20,679	45,295	(2,870)	42,425
February	2014	119,435	24,616	20,679	45,295	(2,740)	42,555
March	2014	119,435	24,616	20,679	45,295	(3,250)	42,045
April	2014	119,435	24,616	20,679	45,295	(3,640)	41,655
May	2014	119,435	24,616	20,679	45,295	(4,630)	40,665
June	2014	119,435	24,616	20,679	45,295	(4,730)	40,565
July	2014	119,435	24,616	20,679	45,295	(5,370)	39,925
August	2014	119,435	24,616	20,679	45,295	(5,160)	40,135
September	2014	119,435	24,616	20,679	45,295	(24,360)	20,935
<b>Total Initial Period</b>		<b>2,466,391</b>	<b>292,240</b>	<b>820,269</b>	<b>1,112,509</b>	<b>(60,750)</b>	<b>1,051,759</b>
Oct14-Sep15		1,465,467	440,794	(169,761)	271,033	(278,590)	(7,557)
Oct15-Sep16		1,509,431	665,735	(286,927)	378,808	(586,340)	(207,532)
Oct16-Sep17		1,554,714	822,722	(146,841)	675,881	(895,400)	(219,519)
Oct17-Sep18		1,601,356	874,690	(25,651)	849,039	(1,144,870)	(295,831)
Oct18-Sep19		1,649,396	900,931	-	900,931	(1,139,170)	(238,239)
Oct19-Sep20		1,698,878	927,959	-	927,959	(1,133,450)	(205,491)
Oct20-Sep21		1,749,845	955,797	-	955,797	(1,127,800)	(172,003)
Oct21-Sep22		1,802,340	984,471	-	984,471	(1,122,130)	(137,659)
Oct22-Sep23		1,856,410	1,014,006	-	1,014,006	(1,116,560)	(102,554)
Oct23-Sep24		1,912,102	1,044,426	-	1,044,426	(1,021,619)	22,806
Oct24-Sep25		1,969,466	1,075,758	-	1,075,758	(795,984)	279,774
Oct25-Sep26		2,028,549	1,108,031	-	1,108,031	(496,578)	611,453
Oct26-Dec27		510,857	279,040	-	279,040	(202,176)	76,864
<b>Program Total</b>		<b>23,775,203</b>	<b>11,386,600</b>	<b>191,089</b>	<b>11,577,689</b>	<b>(11,121,418)</b>	<b>456,271</b>

1. Net of cost offsets (Application Fees &amp; Admin Fees)

2. Net of SREC Processing Fee

**SOLAR LOAN III: RECOVERABLE ADMINISTRATIVE COST (O&M) DETAIL BY BPU CATEGORY (1)**

Month	Yr	Administration and Program Development Expenditures	Evaluation and Related Research Expenditures	Rebate Processing, Inspections and Other QC Expenditures	Marketing & Sales	Training Expenditures	Application & Administrative	SREC Processing Fee	Net Solar Loan III Recoverable Administrative (O&M) Costs
January	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
February	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
March	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
April	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
May	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
June	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
July	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
August	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
September	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
October	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
November	2013	5,891	-	121,042	-	-	(68,195)	-	58,738
December	2013	5,891	-	121,042	-	-	(68,195)	(4,000)	54,738
January	2014	24,616	-	160,417	-	-	(139,738)	(2,870)	42,425
February	2014	24,616	-	160,417	-	-	(139,738)	(2,740)	42,555
March	2014	24,616	-	160,417	-	-	(139,738)	(3,250)	42,045
April	2014	24,616	-	160,417	-	-	(139,738)	(3,640)	41,655
May	2014	24,616	-	160,417	-	-	(139,738)	(4,630)	40,665
June	2014	24,616	-	160,417	-	-	(139,738)	(4,730)	40,565
July	2014	24,616	-	160,417	-	-	(139,738)	(5,370)	39,925
August	2014	24,616	-	160,417	-	-	(139,738)	(5,160)	40,135
September	2014	24,616	-	160,417	-	-	(139,738)	(24,360)	20,935
<b>Total Initial Period</b>		<b>292,240</b>	<b>-</b>	<b>2,896,250</b>	<b>-</b>	<b>-</b>	<b>(2,075,981)</b>	<b>(60,750)</b>	<b>1,051,759</b>
	Oct14-Sep15	440,794	-	1,961,094	-	-	(2,130,855)	(278,590)	(7,557)
	Oct15-Sep16	665,735	-	1,928,730	-	-	(2,215,657)	(586,340)	(207,532)
	Oct16-Sep17	822,722	-	1,870,868	-	-	(2,017,709)	(895,400)	(219,519)
	Oct17-Sep18	874,690	-	464,128	-	-	(489,780)	(1,144,870)	(295,831)
	Oct18-Sep19	900,931	-	-	-	-	-	(1,139,170)	(238,239)
	Oct19-Sep20	927,959	-	-	-	-	-	(1,133,450)	(205,491)
	Oct20-Sep21	955,797	-	-	-	-	-	(1,127,800)	(172,003)
	Oct21-Sep22	984,471	-	-	-	-	-	(1,122,130)	(137,659)
	Oct22-Sep23	1,014,006	-	-	-	-	-	(1,116,560)	(102,554)
	Oct23-Sep24	1,044,426	-	-	-	-	-	(1,021,619)	22,806
	Oct24-Sep25	1,075,758	-	-	-	-	-	(795,984)	279,774
	Oct25-Sep26	1,108,031	-	-	-	-	-	(496,578)	611,453
	Oct26-Dec27	279,040	-	-	-	-	-	(202,176)	76,864
<b>Program Total</b>		<b>11,386,600</b>	<b>-</b>	<b>9,121,070</b>	<b>-</b>	<b>-</b>	<b>(8,929,981)</b>	<b>(11,121,418)</b>	<b>456,271</b>

**RESIDENTIAL**  
**SOLAR LOAN III**  
**AND**  
**SECURITY AGREEMENT**



**TABLE OF CONTENTS**

**RECITALS.....4**

**1. DEFINITIONS .....4**

**2. LOAN; GENERAL TERMS.....8**

    2.1 LOAN AGREEMENT..... 8

    2.2 PROMISSORY NOTE ..... 8

    2.3 INTEREST RATE ..... 9

    2.4 TERM..... 9

    2.5 REPAYMENT OF LOAN; PAYMENT IN SRECS..... 9

    2.6 PREPAYMENT OF LOAN ..... 11

    2.7 [RESERVED] ..... 11

    2.8 INSPECTIONS ..... 11

    2.9 REGULATORY CHANGES; ACCELERATION OF LOAN..... 11

**3. NO ASSUMPTION OF LIABILITIES..... 11**

**4. CONDITIONS PRECEDENT TO ADVANCING THE LOAN..... 11**

**5. SECURITY AGREEMENT..... 13**

**6. SRECS AND ENVIRONMENTAL ATTRIBUTES ..... 15**

**7. REPRESENTATIONS AND WARRANTIES ..... 16**

    7.1 LITIGATION CLAIMS AND PROCEEDINGS ..... 16

    7.2 LAWS AND REGULATIONS ..... 16

    7.3 DISCLOSURES ..... 16

    7.4 TITLE; LIENS OR ENCUMBRANCES ON PROJECT EQUIPMENT ..... 16

    7.5 NO CONTRAVENING AGREEMENTS..... 16

**8. REPRESENTATIONS AND WARRANTIES OF LENDER ..... 17**

**9. COVENANTS OF BORROWER..... 17**

    9.1 AFFIRMATIVE COVENANTS ..... 17

    9.2 ADDITIONAL COVENANTS ..... 18

    9.3 INFORMATION: ACCESS TO PROPERTIES; BOOKS AND RECORDS ..... 18

    9.4 INSURANCE..... 19

    9.5 MAINTENANCE OF EQUIPMENT..... 19

    9.6 MAINTENANCE OF COLLATERAL ..... 19

    9.7 NO OTHER INTERESTS GRANTED..... 20

    9.8 CHANGE IN NAME ..... 20

    9.9 FURTHER ASSURANCES ..... 20

**10. COVENANTS OF BORROWER AND LENDER..... 20**

**11. EVENTS OF DEFAULT: REMEDIES: CURE RIGHTS..... 20**

    11.1 EVENTS OF DEFAULT..... 20

    11.2 CURE RIGHTS; REMEDIES ..... 21

    11.3 LENDER'S RIGHT TO DISPOSE OF COLLATERAL ..... 23

    11.4 APPLICATION OF PROCEEDS ..... 23

**12. AMENDMENT AND WAIVERS..... 24**

    12.1 AMENDMENTS. MODIFICATIONS AND SUPPLEMENTS ..... 24

    12.2 WAIVERS ..... 24

13. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS ..... 24

14. INDEMNIFICATION ..... 24

15. NOTICES ..... 25

16. ASSIGNMENT..... 25

17. ENTIRE AGREEMENT ..... 26

18. NO THIRD PARTY BENEFICIARY ..... 26

19. RECITALS ..... 26

20. COUNTERPARTS ..... 26

21. SECTION HEADINGS ..... 26

22. INTERPRETATION ..... 26

23. SEVERABILITY ..... 27

24. APPLICABLE LAW ..... 27

25. MISCELLANEOUS ..... 27

26. RELATIONSHIP OF THE PARTIES..... 27

27. JOINT AND SEVERAL OBLIGATIONS..... 27

**EXHIBIT A – BORROWER’S PROGRAM APPLICATION**

**EXHIBIT B – PERMITTED ENCUMBRANCES**

THIS SOLAR LOAN AND SECURITY AGREEMENT ("Agreement") is entered into as of \_\_\_\_\_, 201\_ by Public Service Electric and Gas Company, a New Jersey corporation ("Lender"), having its general offices at 80 Park Plaza, Newark, New Jersey 07102, and \_\_\_\_\_, [an] individual[s] residing at \_\_\_\_\_, New Jersey \_\_\_\_\_ ([collectively] "Borrower"). Borrower and Lender are sometimes referred to, individually, as "Party" and together as "Parties."

RECITALS

A. The State of New Jersey’s Renewable Portfolio Standards ("RPS") mandate that all electricity suppliers provide a percentage of their electricity sales from solar generation. To meet this requirement, the New Jersey Board of Public Utilities (the "BPU"), through its Office of Clean Energy, established a program for the use and trading of Solar Renewable Electricity Certificates ("SRECs"). The SRECs are tracked using the Generation Attributes Tracking System ("GATS") operated by PJM-Environmental Information Systems (the "SREC Program Administrator"). An SREC represents one megawatt hour of solar electricity production. The New Jersey Clean Energy Program ("NJCEP") allows for SRECs to be created, verified, tracked, sold to, and eventually retired by, electricity suppliers to meet their RPS solar requirement.

B. To assist the State in achieving its environmental objectives under the New Jersey RPS and New Jersey’s Energy Master Plan, Lender has developed this solar loan program ("Program") through which Lender will provide long term financing for solar-powered generation projects located within Lender’s electric distribution service territory. The Program was approved by the BPU by its Order in Docket No. \_\_\_\_\_ (the "2012 Order").

C. Borrower has applied to Lender for financing for a solar generation project ("Project") to be constructed at Borrower’s residence identified in the Program Application attached as Exhibit A located in Municipality of \_\_\_\_\_, County of \_\_\_\_\_, inscribed on the tax map therefore as Lot \_\_\_\_\_, Block \_\_\_\_\_, and located at the street address known as \_\_\_\_\_, NJ (the "Residence").

D. At such time as the Borrower owns the Project and the Project reaches Operation, Lender will provide Borrower with term financing, and Borrower will accept such financing in accordance with the terms of this Agreement.

The Parties agree as follows:

1. Definitions. As used in this Agreement, unless the context is clear requiring other definitions, the following terms shall have the following meanings:

"2012 Order" has the meaning set forth above in the Recitals.

"Actual Loan Balance" means the then-current unpaid principal and unpaid accrued interest under the Loan.

“Administrative Fee” means a fee of four percent (4%) of the Loan, which amount shall be paid by Borrower to Lender at the closing as a deduction from the Loan proceeds.

“Annual True-Up” has the meaning set forth in Section 2.5(d).

“Biennial True-Up” has the meaning set forth in Section 2.5(e).

“Books and Records” has the meaning assigned to such term in Subsection 5(a)(v) of this Agreement.

“Borrower” has the meaning set forth above in the Recitals.

“BPU” has the meaning set forth above in the Recitals.

“Business Day” means any day other than a Saturday, a Sunday or any day on which commercial banks in the City of Newark, State of New Jersey are required or permitted by law to close.

“Code” means of the Uniform Commercial Code as in force in the State of New Jersey, as amended or superseded at any time and from time to time.

“Collateral” has the meaning assigned in Section 5 of this Agreement.

“Contract Year” means the following: (a) if this Agreement is signed on the first day of the month, then the Contract Year is the twelve-month period beginning on the day the Agreement is signed, and ending on the last day of the twelfth month thereafter. For example, if this Agreement was signed on November 1<sup>st</sup>, the Contract Year would be begin on November 1<sup>st</sup> and end on October 31<sup>st</sup> of the following year; (b) if this Agreement is signed on the day other than first day of the month, the first Contract Year will be a twelve-month period beginning on the first day of the next month plus the portion of the month in which the agreement was signed; each subsequent Contract Year will be measured from the first day of the first month thereafter. For example, if this Agreement was signed on April 7, 2012, the first Contract Year would start April 7, 2012 and end on April 30, 2013, and the second Contract Year would start on May 1, 2013 and end on April 30, 2014, and so on.

“Customer Agreement” means (a) any agreement between Borrower and any third party related to the development, design, equipment purchase, construction, installation, testing or maintenance of the Project, and (b) any agreement related to the sale of any electric energy generated by the Project.

“Documents” means all instruments, files, records, ledger sheets and documents covering, or relating to, any of the Collateral.

“Equipment” or “Project Equipment” means all of Borrower's solar panels and Project related equipment, machinery, components, wiring, meters, replacement parts and consumables comprising the Project, whether owned now or acquired after the date of this Agreement.

“Events of Default” has the meanings set forth below in Section 11.1.

“Environmental Attribute” has the meaning set forth below in Section 6.

“Floor Price” means [\_\_\_\_\_] dollars (\$000.00) per SREC.

“General Intangibles” has the meaning assigned to such term in the Code.

“Instruments” has the meaning assigned to such term in the Code.

“Investment Property” has the meaning assigned to such term in the Code.

“kW” means kilowatts.

“Lender” has the meaning set forth above in the Recitals.

“Liens” means any and all mortgages, liens, charges, security interests and/or encumbrances of any kind, and/or pledges or deposits of any kind.

“Loan” has the meaning set forth below in Section 2.1.

“Loan Amortization Schedule” means the amortization schedule attached to the Note.

“Loan Documents” means this Agreement, the Note, the Security Agreement and such other documents, instruments and certificates delivered in connection with one or more of those documents.

“Market Price” means the most recent SREC clearing price obtained from the SREC auction periodically conducted in accordance with the BPU Order dated November 7, 2008, in Docket Number EO07040278 (the “SREC Auction”), or any subsequent BPU order. If the SREC Auction results in clearing prices based on more than one SREC vintage, i.e., a price for 2011 SRECs and a price for 2012 SRECs, then the Market Price for the Project SRECs will be the auction clearing price for SRECs of the same vintage. If the SREC Auction is discontinued and the Board does not approve an alternative SREC sales process, the Market Price will be reasonably determined by Lender using publicly available SREC prices, which may include prices from SREC brokers or dealers.

“MW” means megawatts.

“MW-hour” means megawatt-hours.

“NJCEP” means the BPU’s New Jersey Clean Energy Program, or any successor program.

“Note” has the meaning set forth below in Section 2.2.

“Obligations” means any and all obligations, liabilities and agreements of Borrower under the Loan Documents, and will include any and all costs and expenses of, or incurred by, Lender in collecting payment of the Loan and in enforcing the provisions of this Agreement, including all court costs and/or reasonable attorneys' fees and expenses in any action between Lender and Borrower and/or Lender and any third party based on the Loan Documents.

“Operation” has the meaning set forth in Section 4(d).

“Permitted Encumbrances” means Liens on the Collateral (a) approved by Lender as set forth in Exhibit B which may include a home mortgage, home equity loan or line of credit, so long as the foregoing do not impair the Lender’s first priority security interest in the Collateral; (b) Liens securing taxes, assessments and/or governmental charges and/or levies or the claims of materialmen, mechanics, carriers, warehousemen, landlords and other similar Persons, the payment of which is not currently due and payable; and (c) Liens in favor of Lender.

“Person” means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, institution, entity, party, corporation, limited liability company, or government agency (whether national, federal, state, county, city, municipal, or otherwise).

“Proceeds” means any and all consideration received from the sale, exchange, collection or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral, any payment received from any insurer or other person or entity as a result of the destruction, loss, theft or damage of any asset or property which constitutes Collateral, and shall include all cash and negotiable instruments received or held on behalf of Lender relating to the payment of accounts.

“Project” has the meaning set forth above in the Recitals.

“Project Documents” means: (a) a fully executed Customer Agreement; (b) Lien waivers signed by any supplier, vendor or contractor performing work or providing services or equipment to the Project; (c) waivers and subordination agreements signed by any other lienholders or mortgagees of Borrower, or Borrower’s landlord, if any, waiving or subordinating any Liens on the Collateral; (d) Project specifications, maintenance agreements and other technical information regarding the Project; (e) any and all applicable permits, licenses, easements, variances and other authorizations; (f) Program

Application documents, project plans and pro formas, and other Program-related documents; (g) warranties from Equipment manufacturers or contractors; (h) any and all other appropriate documents as may be requested by Lender.

“Quarter” or “Quarterly” means a quarterly period measured based on Contract Years.

“Quarterly Amortization Statement” has the meaning set forth below in Section 2.5(a).

“RPS” has the meaning set forth above in the Recitals.

“Scheduled Loan Balance” means the Scheduled Loan Balance set forth in the Loan Amortization Schedule.

“Security Interest” has the meaning ascribed to such term in Section 2.01 hereof

“SRECs” has the meaning set forth above in the Recitals.

“SREC Account” means the electronic account, if any, Borrower establishes and maintains with SREC Program Administrator to track SRECs produced by the Project.

“SREC Processing Fee” means a fee to be paid by Borrower to Lender in the amount of ten dollars (\$10.00) for each SREC generated by the Project.

“SREC Program Administrator” has the meaning set forth above in the Recitals, or any successor to the SREC Program Administrator recognized by the State of New Jersey.

“Term” has the meaning ascribed to such term in Section 2.4.

## 2. Loan; General Terms

2.1 Loan. In order to enable the Borrower to acquire the ownership and use of the Project, Lender agrees to lend to Borrower a portion of the costs incurred in designing, purchasing and installing the Project in the amount of \_\_\_\_\_ (\$\_\_\_\_\_), which amount is referred to herein as the "Loan." At the closing of the Loan, the Administrative Fee shall be deducted from the Loan and retained by Lender.

2.2 Promissory Note. The Loan shall be evidenced by a promissory note ("Note"), to be made by Borrower and delivered to Lender concurrently with the execution of this Agreement.

2.3 Interest Rate. The Loan shall bear interest at the rate of **11.852%** per year, or at a daily rate of 0.0447% (calculated as 11.852 % ÷ 365) (the "Interest Rate". Interest shall be calculated daily and compounded monthly based on the average daily outstanding loan balance (excluding the current month's accrued interest) *multiplied by* the daily interest rate *multiplied by* the number of days in such month. Regardless of whether the Loan is paid in cash or SRECs, without limiting any of Lender's rights under this Agreement, if the interest component of any periodic payment is not paid on the payment due date indicated on the Loan Amortization Schedule, the unpaid portion of such interest component shall bear interest at the stated rate. If this occurs, the effective rate of interest with respect to the Loan will be higher than 11.852% per year.

2.4 Term. The term of this Agreement is ten (10) years from the date Lender advances the Loan to Borrower ("Term"). Borrower may prepay the Loan prior to the end of the ten (10) year Term as provided in Section 2.6.

2.5 Repayment of Loan; Payment in SRECs.

(a) The full amount of the Loan and all interest due is payable in periodic installments as set forth in the Note. All amounts due under this Agreement and the Note can be paid in (i) cash or (ii) the value of the SRECs created by the Project (less the SREC Processing Fee). Following each Quarter, Lender will provide an amortization statement to Borrower showing the amount paid by Borrower in cash and SRECs, the current balance of the Loan and the expected balance according to the Loan amortization statement ("Quarterly Amortization Statement").

(b) Repayment with SRECs. Except as provided in Section 2.5(c), the Loan and accrued interest shall be repaid with SRECs, which will be valued at the greater of the Floor Price or the Market Price *minus* the SREC Processing Fee. At the closing of the Loan and for the duration of the Term, Borrower shall execute such documents as are necessary to assign to Lender all of the SRECs created by the Project until the Loan is repaid in full and do all things necessary to ensure that all SRECs generated by the Project are credited to the Lender in a timely manner. Borrower shall have a continuing obligation to execute such documents as may be necessary to authorize the SREC Program Administrator to automatically transfer SRECs generated from the Project to Lender's SREC Account. If the value of the SRECs exceeds the amount due from Borrower for a period under the Loan Amortization Schedule, Lender will apply such excess amount to the Actual Loan Balance. The application of such excess shall not reduce the periodic payments under the Loan Amortization Schedule except that upon full payment of all amounts due with respect to the Loan, no further periodic payments thereunder shall be required.

(i) Annual True-Up. Lender will perform a true-up at the end of every Contract Year (the "Annual True-Up"). Lender will calculate (a) the aggregate value of the SRECs and cash (excluding any Annual True-Up or Biennial True-Up payments made that Contract Year) received from Borrower to pay the Loan for the Contract Year ("Actual Payments"),



and (b) ninety percent (90%) of the total payments due with respect to the Loan for the Contract Year as indicated in the Loan Amortization Schedule (the “90% Amount”). Within thirty (30) days from receipt of written notice from Lender, Borrower will pay Lender in cash an amount equal to the positive difference, if any, between (x) the 90% Amount *minus* (y) the Actual Payments, and such amount will be applied to the Actual Loan Balance. Overdue payments shall accrue interest at the rate set forth in Section 11.2(h).

- (ii) Biennial True-Up. In addition to performing the Annual True-Up for each Contract Year, Lender will also perform a biennial true-up, the first to take place at the end of the second Contract Year and then every two Contract Years thereafter (the “Biennial True-Up”). Lender will (a) calculate the Actual Loan Balance at the end of the second Contract Year (after giving effect to any payment required under the Annual True-Up for the current Contract Year) and (b) using the Loan Amortization Schedule, determine the scheduled Loan balance (“Scheduled Loan Balance”) for the corresponding period. Within thirty (30) days from receipt of written notice from the Lender, the Borrower will pay in cash to Lender an amount equal to the positive difference, if any, between (x) the Actual Loan Balance *minus* (y) the Scheduled Loan Balance, and such amount will be applied to the Actual Loan Balance. Overdue payments shall accrue interest at the rate set forth in Section 11.2(h).

(c) Cash Repayment. The Borrower may elect to repay the Loan with cash, and must indicate such election in the Loan commitment letter (the “Repayment Election”). The Repayment Election shall be effective for the remainder of the Term unless Borrower submits a revised Repayment Election at least ninety (90) days prior to the end of a Contract Year. Borrower shall not revise its Repayment Election during the Contract Year. If the Borrower elects to repay the Loan with cash, Lender will continue to accept delivery of the SRECs from the SREC Program Administrator into Lender’s SREC account. Lender shall promptly thereafter transfer the SRECs to Borrower’s SREC account with the SREC Program Administrator (the “Borrower’s SREC Account”), which Borrower shall establish at Borrower’s sole cost and expense. Borrower shall pay Lender on a monthly basis the SREC Processing Fee for all SRECs delivered to Borrower’s SREC Account. Borrower may sell the SRECs delivered to Borrower’s SREC Account in accordance with Section 6(a) below.

(d) All payments with respect to the Loan (whether in cash or SRECs) will be credited against the Loan on the last day of the month (for example, if an SREC was transferred to Lender’s account on the 20<sup>th</sup> of the month, Lender would apply the value of such SREC on the last day of the month), and (ii) and will be applied first, to the payment of accrued interest, and second, to the repayment of the principal amount of the Loan.

(e) Within thirty (30) days following the expiration of the Term, Borrower will pay to Lender the Actual Loan Balance (if any), including interest accrued after the expiration of the Term, all calculated in accordance with Section 2.3.

2.6 Prepayment of Loan. Borrower may pay all or a portion of the outstanding amount of the Loan and accrued interest at any time during the Term by paying to Lender cash and/or SRECs generated by the Project, which SRECs will be valued at the higher of the Floor Price or Market Price. Any such prepayment will be applied to the Actual Loan Balance. There shall be no prepayment penalty assessed to Borrower for paying off the Loan and accrued interest prior to the end of the Term.

2.7 **[Reserved]**

2.8 Inspections. Upon written notice to Borrower, Lender (or its designee) may inspect the Project to confirm that the Borrower is operating and maintaining the Project in accordance with this Agreement. Borrower shall not rely on the Lender's inspection for any purpose and shall be solely responsible for ensuring that the Project is installed, constructed, operated and maintained in accordance with the Customer Agreement. Lender's inspection of the Project or the disbursement of a Loan shall not be deemed to constitute Lender's approval or warranty of the Project, the Equipment or any contractor or vendor and/or its continued operation.

2.9 Regulatory Changes; Acceleration of Loan. If the existing New Jersey regulations governing the Solar Program are amended, suspended and/or otherwise no longer in force (a "Regulatory Change"), Lender may accelerate the repayment of the unpaid portion of the Loan and accrued interest unless:

- (a) Borrower continues to operate the Project in accordance with this Agreement;
- (b) The terms in this Agreement governing the amortization of the Loan and payment of all accrued interest remain in full force and effect; and
- (c) The BPU continues to allow Lender to enjoy the comparable treatment with regard to those Projects in operation and creating SRECs after the Regulatory Change as Lender enjoyed prior to such Regulatory Change.

3. No Assumption of Liabilities. Lender shall not assume, and Borrower shall retain and be responsible for, any and all liabilities and obligations of Borrower of any kind or nature whatsoever, including any and all liabilities and obligations of Borrower under the Project Documents, including the Customer Agreement.

4. Conditions Precedent to Advancing the Loan. Lender shall not be obligated to advance the Loan unless the following conditions are satisfied, in form and substance satisfactory to Lender and its counsel, on or before the date when Borrower requests disbursement of the Loan:

(a) All of the Loan Documents shall have been completed, duly executed and delivered by Borrower to Lender.

(b) Borrower shall have delivered to Lender: (i) Lien waivers or subordinations from lienholders, mortgagees and Borrower's landlord, if applicable, each duly executed by each person that is a party thereto, each of which shall be in full force and effect, and in form and substance satisfactory to Lender; (ii) satisfactory evidence of all insurance coverage required in this Agreement; and (iii) any and all other documents related to the Collateral or Borrower that Lender reasonably requests.

(c) Lender shall have received all Project Documents for the Project, each duly executed by each person that is a party to it, each of which Project Documents shall be in full force and effect, and in form and substance acceptable to Lender. The Project Documents shall reflect that the value provided to the Borrower by the Loan has enabled the Borrower to acquire its rights in the Project which constitute the Collateral hereunder.

(d) Borrower shall have notified Lender in writing that the Project is substantially complete and meets all technical and performance requirements associated with its intended use as set forth in the Program Application and the Project Documents ("Operation") and Lender shall have verified that the Project has achieved Operation pursuant to Lender's inspection rights in Section 2.8.

(e) Lender shall have received a field inspection report confirming that the Project has achieved Operation and is capable of producing SRECs.

(f) Metering equipment capable of measuring the electricity generated from the Project shall have been installed in accordance with the Program requirements.

(g) Borrower shall have assigned to Lender all rights to received SRECs produced by the Project.

(h) There is no: (1) injunction, writ, preliminary restraining order, or any order of any nature issued by an arbitrator, court or other governmental authority directing that the transactions provided for in this Agreement and/or in the Project Documents not be consummated; or (2) suit, litigation, investigation hearing or proceedings of or before any arbitrator, court or other governmental authority pending or threatened against Borrower, or any of Borrower's properties, revenues or assets, with respect to the Loan Documents, the Project Documents, and/or any of the transactions contemplated in those documents that could result in a material and adverse change to them;

(i) No Event of Default under any other agreement applicable to Borrower has occurred and is continuing or will result from the execution of this Agreement;

(j) The representations and warranties of Borrower contained in this Agreement shall be true and correct as of the date Lender advances the Loan 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 warranties shall have been true and correct as of that previous date;

(k) The Program, or any program which is a direct successor to it, remains in effect; and

(l) No event shall have occurred since the date of the execution and delivery of this Agreement which, in the good faith opinion of Lender, is likely to materially and adversely affect the financial and/or credit prospects of Borrower, the operability of the Project as contemplated or otherwise impair the ability of Borrower to perform his/her obligations under the Loan Documents and/or the Project Documents.

5. Security Agreement.

(a) As security for the full payment and performance of the Obligations, Borrower hereby assigns, transfers, pledges and grants to Lender, and Lender's successors and assigns, a first-priority security interest, lien and pledge in and to all of Borrower's right, title and interest in and to all those assets and properties below described, wherever located, however arising or created, and whether now owned or existing or hereafter arising, created or acquired (collectively, the "Security Interest"):

(i) the Project, all Equipment and all other assets related thereto (as well as "fixtures", as defined under the Uniform Commercial Code, in the event such Project, Equipment or other assets are deemed to be fixtures notwithstanding the intentions of the parties hereto, as hereinafter described);

(ii) all Project Documents;

(iii) all SRECs, the SREC Account, all Environmental Attributes, all Investment Property related thereto, all legal and economic attributes of the foregoing, whether now existing and hereafter arising, and all proceeds of the sale of the foregoing;

(iv) all General Intangibles related to the Project and/or the Project Documents, including all causes of action, records, registrations, licenses, franchises, claims under warranties, security interest or other security held or granted to secure performance of the Customer Agreement by the provider of the Equipment, all rights to indemnification and all other intangible property of every kind and nature;

(v) all Documents, computer programs, data processing records, computer software, source codes at any time evidencing, describing,

pertaining to or in any way related to the property described in subsections (a) through (d), inclusive, above (collectively, the "Books and Records");

(vi) all rights and power of Borrower to transfer greater title than it has with respect to the property described in subsections (i) through (v), inclusive, above; and

(vii) all products, additions, accessions, substitutions and Proceeds of any of the property described above, in any form whatsoever, and any and all proceeds of such Proceeds, including all cash and credit balances, all payments under any indemnity, warranty or guaranty with respect to any such property, all awards for taking by eminent domain, all proceeds of fire, theft or other insurance, including any and all refunds of unearned premiums in connection with any cancellation, adjustment or termination of any insurance policy or policies, any and all proceeds obtained as a result of any legal action or proceeding with respect to any of the foregoing property, and claims by Borrower against third parties for loss or damage to, or destruction of, any of such property.

The property described or referred to in subsections (i) through (vii), inclusive, above, is hereinafter collectively referred to as the "Collateral."

(b) It is the intention of Borrower and Lender that: (i) all the Collateral shall, at all times, be considered to be personal property, and not a "fixture" as defined under the Uniform Commercial Code; (ii) to the extent that Collateral may be affixed to the Residence, the Collateral is not intended to be affixed permanently thereto; (iii) to the extent Collateral may be affixed to the Residence, the Collateral shall be removable or severable without materially damaging the Collateral or the Residence; and (iv) the Residence's use and purpose, prior to any affixation of Collateral thereto, will not be altered by the Collateral or by any affixation of Collateral to the Residence. Notwithstanding the intention of such parties, Borrower and Lender have elected to file financing statements with respect to the Collateral in accordance with the provisions of Section 5(b) hereof, not only in the Office of the Department of Treasury, Division of Revenue, State of New Jersey, but also in the real property records of the county in which the Residence is located, as an abundance of caution, in case any such Collateral is deemed by a court to be a "fixture".

(c) Without limiting the foregoing, Lender is hereby authorized to file one or more financing statements, continuation statements, fixture filings and/or any other documents required for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest of Lender, with or without the signature of Borrower, naming Borrower as "debtor" and Lender as "secured party" in each instance thereon.

(d) Borrower, at its sole cost and expense, shall execute, acknowledge, deliver and cause to be duly filed any and all such further consents, instruments, certificates and documents and to take any and all such actions Lender, at any time and

from time to time, may reasonably request in order to perfect, preserve and protect the Security Interest and the rights and remedies created hereby.

(e) Borrower represents that, as of the date hereof, his/her Residence is located at the address set forth in the Recitals. Borrower shall not change or permit to be changed the location of its Residence, unless and until all filings required under the Code or otherwise that are necessary to be made in order to assure and preserve its Security Interest have been made and Lender has a valid security interest in the Collateral not subject to any Liens other than the Permitted Encumbrances. Borrower shall not remove or relocate the Project and/or the Equipment from the Residence.

(f) The Security Interest and any and all rights of Lender hereunder, and any and all obligations of Borrower hereunder, shall be absolute and unconditional irrespective of: (a) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the terms governing said Obligations; (b) any exchange, release or non-perfection of any Collateral, or any release or amendment or waiver of or consent to or departure from any guaranty, for any and all of the Obligations; or (c) any other circumstance that might otherwise constitute a defense available to, or a discharge of, Borrower in respect of the Obligations or in respect of this Agreement.

6. SRECs and Environmental Attributes.

(a) A Borrower that has previously elected to repay the Loan in cash pursuant to Section 2.5(c) may resell the SRECs generated by the Project to a third party so long as Borrower first notifies Lender in writing of the sale price and quantity of SRECs to be sold. Within thirty (30) days after the consummation of the sale, Borrower must pay to Lender the entire sale proceeds (less reasonable broker commission) for use towards (1) the payment of all accrued interest on the Loan, then (2) the amortization of the principal amount of the Loan in the month Borrower receives the sale proceeds.

(b) For purposes of this Agreement, an “Environmental Attribute” is an instrument used to represent the environmental costs and/or benefits associated with a fixed amount of electricity generation from the Project, which may include any successor to an SREC. For the Project, Environmental Attributes represent the general environmental benefits of renewable generation such as, for example, and not by means of exclusion, air pollution avoidance. The exact quantity of the environmental benefit (*e.g.*, pounds of emission reductions of a given pollutant) is not indicated by an environmental attribute, though it can be quantified separately in pollution trading markets and through engineering estimates. The Environmental Attribute represents all environmental benefits, whether or not a trading market for such pollutants or benefits exists. Borrower hereby assigns all Environmental Attributes to the Lender. Lender will use commercially reasonable methods to monetize such Environmental Attributes, and use the proceeds to pay down the Loan.

7. Representations and Warranties.

(a) Litigation Claims and Proceedings. No litigation, suits, claims, and/or judicial or administrative proceedings of any nature are pending or, to the best knowledge of Borrower, threatened against Borrower, Borrower's property or the Project, which would have a material adverse effect on Borrower, his/her financial condition and/or the Project.

(b) Laws and Regulations. Borrower is not in any violation of federal, state or local laws, ordinances or regulations pertaining to any of the Loan Documents, any of the Project Documents and/or any of the transactions contemplated in any of the foregoing or the Project.

(c) Disclosures. No representation or warranty by Borrower contained in this Agreement, and no statement contained in any certificate, schedule, exhibit, list or other writing furnished to Lender in connection with this transaction and/or in connection with the Project contains any material untrue statement of fact or omits to state any material fact necessary in order to make the statements contained in those writings not materially misleading. All copies of all writings furnished to Lender in connection with this Agreement or the transactions contemplated in the Loan Documents, are true and complete in all material respects. All schedules and exhibits to this Agreement are true and complete in all material respects.

(d) Title; Liens or Encumbrances on Project Equipment. Borrower represents that Borrower has rights in and good title to the Collateral and has full power and authority to grant the Security Interest to Lender and perform his/her obligations under this Agreement without the approval or any other Person other than any consent or approval that has been obtained. Borrower has neither filed nor had filed against it any financing statement under the Code or its equivalent in any other jurisdiction regarding any portion of the Collateral except with respect to the Security Interest granted in this Agreement. There are no liens on the Project Equipment other than the Permitted Encumbrances.

(e) No Contravening Agreements. Borrower represents that the Loan Documents do not violate any agreements to which Borrower is a party.

(f) Purchase Money Security Interest. The security interest granted to the Lender by the Borrower in the Collateral is a purchase-money security interest. The acquisition of the Project and the financing under this Agreement are related transactions. The purpose the Loan is to enable the acquisition of the Project. Borrower obtained the commitment of the Lender to make the Loan prior to arranging for the purchase and installation of the Project. The amount of the Loan does not exceed the Borrower's cost of acquiring the Project.

(g) Validity of Security Interest. The Security Interest granted by Borrower constitutes a valid, legal and, upon the filing of the UCC financing statements, a

first-priority perfected security interest in all the Collateral granted by Borrower for payment and performance of the Obligations, and the Collateral granted by Borrower is not subject to any Liens other than Permitted Encumbrances.

(h) Information Regarding Names and Locations. Borrower has disclosed in writing to Lender any and all trade names which Borrower used or currently uses to identify itself in its business or in the ownership of any of its assets.

8. Representations and Warranties of Lender. As of the date hereof, Lender represents and warrants that Lender is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey and has all requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby.

9. Covenants of Borrower.

9.1 Affirmative Covenants. From and after the date of this Agreement:

(a) Borrower shall forward to Lender copies of all notices, requests, correspondence and other communications relating to the Project Documents and/or the Project promptly upon their receipt;

(b) Borrower shall cause each policy of insurance to provide that Lender shall be entitled to thirty (30) calendar days' prior written notice from the insurer prior to any termination or modification thereof;

(c) Borrower shall develop, manage, operate and maintain the Project as currently contemplated, in compliance with all provisions of the Customer Agreement, Project Documents, manufacturer's specifications and with all applicable federal, state and local laws, ordinances and regulations;

(d) Borrower shall maintain and/or cause to be maintained the Project in good operating condition, excluding reasonable wear and tear;

(e) Borrower shall file when and as due all federal, state, local and foreign income and other tax returns and tax reports required to be filed with respect to the assets of Borrower including the Collateral with the appropriate governmental agencies, and pay, when and as due, all such taxes to all such appropriate governmental agencies;

(f) Borrower shall advise Lender in writing of any breach or default, or any circumstances that constitute, or may come to constitute, a breach or default under the Loan Documents or Project Documents, or in any way impair the validity or enforcement of any obligation or tend to reduce the amount payable from the amount under any of the Loan Documents or Project Documents;



(g) Borrower shall advise Lender in writing of any material and adverse change or any event, occurrence or circumstance that is likely to cause a material and adverse change in the Project and/or the financial condition of Borrower;

(h) Borrower hereby authorizes Lender to access and review, from time to time, Borrower's Project information on record with the SREC Program Administrator; and

(i) Borrower shall, at its sole cost and expense: (a) take any and all actions necessary to defend its respective title, rights and interests in and to the Collateral against all Persons and, further, to defend the Security Interest of Lender in the Collateral and the priority thereof against any Lien that is not a Permitted Encumbrance; and (b) advise Lender promptly, in reasonable detail, of any Lien made or asserted against any of the Collateral and of the occurrence of any event that may have an adverse effect on the aggregate value of the Collateral and/or on the Security Interest granted in this Agreement.

9.2 Negative Covenants. Except as otherwise permitted in this Agreement or with the prior written consent of Lender, which consent Lender shall not unreasonably withhold, from and after the date of this Agreement, Borrower shall not:

(a) mortgage, pledge, or otherwise encumber or subject to lien or allow to be encumbered or subjected to lien, or dispose of, or agree to dispose of or lease or license to others or agree to so lease or license, any of the assets used or useful in the Project, including any real or tangible personal property and, or commit to do any of the foregoing, except, however, as specified in the Security Agreement; or

(b) cancel, revise or change any material provision of an existing insurance policy relating to the Project, unless, replaced by an insurance policy providing substantially the same coverage.

9.3 Information: Access to Properties; Books and Records.

(a) Borrower shall make available for inspection, upon reasonable request of and written notice from Lender and at Lender's expense, any and all information related to the Project, including all books and records reasonably requested by Lender in connection with the Project. Borrower shall permit Lender to make copies of books and records relating to the Project. Should Lender, in the course of inspecting any such books and records, discover any material defect in them which amounts to, or reasonably will amount to, an Event of Default under Section 11.1 below, the costs and expenses incurred by Lender in performing such inspection shall be solely borne by Borrower.

(b) Borrower shall allow Lender and Lender's authorized representatives reasonable access to the real and tangible personal property relating to the Project for the purpose of conducting investigations and examinations of the Project. No investigation by Lender or any of Lender's representatives under this section shall affect any representation, warranty and/or covenant of any Party to this Agreement.

#### 9.4 Insurance.

(a) Borrower shall maintain the following minimum insurance coverages: (i) Liability coverage under a homeowner's insurance policy, with limits not less than Three Hundred Thousand Dollars (\$300,000) per occurrence and in the aggregate; (ii) Property insurance coverage under a homeowner's insurance policy which insures the full replacement cost of the Project, with a commercially reasonable deductible; and (iii) such other insurance as Lender may reasonably require.

(b) The insurance shall be issued by a nationally-known insurance underwriter having an A.M. Best's rating of "A-/VII" or better, or, for underwriters not rated by A.M. Best, a quality equivalent to that of an A.M. Best rating of "A-/VII" or better, as decided by Lender in its sole discretion.

(c) Each policy of insurance shall provide each insurer will provide Lender with written notice thirty (30) days prior to any termination or modification thereof. If Borrower fails to pay any insurance premium, Lender shall have the right (but shall be under no duty) to pay such premiums, and Borrower shall promptly reimburse Lender all costs and expenses reasonably incurred by Lender, together with interest thereon at the Interest Rate. In the event of an insurable loss with respect to the Project, Borrower shall deliver the full replacement cost of the Equipment from the insurance Proceeds to Lender. Borrower hereby authorizes and directs Lender, and Lender shall have the sole discretion, to apply or pay all such Proceeds to (1) the payment of the Obligations, (2) the restoration or replacement of the property destroyed or damaged, or (3) Borrower.

(d) Borrower shall provide Lender with Certificate of Insurance acceptable to Lender evidencing the policy, provisions and endorsements listed above as a condition of closing the Loan and, upon request, during the Term of the Loan.

9.5 Maintenance of Equipment. During the Term, Borrower shall cause the Project and all related Equipment to be operated and maintained in accordance with the Project Documents and manufacturer's specifications. Borrower shall ensure that all necessary repairs and replacements are made so that the value and operating efficiency of the Project shall be maintained and preserved, normal wear and tear excepted. If Lender reasonably determines that the Borrower has failed to maintain the Equipment in good operating condition and in accordance with the Project Documents, Lender may undertake the maintenance of the Equipment and Borrower shall reimburse Lender upon demand for all of Lender's reasonable incurred costs and expenses plus interest thereon at the Interest Rate.

9.6 Maintenance of Collateral. Borrower will properly protect and maintain the Collateral, and defend the Collateral against any claims and/or demands against it. Borrower shall use reasonable means to ensure that the Equipment is not affixed to real estate in a manner so as to be deemed a "fixture" as defined under the Uniform Commercial Code.

9.7 No Other Interests Granted. Except for the Permitted Encumbrances, Borrower has not executed, will not execute, and has not had or will have executed on his or her behalf, any assignment, pledge, security or other similar agreement or financing statement covering the Collateral, or any portion of it. Borrower will keep the Collateral free from any and all liens, claims, security interests and encumbrances of any kind or nature, except for the assignment, pledge and security interest granted to Lender in the Loan Documents.

9.8 Change in Name. Borrower will notify Lender immediately in writing of any proposed or actual change of Borrower's name or identity.

9.9 Further Assurances. Borrower agrees that upon Lender's request, at any time, Borrower shall take all actions reasonably required to assure to Lender a perfectable, first priority security interest in the Collateral.

9.10 Use of Proceeds. The proceeds of the Loan will be used to acquire the Project or, if the Project has already been acquired, the proceeds of the Loan will be used to satisfy unpaid obligations of the Borrower related to the acquisition.

10. Covenants of Borrower and Lender. Borrower and Lender shall cooperate and use all reasonable efforts, in good faith, to make all registrations, filings and applications and to give all notices and obtain all governmental and regulatory consents, authorizations, approvals, licenses, permits, orders, qualifications and waivers necessary or desirable for the consummation of the transactions contemplated in this Agreement.

11. Events of Default: Remedies: Cure Rights.

11.1 Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default":

(a) any failure of Borrower to make any payment of principal and interest as provided in the Note and/or in this Agreement;

(b) any material representation or warranty made by Borrower, or any material statement, information or certification made or provided by Borrower to Lender in connection with this Agreement, the Note and/or the Project, shall prove to have been false or incorrect in any material respect at the time made or given;

(c) an assignment by Borrower of this Agreement or any of the rights created by this Agreement in violation of its provisions;

(d) the failure by Borrower to perform or observe any of the material covenants, agreements, terms, conditions or provisions of this Agreement not otherwise specified in this section;

(e) Borrower: (i) makes an application for the appointment of a receiver, trustee or custodian for the Collateral and/or any other of Borrower's assets; (ii) files a petition under any chapter of the Bankruptcy Code or any similar federal and/or state law or regulation providing for the relief of debtors; (iii) makes an assignment for the benefit of his/her creditors; (iv) has a petition in bankruptcy, or other similar relief, filed against his/her, and such petition is not withdrawn or discharged within ninety (90) calendar days after the date of its filing;

(f) the dissolution, liquidation, merger or termination of the Borrower;

(g) Borrower commits an Event of Default under any of the Project Documents;

(h) Borrower breaches and/or defaults under any agreement between Borrower and Lender;

(i) Borrower defaults under any obligations to a subordinate lienholder with respect to the Collateral;

(j) any order, judgment or decree for the payment of money which would have a material and adverse effect on the Collateral or the financial condition of Borrower is entered against Borrower, and such order, judgment or decree shall not be satisfied and be in effect for twenty (20) consecutive calendar days without being vacated, discharged, satisfied or stayed or bonded pending appeal;

(k) any lien or encumbrance of any kind or character, other than any Permitted Encumbrances or the Security Interest herein granted, shall attach to the Collateral, or any portion thereof, or any levy, seizure or attachment thereof or thereon; and/or

(l) Lender's liens or security interests in any of the Collateral becomes unenforceable,

**11.2 Cure Rights; Remedies.**

(a) Upon the occurrence of an Event of Default, Lender shall provide written notice of such Event of Default to Borrower. Following receipt of such notice, Borrower shall have: (i) a two-Business-Day period within which to fully cure any Event of Default involving the payment of money; and (ii) a thirty-calendar day period within which either to cure any other Event of Default not involving the payment of money or, if the Event of Default does not involve the payment of money and cannot be fully cured within the thirty-calendar day period, to institute corrective action satisfactory to Lender and to pursue such corrective action diligently, provided that the thirty- calendar day cure period shall not be made available to Borrower if Lender determines, in its sole discretion, that Lender's rights with respect to Borrower and/or Collateral could be materially

adversely affected. These provisions regarding notice and cure periods shall not apply in the case of Section 11.1(e) above.

(b) Upon the occurrence of an Event of Default that is not cured as per subsection 11.2(a), Lender, in its sole discretion, may declare the entire outstanding amount of the Loan and all accrued and unpaid interest to be immediately due and payable.

(c) Upon Borrower committing an Event of Default, Lender shall have the right to exercise, at its option, any and all rights and remedies available at law and/or in equity and/or other proceeding. If the Event of Default involves the payment of any amount due under this Agreement, such amount shall bear interest from the date due to the date paid at a rate equal to the interest rate stated in Subsection 11.2(h), calculated in conformance with Section 2.3.

(d) Upon the occurrence and during the continuance of any condition that, after notice or lapse of time or both, would constitute an Event of Default, Lender shall have the right, as the true and lawful agent of Borrower, with power of substitution for Borrower and in either Borrower's name, Lender's name or otherwise, for the use and benefit of Lender: (i) to offset any amounts owed by Borrower to Lender, which are not paid when due, against any amounts due and owing by Lender to Borrower from any source whatsoever; (ii) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part of it; (iii) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any part of the Collateral; (vi) to commence and prosecute any and all suits, actions or proceedings at law or in equity or otherwise in any court of competent jurisdiction to collect on any of the Collateral or to enforce any rights in respect of any Collateral; (vii) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating or pertaining to all or any portion of the Collateral; and (viii) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though Lender were the absolute owner of the Collateral for all purposes.

(e) If, in the good faith business judgment of Lender, Borrower is not performing his/her obligations under this Agreement or, after Borrower's receipt of a written request by Lender to provide adequate assurances of performance, Borrower is likely to breach any of his/her obligations under any of the Loan Documents, Lender may, at the cost and expense of Borrower, take such steps as are necessary to remedy such failure to avoid such breach. Lender is not obligated to take any such steps.

(f) Borrower shall reimburse Lender promptly for all reasonable costs and expenses Lender incurs in exercising any and all of its remedies, including the costs and expenses incurred by Lender in inspecting Borrower's books and records, as per Subsection 9.3(a), plus interest on the amount of such costs and expenses from the date incurred by Lender to the date reimbursed by Borrower, calculated in accordance with

Section 2.3, and Lender shall be entitled to offset such amounts against payment of any amounts owed to Borrower from any source whatsoever.

(g) Upon the occurrence of an Event of Default, Lender may institute a suit directly against Borrower without first foreclosing on or liquidating the Collateral.

(h) Upon the occurrence of an Event of Default, Lender, in its sole discretion, may increase the rate of interest accruing and payable on the Loan to the rate of ONE AND ONE-HALF PERCENT (1.5%) per month, calculated in accordance with the appropriate provision of Section 2.3, for each month after the Event of Default that the Loan remains outstanding.

(i) In the event of a failure of the foregoing remedies, Lender may, after reasonable notice to the Borrower, enter onto the Residence, take possession of the Collateral and contemporaneously stabilize the affected area of the roof to prevent leakage. Within seven (7) calendar days thereafter, the Lender will restore the roof in a workman like fashion to reflect the general condition of the roof unaffected by the removal of the Collateral. The costs incurred by Lender under this subparagraph (i) shall be recouped by Lender as set forth in Section 11.4, paragraph "paragraph "First".

11.3 Lender's Right to Dispose of Collateral. Consistent with applicable law, Borrower agrees that Lender shall have the right to sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as Lender shall deem appropriate. Lender shall be authorized at any such sale, if it deems it advisable to do so, to restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale of it, and upon consummation of any such sale Lender shall have the right to assign, transfer and deliver to the purchaser or purchasers the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Borrower, and Borrower hereby waives to the fullest extent permitted by law, all rights of redemption, stay and appraisal which Borrower now has, or may have at any time in the future, under any rule of law or statute now existing or hereafter enacted. Lender shall recognize any right of Borrower to quiet enjoyment of the Collateral.

11.4 Application of Proceeds. Lender shall apply any Collateral consisting of cash and Proceeds:

FIRST, to the payment of all costs and expenses incurred by Lender in connection with such collection or sale or otherwise in connection with this Agreement, any other agreement in connection with the Loan and accrued interest, including all court costs and the reasonable fees, disbursements and other charges of its agents and legal counsel -- whether incurred in any action or proceeding either between the Parties or between Lender and any third party;

SECOND, to the payment in full of the accrued interest on the Loan;

THIRD, to the payment of the principal of the Loan; and

FOURTH, to Borrower and his/her successors or assigns, or as a court or agency of competent jurisdiction may otherwise direct.

Lender shall have absolute discretion as to the time of application of any such Proceeds, moneys or balances in accordance with this Agreement. Upon any sale of the Collateral by Lender, including pursuant to a power of sale granted by statute or under a judicial proceeding, the receipt of the consideration by Lender or of the officer making the sale shall be a sufficient discharge to the purchaser of the Collateral so sold and such purchaser shall not be obligated to see to the application of any part of the purchase money paid over to Lender or such officer or be answerable in any way for the misapplication thereof.

11.5 Lender Appointed Attorney-in-Fact. Upon Borrower's receipt of written notice of an Event of Default pursuant to Section 11.2, Lender is automatically appointed without any further action by Borrower to act as the attorney-in-fact on behalf of Borrower the purposes of carrying out the provisions of this Agreement and taking any action and executing any instrument or other writing which lender may deem reasonably necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest.

## 12. Amendment and Waivers.

12.1 Amendments, Modifications and Supplements. This Agreement may be amended, modified or supplemented only by an instrument in writing executed by, and delivered on behalf of, each of the Parties.

12.2 Waivers. The representations, warranties, covenants and conditions set forth in this Agreement may be waived only by a written instrument executed by the party so waiving. The failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right of such party at a later time to enforce the same. No waiver by any party of any condition, or breach of any term, covenant, agreement, representation or warranty contained in this Agreement shall be deemed to be or construed as a waiver of any other condition or of the breach of any other term, covenant, agreement, representation or warranty contained in this Agreement.

13. Survival of Representations, Warranties and Covenants. All representations, warranties and covenants of the Parties contained in or made pursuant to this Agreement and/or the Note shall survive until this Agreement expires or is sooner terminated or, in the case of any covenants, until such covenants have been performed fully.

14. Indemnification. Borrower indemnifies and holds harmless Lender and Lender's shareholders, subsidiaries, affiliates, officers, directors, successors and assigns, and the agents, representatives and employees of any and all of the foregoing, from and

against any and all liability (including liability in tort, whether absolute or otherwise), obligations, losses, penalties, claims, suits, costs and disbursements including legal fees and disbursements in any way relating to, or arising out of, the Loan Documents, the Project Documents and/or the Collateral; provided, however, that there shall be no indemnity for liability caused by Lender's gross negligence or willful misconduct. This provision shall survive the expiration or sooner termination of this Agreement.

15. Notices. Any and all notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally by courier, or by overnight delivery by a nationally recognized overnight delivery service, or five (5) calendar days after mailing if sent by registered or certified mail, postage prepaid, addressed as follows:

If to Lender: Public Service Electric and Gas Company  
80 Park Plaza, T-8  
Newark, NJ 07102  
Attention: Solar Loan Program Administrator

With a copy to Lender's legal counsel at the same address.

If to Borrower:

\_\_\_\_\_  
\_\_\_\_\_

Attention:

Any party may change the address to which notices or other communications are to be sent to it by giving written notice of such change in the manner provided above for all notices.

16. Assignment.

16.1. This Agreement may not be assigned by any Party without the prior written consent of the other Party. The non-assigning Party shall be entitled to recover its reasonable costs and expenses, including administration and attorney fees in connection with any such assignment. Notwithstanding the foregoing, however, Lender, without Borrower's consent, may: (a) assign its rights and delegate its obligations hereunder to one or more subsidiaries or affiliates of Lender; or (b) assign its rights to receive moneys and/or SRECs hereunder and under the Note to any unaffiliated third party for financing purposes only. In all regards, however, no such assignment or delegation by Lender shall relieve Lender of its obligations under this Agreement. Subject to the foregoing, this Agreement shall bind and inure to the benefit only of the Parties and their respective successors and permitted assigns.



16.2 If Borrower desires to sell or transfer its ownership or leasehold interest in the residence to a third party (the "Proposed Transferee"), the Actual Loan Balance shall be paid in full at the closing of such transaction. Notwithstanding the foregoing, if the Proposed Transferee desires to assume the Loan, Borrower shall so notify Lender in writing at least ninety (90) calendar days prior to such transfer. Lender shall review the creditworthiness of the Proposed Transferee, the status of the Loan, the operating history of the Project and such other factors as Lender may deem reasonable and appropriate in determining whether to consent to the assignment of the Loan. Lender shall thereafter advise Borrower in writing (i) whether the Loan may be assigned to the Proposed Transferee and (ii) the terms and conditions of the assignment. If Lender does not affirmatively approve the assignment of the Loan to the Proposed Transferee or if the Proposed Transferee fails to satisfy the terms and conditions of any approved assignment by the closing of the transaction between Borrower and the Proposed Transferee, the Borrower shall pay in full the Actual Loan Balance at such closing. Lender shall be entitled to recover its reasonable costs and expenses including administration and attorney fees in connection with such assignment.

17. Entire Agreement. This Agreement, together with the schedules and exhibits attached, and the Notes and the other documents and instruments referred to here, sets forth the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement, and supersedes all prior agreement, arrangements and understandings relating to the subject matter of the Agreement.

18. No Third Party Beneficiary. Nothing in this Agreement is intended or shall be construed to give any Person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein, other than the Parties.

19. Recitals. The clauses above set forth in the Recitals are herein incorporated by reference.

20. Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall be considered to constitute one instrument.

21. Section Headings. All section headings are inserted for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement and have no independent significance.

22. Interpretation. In this Agreement the singular includes the plural and the plural the singular; words importing any gender include the other genders; the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications, without prejudice to any provisions of this Agreement prohibiting such amendments and other modifications; and references to persons include their respective permitted successors and assigns.

23. Severability. The invalidity or unenforceability of any provision in this Agreement will not affect any other provision.

24. Applicable Law. **THIS AGREEMENT IS GOVERNED EXCLUSIVELY BY AND CONSTRUED IN STRICT ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN THE STATE OF NEW JERSEY WITHOUT REGARD TO NEW JERSEY'S CONFLICT OF LAWS PROVISIONS THAT MAY DEFEAT THE APPLICATION OF NEW JERSEY'S SUBSTANTIVE LAW TO THIS AGREEMENT, THE NOTE AND THE UNDERLYING TRANSACTIONS.**

25. Miscellaneous. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any Person not a party to this Agreement. No undertaking by one Party to the other under any provision of this Agreement shall constitute the dedication of Lender's system or any portion thereof to Borrower or to the public, nor affect the status of Lender as an independent public utility corporation, or Borrower as an independent individual. Lender's review or acceptance of the Project and its operation shall not be construed as confirming or endorsing the design or as any warranty of safety, durability, reliability and/or performance. Lender shall not by reason of such review or failure to review be responsible for the strength, safety, details of design, adequacy, capacity, reliability and/or operation of the Project, nor shall Lender's extension of the Loan to Borrower be deemed to be an endorsement of the Project, in whole or in part.

26. Relationship of the Parties. For purposes of this Agreement, Lender and Borrower expressly agree that the relationship of Lender to Borrower is that of a lender only. The intent of this provision is to clarify and stipulate that Lender is not a partner, fiduciary and/or coventurer of Borrower and that Lender's sole interest in the Collateral is for the purpose of security for repayment of the obligations of Borrower to Lender.

27. Joint and Several Obligations. If this Agreement is signed by two or more individuals as Borrower, the obligations of such individuals under this Agreement are joint and several as if each individual executed a separate Agreement in favor of Lender. This Agreement shall be enforceable by Lender against each of or all of such individuals as Lender may elect. Each individual is fully responsible for the entire amount of the Loan and any related amounts due.

28. Expiration; Release. This Agreement and the Security Interest shall expire upon Lender's execution and delivery of a written termination and release thereof, at which time Lender shall execute and deliver to Borrower, or to such other person or persons as Borrower shall reasonably designate in writing, all termination statements, as per the Code, and similar documents prepared by Borrower, at Borrower's sole cost and expense, which Borrower shall reasonably request to evidence such termination and release.

29. Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by law, any right it may have to a trial by jury in respect of any litigation or other action directly or indirectly arising out of, under or in connection with this Agreement.

*[Signature Block on Following Page]*

IN WITNESS WHEREOF, each Party signed or has caused its duly authorized representative to sign and deliver this Agreement as of the date first above written.

**Public Service Electric and Gas Company**                      **[Borrower]**

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Subscribed and sworn to before me on this \_\_\_\_  
day of \_\_\_\_\_, 201\_\_.

\_\_\_\_\_  
Notary Public of the State of New Jersey

**EXHIBIT A**

**BORROWER'S PROGRAM APPLICATION**

**EXHIBIT B**

**PERMITTED ENCUMBRANCES**

**COMMERCIAL SOLAR LOAN III AGREEMENT**

**THIS SOLAR LOAN AGREEMENT** ("Agreement"), dated as of \_\_\_\_\_, **2012** is made and entered into by and between Public Service Electric and Gas Company, a New Jersey corporation ("Lender"), having its general offices at 80 Park Plaza, Newark, NJ 07102, and \_\_\_\_\_ ("Borrower"), having its principal place of business at \_\_\_\_\_. From time to time throughout this Agreement, each of Borrower and Lender is referred to as, individually, a "Party" and together, collectively, as the "Parties."

**RECITALS**

A. The State of New Jersey's Renewable Portfolio Standards ("RPS") mandate that all electricity suppliers provide a percentage of their electricity sales from solar generation. To meet this requirement, the New Jersey Board of Public Utilities (the "BPU"), through its Office of Clean Energy, established a program for the use and trading of Solar Renewable Electricity Certificates ("SRECs"). The SRECs are tracked using the Generation Attributes Tracking System ("GATS") operated by PJM-Environmental Information Systems (the "SREC Program Administrator"). An SREC represents one megawatt hour of solar electricity production. The New Jersey Clean Energy Program ("NJCEP") allows for SRECs to be created, verified, tracked, sold to, and eventually retired by, electricity suppliers to meet their RPS solar requirement.

B. To assist the State in achieving its environmental objectives under the New Jersey RPS and New Jersey's Energy Master Plan, Lender has developed this solar loan program ("Program") through which Lender will provide long term financing for solar-powered generation projects located within Lender's electric distribution service territory. The Program was approved by the BPU by its Order in Docket No. \_\_\_\_\_ (the "2012 Order").

C. Borrower has applied to Lender for financing for a solar generation project ("Project") to be constructed at Borrower's facility identified in Borrower's Program Application attached as Exhibit A (the "Facility") located in Municipality of \_\_\_\_\_, County of \_\_\_\_\_, inscribed on the tax map therefore as Lot \_\_\_\_\_, Block \_\_\_\_\_, and located at the street address known as \_\_\_\_\_, **NJ**.

D. At such time as the Borrower owns the Project and the Project reaches Commercial Operation, Lender will provide Borrower with term financing, and Borrower will accept such financing in accordance with the terms 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. Definitions. As used herein, unless the context clearly requires otherwise, the following terms shall have the following corresponding meanings:

"2012 Order" has the meaning ascribed to such term in the Recitals.

“90% Amount” has has the meaning set forth in Section 2.5(d)(i).

“Administrative Fee” means a fee of four percent (4%) of the Loan, which amount shall be paid by Borrower to Lender at the closing as a deduction from the Loan proceeds.

“Actual Loan Balance” means the then-current unpaid principal and unpaid accrued interest under the Loan.

“Actual Payments” has the meaning set forth in Section 2.5(d)(i).

“Agreement” has the meaning ascribed to such term in the Recitals.

“Annual True-Up” has the meaning set forth in Section 2.5(d)(i).

“Biennial True-Up” has the meaning set forth in Section 2.5(d)(ii).

“Borrower” has the meaning ascribed to such term in the Recitals.

“Borrower’s SREC Account” has the meaning ascribed to such term in Section 2.5(c).

“BPU” has the meaning ascribed to such term in the Recitals.

“Business Day” means any day other than a Saturday, a Sunday or any other day on which commercial banks in the City of Newark, State of New Jersey are required or permitted by law to close.

“Collateral” means: (a) the SRECs arising throughout the term of this Agreement by means of Borrower’s continued and ongoing operation of the Project, and all related rights to said SRECs, including any other Environmental Attributes arising from and/or out of the Project; (b) the Project Equipment; (c) the Project Documents; (d) any other assets or property in which Lender is granted a security interest, lien or pledge as security for the Obligations; and (e) all accessions, additions, substitutions, products and Proceeds to and of the foregoing.

“Commercial Operation” means the Project is generating electricity for usage at the Facility, and the Project meets all technical, financial and performance requirements associated with its intended use and pursuant to the performance specified in the Program Application and the Project Documents.

“Contract Price” has the meaning ascribed to such term in Section 2.7.

“Contract Year” means: (a) in the event execution of this Agreement occurs on the first day of a calendar month, the twelve-month period commencing on the date of execution of this Agreement and ending on the last day of the twelfth month thereafter; or (b) in the event

execution of this Agreement occurs on a day other than the first day of a calendar month, the twelve-month period commencing on the first day of the month following execution of this Agreement and ending on the last day of the twelfth month thereafter, provided that in such event the first Contract Year of this Agreement shall be a period in excess of twelve months as such first Contract Year shall commence on the date of execution of this Agreement rather than the first day of the next succeeding month. By way of example, if this Agreement were to be executed on April 7, 2012, the first Contract Year would commence on April 7, 2012 and conclude on April 30, 2013, and the second Contract Year would commence on May 1, 2013 and conclude on April 30, 2014, continuing thereafter accordingly.

“Customer” means: (a) Borrower or (b) the Person other than Borrower receiving the benefit of the electricity generated by the Project at the final completion thereof.

“Customer Agreement” means (a) the agreement between Borrower and any third party related to the procurement, engineering, installation and operation of the Project showing, among other things, the total installed cost of the Project, and (b) any related power purchase agreement.

“DC” means direct current.

“Equipment” or “Project Equipment” means all of Borrower’s now owned and hereafter acquired rights, title, and interests in and to any and all solar panels and Project-related equipment, machinery, components, wiring, meters, replacement parts and consumables comprising the Project.

“Events of Default” has the meanings ascribed to such term in Section 11.1.

“Environmental Attribute” has the meaning ascribed to such term in Section 6.

“Facility” has the meaning ascribed to such term in the Recitals.

“Floor Price” means [\_\_\_\_\_] dollars (\$000.00) per SREC.

“kW” means kilowatts.

“Lender” has the meaning ascribed to such term in the Recitals.

“Lender’s Call Option” has the meaning ascribed to such term in Section 2.7.

“Lender’s SREC Account” means the Lender’s SREC account with the SREC Program Administrator.

“Liens” means any and all mortgages, liens, charges, security interests and/or encumbrances of any kind, or pledges or deposits of any nature.

“Loan” has the meaning ascribed to such term in Section 2.1.

“Loan Documents” means this Agreement, the Note, the Security Agreement and such other documents, instruments and certificates delivered in connection with one or more of the foregoing.

“Loan Amortization Schedule” means the amortization schedule attached to the Note.

“Market Price” means the most recent SREC clearing price obtained from the SREC auction periodically conducted in accordance with the BPU Order dated November 7, 2008, in Docket Number EO07040278 (the “SREC Auction”) or any subsequent BPU order. If the SREC Auction results in clearing prices based on more than one SREC vintage, i.e., a price for 2011 SRECs and a price for 2012 SRECs, then the Market Price for the Project SRECs will be the auction clearing price for SRECs of the same vintage. If the SREC Auction is discontinued and the BPU does not approve an alternative SREC sales process, the Market Price will be reasonably determined by Lender using publicly available SREC prices, which may include prices from SREC brokers or dealers.

“MW” means megawatts.

“MW-hour” means megawatt-hours.

“NJCEP” means the BPU’s New Jersey Clean Energy Program, or any successor program thereto.

“Note” has the meaning ascribed to such term in Section 2.2.

“Obligations” means any and all obligations, liabilities, covenants and agreements of Borrower under the Loan Documents, and any and all costs and expenses of, or incurred by, Lender in collecting any of the foregoing and in enforcing the provisions of this Agreement, including all court costs and/or reasonable attorneys’ fees and expenses in any action between Lender and Borrower and/or Lender and any third party based on the Loan Documents.

“Permitted Encumbrances” means Liens on the Collateral (a) disclosed by Borrower to Lender and set forth in Exhibit B attached hereto; (b) Liens securing taxes, assessments and/or governmental charges and/or levies or the claims of materialmen, mechanics, carriers, warehousemen, landlords and other similar Persons, the payment of which is not currently due and payable; and (c) Liens in favor of Lender.

“Person” means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, entity, party or government (whether national, federal, state, county, city, municipal, or otherwise), including any instrumentality, division, agency, body or department thereof.

“Proceeds” means any and all consideration received from the sale, exchange, collection or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral, any payment received from any



insurer or other person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property which constitutes Collateral, and shall include all cash and negotiable instruments received or held on behalf of Lender relating to the payment of accounts and any and all property of whatever nature received and/or held by Borrower or on behalf of Lender.

“Project” has the meaning ascribed to such term in the Recitals.

“Project Documents” means: (a) a fully executed Customer Agreement; (b) lien waivers executed by every supplier, vendor or contractor performing work or providing services or equipment to the Project; (c) lien waivers and subordination agreements executed by Borrower’s other lienholders, mortgagees and landlord, if applicable; (d) Project specifications, maintenance agreements and other technical information regarding the Project; (e) any and all applicable permits, licenses, easements, variances and other authorizations; (f) Program Application documents, project plans and pro formas, and other Program-related documents; (g) warranties from Equipment manufacturers or contractors; (h) any and all other appropriate documents as may be requested by Lender.

“Proposed Transferee” has the meaning set forth in Section 16.2.

“Quarter” or “Quarterly” means a quarterly period measured based on Contract Years.

“Quarterly Amortization Statement” has the meaning set forth in Section 2.5(a).

“Repayment Election” has the meaning set forth in Section 2.5(b).

“RPS” has the meaning ascribed to such term in the Recitals.

“Scheduled Loan Balance” has the meaning set forth in Section 2.5(d)(ii).

“Security Agreement” means that certain Security Agreement, dated concurrently herewith, setting forth the terms, conditions, obligations and rights of the Parties as to the Collateral.

“SRECs” has the meaning ascribed to such term in the Recitals.

“SREC Processing Fee” means a fee to be paid by Borrower to Lender in the amount of ten dollars (\$10.00) for each SREC generated by the Project.

“SREC Program Administrator” has the meaning set forth in the Recitals or any successor to the SREC Program Administrator recognized by the State of New Jersey.

“Term” has the meaning ascribed to such term in Section 2.4.

2. Loan; General Terms:

2.1. Loan Agreement. Subject to the terms and conditions of this Agreement, and the satisfaction of all requirements set forth in this Agreement, Lender agrees to make available to Borrower for the sole purpose of reimbursing a portion of the costs incurred in engineering, procuring, installing and constructing the Project, and Borrower accepts for such sole purpose under the terms of this Agreement, the amount of **AMOUNT and 00/100 DOLLARS (\$)**, which amount is hereafter referred to as the “Loan.” At the closing of the Loan, the Administrative Fee shall be deducted from the Loan and retained by Lender.

2.2. Promissory Note. The Loan shall be evidenced by a secured promissory note (“Note”), to be made by Borrower and delivered to Lender currently with the execution of this Agreement.

2.3. Interest Rate. The Loan shall bear interest at the rate of **11.852%** per year, or at a daily rate of 0.0447% (calculated as  $11.852\% \div 365$ ) (the “Interest Rate”). Interest shall be calculated daily and compounded monthly based on the average daily outstanding loan balance (excluding the current month’s accrued interest) *multiplied by* the daily interest rate *multiplied by* the number of days in such month. Regardless of whether paid in cash or SRECs as provided hereunder, without limiting any of Lender’s rights hereunder, to the extent that the interest component of any periodic payment is not paid on the payment due date indicated on the Loan Amortization Schedule, the unpaid portion of such interest component shall bear interest at the stated rate. To the extent this occurs, the effective rate of interest on the Loan will be higher than 11.852% per year.

2.4. Term. This Agreement shall have a term of ten (10) years from the date on which Lender advances the Loan to Borrower (the “Term”). Borrower may prepay the Loan prior to the end of the Term in accordance with the provisions of Section 2.6; *provided, however*, that Lender’s Call Option set forth in Section 2.7 shall survive the payment or prepayment of the Loan and shall continue in effect for the remainder of the Term.

2.5 Repayment of Loan.

(a) The full amount of the Loan, and all interest due thereon, is payable in periodic installments as set forth in the Note. All amounts due under this Agreement and the Note can be paid in (i) cash or (ii) the value of the SRECs created by the Project (less the SREC Processing Fee). Following each Quarter, Lender will provide an amortization statement to Borrower showing the amount paid by Borrower in cash and SRECs, the current balance of the Loan and the expected balance according to the Loan amortization statement (“Quarterly Amortization Statement”).

(b) Repayment with SRECs. Except as provided in Section 2.5(c), the Loan and accrued interest shall be repaid with SRECs, which will be valued at the greater of the Floor Price or the Market Price minus the SREC Processing Fee. At the closing of the Loan and for the duration of the Term, Borrower shall execute such documents as are necessary to assign to Lender all of the SRECs created by the Project until the Loan is repaid in full and do all things

necessary to ensure that all SRECs generated by the Project are credited to the Lender in a timely manner. Borrower shall have a continuing obligation to execute such documents as may be necessary to authorize the SREC Program Administrator to automatically transfer SRECs generated from the Project to Lender's SREC Account. If the value of the SRECs exceeds the amount due from Borrower for a period under the Loan Amortization Schedule, Lender will apply such excess amount to the Actual Loan Balance. The application of such excess shall not reduce the periodic payments under the Loan Amortization Schedule except that upon full payment of all amounts due with respect to the Loan, no further periodic payments thereunder shall be required.

- (i) The Lender will perform a true-up at the end of every Contract Year (the "Annual True-Up"). The Lender will calculate (a) the aggregate value of the SRECs and cash (excluding any Annual True-Up or Biennial True-Up payments made that Contract Year) received from Borrower to pay the Loan for the Contract Year ("Actual Payments"), and (b) ninety percent (90%) of the total payments due with respect to the Loan for the Contract Year as indicated in the Loan Amortization Schedule (the "90% Amount"). Within thirty (30) days from receipt of notice from the Lender, Borrower will pay Lender in cash an amount equal to the positive difference, if any, between (x) the 90% Amount *minus* (y) the Actual Payments, and such amount will be applied to the Actual Loan Balance. Overdue payments shall accrue interest at the rate set forth in Section 11.2(h).
- (ii) Biennial True-Up. In addition to performing the Annual True-Up for each Contract Year, the Lender will also perform a biennial true-up, the first to take place at the end of the second Contract Year and then every two Contract Years thereafter (the "Biennial True-Up"). The Lender will (a) calculate the Actual Loan Balance at the end of the second Contract Year (after giving effect to any payment required under the Annual True-Up for the current Contract Year) and (b) using the Loan Amortization Schedule, determine the scheduled Loan balance ("Scheduled Loan Balance") for the corresponding period. Within thirty (30) days from receipt of notice from the Lender, the Borrower will pay in cash to Lender an amount equal to the positive difference, if any, between (x) the Actual Loan Balance *minus* (y) the Scheduled Loan Balance, and such amount will be applied to the Actual Loan Balance. Overdue payments shall accrue interest at the rate set forth in Section 11.2(h).
- (c) Cash Repayment. The Borrower may elect to repay the Loan with cash, and must indicate such election in the Loan commitment letter (the "Repayment Election"). The Repayment Election shall be effective for the remainder of the Term unless Borrower submits a revised Repayment Election at least ninety (90) days prior to the end of a Contract Year. Borrower shall not revise its Repayment Election during the Contract Year. If the Borrower elects to repay the Loan with cash, Lender will continue to accept delivery of the SRECs from the SREC Program Administrator into Lender's SREC account. Lender shall promptly thereafter transfer the SRECs to Borrower's SREC account with the SREC Program Administrator (the

“Borrower’s SREC Account”), which Borrower shall establish at Borrower’s sole cost and expense. Borrower shall pay Lender on a monthly basis the SREC Processing Fee for all SRECs delivered to Borrower’s SREC Account. Borrower may sell the SRECs delivered to Borrower’s SREC Account in accordance with Section 6(a) below.

(d) All payments with respect to the Loan (whether in cash or SRECs) will be credited against the Loan on the last day of the month and will be applied first, to the payment of accrued interest, and second, to the repayment of the principal amount of the Loan.

(f) Within thirty (30) days following the expiration of the Term, Borrower will pay to Lender the Actual Loan Balance (if any), including interest accrued after the expiration of the Term, all calculated in accordance with Section 2.3.

2.6 Prepayment of Loan. Subject to Lender’s Call Option, Borrower may prepay all or a portion of the Actual Loan Balance in cash and/or SRECs generated from the Project and all such SRECs will be valued at Market Price.

2.7. Lender’s Call Option.

(a) If the Loan is repaid prior to the expiration of the Term (whether such repayment results from Borrower’s voluntary prepayment in cash or SRECs, from acceleration of the Loan by Lender upon an Event of Default, or otherwise), Lender shall have a monthly option to purchase up to 100% of SRECs produced by the Project (the “Call Option”). Lender shall pay Borrower an amount equal to the product of 0.50 *multiplied by* the Market Price (the “Contract Price”) for each SREC purchased pursuant to the Call Option.

(b) Until further written notice from Lender, after the Loan is repaid until the end of the Term (the “Option Period”), Lender automatically exercises the Call Option on the first business day of each calendar month for all of the SRECs produced by the Project in the preceding month. In a transaction confirmation letter to be delivered from Lender to Borrower, Lender will specify the number of SRECs that Lender purchased and the applicable Contract Price. Lender will pay for the SRECs purchased pursuant to the Call Option by electronic funds transfer within fifteen (15) days of the date of the exercise of the Call Option. Borrower shall provide the electronic banking information at the beginning of the Option Period.

(c) If the Borrower in good faith disputes the accuracy of the transaction confirmation letter, the Borrower shall specify in writing the nature of the inaccuracy. The Borrower must dispute the accuracy of the transaction confirmation letter within three (3) months of the date of receipt of the letter. The Borrower and Lender shall attempt in good faith to resolve the dispute promptly through negotiations. If it is determined that Lender has underpaid for the SRECs, Lender shall pay Borrower the amount which remains due and unpaid within five (5) Business Days of such determination.

(d) Lender’s Call Option shall remain in effect for the entirety of the Option Period. At the beginning of the Option Period, Borrower shall execute such documents as are necessary to assign to Lender all of the SRECs created by the Project until the end of the

Option Period and do all things necessary to ensure that all SRECs generated by the Project are credited to the Lender in a timely manner. Borrower shall have a continuing obligation to execute such documents as may be necessary to authorize the SREC Program Administrator to automatically transfer SRECs generated from the Project to Lender's SREC Account. If the Lender by written notice determines to not exercise the Call Option, Lender shall promptly deliver all of the SRECs produced by the Project in the preceding month to Borrower's SREC Account.

(e) The Project Equipment may not be sold or relocated without the prior written consent of Lender. Borrower and any successor owner shall keep the Project Equipment insured and maintained in good operating condition during the entire Term. The Call Option may be exercised by Lender or its assigns.

(f) Borrower consents to the recording of a memorandum of option in the real property records in the county where the Facility is located to memorialize the Call Option. Further, Borrower agrees to execute any subsequent memoranda or other documents as Lender may require to keep in full force and effect the Call Option.

(g) Borrower represents and warrants that all SRECs sold to Lender pursuant to the Call Option will be free and clear of all liens, encumbrances and claims. Borrower acknowledges that it is a "forward contract merchant" and that the Call Option constitutes a "forward contract" within the meaning of the United States Bankruptcy Code. Borrower further acknowledges that 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.

2.8. Inspections. Upon written notice to Borrower, Lender (or its designee) may inspect the Project to confirm that the Borrower is operating and maintaining the Project in accordance with this Agreement. Borrower shall not rely on the Lender's inspection for any purpose and shall be solely responsible for ensuring that the Project is installed, constructed, operated and maintained in accordance with the Customer Agreement. Lender's inspection of the Project or the disbursement of a Loan shall not be deemed to constitute Lender's approval or warranty of the Project, the Equipment or any contractor or vendor and/or its continued operation.

2.9. Regulatory Changes; Acceleration of Loan.

(a) Change in Rate Treatment. Each Party, having entered into this Agreement in good faith, hereby waives all rights on its part now or hereafter to undertake any proceeding for the express purpose of having this Agreement set aside or the regulatory treatment accorded Lender's recovery of Net Monthly Revenue Requirements associated with Lender's Solar Program as approved by the BPU in the 2012 Order set aside pursuant to a change in rate treatment. In addition, while neither Lender nor Borrower are waiving its right to claim that an agency does not have the authority to do so, in the event any legislative, judicial or

governmental entity of competent jurisdiction impairs or disallows the full and timely recovery through Lender's Solar Pilot Recovery Charge or a like successor clause or rate mechanism including recovery of New Monthly Revenue Requirements associated with Lender's Solar Program as provided for in the 2012 Order, for ratemaking purposes, then, at the option of Lender and upon written notice to Borrower, the outstanding balance of the Loan and any other amounts due Lender under this Agreement shall be determined after taking into account all payments previously made by Borrower, either in cash or in the form of SRECs valued in accordance with this Agreement and such outstanding amount shall become due and payable in cash by Borrower within thirty (30) days of the date of Lender's written notice to Borrower.

(b) Change in Regulation. If the existing New Jersey regulations governing the Solar Program are amended, superseded and/or otherwise no longer in force (a "Regulatory Change"), Lender may accelerate the repayment of the unpaid portion of the Loan and accrued interest unless:

(i) Borrower continues to operate the Project in accordance with this Agreement;

(ii) The value of the quantity of SRECs created by operation of the Project is, and will continue to be, the amount of the Floor Price for each SREC, and that the terms in this Agreement governing the amortization of the Loan and payment of all accrued interest remain in full force and effect; and

(iii) The BPU continues to allow Lender to enjoy the comparable treatment, as described more fully in Section 2.9(a) above, with regard to those Projects in operation and creating SRECs after the Regulatory Change as Lender enjoyed prior to the Regulatory Change.

3. No Assumption of Liabilities. Lender shall not assume, and Borrower shall retain and be responsible for, any and all liabilities and obligations of Borrower of any kind or nature whatsoever, including any and all liabilities and obligations of Borrower under the Project Documents, including the Customer Agreement.

4. Conditions Precedent to Advancing the Loan. Lender shall not be obligated to advance the Loan unless the following conditions are satisfied, in form and substance satisfactory to Lender and its counsel, on or prior to the date when Borrower requests disbursement of the Loan:

(a) All of the Loan Documents shall have been completed, duly executed and delivered by Borrower to Lender.

(b) Borrower shall have delivered to Lender: (i) duly executed Lien waivers or subordinations from contractors, vendors, lienholders, mortgagees, Borrower's landlord, if applicable, and such other persons or entities as Lender shall determine, which shall be in full force and effect, and in form and substance satisfactory to Lender; (ii) satisfactory evidence of all

insurance coverage required in this Agreement; and (iii) any and all other documents related to the Collateral or Borrower that Lender reasonably requests.

(c) Lender shall have received all Project Documents with respect to the Project, each duly executed by each person that is a party thereto, each of which Project Documents shall be in full force and effect, and in form and substance satisfactory to Lender.

(d) Borrower shall have notified Lender in writing that the Project is substantially complete and meets all technical and performance requirements associated with its intended use as set forth in the Program Application and the Project Documents and Lender shall have verified that the Project has achieved Commercial Operation, subject, in all events, to Lender's inspection rights in Section 2.8.

(e) Lender shall have received a field inspection report confirming that the Project has achieved Commercial Operation and is capable of producing SRECs.

(f) Metering equipment capable of measuring the electricity generated from the Project shall have been installed in accordance with the Program requirements.

(g) If the Borrower is repaying the Loan with cash, Borrower shall have opened a SREC Account and provided Lender with a corresponding, valid SREC Account tracking number and password.

(h) If the Borrower is repaying the Loan with SRECs, Borrower shall have assigned to Lender all rights to receive the SRECs produced by the Project.

(i) Borrower shall have certified to Lender that Borrower has not applied for nor received any rebate under the BPU's CORE Program nor shall Borrower apply for or accept any CORE rebates with respect to the Project.

(j) There is no: (1) injunction, writ, preliminary restraining order, or any order of any nature issued by an arbitrator, court or other governmental authority directing that the transactions provided for herein and/or in the Project Documents not be consummated; or (2) suit, litigation, investigation hearing or proceedings of or before any arbitrator, court or other governmental authority pending or threatened against Borrower and/or the Customer, or any of their respective properties, revenues or assets, with respect to this Agreement, the Security Agreement, the Note, the Project Documents, and/or any of the transactions contemplated hereby or thereby that could result in a material and adverse change thereto.

(k) No Event of Default under any agreement applicable to Borrower has occurred and is continuing or will result from the execution of this Agreement.

(l) The representations and warranties of Borrower contained in this Agreement shall be true and correct as of the date of such requested Loan 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 warranties shall have been true and correct as of such previous date.

(m) The Program, or any direct successor program thereto, remains in effect.

(n) No event shall have occurred since the date of the execution and delivery of this Agreement which, in the good faith opinion of Lender, is likely to materially and adversely affect the financial and/or credit prospects of Borrower, the operability of the Project as contemplated or otherwise impair the ability of Borrower to perform its obligations under this Agreement, the Security Agreement, the Note, the Project Documents and/or other Loan Documents.

5. Security Agreement. As security for the payment and performance of the obligations of Borrower hereunder and Note and the Loan Documents, Borrower, concurrently with its execution of this Agreement, will execute and deliver to Lender a fully executed Security Agreement.

6. SRECs and Environmental Attributes.

(a) A Borrower that has previously elected to repay the Loan in cash pursuant to Section 2.5(c) may resell the SRECs generated by the Project to a third party so long as Borrower first notifies Lender in writing of the sale price and quantity of SRECs to be sold. Within thirty (30) days after the consummation of the sale, Borrower must pay to Lender the entire sale proceeds (less reasonable broker commission) for use towards (1) the payment of all accrued interest on the Loan, then (2) the amortization of the principal amount of the Loan in the month Borrower receives the sale proceeds. After the Loan is repaid but during the Term, Lender's Call Option shall survive.

(b) For purposes of this Agreement, an "Environmental Attribute" is an instrument used to represent the environmental costs and/or benefits associated with a fixed amount of electricity generation from the Project, which may include any successor to an SREC. For the Project, Environmental Attributes represent the general environmental benefits of renewable generation such as, for example, and not by means of exclusion, air pollution avoidance. The exact quantity of the environmental benefit (*e.g.*, pounds of emission reductions of a given pollutant) is not indicated by an environmental attribute, though it can be quantified separately in pollution trading markets and through engineering estimates. The Environmental Attribute represents all environmental benefits, whether or not a trading market for such pollutants or benefits exists. Borrower hereby assigns all Environmental Attributes to the Lender. Lender will use commercially reasonable methods to monetize such Environmental Attributes, and use the proceeds to pay down the Loan.

7. Representations and Warranties of Borrower.

7.1. Organization, Standing and Power. Borrower is a \_\_\_\_\_ duly organized, validly existing and in good standing under the laws of \_\_\_\_\_. Borrower has qualified to do business in each and every jurisdiction where the failure of Borrower to so



qualify would have a material and adverse impact of Borrower's ability to perform under this Agreement, the Security Agreement, the Note and/or any other Loan Document. Borrower has all requisite power and authority to own, lease and operate its properties, to carry on its business as now being conducted, to operate the Project substantially as contemplated by the Project Documents, and to execute, deliver and perform this Agreement, the Note, the Loan Documents and all writings relating hereto and thereto. All of Borrower's federal, state, local and foreign income, profits, franchise, sales, use, occupation, property, excise and other tax returns and tax reports, if any, required to be filed with respect to the business and assets of Borrower have been filed, as of, at a minimum, the date hereof with the appropriate governmental agencies.

7.2. Authorization of Borrower. The execution, delivery and performance by Borrower of this Agreement and all other writings relating hereto and thereto have been duly and validly authorized by Borrower. No consent or approval of or notification to any party, other than any consent or approval that has been obtained, is required in connection with the execution, delivery and performance by Borrower of this Agreement, the Security Agreement, the Note, the other Loan Documents and/or any writing relating hereto and thereto or the consummation of the transactions contemplated hereby or thereby.

7.3. Litigation Claims and Proceedings. No litigation, suits, claims, or judicial or administrative proceedings of any nature are pending or, to the best knowledge of Borrower, threatened against Borrower, Borrower's property or the Project, the effects of which would have a material adverse effect on Borrower, its business, its financial condition and/or the Project.

7.4. Liens or Encumbrances on Project Equipment. Borrower represents that there are no liens on the Project Equipment other than the Permitted Encumbrances.

7.5. Laws and Regulations. Borrower is not in any violation of federal, state or local laws, ordinances or regulations pertaining to this Agreement, the Security Agreement, the Note, any of the Project Documents and/or any of the transactions contemplated in any of the foregoing or the Project.

7.6. Non-contravention. Borrower represents that the Loan Documents do not violate any agreements to which Borrower is a party or by which Borrower or its assets are bound.

7.7. Disclosures. No representation or warranty by Borrower contained in this Agreement, and no statement contained in any certificate, schedule, exhibit, list or other writing furnished to Lender in connection with this transaction and/or in connection with the Project contains any material untrue statement of fact or omits to state any material fact necessary in order to make the statements contained herein or therein not materially misleading. All copies of all writings furnished to Lender hereunder, or in connection with the transactions contemplated hereby, are true and complete in all material respects. All schedules and exhibits to this Agreement are true and complete in all material respects.

8. Representations and Warranties of Lender. As of the date hereof, Lender represents and warrants that Lender is a corporation duly organized, validly existing and in good

standing under the laws of the State of New Jersey and has all requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby.

9. Covenants of Borrower.

9.1. Performance of Customer Agreement and the Project. From and after the date hereof, Borrower shall:

(a) forward to Lender copies of all notices, requests, correspondence and other communications relating to the Project Documents and/or the Project promptly upon receipt thereof;

(b) manage, operate and maintain the Project in compliance with all provisions of the Customer Agreement, Project Documents, manufacturer's specifications and with all applicable federal, state and local laws, ordinances and regulations;

(c) maintain and/or cause to be maintained the Project in good operating condition, reasonable wear and tear excepted;

(d) file when and as due all federal, state, local and foreign income, profits, franchise, sales, use, occupation, property, excise and other tax returns and tax reports required to be filed with respect to the business and assets of Borrower with the appropriate governmental agencies, and pay, when and as due, all such taxes to all such appropriate governmental agencies;

(e) advise Lender in writing of any breach or default, or any circumstances that constitute, or with the passage of time will come to constitute, a breach or default under, or in any way impair the validity or enforcement of any obligation or tend to reduce the amount payable from the amount under, any of the Project Documents;

(f) advise Lender in writing of any material and adverse change or any event, occurrence or circumstance that is likely to cause a material and adverse change in Project and/or the condition, financial or otherwise, business or operations of Borrower;

(g) Borrower hereby authorizes Lender to access and review Borrower's Project information on record with the SREC Program Administrator; and

(h) Borrower shall, at its sole cost and expense: (a) take any and all actions necessary to defend its respective title, rights and interests in and to the Collateral against all Persons and, further, to defend the security interest of Lender in the Collateral and the priority thereof against any Lien that is not a Permitted Encumbrance; and (b) advise Lender promptly, in reasonable detail, of any Lien made or asserted against any of the Collateral and of the occurrence of any event that may have an adverse effect on the aggregate value of the Collateral and/or on the security interest in the Collateral granted to Lender.

9.2. Conduct of Business. Except as otherwise permitted in this Agreement from and after the date hereof, Borrower shall not:

(a) mortgage, pledge, or otherwise encumber or subject to lien or suffer to be encumbered or subjected to lien, or sell, dispose of, or agree to sell, dispose of or lease or license to others or agree to so lease or license, any of the assets used or useful in the Project, including any real or tangible personal property and, or commit to do any of the foregoing;

(b) cancel or change any material existing policy of insurance relating to the Project, unless, however, replaced by an insurance policy providing substantially the same coverage; or

(c) merge or consolidate with any partnership, corporation or other entity of any nature, or change either its name or the address of its principal offices without first giving Lender thirty (30) days' prior written notice of Borrower's intent to do so, or dissolve, liquidate or wind up its affairs, or sell, lease, transfer or otherwise dispose of a significant portion of its assets, or agree to do any of the foregoing.

9.3. Information: Access to Properties; Books and Records.

(a) Borrower shall make available for inspection during normal business hours, as Lender may request and at Lender's expense, promptly and in the form requested, any and all information, including all books and records reasonably requested by Lender in connection with the Project. Borrower shall permit Lender to make copies of books and records relating to the Project. Should Lender, in the course of inspecting any such books and records, discover any material defect therein which amounts to, or reasonably will amount to, an Event of Default under Section 11.1, below, the costs and expenses incurred by Lender in performing such inspection shall be solely borne by Borrower.

(b) Borrower shall afford Lender and Lender's authorized representatives reasonable access to the real and tangible personal property relating to the Project for the purpose of conducting investigations and examinations thereof. No investigation by Lender or any of Lender's representatives pursuant to this section shall affect any representation, warranty and/or covenant of any Party hereto.

9.4. Insurance.

(a) Borrower shall maintain the following minimum insurance coverages on the Project and the Collateral:

(i) Commercial General Liability insurance, for bodily injury and property damage, with limits not less than: FIVE MILLION DOLLARS (\$5,000,000) per occurrence and FIVE MILLION DOLLARS (\$5,000,000) annual aggregate, and naming Lender as an additional insured under such policy;

(ii) All Risk Property insurance covering, at a minimum, the full replacement costs of the Project and naming solely Lender as an additional insured and lender loss payee with respect thereto with a maximum deductible of \$25,000;

(iii) Fidelity/Crime Insurance for limits of at least ONE MILLION DOLLARS (\$1,000,000) per claim; and

(iv) such other insurance as Lender may reasonably require.

(b) The insurance shall be issued by a nationally-known insurance underwriter having an A.M. Best's rating of "A-/VII" or better, or, for underwriters not rated by A.M. Best, a quality equivalent to that of an A.M. Best rating of "A-/VII" or better, as decided by Lender in its sole discretion.

(c) Each policy of insurance shall provide each insurer will provide Lender with written notice thirty (30) days prior to any termination or modification thereof. If Borrower fails to pay any insurance premium, Lender shall have the right (but shall be under no duty) to pay such premiums, and Borrower shall promptly reimburse Lender all costs and expenses reasonably incurred by Lender, together with interest thereon at the Interest Rate. In the event of an insurable loss with respect to the Project, Borrower hereby authorizes and directs Lender, and Lender shall have the sole discretion, to apply or pay all such Proceeds to (1) the payment of the Obligations, (2) the restoration or replacement of the property destroyed or damaged, or (3) Borrower.

(d) Each such insurance policy set forth above shall include (i) provisions or endorsements naming Lender, its affiliates, directors, officers and employees as additional insureds; (ii) provisions that such insurance is primary insurance with respect to the interest of Lender and such additional insureds and that any insurance maintained by Lender is excess and not contributory insurance with the insurance required hereunder; (iii) a cross-liability or severability of insurance interest clause; and (iv) provisions by which the insurer waives all rights of subrogation against Lender and the additional insureds.

(e) Borrower shall provide Lender with Certificates of Insurance acceptable to Lender evidencing the policies, provisions and endorsements listed above within ten (10) calendar days after they have been obtained, and, upon request of Lender, on an annual basis thereafter.

9.5. Maintenance of Equipment. Borrower shall cause the Project and all related Equipment to be operated and maintained in accordance with the Project Documents and manufacturer's specifications. Borrower shall ensure that all repairs are timely made so that the value and operating efficiency of the Project is preserved. If Borrower fails to maintain the Equipment as described above, Lender may undertake the maintenance of the Equipment and Borrower shall reimburse Lender upon demand for all of Lender's reasonable incurred costs and expenses plus interest thereon at the Interest Rate.

9.6. Maintenance of Collateral. Borrower will properly maintain the Collateral, defend same against any adverse claims and demands and protect and maintain the Collateral. Borrower shall use commercially reasonable means to ensure that the Equipment is

not affixed to real estate in a manner so as to be deemed a “fixture” as defined under the Uniform Commercial Code.

9.7. No Other Interests Granted. Except for the Permitted Encumbrances, Borrower has not executed, will not execute, and has not had or will have executed on their or its behalf, any assignment, pledge, security or other similar agreement or financing statement covering the Collateral, or any portion thereof, except to Lender, and Borrower will keep the Collateral free from any and all liens, claims, security interests and encumbrances of any kind or nature, except for the assignment, pledge and security interest herein granted to Lender.

9.8. Change of Place of Business. Borrower will notify Lender in writing prior to any change in Borrower’s place of business, or, if Borrower has or acquires more than one place of business, prior to any change in either Borrower’s chief executive office and/or the office or offices where Borrower’s books and records are kept.

9.9. Change in Name. Borrower will notify Lender immediately in writing of any proposed or actual change of Borrower’s name, identity and/or corporate structure.

9.10. Further Assurances. Borrower agrees that, at any time and from time to time after the date hereof, upon the request of Lender, Borrower shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered on its behalf, all such further acts, deeds, assignments, conveyances, transfers, powers of attorney or assurances as may be reasonably required in order fully to grant, assure and confirm to Lender a perfectable, first priority security interest in the Collateral.

10. Covenants of Borrower and Lender. Borrower and Lender shall cooperate and use all reasonable efforts, in good faith, to make all registrations, filings and applications and to give all notices and obtain all governmental and regulatory consents, authorizations, approvals, licenses, permits, orders, qualifications and waivers necessary or desirable for the consummation of the transactions contemplated hereby.

11. Events of Default: Remedies: Cure Rights.

11.1. Events of Default. The occurrence of any one or more of the following events shall constitute an “Event of Default”:

(a) any failure of Borrower to make any payment of principal or interest as provided in the Note and/or hereunder;

(b) any material representation or warranty made by Borrower herein, or any material statement, information or certification made or provided by Borrower to Lender in connection with this Agreement, the Note and/or the Project, shall prove to have been false or incorrect in any material respect at the time made or given;

(c) an assignment by Borrower of this Agreement or any rights created hereunder in violation of the provisions hereof;

(d) the failure by Borrower to (i) perform or observe any of the material covenants, agreements, terms, conditions or provisions of this Agreement not otherwise specified in this section or to (ii) provide adequate assurance of future performance;

(e) Borrower (i) makes an application for the appointment of a receiver, trustee or custodian for the Collateral and/or any other of Borrower's assets; (ii) files a petition under any chapter of the Bankruptcy Code or any similar federal and/or state law or regulation providing for the relief of debtors; (iii) makes an assignment for the benefit of its creditors; (iv) has a petition in bankruptcy, or other similar relief, filed against it, and such petition is not withdrawn or discharged within ninety (90) days after the date of its filing; (v) institutes any proceeding or action for the dissolution, liquidation, or termination of Borrower;

(f) Borrower fails to pay, when due, any amount required to be paid to Lender;

(g) Borrower commits an Event of Default under the Security Agreement;

(h) an Event of Default, as such term is defined in any of the Project Documents, occurs;

(i) Borrower breaches and/or defaults under any agreement between Borrower and Lender; and/or

(j) Borrower defaults under any of its obligations to a lienholder with respect to any Permitted Encumbrance.

#### 11.2. Cure Rights; Remedies.

(a) Upon the occurrence of an Event of Default, Lender shall provide written notice of such Event of Default to Borrower, and following receipt of such notice, Borrower shall have two (2) Business Days to fully cure any Event of Default involving the payment of money. For all other Events of Default (except for a default described in Section 11.1(e) above), Borrower shall have thirty (30) days to cure or initiate a cure of the default, provided, however, that Lender shall have the right to terminate the cure period at any time after the thirty (30) day cure period if Lender's rights with respect to the Loan Documents, the Borrower or the Collateral will be materially adversely affected, as determined by Lender in its sole discretion. There shall be no cure rights for a default described in Section 11.1(e) above.

(b) If an Event of Default is not timely cured, Lender, in its sole discretion, may declare the entire outstanding amount of the Loan and all accrued and unpaid interest thereon to be immediately due and payable.

(c) Upon an Event of Default, Lender shall have the right to exercise, at its option, any and all rights and remedies available at law and/or in equity and/or other proceeding. If such Event of Default involves the payment of any amount due under this Agreement, such

amount shall bear interest from the date due to the date paid at a rate equal to the interest rate stated in Subsection 11.2(h), calculated in conformance with Section 2.3.

(d) Upon the occurrence and during the continuance of any condition that, after notice or lapse of time or both, would constitute an Event of Default, Lender shall have the right, as the true and lawful agent of Borrower, with power of substitution for Borrower and in either Borrower's name, Lender's name or otherwise, for the use and benefit of Lender: (i) to offset any amounts owed by Borrower to Lender, which are not paid when due, against any amounts due and owing by Lender to Borrower from any source whatsoever; (ii) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (iii) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any part of the Collateral; (vi) to commence and prosecute any and all suits, actions or proceedings at law or in equity or otherwise in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; (vii) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating or pertaining to all or any portion of the Collateral; and (viii) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though Lender were the absolute owner of the Collateral for all purposes;

(e) If, in the good faith judgment of Lender, Borrower fails to perform any material obligation hereunder, i.e., if Borrower fails to procure insurance, Lender may take steps, at the sole cost and expense of Borrower, to remedy such failure so as to avoid an Event of Default. Lender shall not be obligated to take any such steps.

(f) Borrower shall reimburse Lender promptly for all reasonable attorneys fees, costs and expenses Lender incurs in exercising any and all of its remedies hereunder including the costs and expenses incurred by Lender in inspecting Borrower's books and records, as per Subsection 9.3(a), plus interest on the amount of such costs and expenses from the date incurred by Lender to the date reimbursed by Borrower, calculated in accordance with Section 2.3, and Lender shall be entitled to offset such amounts against payment of any amounts owed to Borrower from any source whatsoever.

(g) Upon the occurrence of an Event of Default, Lender may institute a suit directly against Borrower without first foreclosing on or liquidating the Collateral.

(h) Upon the occurrence of an Event of Default, Lender, in its sole discretion, may increase the rate of interest accruing on the Loan and payable hereunder to the rate of ONE AND ONE-HALF PERCENT (1.5%) per month, calculated in accordance with the appropriate provision of Section 2.3, for each month after the Event of Default that the Loan remains outstanding.

(i) In the event of a failure of the foregoing remedies, Lender may enter into the Facility where the Collateral may be located, take possession of said Collateral and restore

the Facility with respect thereto, the costs of which shall be recouped by Lender as set forth in Section 11.4, paragraph "First".

(j) The Lender shall be entitled to recover its reasonable costs and expenses including reasonable attorney fees in any legal or equitable action resulting from an Event of Default hereunder.

11.3. Lender's Right to Dispose of Collateral. Consistent with applicable law, Lender shall have the right to sell or otherwise dispose of all or any part of the Collateral, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as Lender shall deem appropriate. Lender shall be authorized at any such sale to restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale Lender shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Borrower, and Borrower hereby waives to the fullest extent permitted by law, all rights of redemption, stay and appraisal which Borrower now has, or may have at any time in the future, under any rule of law or statute now existing or hereafter enacted. Lender shall recognize any right of the Customer to quiet enjoyment of the Collateral.

11.4. Application of Proceeds. Lender shall apply any Collateral consisting of cash and Proceeds :

FIRST, to the payment of all costs and expenses incurred by Lender in connection with such collection or sale or otherwise in connection with this Agreement, any other agreement in connection with the Loan and accrued interest including all court costs and reasonable attorney fees costs, disbursements and other charges of its agents and legal counsel -- whether incurred in any action or proceeding either between the Parties or between Lender and any third party;

SECOND, to the payment in full of the accrued interest on the Loan;

THIRD, to the payment of the principal of the Loan; and

FOURTH, to Borrower and its successors or assigns, or as a court or agency of competent jurisdiction may otherwise direct.

Lender shall have absolute discretion as to the time of application of any such Proceeds, moneys or balances in accordance with this Agreement. Upon any sale of the Collateral by Lender (by power of sale granted by statute, judicial proceeding or otherwise), the receipt of Lender or of the officer making the sale shall be a sufficient discharge to the purchaser of the Collateral and such purchaser shall not be obligated to see to the application of any part of the purchase money paid over to Lender or such officer or be answerable in any way for the misapplication thereof.

11.5 Lender Appointed Attorney-in-Fact. Upon Borrower's receipt of written



notice of an Event of Default pursuant to Section 11.2, Lender is automatically appointed without any further action by Borrower to act as attorney-in-fact on behalf of Borrower for the purposes of carrying out the provisions of this Agreement and taking any action and executing any instrument or other writing which lender may deem reasonably necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest.

12. Amendment and Waivers.

12.1. Amendments, Modifications and Supplements. This Agreement may be amended, modified or supplemented only by an instrument in writing executed by, and delivered on behalf of, each of the Parties.

12.2. Waivers. The representations, warranties, covenants and conditions set forth in this Agreement may be waived only by a written instrument executed by the party so waiving. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right of such party at a later time to enforce the same. No waiver by any party of any condition, or breach of any term, covenant, agreement, representation or warranty contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of any other condition or of the breach of any other term, covenant, agreement, representation or warranty contained in this Agreement.

13. Survival of Representations, Warranties and Covenants. All representations, warranties and covenants of the Parties contained in this Agreement and/or the Note and/or made pursuant hereto or thereto shall survive until this Agreement expires or is sooner terminated or, in the case of any covenants, until such covenants have been performed fully.

14. Indemnification. Borrower indemnifies and holds harmless Lender and Lender's shareholders, subsidiaries, affiliates, officers, directors, successors and assigns, and the agents, representatives and employees of any and all of the foregoing, from and against any and all liability (including liability in tort, whether absolute or otherwise), obligations, losses, penalties, claims, suits, costs and disbursements, including legal fees and disbursements in any way relating to, or arising out of, the Loan Documents, the exercise of the Call Option, the Project Documents and/or the Collateral; provided, however, that there shall be no indemnity for liability caused by Lender's gross negligence or willful misconduct. This provision shall survive the expiration or sooner termination of this Agreement.

15. Notices. Any and all notices or other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally by courier, or by overnight delivery by a nationally recognized overnight delivery service, or five (5) days after mailing if sent by registered or certified mail, postage prepaid, addressed as follows:

If to Lender: Public Service Electric and Gas Company  
80 Park Plaza, T-8  
Newark, NJ 07102  
Attention: Solar Loan Program Administrator

With a copy to Lender's legal counsel at the same address.

If to Borrower:

Attention:

Any party may change the address to which notices or other communications are to be sent to it by giving written notice of such change in the manner provided herein.

16. Assignment.

16.1 This Agreement may not be assigned by any Party without the prior written consent of the other Party. The non-assigning Party shall be entitled to recover its reasonable costs and expenses including administration and attorney fees in connection with any such assignment. Notwithstanding the foregoing, however, Lender, without Borrower's consent, may: (a) assign its rights and delegate its obligations hereunder to one or more subsidiaries or affiliates of Lender; or (b) assign its rights to receive moneys and/or SRECs hereunder and under the Note to any unaffiliated third party for financing purposes, provided that no such assignment or delegation shall relieve Lender of its obligations hereunder. Subject to the foregoing, this Agreement shall bind and inure to the benefit only of the Parties and their respective successors and permitted assigns.

16.2 If the Borrower desires to sell or transfer its interest in the Project or Facility to a third party (the "Proposed Transferee"), the Actual Loan Balance shall be paid in full at the closing of such transaction and the Call Option shall survive for the remainder of the Term. Notwithstanding the foregoing, if the Proposed Transferee desires to assume the Loan, Borrower shall so notify Lender in writing at least ninety (90) days prior to such transfer. Lender shall review the creditworthiness of the Proposed Transferee, the status of the Loan, the operating history of the Project and such other factors as Lender may deem reasonable and appropriate in determining whether to consent to the assignment of the Loan. Lender shall thereafter advise the Borrower in writing (i) whether the Loan may be assigned to the Proposed Transferee and (ii) the terms and conditions of the assignment. If Lender does not affirmatively approve the assignment of the Loan to the Proposed Transferee or if the Proposed Transferee fails to satisfy the terms and conditions of any approved assignment by the closing of the transaction between the Borrower and the Proposed Transferee, the Borrower shall pay in full the Actual Loan Balance at such closing, the Call Option shall survive for the remainder of the Term notwithstanding such closing, and the Call Option shall be binding upon the Proposed Transferee. The Lender shall be entitled to recover its reasonable costs and expenses including administration and attorney fees in connection with such assignment.

17. Entire Agreement. This Agreement, together with the schedules and exhibits hereto and the Note and the other documents and instruments referred to herein and/or therein, sets forth the entire agreement and understanding of the Parties in respect of the transactions hereby contemplated, and supersedes all prior agreement, arrangements and understandings relating to the subject matter hereof.

18. No Third Party Beneficiary. Nothing in this Agreement is intended or shall be construed to give any person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein, other than the Parties.

19. Recitals. The clauses above set forth in the Recitals are herein incorporated by reference as though herein set forth at length.

20. Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall be considered to constitute one instrument.

21. Section Headings. All section headings are inserted for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement and have no independent significance.

22. Interpretation. In this Agreement the singular includes the plural and the plural the singular; words importing any gender include the other genders; the words “including”, “includes” and “include” shall be deemed to be followed by the words “without limitation”; references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, without prejudice to any provisions of this Agreement prohibiting such amendments and other modifications; and references to persons include their respective permitted successors and assigns.

23. Severability. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

24. Applicable Law. **THIS AGREEMENT IS GOVERNED EXCLUSIVELY BY AND CONSTRUED IN STRICT ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN THE STATE OF NEW JERSEY WITHOUT REGARD TO NEW JERSEY’S CONFLICT OF LAWS PROVISIONS THAT MAY DEFEAT THE APPLICATION OF NEW JERSEY’S SUBSTANTIVE LAW TO THIS AGREEMENT, THE NOTE AND THE UNDERLYING TRANSACTIONS.**

25. Miscellaneous. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any Person not a party to this Agreement. No undertaking by one Party to the other under any provision of this Agreement shall constitute the dedication of Lender’s system or any portion thereof to Borrower or to the public, nor affect the status of Lender as an independent public utility corporation, or Borrower

as an independent individual or entity. Lender's review or acceptance of the Project and its operation shall not be construed as confirming or endorsing the design or as any warranty of safety, durability, reliability and/or performance, Lender shall not by reason of such review or failure to review be responsible for the strength, safety, details of design, adequacy, capacity, reliability and/or operation of the Project, nor shall Lender's extension of the Loan to Borrower be deemed to be an endorsement of the Project, in whole or in part.

26. Relationship of the Parties. For purposes of this Agreement, Lender and Borrower expressly agree that the relationship of Lender to Borrower is that of a lender only. The intent of this provision is to clarify and stipulate that Lender is not a partner, fiduciary and/or coventurer of Borrower and that Lender's sole interest in the Collateral is for the purpose of security for repayment of the obligations of Borrower to Lender, as Grantor to Secured Party under the Security Agreement.

27. Expiration; Release. This Agreement and the Security Interest shall expire upon Lender's execution and delivery of a written termination and release thereof, at which time Lender shall execute and deliver to Borrower, or to such other person or persons as Borrower shall reasonably designate in writing, all termination statements, as per the Code, and similar documents prepared by Borrower, at Borrower's sole cost and expense, which Borrower shall reasonably request to evidence such termination and release.

28. Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by law, any right it may have to a trial by jury in respect of any litigation or other action directly or indirectly arising out of, under or in connection with this Agreement.

*[Signature Block on Following Page]*

IN WITNESS WHEREOF, each Party has caused its duly authorized representative to execute and deliver this Agreement as of the date first above written.

**Public Service Electric and Gas  
Company**

**[Borrower]**

By: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Subscribed and sworn to before me on this \_\_\_\_  
day of \_\_\_\_\_, 201\_\_.

\_\_\_\_\_  
Notary Public of the State of New Jersey

**EXHIBIT A**

**BORROWER'S PROGRAM APPLICATION**

**[Copy of Borrower's Loan Application to be Attached]**

**EXHIBIT B**

**SCHEDULE OF PERMITTED ENCUMBRANCES**

**CREDIT REQUIREMENTS**

**All applicants are required to submit to and satisfy a formal credit review and provide all necessary documentation for its completion in a timely manner.**

**I. Credit Criteria to be used for Residential Customers in Lending Decision will include, but not necessarily be limited to the following:**

- i) All applicants must submit to a credit check.
- ii) Residential customers who are salaried employees, on a fixed income or have been self employed for more than two years must have an Experian FICO score of at least 680 at the time of application.

Residential customers, who have been self-employed for less than two years at the time of application, must have an Experian FICO score of at least 720 at the time of application. A score below 720 can be reviewed on a case by case basis and other mitigating factors may be considered.

If there is more than one applicant, at least one of the applicants must meet one of the above credit score criteria.

If the Experian credit report does not provide a FICO score, a Tri-merge report from Credco may be used. The Credco report scores will not be used in lieu of the Experian credit scores since they are not on an equivalent scale or meaning. The overall credit picture will be taken into account based on available credit reporting and the loan will be underwritten based upon the overall credit profile of the applicant. In certain cases, a single borrower may be required to add on a co-applicant.

Residential customers must be in good standing with respect to payment of PSE&G energy bills.

PSE&G, at its discretion, may accept the applicant subject to the requirement that the customer and/or host (as applicable) maintain energy payments in good standing for at least 6 months prior to closing.

- iii) A financial review of the customer's debt to income ratio will be conducted along with other financial analysis warranted by customer circumstances.



- iv) PSE&G will maintain a lien on the solar equipment and will obtain a first priority lien position where appropriate. However, PSE&G is not required to obtain a first priority lien.

The customer must disclose the existence of any liens on the solar equipment or the property where the solar equipment will be installed.

PSE&G will conduct a search for liens prior to closing.

- v) No disputes in regards to ownership of the underlying property at the time of ownership. Property title must be free and clear at closing.
- vi) No bankruptcy filing within the last seven years.
- vii) PSE&G will maintain the right, but not the obligation, to enter into forbearance agreements under commercially reasonable terms and conditions with Program Applicants and their tax equity investors.
- viii) At closing all residential customers must submit a signed affidavit stating that there has been no material adverse change in their financial status which could affect their ability to repay the loan.

**II. Credit Criteria to be used for Non-Residential Customers (Commercial & Industrial) in Lending Decision will include, but not necessarily be limited to the following:**

- i) All applicants must submit to a credit check.
- ii) A review of an appropriate credit report (if applicable).
- iii) A review of the debt rating (if applicable).
- iv) Non-Residential customers and/or Host (if applicable) must be in good standing with respect to payment of energy bills.
- v) A review of the most recent three years of financial statements.
- vi) If credit enhancements are determined to be necessary, the applicant will be required to provide one or more of the following:

- a. A Letter of Credit from an Eligible Bank to secure the outstanding loan balance. "Eligible Bank" means a commercial bank or financial institution organized under the laws of the United States or a political subdivision thereof or a U.S. branch of a foreign bank with an office located in New York (provided that such bank is not an affiliate of either Party) with a credit rating of : (i) at least "A" by S&P and "A2" by Moody's if such entity is rated by both S&P and Moody's, or (ii) "A" by S&P or "A2" by Moody's, if such entity is rated by either S&P or Moody's but not both, or (iii) that is otherwise acceptable to Company in its sole discretion.
  - b. A payment guarantee from a third party. The third party guarantor must have a credit profile acceptable to PSE&G.
  - c. Other security which is acceptable to PSE&G, including but not limited to collateral reserves,
  - d. Financial covenants including but not limited to debt service coverage requirements, and other covenants.
- vii) No bankruptcy filing within the last three years.
- viii) PSE&G will maintain a lien on the solar equipment and will obtain a first priority lien position where appropriate. However, PSE&G is not required to obtain a first priority lien.
- At its sole discretion, PSE&G can accept a higher, more secure form of collateral in lieu of a lien on the solar equipment, for example an irrevocable standby letter of credit.
- PSE&G will conduct a search for liens prior to closing.
- ix) No disputes in regards to ownership of the underlying property at the time of ownership. Property title must be free and clear at closing.
- x) PSE&G will maintain the right, but not the obligation, to enter into forbearance agreements under commercially reasonable terms and conditions with Program Applicants and their tax equity investors.
- xi) The customer's financial status will be reviewed prior to closing to confirm that there have been no material adverse changes in their financial condition.

**III. Credit Criteria to be used for Non-Residential Customers (Governmental Entities) in Lending Decision will include, but not necessarily be limited to the following:**

- i) All applicants must submit to a credit check.
- ii) Bond Ratings: Governmental Entities must have a minimum senior unsecured bond rating of BBB- by S&P and Baa3 by Moody's if such entity is rated by both S&P and Moody's or BBB- by S&P or Baa3 by Moody's, if such entity is rated by either S&P or Moody's but not both.

Alternatively, the Governmental Entity's General Obligation Bonds or Revenue Bonds must have a minimum unenhanced rating of (i) BBB+ by S&P and Baa1 by Moody's, if such entity is rated by both S&P and Moody's, or (ii) BBB+ by S&P or Baa1 by Moody's, if such entity is rated by either S&P or Moody's but not both.

- iii) In lieu of a bond rating, the applicant must provide one or more of the following:
  - a. A Letter of Credit from an Eligible Bank to secure the outstanding loan balance. "Eligible Bank" means a commercial bank or financial institution organized under the laws of the United States or a political subdivision thereof or a U.S. branch of a foreign bank with an office located in New York (provided that such bank is not an affiliate of either Party) with a credit rating of : (i) at least "A" by S&P and "A2" by Moody's if such entity is rated by both S&P and Moody's, or (ii) "A" by S&P or "A2" by Moody's, if such entity is rated by either S&P or Moody's but not both, or (iii) that is otherwise acceptable to Company in its sole discretion.
  - b. A payment guarantee from a third party. The third party guarantor must have a credit profile acceptable to PSE&G.
  - c. Other security which is acceptable to PSE&G, including but not limited to collateral reserves,
  - d. Financial covenants including but not limited to debt service coverage requirements, and other covenants.
- iv) Governmental Entities and/or Host (if applicable) must be in good standing with respect to payment of PSE&G energy bills.
- v) No bankruptcy filing within the last three years.

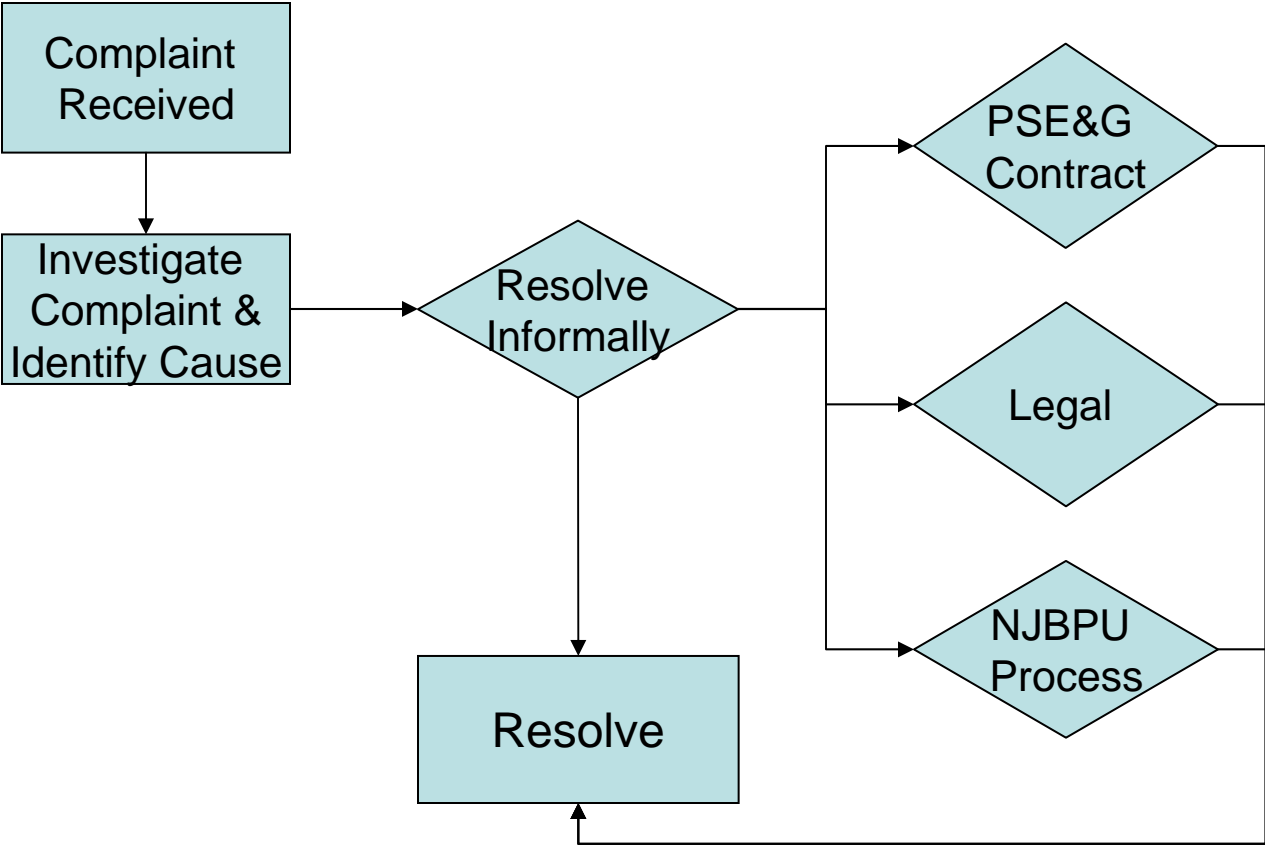
- vi) PSE&G will maintain a lien on the solar equipment and will obtain a first priority lien position where appropriate. However, PSE&G is not required to obtain a first priority lien.

At its sole discretion, PSE&G can accept a higher, more secure form of collateral in lieu of a lien on the solar equipment, for example an irrevocable standby letter of credit or cash.

PSE&G will conduct a search for liens prior to closing.

- vii) No disputes in regards to ownership of the underlying property at the time of ownership. Property title must be free and clear at closing.
- viii) PSE&G will maintain the right, but not the obligation, to enter into forbearance agreements under commercially reasonable terms and conditions with Program Applicants and their tax equity investors.
- ix) The customer's financial status will be reviewed prior to closing to confirm that there have been no material adverse changes in their financial condition.

# COMPLAINT PROCESS FLOW CHART



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**PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
DIRECT TESTIMONY  
OF  
STEPHEN SWETZ  
DIRECTOR – CORPORATE RATES AND REVENUE REQUIREMENTS**

My name is Stephen Swetz and I am the Director – Corporate Rates and Revenue Requirements, PSEG Services Corporation. My qualifications are included as Schedule SS-SLIII-1.

**SCOPE OF TESTIMONY**

The purpose of my testimony is to support Public Service Electric and Gas Company’s (PSE&G, the Company) proposed methodology for recovery of the costs related to PSE&G’s solar loan investment program, called the Solar Loan III Program (“Solar Loan III” or “Program”), including projected rate and bill impacts. My testimony and schedules provide details of the proposed calculations and recovery mechanisms.

**COST RECOVERY MECHANISM**

General

PSE&G is proposing to recover the revenue requirements associated with the direct costs of the Program. Direct costs include all costs related to: loans

1 issued under the Program and operations and maintenance costs, including the  
2 administrative costs of running the Program. These costs would be offset by the net  
3 benefits derived from the net proceeds from the sale of Solar Renewable Energy  
4 Credits (“SRECs”), cash payments in lieu of SRECs, and net proceeds from an SREC  
5 processing fee paid by the participants per SREC generated. PSE&G is proposing  
6 that the Board authorize the recovery of the revenue requirements of the Program in  
7 accordance with N.J.S.A. 48:3-98.1 et seq. The details of the costs proposed to be  
8 recovered, as well as the mechanism for such recovery, are described in the following  
9 sections of this testimony.

10

11 Calculation of the Revenue Requirements of Direct Costs

12 The Program investments are proposed to be treated as separate utility  
13 assets, and depending on the type of investment, either depreciated or amortized as  
14 described in the corresponding section below. The revenue requirements associated  
15 with the direct costs of the Program would be expressed as:

16 
$$\text{Revenue Requirements} = (\text{Cost of Capital} * \text{Net Investment}) - \text{Net Loan}$$
  
17 
$$\text{Accrued Interest} + \text{Amortization and/or Depreciation} + \text{Operation and}$$
  
18 
$$\text{Maintenance Costs} - \text{Net Proceeds from the sale of SRECs} - \text{Cash Payments in}$$
  
19 
$$\text{lieu of SRECs} - \text{Proceeds from the SREC Processing Fee}$$

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

1        Cost of Capital – This is PSE&G’s overall weighted average cost of capital  
2        (WACC). PSE&G shall earn a return on its net investment in the Program based  
3        upon the Company’s gas and/or electric authorized return on equity (ROE) and  
4        capital structure including income tax effects. The overall cost of capital utilized  
5        to set rates for the initial rate period of the Program will be based on the  
6        Company’s most recent base rate case, BPU Docket No. GR09050422, which is  
7        8.21% (11.8520% on a pre-tax basis), based on a return on equity of 10.3% and  
8        current tax rates. Any changes to current tax rates would be reflected in an  
9        adjustment to the Pre-Tax WACC. See Schedule SS-SLIII-2 for the calculation  
10       of the current Pre-Tax WACC. In addition, any change in the WACC authorized  
11       by the Board in a subsequent electric, gas, or combined base rate case will be  
12       reflected in the appropriate corresponding subsequent monthly revenue  
13       requirement calculations. Also, any change in the revenue requirement resulting  
14       from the change in the WACC will not be included in the monthly interest  
15       calculation for over and under recoveries until the date of the next scheduled  
16       annual true-up but in any event, no later than January 1 of the subsequent year.

17  
18       Net Investment – The net investment for the Program would be comprised of  
19       the following:

- 20            • the total loan outstanding balances,



- 1 • PSE&G's SREC inventory

2 The assumptions supporting the Loans and associated amortization schedules  
3 and SREC Inventory related to the Program are found in the electronic  
4 workpaper WP-SS-SLIII-2.xls.

5

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

11

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

14

15 Operations and Maintenance Costs – Operations and Maintenance Costs would  
16 include:

- 17 • PSE&G labor and other related on-going costs required to manage and  
18 administer the Program.
- 19 • Program related information technology expenses.

1 For common costs shared by all three of the solar loan programs, the Company  
2 is proposing that the Solar Loan III allocation be based on its forecasted MW  
3 capacity installed for the upcoming year. Therefore, every December a  
4 forecast will be conducted of the cumulative total capacity installed by the end  
5 of the following year for the Solar Loan III Program. For Solar Loan I and  
6 Solar Loan II, the current methodology of allocating costs based on the total  
7 forecasted capacity installed for the program will be maintained. The ratio of  
8 the forecasted installed capacity for each program to total forecasted installed  
9 capacity for all of the solar loan programs will be applied to all common costs  
10 for the following year starting on January 1. For example, the allocation of  
11 2013 common costs for each solar loan program based on current forecasts  
12 would be:

<b>2013 Proposed Solar Loan Common Cost Allocation</b>				
	Current Capacity (MW)	2013 Forecasted Capacity (MW)	Total Forecasted Capacity (MW)	Common Cost Allocation
SLP I			22.2	<b>26.0%</b>
SLP II			58.8	<b>68.9%</b>
SLP III	0	4.3	4.3	<b>5.1%</b>
Total			85.3	<b>100.0%</b>

13  
14 The assumptions supporting the estimated Operations and Maintenance costs  
15 are described in the Direct Testimony and workpapers of Joseph A. Forline.

16

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

3                    *(SREC Value Credited to Loans + Gain/(Loss) on Sale of SRECs – SREC*  
4                    *Disposition Expenses + SREC Call Option – SREC Floor Price Cost*

5  
6        Cash Payments in lieu of SRECs – This includes when the borrower chooses to  
7        repay the loan with cash and any required true up cash payments.

8  
9        Proceeds from the SREC Processing Fee – Loan participants will pay a fee per  
10        SREC generated as an offset to revenue requirements. The fee will be  
11        deducted from the higher of the floor price or the market price.

12                    For modeling purposes, the loans are dispersed in five discrete tranches:  
13        October 2013, July 2014, July 2015, July 2016 and July 2017. In actuality, the loans  
14        will be dispersed in any month once the Program commences. See electronic  
15        workpaper WP-SS-SLIII-2.xls for the detailed assumptions on the loans for each of  
16        the four segments for each tranche listed above. In addition, an SREC floor price of  
17        \$310 was assumed for all loans in each segment to calculate revenue requirements.  
18        Since the floor price will be determined via the solicitation process as described in  
19        Mr. Forline’s testimony, the revenue requirements will vary. For the purpose of  
20        forecasting revenue requirements, an SREC market price of \$200 was assumed for the

1 life of the Program. As described in the testimony of Mr. Forline, the actual SREC  
2 market price will be determined as the most recent SREC clearing price obtained from  
3 the SREC auction periodically conducted in accordance with the BPU Order dated  
4 November 7, 2008, in Docket Number EO07040278.

5           Loans will be repaid as the higher of the market price or the floor price,  
6 less the SREC Processing Fee. As noted above, all proceeds from the SREC  
7 Processing Fee will be credited against Program revenue requirements. All SRECs  
8 applied as payment to the loan will be transferred to PSE&G at the market price and if  
9 the floor price is higher than the market price, the floor price cost will be calculated as  
10 the solicited floor price less the full market price. The summary monthly calculations  
11 of the revenue requirements through September 2014 and the aggregate summary  
12 annual revenue requirements through the year 2027 are shown in Schedule SS–SLIII–  
13 3. The detailed monthly calculations of the revenue requirements through September  
14 2014 and the aggregate detail annual revenue requirements through the year 2027 are  
15 shown in Schedule SS–SLIII–3a. The expected revenue requirement for the Program  
16 is \$1,752,919 for the initial period,<sup>1</sup> as shown in Schedule SS–SLIII–4. The peak  
17 revenue requirement in the subsequent annual periods is \$12,833,367 and occurs  
18 between the period of October 1, 2018 through September 30, 2019 based upon  
19 Program assumptions.

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<sup>1</sup> See the following section “Method for Recovery of Direct Costs” for description of “initial period”.

1           As set forth in Attachment G to the Petition, PSE&G’s class average  
2 residential customer using 780 kWh in each summer month and 7,360 kWh annually  
3 would experience an increase in their annual bill from \$1,336.60 to \$1,336.76 (an  
4 increase of \$0.16), or approximately 0.01% based on Delivery Rates and Basic  
5 Generation Service Fixed Pricing (“BGS-FP”) charges in effect July 1, 2012 and  
6 assuming that the customer receives BGS-FP service from PSE&G.

7

8 Method for Recovery of Direct Cost

9           PSE&G will recover the net revenue requirements associated with this  
10 Program through a separate component of the electric RGGI Recovery Charge (RRC).  
11 The Solar Loan III component (“SLIIIc”) will be added to the electric RRC in the  
12 Company’s electric tariff and be applicable to all electric rate schedules on an equal  
13 cents per kilowatt-hour. PSE&G is proposing to implement the SLIIIc of the electric  
14 RRC simultaneously with Board approval of this Program based upon forecasted  
15 expenditures and usage. Since Board approval is anticipated by the end of 2012, and  
16 to sync future cost recovery filings with the other electric RRC subcomponents, the  
17 initial period for determining rates will be from January 1, 2013 through September  
18 30, 2014. If Board approval is received prior to January 1, 2013, rates will still go  
19 into effect January 1, 2013 as filed for the initial rate period. All Program costs  
20 incurred prior to January 1, 2013 will be deferred. If Board approval is received after

1 January 1, 2013 but prior to September 30, 2014, the proposed initial rate period  
2 charge will still be implemented for the remaining months of the initial rate period. In  
3 that instance, all Program costs incurred prior to the rate-effective date will be  
4 deferred until rates go into effect.

5 For all subsequent rate periods, this component will be included in  
6 PSE&G's annual RRC Recovery filing that will be made no later than July 1<sup>st</sup> of each  
7 year for the period of October 1<sup>st</sup> of the year through September 30<sup>th</sup> of the subsequent  
8 year, plus the projected over/under deferred balance as of September 30<sup>th</sup> for the  
9 current year. The over/under deferred balance will include actual revenue  
10 requirements through March of the current year. The charges proposed in the annual  
11 filings made by July 1<sup>st</sup> of each year will go into effect provisionally or as final rates,  
12 on October 1<sup>st</sup> of the current year, upon issuance of a Board Order authorizing those  
13 provisional or final rates.

14 The calculation of the proposed SLIIIc of the electric RRC is shown in  
15 Schedule SS-SLIII-5. The revenue requirements, for the initial and all subsequent  
16 rate periods, are divided by the current forecasted kilowatt-hours sales to determine  
17 the SLIIIc of the electric RRC without the New Jersey Sales and Use Tax ("SUT")  
18 applied. To be consistent with the cost recovery filings of the other electric RRC  
19 subcomponents, all rate periods after the initial period are set for the annual period of  
20 October of the current year through September of the subsequent year. The forecasted

1 kilowatt-hours sales used for this analysis are consistent with those filed in the  
2 Company's 2012 SBC/NGC filing. This level of sales is held constant for all  
3 subsequent annual periods for illustrative purposes only. See Schedule SS-SLIII-5.  
4 The proposed SLIIIc of the electric RRC for each period is then applied to all the  
5 existing class average rates and the percentage change is calculated. In addition, the  
6 annual bill impacts for the typical RS customer are calculated for each period through  
7 2027. The first full year's change to the RS typical annual bill is \$0.16 or 0.012%.  
8 The maximum impact to the RS typical annual bill from the Program occurs in the  
9 rate period of October 1, 2018 through September 30, 2019 and is \$2.36 or 0.177%.  
10 The cumulative rate impacts of this Program along with the Company's Solar Loan I  
11 Program and all other electric RRC subcomponents through September 2017 can be  
12 found on Schedule SS-SLIII-6.

13           The electronic version of this filing containing the supporting detailed  
14 assumptions and calculations for Schedules SS-SLIII-2 through SS-SLIII-8 are in  
15 electronic work papers labeled WP-SS-SLIII-1.xls and WP-SS-SLIII-2.xls.

16           Under the Company's proposal, any over/under recovery of the actual  
17 revenue requirements compared to revenues would be deferred. In calculating the  
18 monthly interest on net over and under recoveries, the interest rate shall be based  
19 upon the Company's interest rate on its commercial paper and/or bank credit lines  
20 utilized in the preceding month. If both commercial paper and bank credit lines have

1 been utilized, the weighted average of those sources of capital will be used. In the  
2 event that neither commercial paper nor bank credit lines were utilized in the  
3 preceding month, the last calculated rate will be used. The interest rate shall not  
4 exceed PSE&G's overall rate of return as authorized by the Board as utilized in  
5 calculating revenue requirements for the corresponding period. The interest amount  
6 charged to the SLIIIc deferred balance will be computed using the methodology set  
7 forth in Schedule SS-SLIII-7. The calculation of monthly interest shall be based on  
8 the net of tax average monthly balance, consistent with the methodology set forth in  
9 Schedules SS-SLIII-7. Simple interest shall accrue on any under and over recovered  
10 balances, and shall be included in the deferred balances at the end of each  
11 reconciliation period. Near the end of the initial and each subsequent recovery period,  
12 the corresponding deferred balances would be included with forecasted revenue  
13 requirements for the succeeding period for purpose of setting the revised SLIIIc.

14           The Board's Order pursuant to N.J.S.A. 48:3-98.1, Appendix A, section  
15 I(a), BPU Docket No. EO08030164, requires three years of a pro-forma Income  
16 Statement and Balance Sheet showing the incremental impacts from the Program.  
17 The projected Income Statement and Balance Sheet for the Solar Loan III Program  
18 from 2013 to 2027 is provided as Schedule SS-SLIII-8. The supporting detailed  
19 calculations can be found in the electronic work papers WP-SS-SLIII-1.xls

20           This concludes my testimony at this time.



**Schedule Index**

- Schedule SS–SLIII-1.... Qualifications of Stephen Swetz
- Schedule SS–SLIII-2.... Weighted Average Cost of Capital
- Schedule SS–SLIII-3.... Revenue Requirements Calculation - Summary
- Schedule SS–SLIII-3a.. Revenue Requirements Calculation – Detail
- Schedule SS–SLIII-4.... Proposed Initial Rate Calculation
- Schedule SS–SLIII-5.... Solar Loan III Program - Rate Impact Analysis
- Schedule SS–SLIII-6.... Cumulative Rate Impact Analysis - Solar Program Recovery Charge (SPRC) & Electric RGGI Recovery Charge (RRC)
- Schedule SS–SLIII-7.... Over / Under Balance Calculation
- Schedule SS–SLIII-8.... Solar Loan III Program Income Statement and Balance Sheet

**Electronic Work Paper Index**

- WP-SS-SLIII-1.xls..... Revenue Requirements Summary and Rate Analysis Calculations
- WP-SS-SLIII-2.xls..... Aggregate Loan Amortization Schedules

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**QUALIFICATIONS  
OF  
STEPHEN SWETZ  
DIRECTOR-CORPORATE RATES AND REVENUE REQUIREMENTS**

My name is Stephen Swetz and I am employed by PSEG Services Corporation. I am the Director- Corporate Rates and Revenues Requirements where my main responsibility is to contribute to the development and implementation of electric and gas rates for Public Service Electric and Gas Company (PSE&G, the Company).

**EDUCATIONAL BACKGROUND**

I graduated from Worcester Polytechnic Institute with a Bachelor of Science degree in Mechanical Engineering. I also earned the degree of Master of Business Administration from Fairleigh Dickinson University.

**WORK EXPERIENCE**

I have over 20 years experience in Rates, Analysis, and Operations for three Fortune 500 companies. Since 1991, I have worked in various positions within PSEG. I have held positions in Rates & Regulation, Pricing, Corporate Planning & Finance with over thirteen years of direct experience in Northeastern retail and wholesale electric and gas markets. I am presently the Director - Corporate Rates and

1 Revenues Requirements and contribute to the development and implementation of  
2 PSE&G electric and gas rates. I have submitted pre-filed direct cost recovery  
3 testimony in the latest electric and gas base rate case processed by the New Jersey  
4 Board of Public Utilities as well as oral testimony to the New Jersey Office of  
5 Administrative Law. In addition, I have submitted pre-filed direct cost recovery  
6 testimony on behalf of the Company for the Carbon Abatement, Demand Response,  
7 Solar 4 All and Solar Loan I and II Programs, as well as the Margin Adjustment  
8 Charge (MAC), the electric and gas Societal Benefits Charge (SBC) and Non-utility  
9 Generation Charge (NGC) rate to the New Jersey Board of Public Utilities. I have  
10 also contributed to other filings that the Company has made to the New Jersey Board  
11 of Public Utilities; including the Capital Economic Stimulus Infrastructure Investment  
12 Program and the Economic Energy Efficiency Stimulus Program, as well as  
13 unbundling electric rates and Off-Tariff Rate Agreements. I have had a leadership  
14 role in various economic analyses, asset valuations, rate design and pricing efforts and  
15 participated in electric and gas marginal cost studies

16 I am an active member of the American Gas Association's Rate and  
17 Strategic Issues Committee and the Edison Electric Institute's Rates and Regulatory  
18 Affairs Committee. I am also a member of the New Jersey Utility Association  
19 (NJUA) Finance and Regulatory Committee.

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

**WACC rate starting July 2010.**

	<u>Percent</u>	<u>Cost</u>	<u>Weighted Cost</u>	<u>Revenue Conversion Factor</u>	<u>Pre-Tax Weighted Cost</u>	<u>Discount Rate</u>
Other Capital	48.8000%	6.0172%	2.9364%	1.0000	2.9364%	
Customer Deposits	0.0000%	0.0000%	0.0000%	1.0000	0.0000%	
Sub-total	48.8000%		2.9364%		2.9364%	1.7369%
Preferred Stock	0.0000%	0.0000%	0.0000%	1.6906	0.0000%	0.0000%
Common Equity	51.2000%	10.3000%	5.2736%	1.6906	8.9156%	5.2736%
Total	100.0000%		8.2100%		11.8520000%	7.0105%
Monthly WACC			0.68417%		0.98767000%	

Reflects a tax rate of 40.850%

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

Schedule SS-SLIII-3

Page 1 of 2

Annual Pre-Tax WACC 11.8520%  
 Monthly Pre-Tax WACC 0.98767%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	<u>Total Loan Outstanding Balance</u>	<u>SREC Inventory</u>	<u>Total Net Loan Investment</u>	<u>Return Requirement On Net Loan Investments</u>	<u>Incremental Return Requirement On Net Loan Investments</u>	<u>Net Plant Investment</u>	<u>Return Requirement on Plant Investment</u>	<u>Incremental Return Requirement on Plant Investment</u>	<u>Loan Accrued Interest</u>	<u>Loan Interest Paid</u>	<u>Net Loan Accrued Interest</u>	<u>Loan Principal Paid / Amortized</u>
<b>Monthly Calculations</b>												
Jan-13	-	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-	-
Jun-13	-	-	-	-	-	-	-	-	-	-	-	-
Jul-13	-	-	-	-	-	-	-	-	-	-	-	-
Aug-13	-	-	-	-	-	-	-	-	-	-	-	-
Sep-13	-	-	-	-	-	-	-	-	-	-	-	-
Oct-13	8,672,421	-	8,672,421	83,666	-	-	-	-	83,666	-	83,666	-
Nov-13	8,758,076	-	8,758,076	85,655	-	-	-	-	85,655	-	85,655	-
Dec-13	8,724,577	80,000	8,804,577	86,527	-	-	-	-	86,501	120,000	(33,499)	-
Jan-14	8,724,646	137,400	8,862,046	86,994	-	-	-	-	86,170	86,100	70	-
Feb-14	8,728,617	192,200	8,920,817	87,437	-	-	-	-	86,170	82,200	3,970	-
Mar-14	8,717,326	257,200	8,974,526	88,165	-	-	-	-	86,210	97,500	(11,290)	-
Apr-14	8,694,224	330,000	9,024,224	88,627	-	-	-	-	86,098	109,200	(23,102)	-
May-14	8,641,194	422,600	9,063,794	89,222	-	-	-	-	85,870	138,900	(53,030)	-
Jun-14	8,584,641	517,200	9,101,841	89,493	-	-	-	-	85,346	137,710	(52,363)	4,190
Jul-14	41,898,099	624,600	42,522,699	412,153	-	-	-	-	406,912	84,864	322,048	76,237
Aug-14	42,157,113	727,800	42,884,913	420,134	-	-	-	-	413,814	84,034	329,780	70,766
Sep-14	41,842,685	1,215,000	43,057,685	423,619	-	-	-	-	416,372	659,335	(242,963)	71,465
	From Sched SS-SLIII-3a Col 11	From Sched SS-SLIII-3a Col 15	Col 1 + Col 2	From Sched SS-SLIII-3a Col 3 + Col 16	N/A	From Sched SS-SLIII-3a Col 27	(Prior Col 6 + Col 6) / 2 * [Monthly Pre Tax WACC]	N/A	From Sched SS-SLIII-3a Col 4	From Sched SS-SLIII-3a Col 7	Col 9 - Col 10	From Sched SS-SLIII-3a Col 8
<b>Annual Summary</b>												
2012	-	-	-	-	-	-	-	-	-	-	-	-
2013	8,724,577	80,000	8,804,577	255,847	-	-	-	-	255,821	120,000	135,821	-
2014	41,073,658	2,548,400	43,622,058	3,067,716	-	-	-	-	2,984,035	3,119,856	(135,821)	582,744
2015	89,719,553	9,765,600	99,485,153	8,424,873	-	-	-	-	7,839,353	7,839,353	-	2,986,447
2016	135,924,813	4,653,200	140,578,013	13,838,882	-	-	-	-	13,528,299	13,528,299	0	6,573,501
2017	172,412,117	6,137,200	178,549,317	18,863,803	-	-	-	-	18,498,676	18,498,676	0	10,589,324
2018	157,953,176	6,106,000	164,059,176	20,293,040	-	-	-	-	19,840,359	19,840,359	(0)	14,458,941
2019	141,863,355	6,075,200	147,938,555	18,489,519	-	-	-	-	18,039,080	18,039,080	-	16,089,820
2020	123,938,884	6,045,000	129,983,884	16,482,324	-	-	-	-	16,033,728	16,033,728	-	17,924,472
2021	103,949,158	6,014,600	109,963,758	14,244,602	-	-	-	-	13,798,674	13,798,674	-	19,989,726
2022	81,635,004	5,984,800	87,619,804	11,748,742	-	-	-	-	11,305,046	11,305,046	-	22,314,154
2023	56,910,626	5,878,960	62,789,586	8,962,343	-	-	-	-	8,521,213	8,521,213	-	24,724,378
2024	33,578,867	4,657,600	38,236,467	5,979,313	-	-	-	-	5,577,234	5,577,234	-	23,331,760
2025	15,082,005	3,062,000	18,144,005	3,301,568	-	-	-	-	2,989,261	2,989,261	-	18,496,862
2026	3,746,523	1,440,200	5,186,723	1,323,054	-	-	-	-	1,129,171	1,129,171	-	11,335,481
2027	-	-	-	236,128	-	-	-	-	158,443	158,443	-	3,746,523
<b>Total</b>				145,511,754					140,498,395	140,498,395	0	193,144,132

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

Annual Pre-Tax WACC 11.8520%  
 Monthly Pre-Tax WACC 0.98767%

	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(19a)	(20)	(21)	(22)	(23)
	<u>Plant Depreciation</u>	<u>Depreciation / Amortization</u>	<u>O&amp;M Expenses</u>	<u>SREC Value Credited to Loans</u>	<u>Gain / (Loss) on SREC Sales</u>	<u>SREC Disposition Expenses</u>	<u>SREC Call Option Net Benefit</u>	<u>SREC Floor Price Cost</u>	<u>Net Proceeds from the Sale of SRECs</u>	<u>Cash Payments to Loans</u>	<u>SREC Processing Fee</u>	<u>Revenue Requirements</u>
<b>Monthly Calculations</b>												
Jan-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
Feb-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
Mar-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
Apr-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
May-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
Jun-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
Jul-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
Aug-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
Sep-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
Oct-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
Nov-13	-	-	58,738	-	-	-	-	-	-	-	-	58,738
Dec-13	-	-	58,738	120,000	-	-	-	44,000	76,000	-	(4,000)	98,764
Jan-14	-	-	45,295	86,100	-	-	-	31,570	54,530	-	(2,870)	74,819
Feb-14	-	-	45,295	82,200	-	-	-	30,140	52,060	-	(2,740)	73,962
Mar-14	-	-	45,295	97,500	-	-	-	35,750	61,750	-	(3,250)	79,751
Apr-14	-	-	45,295	109,200	-	-	-	40,040	69,160	-	(3,640)	84,224
May-14	-	-	45,295	138,900	-	-	-	50,930	87,970	-	(4,630)	94,947
Jun-14	-	4,190	45,295	141,900	-	-	-	52,030	89,870	-	(4,730)	96,742
Jul-14	-	76,237	45,295	161,100	-	-	-	59,070	102,030	-	(5,370)	104,236
Aug-14	-	70,766	45,295	154,800	-	-	-	56,760	98,040	-	(5,160)	103,215
Sep-14	-	71,465	45,295	730,800	-	-	-	267,960	462,840	-	(24,360)	296,143
	From Sched SS-SLIII-3a Col 21	Col 12 + Col 13	From Sched SS-SLIII-3a Col 29	From Sched SS-SLIII-3a Col 5	From Sched SS-SLIII-3a Col 14	From Sched SS-SLIII-3a Col 17	From Sched SS-SLIII-3a Col 18	From Sched SS-SLIII-3a Col 19	Col 16 + Col 17 - Col 18 + Col 19 - Col 19a	From Sched SS-SLIII-3a Col 6	From Sched SS-SLIII-3a Col 30	Col 4 + Col 7 - Col 11 + Col 14 + Col 15 - Col 20 - Col 21 + Col 22
<b>Annual Summary</b>												
2012	-	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	704,854	120,000	-	-	-	44,000	76,000	-	-	744,880
2014	-	582,744	543,539	3,702,600	-	-	-	1,357,620	2,344,980	-	-	1,861,421
2015	-	2,986,447	180,198	10,825,800	-	-	-	3,969,460	6,856,340	-	-	4,374,317
2016	-	6,573,501	445,011	20,101,800	-	88,951	-	7,370,660	12,642,189	-	-	7,545,145
2017	-	10,589,324	752,838	29,088,000	-	78,704	-	10,665,600	18,343,696	-	-	10,892,669
2018	-	14,458,941	881,106	34,299,300	-	89,618	-	12,576,410	21,633,272	-	-	12,856,505
2019	-	16,089,820	907,539	34,128,900	-	89,614	-	12,513,930	21,525,356	-	-	12,823,893
2020	-	17,924,472	934,765	33,958,200	-	89,675	-	12,451,340	21,417,185	-	-	12,792,435
2021	-	19,989,726	962,808	33,788,400	-	89,919	-	12,389,080	21,309,401	-	-	12,761,455
2022	-	22,314,154	991,692	33,619,200	-	90,357	-	12,327,040	21,201,803	-	-	12,732,146
2023	-	24,724,378	1,021,443	33,245,590	-	90,822	-	12,197,644	20,957,125	-	-	12,642,852
2024	-	23,331,760	1,052,087	28,908,994	(0)	88,932	480,118	10,653,956	18,646,225	-	-	10,753,301
2025	-	18,496,862	1,083,649	21,486,123	-	78,737	659,317	7,956,172	14,110,531	-	-	8,055,344
2026	-	11,335,481	1,116,159	12,464,653	0	60,967	675,170	4,650,393	8,428,463	-	-	4,930,742
2027	-	3,746,523	-	3,904,967	(0)	34,656	598,604	1,505,456	2,963,459	-	-	889,027
<b>Total</b>	-	193,144,132	11,577,689	333,642,527	(0)	970,951	2,413,209	122,628,760	212,456,024	-	-	126,656,133

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

Annual Pre-Tax WACC 11.8520%  
Monthly Pre-Tax WACC 0.98767%

	(1)	(2)	(3)	(3a)	(3b)	(4)	4a	4b	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Loan Amount Issued	Capitalized Plant	Return On Total Outstanding Loan Balance	Loan Interest Rate to WACC Differential - Commercial	Loan Interest Rate to WACC Differential - Residential	Loan Accrued Interest - Commercial	Loan Accrued Interest - Residential	SREC Value Credited to Loans	Cash Payments to Loans	Loan Interest Paid	Loan Principal Paid / Amortized	Loan Accrued Interest Balance	Loan Principal Balance	Total Loan Outstanding Balance	Value of SREC Transferred to PSE&G	SREC Auction Sales	Gain / (Loss) on SREC Sales	
<b>Monthly Calculations</b>																		
Jan-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jun-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jul-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aug-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sep-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oct-13	8,588,755	-	83,666	-	-	83,666	81,902	1,764	-	-	-	83,666	8,588,755	8,672,421	-	-	-	-
Nov-13	-	-	85,655	-	-	85,655	83,849	1,806	-	-	-	169,321	8,588,755	8,758,076	-	-	-	-
Dec-13	-	-	86,501	-	-	86,501	84,677	1,824	120,000	-	120,000	135,821	8,588,755	8,724,577	80,000	-	-	-
Jan-14	-	-	86,170	-	-	86,170	84,352	1,818	86,100	-	86,100	135,891	8,588,755	8,724,646	57,400	-	-	-
Feb-14	-	-	86,170	-	-	86,170	84,352	1,818	82,200	-	82,200	139,862	8,588,755	8,728,617	54,800	-	-	-
Mar-14	-	-	86,210	-	-	86,210	84,391	1,818	97,500	-	97,500	128,571	8,588,755	8,717,326	65,000	-	-	-
Apr-14	-	-	86,098	-	-	86,098	84,283	1,815	109,200	-	109,200	105,469	8,588,755	8,694,224	72,800	-	-	-
May-14	-	-	85,870	-	-	85,870	84,057	1,813	138,900	-	138,900	52,439	8,588,755	8,641,194	92,600	-	-	-
Jun-14	-	-	85,346	-	-	85,346	83,545	1,801	141,900	-	137,710	4,190	8,584,565	8,584,641	94,600	-	-	-
Jul-14	33,067,647	-	406,912	-	-	406,912	398,332	8,580	161,100	-	84,864	76,237	322,124	41,575,975	41,898,099	107,400	-	-
Aug-14	-	-	413,814	-	-	413,814	405,087	8,726	154,800	-	84,034	70,766	651,904	41,505,209	42,157,113	103,200	-	-
Sep-14	-	-	416,372	-	-	416,372	407,592	8,780	730,800	-	659,335	71,465	408,941	41,433,744	41,842,685	487,200	-	-
	Program Assumption	Program Assumption	Col 3a + Col 3b + Col 4	WP-SS-SLIII-2.xls 'LoansC' wksht Col 32	WP-SS-SLIII-2.xls 'LoansR' wksht Col 32	WP-SS-SLIII-2.xls 'Loans' wksht Col 11	WP-SS-SLIII-2.xls 'LoansC' wksht Col 11	WP-SS-SLIII-2.xls 'LoansR' wksht Col 11	WP-SS-SLIII-2.xls 'Loans' wksht Col 13	WP-SS-SLIII-2.xls 'Loans' wksht Col 14	WP-SS-SLIII-2.xls 'Loans' wksht Col 16	WP-SS-SLIII-2.xls 'Loans' wksht Col 17	WP-SS-SLIII-2.xls 'Loans' wksht Col 18	WP-SS-SLIII-2.xls 'Loans' wksht Col 19	Col 9 + Col 10	WP-SS-SLIII-2.xls 'SREC Inv.' wksht Col 23	WP-SS-SLIII-2.xls 'SREC Inv.' wksht Col 25	WP-SS-SLIII-2.xls 'SREC Inv.' wksht Col 26
<b>Annual Summary</b>																		
2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2013	8,588,755	-	255,821	-	-	255,821	-	120,000	-	120,000	-	135,821	8,588,755	8,724,577	80,000	-	-	-
2014	33,067,647	-	2,984,035	-	-	2,984,035	-	3,702,600	-	3,119,856	582,744	-	41,073,658	41,073,658	2,468,400	-	-	-
2015	51,632,341	-	7,839,353	-	-	7,839,353	-	10,825,800	-	7,839,353	2,986,447	-	89,719,553	89,719,553	7,217,200	-	-	-
2016	52,778,761	-	13,528,299	-	-	13,528,299	-	20,101,800	-	13,528,299	6,573,501	-	135,924,813	135,924,813	13,401,200	18,513,600	-	-
2017	47,076,628	-	18,498,676	-	-	18,498,676	-	29,088,000	-	18,498,676	10,589,324	-	172,412,117	172,412,117	19,392,000	17,908,000	-	-
2018	-	-	19,840,359	-	-	19,840,359	-	34,299,300	-	19,840,359	14,458,941	-	157,953,176	157,953,176	22,866,200	22,897,400	-	-
2019	-	-	18,039,080	-	-	18,039,080	-	34,128,900	-	18,039,080	16,089,820	-	141,863,355	141,863,355	22,752,600	22,783,400	-	-
2020	-	-	16,033,728	-	-	16,033,728	-	33,958,200	-	16,033,728	17,924,472	-	123,938,884	123,938,884	22,638,800	22,669,000	-	-
2021	-	-	13,798,674	-	-	13,798,674	-	33,798,400	-	13,798,674	19,989,726	-	103,949,158	103,949,158	22,525,600	22,556,000	-	-
2022	-	-	11,305,046	-	-	11,305,046	-	33,619,200	-	11,305,046	22,314,154	-	81,635,004	81,635,004	22,412,800	22,442,600	-	-
2023	-	-	8,521,213	-	-	8,521,213	-	33,245,590	-	8,521,213	24,724,378	-	56,910,626	56,910,626	22,163,727	22,331,200	-	-
2024	-	-	5,577,234	-	-	5,577,234	-	28,908,994	-	5,577,234	23,331,760	-	33,578,867	33,578,867	19,272,663	20,432,390	-	(0)
2025	-	-	2,989,261	-	-	2,989,261	-	21,486,123	-	2,989,261	18,496,862	-	15,082,005	15,082,005	14,324,082	15,919,682	-	-
2026	-	-	1,129,171	-	-	1,129,171	-	12,464,653	-	1,129,171	11,335,481	-	3,746,523	3,746,523	8,309,769	9,931,569	-	-
2027	-	-	158,443	-	-	158,443	-	3,904,967	-	158,443	3,746,523	-	-	-	2,603,311	4,043,511	-	-
<b>Total</b>	<b>193,144,132</b>	<b>-</b>	<b>140,498,395</b>	<b>-</b>	<b>-</b>	<b>140,498,395</b>	<b>-</b>	<b>-</b>	<b>333,642,527</b>	<b>-</b>	<b>140,498,395</b>	<b>193,144,132</b>	<b>135,821</b>	<b>222,428,351</b>	<b>222,428,351</b>	<b>(0)</b>	<b>-</b>	<b>-</b>

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

Annual Pre-Tax WACC 11.8520%  
 Monthly Pre-Tax WACC 0.98767%

	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
	<u>SREC Inventory</u>	<u>Return on SREC Inventory</u>	<u>SREC Disposition Expenses</u>	<u>SREC Call Option Net Benefit</u>	<u>SREC Floor Price Cost</u>	<u>Gross Plant</u>	<u>Plant Depreciation</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>	<u>Tax Depreciation</u>	<u>Deferred Income Tax</u>	<u>Accumulated Deferred Income Tax</u>	<u>Net Plant Investment</u>	<u>Return Requirement on Plant Investment</u>	<u>O&amp;M Expenses</u>	<u>SREC Processing Fee</u>	<u>Revenue Requirements</u>	<u>Alternative Revenue Requirements Calculation</u>
<b>Monthly Calculations</b>																		
Jan-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
Feb-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
Mar-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
Apr-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
May-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
Jun-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
Jul-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
Aug-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
Sep-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
Oct-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
Nov-13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58,738	-	58,738	58,738
Dec-13	80,000	26	-	-	44,000	-	-	-	-	-	-	-	-	-	58,738	(4,000)	98,764	98,764
Jan-14	137,400	824	-	-	31,570	-	-	-	-	-	-	-	-	-	45,295	(2,870)	74,819	74,819
Feb-14	192,200	1,287	-	-	30,140	-	-	-	-	-	-	-	-	-	45,295	(2,740)	73,962	73,962
Mar-14	257,200	1,956	-	-	35,750	-	-	-	-	-	-	-	-	-	45,295	(3,250)	79,751	79,751
Apr-14	330,000	2,529	-	-	40,040	-	-	-	-	-	-	-	-	-	45,295	(3,640)	84,224	84,224
May-14	422,600	3,352	-	-	50,930	-	-	-	-	-	-	-	-	-	45,295	(4,630)	94,947	94,947
Jun-14	517,200	4,147	-	-	52,030	-	-	-	-	-	-	-	-	-	45,295	(4,730)	96,742	96,742
Jul-14	624,600	5,241	-	-	59,070	-	-	-	-	-	-	-	-	-	45,295	(5,370)	104,236	104,236
Aug-14	727,800	6,321	-	-	56,760	-	-	-	-	-	-	-	-	-	45,295	(5,160)	103,215	103,215
Sep-14	1,215,000	7,248	-	-	267,960	-	-	-	-	-	-	-	-	-	45,295	(24,360)	296,143	296,143
	Prior Col 15 + Col 12 - Col 13 - Col 14	WP-SS-SLIII-2.xls 'SREC Inv.' wksht Col 28	WP-SS-SLIII-2.xls 'SREC Inv.' wksht Col 29	Included in Col 14	WP-SS-SLIII-2.xls 'Loans' wksht Col 36	Prior Month Col 19 + Col 2	1/120 of Each Prior 120 Months of Col 2 (10 year amortization)	Prior Col 21 + Col 20	Col 19 - Col 21	See WP-SS-SLIII-1.xls 'AmortE' wksht	(Col 23 - Col 20) * Income Tax Rate	Prior Col 25 + Col 24	Col 22 - Col 25	(Prior Col 26 + Col 26) / 2 * Monthly Pre Tax WACC	Program Assumption		Col 3 - Col 4 - Col 5 - Col 6 + Col 7 + Col 8 - Col 14 + Col 16 + Col 17 - Col 18 + Col 19 + Col 21 + Col 28 + Col 29 + 30	3a + 3b - 14 + 16 + 17 - 18 + 19 + 21 + 28 + 29 + 30
<b>Annual Summary</b>																		
2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2013	80,000	26	-	-	44,000	-	-	-	-	-	-	-	-	-	704,854	(4,000)	744,880	744,880
2014	2,548,400	83,681	-	-	1,357,620	-	-	-	-	-	-	-	-	-	543,539	(123,420)	1,861,421	1,861,421
2015	9,765,600	585,519	-	-	3,969,460	-	-	-	-	-	-	-	-	-	180,198	(360,860)	4,374,317	4,374,317
2016	4,653,200	310,583	88,951	-	7,370,660	-	-	-	-	-	-	-	-	-	445,011	(670,060)	7,545,145	7,545,145
2017	6,137,200	365,127	78,704	-	10,665,600	-	-	-	-	-	-	-	-	-	752,838	(969,600)	10,892,669	10,892,669
2018	6,106,000	452,681	89,618	-	12,576,410	-	-	-	-	-	-	-	-	-	881,106	(1,143,310)	12,856,505	12,856,505
2019	6,075,200	450,440	89,614	-	12,513,930	-	-	-	-	-	-	-	-	-	907,539	(1,137,630)	12,823,893	12,823,893
2020	6,045,000	448,595	89,675	-	12,451,340	-	-	-	-	-	-	-	-	-	934,765	(1,131,940)	12,792,435	12,792,435
2021	6,014,600	445,928	89,919	-	12,389,080	-	-	-	-	-	-	-	-	-	962,808	(1,126,280)	12,761,455	12,761,455
2022	5,984,800	443,696	90,357	-	12,327,040	-	-	-	-	-	-	-	-	-	991,692	(1,120,640)	12,732,146	12,732,146
2023	5,878,960	441,130	90,822	-	12,197,644	-	-	-	-	-	-	-	-	-	1,021,443	(1,108,186)	12,642,852	12,642,852
2024	4,657,600	402,079	88,932	480,118	10,653,956	-	-	-	-	-	-	-	-	-	1,052,087	(963,633)	10,753,301	10,753,301
2025	3,062,000	312,307	78,737	-	7,956,172	-	-	-	-	-	-	-	-	-	1,083,649	(716,204)	8,055,344	8,055,344
2026	1,440,200	193,883	60,967	675,170	4,650,393	-	-	-	-	-	-	-	-	-	1,116,159	(415,488)	4,930,742	4,930,742
2027	-	77,684	34,656	598,604	1,505,456	-	-	-	-	-	-	-	-	-	-	(130,166)	889,027	889,027
<b>Total</b>		5,013,359	970,951	2,413,209	122,628,760	-	-	-	-	-	-	-	-	-	11,577,689	(11,121,418)	126,656,133	126,656,133



# PSE&G Solar Loan III Program Proposed Rate Calculations

Schedule SS-SLIII-4

(\$'s Unless Specified)

SUT Rate 7%

<u>Line</u>	<u>Date(s)</u>		<u>Electric</u>	<u>Source/Description</u>
1	Jan-13 to Sep-14	Revenue Requirements	1,752,919	SS-SLIII-3, Col 23
2	Jan-13 to Sep-14	Forecasted kWh (000)	76,517,123	SS-SLIII-7, Row 9
3		Proposed Rate w/o SUT (\$/kWh)	0.000023	(Line 1 / (Line 2*1,000)) [Rnd 6]
4		Proposed Rate w/ SUT (\$/kWh)	0.000025	(Line 3 * (1 + SUT Rate)) [Rnd 6]
5		Existing Rate w/o SUT (\$/kWh)	0.000000	
6		Difference in Proposed and Existing Rate	0.000023	(Line 3 - Line 5)
7		Resultant SLIII Revenue Increase	1,759,894	(Line 2 * Line 6 * 1,000)

# PSE&G Solar Loan III Program

## Solar Loan III - Rate Impact Analysis

Schedule SS-SLIII-5

7% SUT Rate  
 43,004,050 kWh Sales (000) - Annual (Oct/Sep)  
 76,517,123 kWh Sales (000) - Jan 13/Sep 14

7,360 Avg RS kWh / yr.  
 780 Avg RS kWh / Summer Month  
 530 Avg RS kWh / Winter Month

0.001283 Current electric RRC (\$/kWh)

(1)	(2)	(3)	(4)-(10) Class Average Rate w/SUT - \$/kWh <sup>1</sup>							(11)-(13) Typical RS RRC (\$)			(14) Change in RS Typical Annual Bill (\$'s)	(15) RS Typical Annual Bill (\$'s)	(16) % Change in RS Typical Annual Bill	
			RS	RHS	RLM	GLP	LPL-S	LPL-P	HTS-S	Summer Monthly Bill	Winter Monthly Bill	Annual Bill				
<b>Current</b>			0.181603	0.154694	0.172640	0.173779	0.146638	0.119022	0.110218	1.00	0.68	9.44		1,336.60		
2013	744,880	0.000023	0.000025	0.181628	0.154719	0.172665	0.173804	0.146663	0.119047	0.110243	1.02	0.69	9.60	0.16	1,336.76	0.012%
Jan14 - Sep14	1,008,038	0.000023	0.000025	0.181628	0.154719	0.172665	0.173804	0.146663	0.119047	0.110243	1.02	0.69	9.60	0.16	1,336.76	0.012%
Oct14-Sep15	3,458,116	0.000080	0.000086	0.181689	0.154780	0.172726	0.173865	0.146724	0.119108	0.110304	1.07	0.73	10.12	0.68	1,337.28	0.051%
Oct15-Sep16	6,769,267	0.000157	0.000168	0.181771	0.154862	0.172808	0.173947	0.146806	0.119190	0.110386	1.13	0.77	10.68	1.24	1,337.84	0.093%
Oct16-Sep17	10,037,126	0.000233	0.000249	0.181852	0.154943	0.172889	0.174028	0.146887	0.119271	0.110467	1.19	0.81	11.24	1.80	1,338.40	0.135%
Oct17-Sep18	12,826,148	0.000298	0.000319	0.181922	0.155013	0.172959	0.174098	0.146957	0.119341	0.110537	1.25	0.85	11.80	2.36	1,338.96	0.177%
Oct18-Sep19	12,833,367	0.000298	0.000319	0.181922	0.155013	0.172959	0.174098	0.146957	0.119341	0.110537	1.25	0.85	11.80	2.36	1,338.96	0.177%
Oct19-Sep20	12,801,347	0.000298	0.000319	0.181922	0.155013	0.172959	0.174098	0.146957	0.119341	0.110537	1.25	0.85	11.80	2.36	1,338.96	0.177%
Oct20-Sep21	12,770,232	0.000297	0.000318	0.181921	0.155012	0.172958	0.174097	0.146956	0.119340	0.110536	1.25	0.85	11.80	2.36	1,338.96	0.177%
Oct21-Sep22	12,740,370	0.000296	0.000317	0.181920	0.155011	0.172957	0.174096	0.146955	0.119339	0.110535	1.25	0.85	11.80	2.36	1,338.96	0.177%
Oct22-Sep23	12,712,417	0.000296	0.000317	0.181920	0.155011	0.172957	0.174096	0.146955	0.119339	0.110535	1.25	0.85	11.80	2.36	1,338.96	0.177%
Oct23-Sep24	11,774,375	0.000274	0.000293	0.181896	0.154987	0.172933	0.174072	0.146931	0.119315	0.110511	1.23	0.84	11.64	2.20	1,338.80	0.165%
Oct24-Sep25	9,119,719	0.000212	0.000227	0.181830	0.154921	0.172867	0.174006	0.146865	0.119249	0.110445	1.18	0.80	11.12	1.68	1,338.28	0.126%
Oct25-Sep26	5,789,409	0.000135	0.000144	0.181747	0.154838	0.172784	0.173923	0.146782	0.119166	0.110362	1.11	0.76	10.52	1.08	1,337.68	0.081%
Oct26-Dec27	1,271,320	0.000030	0.000032	0.181635	0.154726	0.172672	0.173811	0.146670	0.119054	0.110250	1.03	0.70	9.72	0.28	1,336.88	0.021%
<b>Total</b>	126,656,133			Current Class Avg Rate + Col 2 for Each Rate Class (Col 4 thru Col 13)							(Cur. eRRC + Col 3) * Avg RS kWh Sum Mo Rnd 2	(Cur. eRRC + Col 3) * Avg RS kWh Win Mo	(4 * Col 14) + (8 * Col 15)	Col 16 - Current Col 16	Current Col 18 + Col 17	Col 17 / Current Col 18

	% Change from Current Class Average Rate w/SUT						
	RS	RHS	RLM	GLP	LPL-S	LPL-P	HTS-S
2013	0.014%	0.016%	0.014%	0.014%	0.017%	0.021%	0.023%
Jan14 - Sep14	0.014%	0.016%	0.014%	0.014%	0.017%	0.021%	0.023%
Oct14-Sep15	0.047%	0.056%	0.050%	0.049%	0.059%	0.072%	0.078%
Oct15-Sep16	0.093%	0.109%	0.097%	0.097%	0.115%	0.141%	0.152%
Oct16-Sep17	0.137%	0.161%	0.144%	0.143%	0.170%	0.209%	0.226%
Oct17-Sep18	0.176%	0.206%	0.185%	0.184%	0.218%	0.268%	0.289%
Oct18-Sep19	0.176%	0.206%	0.185%	0.184%	0.218%	0.268%	0.289%
Oct19-Sep20	0.176%	0.206%	0.185%	0.184%	0.218%	0.268%	0.289%
Oct20-Sep21	0.175%	0.206%	0.184%	0.183%	0.217%	0.267%	0.289%
Oct21-Sep22	0.175%	0.205%	0.184%	0.182%	0.216%	0.266%	0.288%
Oct22-Sep23	0.175%	0.205%	0.184%	0.182%	0.216%	0.266%	0.288%
Oct23-Sep24	0.161%	0.189%	0.170%	0.169%	0.200%	0.246%	0.266%
Oct24-Sep25	0.125%	0.147%	0.131%	0.131%	0.155%	0.191%	0.206%

<sup>1</sup>All customers assumed to have BGS Supply

<sup>2</sup>Initial rate period is from Jan-13 to Sep-14

PSE&G Solar Loan III Program

Cumulative Rate Impact Analysis - Solar Pilot Recovery Charge (SPRC) & Electric RGGI Recovery Charge (RRC)

Rate Calculations

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(O)	(P)	(Q)	(R)
	Carbon Abatement		Economic Energy Efficiency		Demand Response		Solar 4 All		Solar Loan II		EEE Extension		Total Existing Electric RGGI Rate (w/o SUT)	SLIII Rate <sup>2</sup> (w/o SUT)	Total Proposed Electric RGGI Rate (w/o SUT)	SPRC <sup>5</sup>	
	Revenue Requirements	Rate (w/o SUT)	Revenue Requirements	Rate (w/o SUT)	Revenue Requirements	Rate (w/o SUT)	Revenue Requirements	Rate (w/o SUT)	Revenue Requirements	Rate (w/o SUT)	Revenue Requirements	Rate (w/o SUT)				Revenue Requirements	Rate (w/o SUT)
Current		\$0.000045		\$0.000434		\$0.000122		\$0.000432		\$0.000067		\$0.000099	\$0.001199		\$0.001199		\$0.000058
Oct12 - Sep13 <sup>3</sup>	\$2,416,456	\$0.000068	\$21,642,287	\$0.000466	\$9,362,536	\$0.000246	\$33,562,097	\$0.001340	\$13,002,732	\$0.000415	\$7,724,075	\$0.000093	\$0.002628	0.000023	\$0.002651	\$7,344,115	\$0.000454
Oct13 - Sep14	\$2,192,277	\$0.000051	\$23,390,823	\$0.000544	\$4,295,486	\$0.000100	\$30,409,532	\$0.000707	\$14,251,110	\$0.000331	\$9,396,405	\$0.000219	\$0.001952	0.000023	\$0.001975	\$7,319,237	\$0.000170
Oct14 - Sep15	\$2,005,676	\$0.000047	\$19,260,545	\$0.000448	\$2,132,397	\$0.000050	\$25,259,323	\$0.000587	\$11,760,536	\$0.000273	\$10,746,659	\$0.000250	\$0.001655	0.000080	\$0.001735	\$6,467,759	\$0.000150
Oct15 - Sep16	\$2,283,403	\$0.000053	\$9,600,300	\$0.000223	\$2,773,187	\$0.000064	\$32,474,467	\$0.000755	\$14,238,966	\$0.000331	\$12,814,416	\$0.000298	\$0.001724	0.000157	\$0.001881	\$8,035,488	\$0.000187
Oct16 - Sep17	\$2,066,299	\$0.000048	\$2,956,277	\$0.000069	\$1,641,413	\$0.000038	\$27,564,702	\$0.000641	\$12,931,118	\$0.000301	\$12,621,750	\$0.000294	\$0.001391	0.000233	\$0.001624	\$7,209,054	\$0.000168

Rate Impact Analysis

Annual MWh Forecast = 43,004,050 SUT 7%

7,360 Avg RS kWh / yr.  
 780 Avg RS kWh / Summer Month  
 530 Avg RS kWh / Winter Month

0.001283 Current electric RRC (\$/kWh)

(1)	(2)	(3)	(4)	(5) - (11) Class Average Rate w/SUT - \$/kWh <sup>1</sup>							(12) - (14) Typical RS RRC (\$)			(15)	(16)	
SPRC w/ SUT (\$/kWh)	Electric RRC w/ SUT (\$/kWh)	Electric RRC + SPRC w/o SUT (\$/kWh)	Electric RRC + SPRC w/ SUT (\$/kWh)	RS	RHS	RLM	GLP	LPL-S	LPL-P	HTS-S	Summer Monthly Bill	Winter Monthly Bill	Annual Bill	RS Typical Annual Bill (\$)	% Change in RS Typical Annual Bill	
			<b>Current less Electric RRC</b>	0.180320	0.153411	0.171357	0.172496	0.145355	0.117739	0.108935					1,336.60	
Oct12 - Sep13	0.000486	0.002837	\$0.003105	\$0.003322	0.183642	0.156733	0.174679	0.175818	0.148677	0.121061	0.112257	2.59	1.76	24.44	1,361.04	1.829%
Oct13 - Sep14	0.000182	0.002113	\$0.002145	\$0.002295	0.182615	0.155706	0.173652	0.174791	0.147650	0.120034	0.111230	1.79	1.22	16.92	1,377.96	1.266%
Oct14 - Sep15	0.000161	0.001856	\$0.001885	\$0.002017	0.182337	0.155428	0.173374	0.174513	0.147372	0.119756	0.110952	1.58	1.07	14.88	1,392.84	1.113%
Oct15 - Sep16	0.000200	0.002013	\$0.002068	\$0.002213	0.182533	0.155624	0.173570	0.174709	0.147568	0.119952	0.111148	1.73	1.18	16.36	1,409.20	1.224%
Oct16 - Sep17	0.000180	0.001738	\$0.001792	\$0.001917	0.182237	0.155328	0.173274	0.174413	0.147272	0.119656	0.110852	1.50	1.02	14.16	1,423.36	1.059%
Current Class Avg Rate + Col 2 for Each Rate Class (Col 4 thru Col 11)											Col 1 * Sum Mo kWh Rnd 2 + Col 2 * Sum Mo kWh Rnd 2	Col 1 * Win Mo kWh Rnd 2 + Col 2 * Win Mo kWh Rnd 2	(4 * Col 12) + (8 * Col 13)	Current Col 15 + Col 14	Col 14 / Current Col 15	

	% Change from Current Class Average Rate w/SUT						
	RS	RHS	RLM	GLP	LPL-S	LPL-P	HTS-S
Oct12 - Sep13	1.842%	2.165%	1.939%	1.926%	2.285%	2.821%	3.050%
Oct13 - Sep14	1.273%	1.496%	1.339%	1.330%	1.579%	1.949%	2.107%
Oct14 - Sep15	1.119%	1.315%	1.177%	1.169%	1.388%	1.713%	1.852%
Oct15 - Sep16	1.227%	1.443%	1.291%	1.283%	1.522%	1.880%	2.031%
Oct16 - Sep17	1.063%	1.250%	1.119%	1.111%	1.319%	1.628%	1.760%

<sup>1</sup> All customers assumed to have BGS Supply

<sup>2</sup> Initial Rate period is January 2013 to September 2014 for SL III

<sup>3</sup> Oct12 - Sep13 RGGI / SPRC Subprogram revenue requirements reflect the amounts filed in the 2012 RGGI and 2012 SPRC cost recovery filings submitted on July 2, 2012 for rates effective October 1, 2012.

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

0.000023 Proposed SLIII Rate \$/kWh  
 40.850% Tax Rate

Schedule SS-SLIII-7  
 Page 1 of 3

	1	2	3	4	5	6	7	8
<b><u>RGGI SLIII Under/(Over) Calculation (\$000)</u></b>	<u>Jan-13</u>	<u>Feb-13</u>	<u>Mar-13</u>	<u>Apr-13</u>	<u>May-13</u>	<u>Jun-13</u>	<u>Jul-13</u>	<u>Aug-13</u>
(1) Solar Loan II RGGI Revenue Revenue Requirements (excluding (2) Incremental WACC)	84,784	76,317	79,502	73,399	74,501	86,814	99,221	100,943
	<u>58,738</u>	<u>58,738</u>	<u>58,738</u>	<u>58,738</u>	<u>58,738</u>	<u>58,738</u>	<u>58,738</u>	<u>58,738</u>
(3) Monthly Under/(Over) Recovery	(26,046.5)	(17,579.4)	(20,763.7)	(14,661.3)	(15,763.4)	(28,076.3)	(40,483.5)	(42,205.3)
(4) Deferred Balance	(26,046.5)	(43,625.9)	(64,389.7)	(79,051.0)	(94,814.4)	(122,890.8)	(163,374.2)	(205,579.6)
(5) Monthly Interest Rate	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%
(6) After Tax Monthly Interest Expense/(Credit)	(2.07)	(5.53)	(8.57)	(11.38)	(13.79)	(17.27)	(22.71)	(29.27)
(7) Cumulative Interest Balance Added to Subsequent Year's (8) Revenue Requirements	(2.07)	(7.59)	(16.16)	(27.54)	(41.34)	(58.61)	(81.32)	(110.59)
							(163,455.55)	
(9) Net Sales - kWh (000)	3,686,277	3,318,144	3,456,592	3,191,270	3,239,187	3,774,531	4,313,972	4,388,835
(10) Incremental Interest From WACC Change								
(11) Cumulative Incremental Interest								
(12) Average Net of Tax Deferred Balance	(7,703.2)	(20,605.6)	(31,945.6)	(42,422.6)	(51,420.7)	(64,386.3)	(84,662.9)	(109,118.1)

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

0.000023 Proposed SLIII Rate \$/kWh  
 40.850% Tax Rate

Schedule SS-SLIII-7  
 Page 2 of 3

	9	10	11	12	13	14	15	16
<b><u>RGGI SLIII Under/(Over) Calculation (\$000)</u></b>	<u>Sep-13</u>	<u>Oct-13</u>	<u>Nov-13</u>	<u>Dec-13</u>	<u>Jan-14</u>	<u>Feb-14</u>	<u>Mar-14</u>	<u>Apr-14</u>
(1) Solar Loan II RGGI Revenue Revenue Requirements (excluding (2) Incremental WACC)	84,735	75,522	74,471	80,282	86,864	77,042	80,107	74,009
	<u>58,738</u>	<u>58,738</u>	<u>58,738</u>	<u>98,764</u>	<u>74,819</u>	<u>73,962</u>	<u>79,751</u>	<u>84,224</u>
(3) Monthly Under/(Over) Recovery	(25,997.3)	(16,783.9)	(15,733.6)	18,481.9	(12,045.4)	(3,079.8)	(356.7)	10,214.5
(4) Deferred Balance	(231,576.9)	(248,360.8)	(264,094.4)	(245,612.4)	(257,657.8)	(260,737.6)	(261,094.3)	(250,879.8)
(5) Monthly Interest Rate	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%
(6) After Tax Monthly Interest Expense/(Credit)	(34.68)	(38.08)	(40.66)	(40.44)	(39.93)	(41.13)	(41.40)	(40.62)
(7) Cumulative Interest Balance Added to Subsequent Year's (8) Revenue Requirements	(145.27)	(183.35)	(224.00)	(264.44)	(304.37)	(345.49)	(386.89)	(427.51)
(9) Net Sales - kWh (000)	3,684,138	3,283,557	3,237,889	3,490,519	3,776,705	3,349,640	3,482,928	3,217,804
(10) Incremental Interest From WACC Change								
(11) Cumulative Incremental Interest								
(12) Average Net of Tax Deferred Balance	(129,289.0)	(141,941.6)	(256,227.6)	(254,853.4)	(251,635.1)	(259,197.7)	(260,916.0)	(255,987.1)

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

0.000023 Proposed SLIII Rate \$/kWh  
 40.850% Tax Rate

Schedule SS-SLIII-7  
 Page 3 of 3

	17	18	19	20	21		
<b><u>RGGI SLIII Under/(Over) Calculation (\$000)</u></b>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Total</u>	
(1) Solar Loan II RGGI Revenue Revenue Requirements (excluding	75,160	87,964	100,936	102,208	85,110	1,759,894	SL III Rate * Row 9
(2) Incremental WACC)	94,947	96,742	104,236	103,215	296,143	1,752,919	From SS-SLIII-3, Col 23
(3) Monthly Under/(Over) Recovery	19,786.3	8,777.9	3,299.7	1,007.7	211,033.0	(6,975.2)	Row 2 - Row 1
(4) Deferred Balance	(231,093.5)	(222,315.7)	(219,016.0)	(218,008.3)	(6,975.2)		Prev Row 4 + Row 3
(5) Monthly Interest Rate	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%		Monthly Interest Rate
(6) After Tax Monthly Interest Expense/(Credit)	(38.24)	(35.97)	(35.01)	(34.67)	(17.85)		(Prev Row 4 + Row 4) / 2 * (1 - Tax Rate) * Row 5
(7) Cumulative Interest	(465.75)	(501.72)	(536.73)	(571.40)	(589.25)		Prev Row 7 + Row 6
(8) Balance Added to Subsequent Year's Revenue Requirements			(219,552.74)	(218,579.67)	(7,564.49)		Row 4 + Row 7 + Row 11
(9) Net Sales - kWh (000)	3,267,842	3,824,536	4,388,527	4,443,815	3,700,417		
(10) Incremental Interest From WACC Change							
(11) Cummulative Incremental Interest							Prev Row 11 + Row 10
(12) Average Net of Tax Deferred Balance	(240,986.7)	(226,704.6)	(220,665.8)	(218,512.1)	(112,491.8)		(Prev Row 4 + Row 4) / 2 * (1 - Tax Rate)

**PSE&G Solar Loan III Program  
Income Statement and Balance Sheet**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b><u>Income Statement</u></b>								
<b>Operating Revenues</b>	1,000,702	4,845,456	12,213,670	21,073,444	29,391,345	32,696,864	30,862,972	28,826,164
Operating Expenses								
Operations & Maintenance	748,854	1,901,159	4,149,658	7,904,622	11,497,142	13,547,134	13,511,083	13,475,780
Depreciation & Amortization	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>748,854</u>	<u>1,901,159</u>	<u>4,149,658</u>	<u>7,904,622</u>	<u>11,497,142</u>	<u>13,547,134</u>	<u>13,511,083</u>	<u>13,475,780</u>
<b>Operating Income</b>	251,847	2,944,296	8,064,013	13,168,822	17,894,203	19,149,730	17,351,889	15,350,384
Other Income	-	-	-	-	-	-	-	-
Interest Expense	(42,652)	(679,930)	(1,961,742)	(3,301,291)	(4,559,323)	(5,027,063)	(4,580,234)	(4,082,842)
<b>Income Before Income Taxes</b>	209,195	2,264,367	6,102,270	9,867,531	13,334,880	14,122,666	12,771,655	11,267,542
Income Tax Expense	(85,456)	(924,994)	(2,492,777)	(4,030,886)	(5,447,298)	(5,769,109)	(5,217,221)	(4,602,791)
<b>Net Income</b>	123,739	1,339,373	3,609,493	5,836,644	7,887,581	8,353,557	7,554,434	6,664,751
Preferred Dividends	-	-	-	-	-	-	-	-
<b>Earnings Available to PSEG</b>	<u>123,739</u>	<u>1,339,373</u>	<u>3,609,493</u>	<u>5,836,644</u>	<u>7,887,581</u>	<u>8,353,557</u>	<u>7,554,434</u>	<u>6,664,751</u>

<b><u>Balance Sheet</u></b>								
<b><u>Assets</u></b>								
Current Assets								
Interest Receivable	135,821	-	-	-	-	-	-	-
SREC Inventory	80,000	2,548,400	9,765,600	4,653,200	6,137,200	6,106,000	6,075,200	6,045,000
<b>Total Current Assets</b>	<u>215,821</u>	<u>2,548,400</u>	<u>9,765,600</u>	<u>4,653,200</u>	<u>6,137,200</u>	<u>6,106,000</u>	<u>6,075,200</u>	<u>6,045,000</u>
Property, Plant & Equipment								
Less: Accumulated Depreciation & Amortization	-	-	-	-	-	-	-	-
<b>Net Property, Plant &amp; Equipment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent Assets								
Regulatory Assets	-	-	-	-	-	-	-	-
Long Term Investments	8,588,755	41,073,658	89,719,553	135,924,813	172,412,117	157,953,176	141,863,355	123,938,884
<b>Total Noncurrent Assets</b>	<u>8,588,755</u>	<u>41,073,658</u>	<u>89,719,553</u>	<u>135,924,813</u>	<u>172,412,117</u>	<u>157,953,176</u>	<u>141,863,355</u>	<u>123,938,884</u>
<b>Total Assets</b>	<u>8,804,577</u>	<u>43,622,058</u>	<u>99,485,153</u>	<u>140,578,013</u>	<u>178,549,317</u>	<u>164,059,176</u>	<u>147,938,555</u>	<u>129,983,884</u>
<b><u>Liabilities &amp; Capitalization</u></b>								
Liabilities								
Deferred Income Taxes	-	-	-	-	-	-	-	-
Capitalization								
Debt	4,296,633	21,287,564	48,548,754	68,602,070	87,132,067	80,060,878	72,194,015	63,432,135
Preferred Stock	-	-	-	-	-	-	-	-
Common Equity	4,507,943	22,334,494	50,936,398	71,975,943	91,417,250	83,998,298	75,744,540	66,551,748
<b>Total Capitalization</b>	<u>8,804,577</u>	<u>43,622,058</u>	<u>99,485,153</u>	<u>140,578,013</u>	<u>178,549,317</u>	<u>164,059,176</u>	<u>147,938,555</u>	<u>129,983,884</u>
<b>Total Liabilities &amp; Capitalization</b>	<u>8,804,577</u>	<u>43,622,058</u>	<u>99,485,153</u>	<u>140,578,013</u>	<u>178,549,317</u>	<u>164,059,176</u>	<u>147,938,555</u>	<u>129,983,884</u>

**PSE&G Solar Loan III Program  
Income Statement and Balance Sheet**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b><u>Income Statement</u></b>							
<b>Operating Revenues</b>	26,560,129	24,037,192	21,164,065	16,810,654	11,703,921	6,735,084	1,646,074
Operating Expenses							
Operations & Maintenance	13,441,807	13,409,090	13,309,909	11,794,974	9,118,558	5,827,518	1,540,112
Depreciation & Amortization	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>13,441,807</u>	<u>13,409,090</u>	<u>13,309,909</u>	<u>11,794,974</u>	<u>9,118,558</u>	<u>5,827,518</u>	<u>1,540,112</u>
<b>Operating Income</b>	13,118,322	10,628,102	7,854,157	5,015,680	2,585,364	907,565	105,962
Other Income	-	-	-	(0)	-	0	(0)
Interest Expense	<u>(3,528,539)</u>	<u>(2,910,178)</u>	<u>(2,219,843)</u>	<u>(1,480,835)</u>	<u>(817,674)</u>	<u>(327,660)</u>	<u>(58,520)</u>
<b>Income Before Income Taxes</b>	9,589,784	7,717,924	5,634,314	3,534,845	1,767,689	579,905	47,443
Income Tax Expense	<u>(3,917,427)</u>	<u>(3,152,772)</u>	<u>(2,301,617)</u>	<u>(1,443,984)</u>	<u>(722,101)</u>	<u>(236,891)</u>	<u>(19,380)</u>
<b>Net Income</b>	5,672,357	4,565,152	3,332,696	2,090,861	1,045,588	343,014	28,062
Preferred Dividends	-	-	-	-	-	-	-
<b>Earnings Available to PSEG</b>	<u>5,672,357</u>	<u>4,565,152</u>	<u>3,332,696</u>	<u>2,090,861</u>	<u>1,045,588</u>	<u>343,014</u>	<u>28,062</u>

<b><u>Balance Sheet</u></b>							
	<b><u>Assets</u></b>						
<b>Current Assets</b>							
Interest Receivable	-	-	-	-	-	-	-
SREC Inventory	<u>6,014,600</u>	<u>5,984,800</u>	<u>5,878,960</u>	<u>4,657,600</u>	<u>3,062,000</u>	<u>1,440,200</u>	-
<b>Total Current Assets</b>	6,014,600	5,984,800	5,878,960	4,657,600	3,062,000	1,440,200	-
<b>Property, Plant &amp; Equipment</b>							
Less: Accumulated Depreciation & Amortization	-	-	-	-	-	-	-
<b>Net Property, Plant &amp; Equipment</b>	-	-	-	-	-	-	-
<b>Noncurrent Assets</b>							
Regulatory Assets	-	-	-	-	-	-	-
Long Term Investments	<u>103,949,158</u>	<u>81,635,004</u>	<u>56,910,626</u>	<u>33,578,867</u>	<u>15,082,005</u>	<u>3,746,523</u>	-
<b>Total Noncurrent Assets</b>	<u>103,949,158</u>	<u>81,635,004</u>	<u>56,910,626</u>	<u>33,578,867</u>	<u>15,082,005</u>	<u>3,746,523</u>	-
<b>Total Assets</b>	<u>109,963,758</u>	<u>87,619,804</u>	<u>62,789,586</u>	<u>38,236,467</u>	<u>18,144,005</u>	<u>5,186,723</u>	-
	<b><u>Liabilities &amp; Capitalization</u></b>						
<b>Liabilities</b>							
Deferred Income Taxes	-	-	-	-	-	-	-
<b>Capitalization</b>	-	-	-	-	-	-	-
Debt	53,662,314	42,758,464	30,641,318	18,659,396	8,854,274	2,531,121	-
Preferred Stock	-	-	-	-	-	-	-
Common Equity	<u>56,301,444</u>	<u>44,861,340</u>	<u>32,148,268</u>	<u>19,577,071</u>	<u>9,289,730</u>	<u>2,655,602</u>	-
<b>Total Capitalization</b>	<u>109,963,758</u>	<u>87,619,804</u>	<u>62,789,586</u>	<u>38,236,467</u>	<u>18,144,005</u>	<u>5,186,723</u>	-
<b>Total Liabilities &amp; Capitalization</b>	<u>109,963,758</u>	<u>87,619,804</u>	<u>62,789,586</u>	<u>38,236,467</u>	<u>18,144,005</u>	<u>5,186,723</u>	-



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**PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
DIRECT TESTIMONY  
OF  
DONNA M. POWELL  
ASSISTANT CONTROLLER**

My name is Donna M. Powell and I am an Assistant Controller of Public Service Enterprise Group, Inc. (“PSEG”) Services Corporation. My business address is 80 Park Plaza, Newark, New Jersey. My professional background and qualifications as a witness in this proceeding are included as Schedule DMP-SLIII-1.

**SCOPE OF TESTIMONY**

The purpose of my testimony is to describe the accounting for the Public Service Electric and Gas Company’s (“PSE&G” or “Company”) Solar Loan III Program (“Program”). My testimony provides the accounting entries associated with solar loans, with Program costs, and with Program cost recovery through the Regional Greenhouse Gas Initiative Recovery Charge (“RRC”). The proposed cost recovery is described in detail in the testimony of Stephen Swetz (Attachment B).

**ACCOUNTING FOR THE SOLAR LOANS**

(1) When a solar loan is issued it is recorded as an investment on the Company’s books.

124 Other Investments – Solar Loans	XXX
131 Cash	XXX

1           (2) Each month the Company will accrue the interest earned on the  
2 outstanding loans at the contracted rate (currently proposed at 11.8520%). The  
3 accrued interest will be added to the investment outstanding in the loans.

4	171 Interest Receivable – Solar Loans	XXX
5	419 Interest and Dividend Income	XXX

6           (3) As described in the testimony of Mr. Swetz, the contracted interest rate  
7 is proposed to be set at the Company’s most recent Weighted Average Cost of  
8 Capital, or 11.8520%. Any change in the WACC authorized by the Board in a  
9 subsequent electric or combined electric and gas base rate will be the WACC that will  
10 be used prospectively. As a result of a change in WACC as described above, the  
11 Company will accrue monthly any difference between the residential and/or non-  
12 residential loan interest rate (currently proposed at 11.8520%) and the Company’s  
13 most recent Weighted Average Cost of Capital of 11.8520% and defer that amount as  
14 a debit or credit to the regulatory asset for recovery through the RRC.

15	182.3 Solar Loan III Regulatory Asset	XXX
16	419 Interest and Dividend Income	XXX

17           (4) The Company will record the receipt of Solar Renewable Energy  
18 Certificates (“SRECs”). The SRECs will be carried as an asset on the Company’s  
19 books at the market price until they are sold at auction. For the purposes of loan  
20 repayment, the SREC Asset will be set equal to the larger of the current SREC value  
21 or the floor value. The loan is reduced by the SREC Asset, less the SREC Processing

1 Fee, which is described in the testimony of Joseph A. Forline (Attachment A). The  
2 SREC Processing Fee is deducted first from the SREC Asset, then the interest  
3 receivable and any remaining balance is attributed to the loan principal.

4	174 Misc Current and Accrued Assets – SRECS	XXX
5	182.3 Solar Loan III Regulatory Asset (Processing Fee)	XXX
6	171 Interest Receivable – Solar Loans	XXX
7	124 Other Investments – Solar Loans	XXX

8  
9 (5) If the SREC’s current value is less than the floor value, the Company  
10 will defer the difference as part of the Program regulatory asset for recovery through  
11 the RRC.

12	182.3 Solar Loan III Regulatory Asset	XXX
13	174 Misc Current and Accrued Assets – SRECS	XXX

14 (6) The loans permit the borrower to pay cash instead of an SREC. The  
15 cash is applied first to the SREC Processing Fee, then to the interest receivable and  
16 any remaining balance is attributed to the loan principal.

17	131 Cash	XXX
18	182.3 Solar Loan III Regulatory Asset (Processing Fee)	XXX
19	171 Interest Receivable – Solar Loans	XXX
20	124 Other Investments – Solar Loans	XXX

21 (7) If a loan is defaulted the Company will defer the net loss, including any  
22 associated expense or recovery, to the Program regulatory asset for recovery through  
23 the RRC.

24	131 Cash (if any from recoveries)	XXX
25	182.3 Solar Loan III Regulatory Asset	XXX
26	124 Other Investments – Solar Loans	XXX

1 (8) If the Company exercises the SREC call option, the purchased SRECs  
2 will be added to the inventory.

3	174 Misc Current and Accrued Assets – SRECS	XXX	
4	131 Cash		XXX

5 (9) When the SRECs are sold the Company will defer any gain or loss to  
6 the Program regulatory asset for recovery through the RRC. If sold at a gain, the entry  
7 is:

8	131 Cash	XXX	
9	174 Misc Current and Accrued Assets – SRECS		XXX
10	182.3 Solar Loan III Regulatory Asset		XXX

11  
12 If sold at a loss the entry is:

13	131 Cash	XXX	
14	182.3 Solar Loan III Regulatory Asset	XXX	
15	174 Misc Current and Accrued Assets – SRECS		XXX

16

17 **ACCOUNTING FOR PROGRAM COSTS**

18 PSE&G is proposing to recover the revenue requirements associated  
19 with the direct costs of the Program. Direct costs include the Administrative Costs of  
20 running the Program.

21 (1) The Company will expense as incurred the operations and maintenance  
22 costs associated with the Program.

23	908 Customer Assistance Expenses	XXX	
24	131 Cash (payroll, outside services, M&S)		XXX

1 (2) Each month the Company will accrue a carrying cost on the net  
2 outstanding Program assets. For the loan asset, the interest receivable, and the SREC  
3 inventory assets, the monthly pre-tax WACC rate will be multiplied by the prior  
4 month's ending asset balances. The resulting carrying costs will be added to the  
5 Program regulatory asset for recovery through the deferred balance RRC.

6	182.3 Solar Loan III Regulatory Asset	XXX	
7	431 Interest Expense		XXX
8	419 Interest and Dividend Income		XXX

9

10 **ACCOUNTING FOR PROGRAM COST RECOVERY**

11 (1) Monthly the Company will record the RRC clause revenues collected.

12	142 Customer Accounts Receivable	XXX	
13	400 Electric Operating Revenues		XXX

14 (2) Each month the difference between the Program revenue requirement  
15 and the amount collected through the RRC, i.e. the over or under collection, will be  
16 deferred. The revenue requirements are defined as:

17 
$$\text{Revenue Requirements} = (\text{Pre-Tax Cost of Capital} * \text{Net Investment}^1) - \text{Net}$$
  
18 
$$\text{Loan Accrued Interest} + \text{Amortization and/or Depreciation} + \text{Operation and}$$
  
19 
$$\text{Maintenance Costs} - \text{Net Proceeds from the sale of SRECs} - \text{Cash Payments in}$$
  
20 
$$\text{lieu of SRECs} - \text{Proceeds from the SREC Processing Fee}$$

---

<sup>1</sup> As described in the testimony of Mr. Swetz, the Net Investment is comprised of the total loan outstanding balance and the SREC inventory balance.

1 For an under collection the entry will be:

2	182.3 Solar Loan III Regulatory Asset	XXX	
3	407.4 Regulatory Credits		XXX

4 For an over collection the entry will be:

5	407.3 Regulatory Debits	XXX	
6	182.3 Solar Loan III Regulatory Asset		XXX

7 (3) Any over/under recovery of the actual revenue requirements compared  
8 to revenues would be deferred. In calculating the monthly interest on net over and  
9 under recoveries, the interest rate shall be based upon the Company's interest rate  
10 obtained on its commercial paper and/or bank credit lines utilized in the preceding  
11 month. If both commercial paper and bank credit lines have been utilized, the  
12 weighted average of both sources of capital shall be used. In the event that neither  
13 commercial paper nor bank credit lines were utilized in the preceding month, the last  
14 calculated rate will be used.

15 For an under collection the entry will be:

16	182.3 Solar Loan III Regulatory Asset	XXX	
17	431 Interest Expense		XXX
18			

19 For an over collection the entry will be:

20	431 Interest Expense	XXX	
21	182.3 Solar Loan III Regulatory Asset		XXX

1 **HISTORICAL FINANCIAL INFORMATION**

2                   The following financial data, as required by the applicable sections of  
3 N.J.A.C. 14:1-5.11 and N.J.A.C. 14:1-5.12, are included with my testimony.

- 4           Schedule DMP-SLIII-2 - Balance Sheets - 2009 to 2011
- 5           Schedule DMP-SLIII-3 - Income Statements – 2009 to 2011
- 6           Schedule DMP-SLIII-4 - Balance Sheet - 05/2012
- 7           Schedule DMP-SLIII-5 - Revenue by Class of Business - 2011
- 8           Schedule DMP-SLIII-6 - Affiliate Payments - 2009 to 2011

9  
10                   This concludes my testimony at this time.

**QUALIFICATIONS**  
**OF**  
**DONNA M. POWELL**  
**ASSISTANT CONTROLLER – PSE&G**

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I hold a B.S in Accounting from Villanova University and I am a Certified Public Accountant. I have been employed at PSEG Services since February 2012, serving as Assistant Controller - PSE&G. As Assistant Controller - PSE&G, I am responsible for the standards, procedures and processes across PSE&G to ensure timely, accurate, and high quality financial information and reporting, including appropriate financial controls and compliance. I manage all regulatory accounting requirements of the New Jersey Board of Public Utilities (“Board”) and the Federal Energy Regulatory Commission, including the maintenance of the regulatory books of account and the preparation of required monthly, quarterly and annual filings with all regulatory agencies.

Prior to joining PSEG I had been employed by New Jersey American Water Company from 2007 to 2012 as Vice-President of Finance where I was responsible for all of the financial aspects of that Company, including business planning, regulatory strategy and rate support, and all financial, statutory and management reporting. From 1998 to 2007, I worked in various financial capacities at Pepco Holdings, Inc (formerly Conectiv, Inc. and Atlantic City Electric Company), including testifying before the Board in 1998 in support of Atlantic City Electric Company’s request for stranded cost recovery as a result of deregulation. I also worked for nine years with Deloitte & Touche in various



1 capacities from entry level auditor through Senior Manager, where, in that role, I worked  
2 primarily in the utility sector and was designated a utility industry accounting and  
3 auditing expert.

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY****BALANCE SHEET**  
**\$ (In Thousands)**

		<u>Dec.31, 2009</u>	<u>Dec.31, 2010</u>	<u>Dec.31, 2011</u>
Assets and Other Debits				
Utility Plant				
Electric Utility Plant				
101	Electric Utility Plant in Service	\$ 7,942,358	\$ 8,746,925	\$ 9,525,197
103	Electric Experimental Plant Unclassified	-	-	-
105	Electric Utility Plant Held for Future Use	7,514	4,784	8,580
107	Electric Construction Work in Progress	105,763	236,016	554,112
	Total Electric Utility Plant	<u>8,055,635</u>	<u>8,987,725</u>	<u>10,087,888</u>
Gas Utility Plant				
101	Gas Utility Plant in Service	4,703,023	4,948,477	5,119,132
103	Gas Experimental Plant Unclassified	-	-	-
105	Gas Utility Plant Held for Future Use	-	-	-
107	Gas Construction Work in Progress	1,294	500	658
	Total Gas Utility Plant	<u>4,704,317</u>	<u>4,948,977</u>	<u>5,119,790</u>
Common Utility Plant				
101	Common Utility Plant in Service	192,988	183,203	191,079
107	Common Construction Work in Progress	923	3,650	10,168
	Total Common Utility Plant	<u>193,911</u>	<u>186,853</u>	<u>201,247</u>
	Total Utility Plant	<u>12,953,863</u>	<u>14,123,555</u>	<u>15,408,926</u>
Accumulated Provisions for Depreciation and Amortization of				
Electric Utility Plant				
108 & 111	Electric Utility Plant in Service	(2,540,824)	(2,610,510)	(2,736,354)
108.5	Electric Utility Plant Held for Future Use	-	-	-
	Total Electric Utility Plant	<u>(2,540,824)</u>	<u>(2,610,510)</u>	<u>(2,736,354)</u>
Gas Utility Plant				
108 & 111	Gas Utility Plant in Service	(1,872,848)	(1,911,391)	(1,961,991)
Common Utility Plant				
108 & 111	Common Utility Plant in Service	(56,767)	(47,731)	(61,555)
	Total Accumulated Provisions for Depreciation and Amortization of Utility Plant	<u>(4,470,439)</u>	<u>(4,569,632)</u>	<u>(4,759,900)</u>
	Net Utility Plant Excluding Nuclear Fuel	<u>8,483,424</u>	<u>9,553,923</u>	<u>10,649,026</u>
Nuclear Fuel				
120.1	120.1 In Process	-	-	-
120.2	120.2 Materials and Assemblies Stock	-	-	-
120.3	120.3 In Reactor	-	-	-
120.4	120.4 Spent	-	-	-
Accumulated Provisions for Amortization				
120.5	120.5 Nuclear Fuel	-	-	-
	Net Nuclear Fuel	-	-	-
	Net Utility Plant	<u>8,483,424</u>	<u>9,553,923</u>	<u>10,649,026</u>
Other Property and Investments				
121	Nonutility Property	2,857	2,857	2,857
122	Accumulated Provision for Depreciation & Amortization of Nonutility Property	(411)	(437)	(464)
123 & 123.1	Investments in Associated & Subsidiary Companies	55,414	55,037	55,143
124	Other Investments	196,867	223,874	273,300
125-8	Special Funds	51,159	54,050	57,136
175	Long-Term Portion of Derivative Assets	4,677	16,762	4,350
	Total Other Property and Investments	<u>310,563</u>	<u>352,143</u>	<u>392,322</u>

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY****BALANCE SHEET**

		<u>Dec.31, 2009</u>	<u>Dec.31, 2010</u>	<u>Dec.31, 2011</u>
Current and Accrued Assets				
131	Cash	\$ 28,083	\$ 20,619	\$ 27,803
132-4	Special Deposits	1	9,598	9,488
135	Working Funds	-	-	-
136	Temporary Cash Investments	211,300	224,200	114,700
141-3	Notes and Accounts Receivable	877,717	897,986	762,424
144	Accumulated Provision for Uncollectible Accounts - Credit	(78,235)	(67,314)	(56,470)
145-6	Receivables from Associated Companies	149,360	452,306	233,752
151-5	Materials and Supplies (incl. 163)	70,598	89,359	93,993
158	Allowances	-	-	-
164	Gas Stored Underground - Current	-	-	-
165	Prepayments	86,374	116,450	116,845
171	Interest and Dividends Receivable	38,906	39,456	40,302
172	Rents Receivable	932	1,404	715
173	Accrued Utility Revenues	410,650	400,196	289,389
174	Miscellaneous Current and Accrued	1,483	4,058	6,786
175	Current Portion of Derivative Instrument Assets	1,378	333	-
	Total Current and Accrued Assets	1,798,547	2,188,651	1,639,727
Deferred Debits				
181	Unamortized Debt Expense	15,574	20,832	18,054
182	Unrec'd Plt and Reg Costs and Other Reg Assets	4,494,069	4,037,591	4,119,222
183	Preliminary Survey and Investigation Charges	1,027	971	2,232
184	Clearing Accounts	(1)	325	401
185	Temporary Facilities	-	-	-
186	Miscellaneous Deferred Debits	15,708	12,950	16,068
188	Research and Development Expenditures	-	-	-
189	Unamortized Loss on Reacquired Debt	106,331	102,137	95,915
190	Accumulated Deferred Income Taxes	468,063	342,728	340,446
	Total Deferred Debits	5,100,771	4,517,534	4,592,337
	Total Assets and Other Debits	<u>\$ 15,693,305</u>	<u>\$ 16,612,251</u>	<u>\$ 17,273,412</u>

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

**BALANCE SHEET**

		<u>Dec.31, 2009</u>	<u>Dec.31, 2010</u>	<u>Dec.31, 2011</u>
Liabilities and Other Credits				
Proprietary Capital				
201	Common Stock Issued	\$ 892,260	\$ 892,260	\$ 892,260
204	Preferred Stock Issued	79,523	-	-
207	Premium on Capital Stock	132	-	-
208	Donations from Stockholders	1,405,937	1,405,937	1,405,937
210	Gain on Resale or Cancellation of Reaquired Capital Stock	-	-	-
211	Miscellaneous Paid-In Capital	-	-	-
215	Appropriated Retained Earnings	-	-	-
216	Unappropriated Retained Earnings	1,915,567	2,122,984	2,343,453
216.1	Unappropriated Undistributed Subsidiary Earnings	3,587	3,211	3,316
219	Other Comprehensive Income	5,106	396	1,654
	Total Proprietary Capital	4,302,112	4,424,788	4,646,621
Long-Term Debt				
221	221 Bonds	3,577,626	4,291,626	4,277,626
223	223 Advances from Assoc. Co.	-	-	-
225	225 Unamortized Premium on Long-Term Debt	-	-	-
226	226 Unamortized Discount on Long-Term Debt	(7,019)	(7,850)	(7,166)
	Total Long-Term Debt	3,570,607	4,283,776	4,270,460
Other Non-Current Liabilities				
227-9	Other Non-current Liabilities	1,469,597	1,167,638	1,272,717
244	Long-Term Portion of Derivative Instrument Liabilities	-	-	-
230	Asset Retirement Obligation	211,294	216,108	225,866
	Total Other Non-Current Liabilities	1,680,891	1,383,746	1,498,583
Current and Accrued Liabilities				
231	Notes Payable	-	-	-
232	Accounts Payable	337,657	404,926	498,157
233-4	Payables to Associated Companies	634,687	499,007	483,717
235	Customer Deposits	77,118	94,120	96,295
236	Taxes Accrued	4,118	29,532	4,111
237	Interest Accrued	68,163	81,931	81,481
238	Dividends Declared	5	-	-
239	Matured Long-Term Debt	-	-	-
241	Tax Collections Payable	4,043	3,871	955
242	Miscellaneous Current and Accrued Liabilities	314,649	365,098	386,591
243	Obligations Under Capital leases	-	-	-
244	Current Portion of Derivative Instrument Liabilities	-	11,979	6,722
	Total Current and Accrued Liabilities	1,440,440	1,490,464	1,558,030
Deferred Credits				
252	Customer Advances for Construction	9,597	16,682	17,284
253	Other Deferred Credits	1,173,983	981,623	767,426
254	Other Regulatory Liabilities	381,079	465,254	354,821
255	Accumulated Deferred Investment Tax Credits	39,739	84,604	126,774
281-3	Accumulated Deferred Income Taxes	3,094,857	3,481,314	4,033,412
	Total Deferred Credits	4,699,255	5,029,477	5,299,717
	Total Liabilities and Other Credits	\$ 15,693,305	\$ 16,612,251	\$ 17,273,412

## PUBLIC SERVICE ELECTRIC AND GAS COMPANY

## INCOME ACCOUNT

	<u>Year 2009</u> (Thousands)		<u>Year 2010</u> (Thousands)		<u>Year 2011</u> (Thousands)
400 Electric Operating Revenues	4,839,735	\$	4,857,272	\$	4,580,434
Electric Operating Expenses:					
401 Operation Expense	3,944,128		3,885,874		3,446,739
402 Maintenance Expense	104,970		92,509		95,564
403 Depreciation Expense	151,054		162,097		183,068
404 Amortization of Limited Term Plant	3,572		4,533		5,056
407 Amortization of Property Losses	149,201		199,276		162,214
408.1 Taxes Other Than Income Taxes	111,837		116,156		113,741
409.1 Income Taxes - Federal	57,534		(100,782)		(65,243)
410.1 Provision for Deferred Income Taxes	147,401		340,084		394,288
411.1 Provision for Deferred Income Taxes - Cr	(96,093)		(178,365)		(195,583)
411.103 Accretion Expense-Electric	16		17		18
411.4 Investment Tax Credit Adjustments (Net)	<u>2,677</u>		<u>46,394</u>		<u>45,908</u>
Total Electric Utility Operating Expenses	<u>4,576,297</u>		<u>4,567,793</u>		<u>4,185,771</u>
Electric Utility Operating Income		\$	<u>263,438</u>	\$	<u>289,479</u>
			\$		<u>394,664</u>

## \* Electric Distribution only

	<u>Year 2009</u> (Thousands)		<u>Year 2010</u> (Thousands)		<u>Year 2011</u> (Thousands)
400 Gas Operating Revenues	2,764,661		2,463,974		2,207,607
Gas Operating Expenses:					
401 Operation Expense	2,330,361		2,014,266		1,682,785
402 Maintenance Expense	28,883		28,414		33,152
403 Depreciation Expense	89,126		94,342		100,869
404 Amortization of Limited Term Plant	2,764		3,681		4,108
407 Amortization of Property Losses	14,675		22,529		30,293
407.4 Amortization of Excess cost of removal	(13,200)		(13,200)		(11,293)
408.1 Taxes Other Than Income Taxes	61,109		59,477		59,252
409.1 Income Taxes - Federal	(37,887)		(155,490)		(112,335)
410.1 Provision for Deferred Income Taxes	126,392		243,288		283,509
411.1 Provision for Deferred Income Taxes - Cr	(19,380)		(23,703)		(80,116)
411.4 Investment Tax Credit Adjustments (Net)	<u>(1,311)</u>		<u>2,620</u>		<u>(3,138)</u>
Total Gas Utility Operating Expenses	2,581,532		2,276,224		1,987,087
Gas Utility Operating Income		\$	<u>183,129</u>	\$	<u>187,750</u>
			\$		<u>220,520</u>
Net Utility Operating Income		\$	<u>446,567</u>	\$	<u>477,229</u>
			\$		<u>615,183</u>

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

**BALANCE SHEET**  
**\$ (In Thousands)**

**May 31, 2012**

Assets and Other Debits

Utility Plant

Electric Utility Plant

101	Electric Utility Plant in Service	\$	9,894,446
103	Electric Experimental Plant Unclassified		-
105	Electric Utility Plant Held for Future Use		6,297
107	Electric Construction Work in Progress		735,342
	Total Electric Utility Plant		<u>10,636,085</u>

Gas Utility Plant

101	Gas Utility Plant in Service		5,204,104
103	Gas Experimental Plant Unclassified		-
105	Gas Utility Plant Held for Future Use		4
107	Gas Construction Work in Progress		703
	Total Gas Utility Plant		<u>5,204,811</u>

Common Utility Plant

101	Common Utility Plant in Service		198,648
107	Common Construction Work in Progress		6,222
	Total Common Utility Plant		<u>204,871</u>

Total Utility Plant 16,045,767

Accumulated Provisions for Depreciation and Amortization of

Electric Utility Plant

108 & 111	Electric Utility Plant in Service		(2,762,701)
108.5	Electric Utility Plant Held for Future Use		-
	Total Electric Utility Plant		<u>(2,762,701)</u>

Gas Utility Plant

108 & 111	Gas Utility Plant in Service		(1,990,587)
-----------	------------------------------	--	-------------

Common Utility Plant

108 & 111	Common Utility Plant in Service		(67,567)
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Total Accumulated Provisions for  
Depreciation and Amortization  
of Utility Plant (4,820,855)  
Net Utility Plant Excluding Nuclear Fuel 11,224,912

Nuclear Fuel

120.1	120.1	In Process	-
120.2	120.2	Materials and Assemblies Stock	-
120.3	120.3	In Reactor	-
120.4	120.4	Spent	-

Accumulated Provisions for Amortization

120.5	120.5	Nuclear Fuel	-
		Net Nuclear Fuel	-
		Net Utility Plant	<u>11,224,912</u>

Other Property and Investments

121	Nonutility Property		2,857
122	Accumulated Provision for Depreciation & Amortization of Nonutility Property		(475)
123 & 123.1	Investments in Associated & Subsidiary Companies		55,199
124	Other Investments		301,348
125-8	Special Funds		59,744
175	Long-Term Portion of Derivative Assets		-
	Total Other Property and Investments		<u>418,672</u>

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

**BALANCE SHEET**

May 31, 2012

Current and Accrued Assets		
131	Cash	\$ 22,212
132-4	Special Deposits	9,488
135	Working Funds	-
136	Temporary Cash Investments	56,400
141-3	Notes and Accounts Receivable	652,158
144	Accumulated Provision for Uncollectible Accounts - Credit	(57,981)
145-6	Receivables from Associated Companies	151,550
151-5	Materials and Supplies (incl. 163)	100,088
158	Allowances	-
164	Gas Stored Underground - Current	-
165	Prepayments	309,259
171	Interest and Dividends Receivable	50,023
172	Rents Receivable	2,819
173	Accrued Utility Revenues	228,509
174	Miscellaneous Current and Accrued	5,778
175	Current Portion of Derivative Instrument Assets	39,776
	Total Current and Accrued Assets	1,570,080
Deferred Debits		
181	Unamortized Debt Expense	20,834
182	Unrec'd Plt and Reg Costs and Other Reg Assets	3,929,309
183	Preliminary Survey and Investigation Charges	2,070
184	Clearing Accounts	415
185	Temporary Facilities	-
186	Miscellaneous Deferred Debits	23,023
188	Research and Development Expenditures	-
189	Unamortized Loss on Reacquired Debt	92,702
190	Accumulated Deferred Income Taxes	274,749
	Total Deferred Debits	4,343,101
	Total Assets and Other Debits	<u>\$ 17,556,766</u>

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

**BALANCE SHEET**

May 31, 2012

Liabilities and Other Credits		
Proprietary Capital		
201	Common Stock Issued	\$ 892,260
204	Preferred Stock Issued	-
207	Premium on Capital Stock	-
208	Donations from Stockholders	1,405,937
210	Gain on Resale or Cancellation of Reacquired Capital Stock	-
211	Miscellaneous Paid-In Capital	-
215	Appropriated Retained Earnings	-
216	Unappropriated Retained Earnings	2,594,152
216.1	Unappropriated Undistributed Subsidiary Earnings	3,349
219	Other Comprehensive Income	<u>1,621</u>
	Total Proprietary Capital	4,897,320
Long-Term Debt		
221	221 Bonds	4,727,626
223	223 Advances from Assoc. Co.	-
225	225 Unamortized Premium on Long-Term Debt	-
226	226 Unamortized Discount on Long-Term Debt	<u>(9,693)</u>
	Total Long-Term Debt	4,717,932
Other Non-Current Liabilities		
227-9	Other Non-current Liabilities	1,180,715
244	Long-Term Portion of Derivative Instrument Liabilities	-
230	Asset Retirement Obligation	<u>230,788</u>
	Total Other Non-Current Liabilities	1,411,503
Current and Accrued Liabilities		
231	Notes Payable	-
232	Accounts Payable	426,207
233-4	Payables to Associated Companies	305,220
235	Customer Deposits	98,590
236	Taxes Accrued	30,784
237	Interest Accrued	60,532
238	Dividends Declared	-
239	Matured Long-Term Debt	-
241	Tax Collections Payable	26,269
242	Miscellaneous Current and Accrued Liabilities	399,644
243	Obligations Under Capital leases	-
244	Current Portion of Derivative Instrument Liabilities	<u>798</u>
	Total Current and Accrued Liabilities	1,348,044
Deferred Credits		
252	Customer Advances for Construction	18,643
253	Other Deferred Credits	626,949
254	Other Regulatory Liabilities	315,693
255	Accumulated Deferred Investment Tax Credits	134,323
281-3	Accumulated Deferred Income Taxes	<u>4,086,361</u>
	Total Deferred Credits	5,181,968
	Total Liabilities and Other Credits	<u>\$ 17,556,766</u>



## PUBLIC SERVICE ELECTRIC AND GAS COMPANY

ELECTRIC REVENUE BY CLASS OF BUSINESS  
12 MONTHS ENDING DECEMBER 31, 2011

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(Thousands)

Residential	\$2,189,395
Commercial	1,867,633
Industrial	215,646
Public Street & Highway Lighting	71,675
Interdepartmental Revenues	1,452
Sales for Resale	211,643
Forfeited Discounts	3,585
Miscellaneous Service Revenues	6,647
Rent from Electric Property	3,764 *
Other Electric Revenues	8,891 *
	<hr/>
Total Revenue from Electric Distribution Sales	4,580,332

\*Excludes Transmission

## PUBLIC SERVICE ELECTRIC AND GAS COMPANY

GAS REVENUE BY CLASS OF BUSINESS  
12 MONTHS ENDING DECEMBER 31, 2011

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(Thousands)

Residential	\$1,442,816
Commercial	\$598,907
Industrial	\$69,431
Street & Yard Light Service	\$817
Cogeneration	\$46,363
Interdepartmental Revenues	\$608
Forfeited Discounts	\$1,006
Miscellaneous Service Revenues	\$42,625
Other Gas Revenues	<u>\$5,033</u>
Total Revenue from Gas Distribution Sales	\$2,207,607

## Schedule DMP-SLIII - 6

Public Service Electric & Gas Company  
Total Utility Payments or Accruals to Affiliates  
(\$ THOUSANDS) Net Billing

	<u>2011</u>	<u>2010</u>	<u>2009</u>
PSEG Services	454,768	432,741	480,283
PSEG Power	2,216,002	2,723,573	3,149,893
PSEG Energy Holdings	176	(326)	496
PSEG Enterprise	(68,717)	(48,661)	(32,371)
Total Payments to Affiliates	<u>\$ 2,602,229</u>	<u>\$ 3,107,326</u>	<u>\$ 3,598,302</u>

## NOTICE TO PUBLIC SERVICE ELECTRIC AND GAS COMPANY CUSTOMERS

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

#### Notice of a Filing

#### Docket No. XXXXXXXXXX

**TAKE NOTICE** that, in July 2012 Public Service Electric and Gas Company ("Public Service", "PSE&G", "the Company") filed a Petition and supporting documentation with the New Jersey Board of Public Utilities ("Board", "BPU"). The Company is seeking Board approval to implement and administer a PSE&G Solar Loan Phase III Program ("Program") and an associated cost recovery mechanism.

PSE&G seeks Board approval to implement the Solar Loan Phase III Program to offer long-term loans to qualified solar photovoltaic projects in residential and non-residential customer segments. The Program will target development of 97.5 MW of Solar Capacity, based on a three-year allocation with a maximum investment of approximately \$193 million. This Program will be substantially similar to the existing Solar Loan II Program approved by the Board in November 2009.

PSE&G proposes to recover all Program costs through a separate component of the electric RGGI Recovery Charge ("RRC") entitled Solar Loan III Program. The Solar Loan III Program component will be applicable to all electric rate schedules. The component would be reviewed and modified in an annual filing. The Company is requesting that the carrying charge on its deferred balances for this Program be set based upon PSE&G's monthly weighted average cost of capital, together with the income tax effects. The proposed RRC, if approved by the Board, is shown in Table #1.

Table #2 provides customers with the approximate net effect of the proposed increase in rates relating to this Program, if approved by the Board. The annual percentage increase applicable to specific customers will vary according to the applicable rate schedule and the level of the customer's usage. The approximate effect of the proposed increase on typical electric residential monthly bills, if approved by the Board, is illustrated in Table #3.

Based on the filing, a typical residential electric customer using 780 kilowatthours per summer month and 7,360 kilowatthours on an annual basis would see an initial increase in the annual bill from \$1,336.60 to \$1,336.76 or \$0.16 or approximately 0.01%.

Any rate adjustments with resulting changes in bill impacts found by the Board to be just and reasonable as the result of the Company's filing may be modified and/or allocated by the Board in accordance with the provisions of N.J.S.A 48:2-21 and for other good and legally sufficient reasons to any class or classes of customers of the Company. Therefore, the described charges may increase or decrease based upon the Board's decision.

Copies of the Company's Petition and its supporting documents can be reviewed at the Company's Customer Service Centers or at the Board of Public Utilities at 44 South Clinton Avenue, Ninth Floor, Trenton, New Jersey 08625-0350.

**Table # 1  
RRC Charges**

	Solar Loan III Program Component of the RRC		Total RRC	
	Present \$/kWhr (Incl. SUT)	Proposed \$/kWhr (Incl. SUT)	Present \$/kWhr (Incl. SUT)	Proposed \$/kWhr (Incl. SUT)
<b>RRC Electric - \$ per kWhr</b>	<b>\$0.000000</b>	<b>\$0.000025</b>	<b>\$0.001283</b>	<b>\$0.001308</b>

**Table # 2**

### Impact By Electric Customer Class

PROPOSED PERCENTAGE INCREASES BY CUSTOMER CLASS FOR ELECTRIC SERVICE		
BGS-FP	Rate Class	% Increase
Residential	RS	0.01%
Residential Heating	RHS	0.02
Residential Load Management	RLM	0.01
General Lighting & Power	GLP	0.01
Large Power & Lighting - Secondary (Peak Load Share 0 – 749)	LPL-S	0.02
<b>BGS-CIEP</b>		
Large Power & Lighting – Primary	LPL-P	0.02
High Tension – Subtransmission	HTS-S	0.02

The percent increases noted above are based upon current Delivery Rates and the applicable Basic Generation Service (BGS) charges and assumes that customers receive commodity service from Public Service Electric and Gas Company.

**Table #3  
Residential Electric Service**

If Your Annual kWhr Use Is:	And Your Monthly Summer kWhr Use Is:	Then Your Present Monthly Summer Bill (1) Would Be:	And Your Proposed Monthly Summer Bill (2) Would Be:	Your Monthly Summer Bill Increase Would Be:	And Your Monthly Percent Increase Would Be:
1,800	170	\$31.93	\$31.93	\$0.00	0.00%
3,600	360	74.32	74.33	0.01	0.01
6,960	722	139.87	139.89	0.02	0.01
7,800	803	144.17	144.19	0.02	0.01
12,000	1,250	240.57	240.61	0.04	0.02

- (1) Based upon current Delivery Rates and Basic Generation Service Fixed Pricing (BGS-FP) charges in effect July 1, 2012 and assumes that the customer receives BGS-FP service from Public Service.
- (2) Same as (1) except includes the initial change for the Solar Loan III Program component of the RGGI Recovery Charge.

**Sheree Kelly, Esq.**  
**Assistant General Regulatory Counsel**

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

# NOTICE TO PUBLIC SERVICE ELECTRIC AND GAS COMPANY CUSTOMERS

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

### Notice of a Filing And Notice of Public Hearings

Docket No. XXXXXXXXXX

**TAKE NOTICE** that, in July 2012 Public Service Electric and Gas Company ("Public Service", "PSE&G", "the Company") filed a Petition and supporting documentation with the New Jersey Board of Public Utilities ("Board", "BPU"). The Company is seeking Board approval to implement and administer a PSE&G Solar Loan Phase III Program ("Program") and an associated cost recovery mechanism.

PSE&G seeks Board approval to implement the Solar Loan Phase III Program to offer long-term loans to qualified solar photovoltaic projects in residential and non-residential customer segments. The Program will target development of 97.5 MW of Solar Capacity, based on a three-year allocation with a maximum investment of approximately \$193 million. This Program will be substantially similar to the existing Solar Loan II Program approved by the Board in November 2009.

PSE&G proposes to recover all Program costs through a separate component of the electric RGGI Recovery Charge ("RRC") entitled Solar Loan III Program. The Solar Loan III Program component will be applicable to all electric rate schedules. The component would be reviewed and modified in an annual filing. The Company is requesting that the carrying charge on its deferred balances for this Program be set based upon PSE&G's monthly weighted average cost of capital, together with the income tax effects. The proposed RRC, if approved by the Board, is shown in Table #1.

Table #2 provides customers with the approximate net effect of the proposed increase in rates relating to this Program, if approved by the Board. The annual percentage increase applicable to specific customers

will vary according to the applicable rate schedule and the level of the customer's usage. The approximate effect of the proposed increase on typical electric residential monthly bills, if approved by the Board, is illustrated in Table #3.

Based on the filing, a typical residential electric customer using 780 kilowatthours per summer month and 7,360 kilowatthours on an annual basis would see an initial increase in the annual bill from \$1,336.60 to \$1,336.76 or \$0.16 or approximately 0.01%.

Any rate adjustments with resulting changes in bill impacts found by the Board to be just and reasonable as the result of the Company's filing may be modified and/or allocated by the Board in accordance with the provisions of N.J.S.A. 48:2-21 and for other good and legally sufficient reasons to any class or classes of customers of the Company. Therefore, the described charges may increase or decrease based upon the Board's decision.

Copies of the Company's Petition and its supporting documents can be reviewed at the Company's Customer Service Centers or at the Board of Public Utilities at 44 South Clinton Avenue, Ninth Floor, Trenton, New Jersey 08625-0350.

The following dates, times and locations for public hearings have been scheduled on the Company's filing so that members of the public may present their views.

Date 1, 2012	Date 2, 2012	Date 3, 2012
Time 1	Time 2	Time 3
Location 1	Location 2	Location 3
Location 1 Overflow	Location 2 Overflow	Location 3 Overflow
Room 1	Room 2	Room 3
Room 1 Overflow	Room 2 Overflow	Room 3 Overflow
Address 1	Address 1	Address 1
City 1, New Jersey Zip 1	City 2, New Jersey Zip 2	City 3, New Jersey Zip 3

In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations, including interpreters, listening devices or mobility assistance, 48 hours prior to the above hearings. Customers may file written comments with the Secretary of the Board of Public Utilities at 44 South Clinton Avenue, Ninth

Floor, P.O. Box 350, Trenton, New Jersey 08625-0350 ATTN: Secretary Kristi Izzo, whether or not they attend the public hearings.

**Table # 1  
RRC Charges**

	Solar Loan III Program Component of the RRC		Total RRC	
	Present \$/kWhr (Incl. SUT)	Proposed \$/kWhr (Incl. SUT)	Present \$/kWhr (Incl. SUT)	Proposed \$/kWhr (Incl. SUT)
<b>RRC Electric - \$ per kWhr</b>	<b>\$0.000000</b>	<b>\$0.000025</b>	<b>\$0.001283</b>	<b>\$0.001308</b>

**Table # 2  
Impact By Electric Customer Class**

PROPOSED PERCENTAGE INCREASES BY CUSTOMER CLASS FOR ELECTRIC SERVICE		
	Rate Class	% Increase
<b>BGS-FP</b>		
Residential	RS	0.01%
Residential Heating	RHS	0.02
Residential Load Management	RLM	0.01
General Lighting & Power	GLP	0.01
Large Power & Lighting - Secondary (Peak Load Share 0 – 749)	LPL-S	0.02
<b>BGS-CIEP</b>		
Large Power & Lighting – Primary	LPL-P	0.02
High Tension – Subtransmission	HTS-S	0.02

The percent increases noted above are based upon current Delivery Rates and the applicable Basic Generation Service (BGS) charges and assumes that customers receive commodity service from Public Service Electric and Gas Company.

**Table #3  
Residential Electric Service**

If Your Annual kWhr Use Is:	And Your Monthly Summer kWhr Use Is:	Then Your Present Monthly Summer Bill (1) Would Be:	And Your Proposed Monthly Summer Bill (2) Would Be:	Your Monthly Summer Bill Increase Would Be:	And Your Monthly Percent Increase Would Be:
1,800	170	\$31.93	\$31.93	\$0.00	0.00%
3,600	360	74.32	74.33	0.01	0.01
6,960	722	139.87	139.89	0.02	0.01
7,800	803	144.17	144.19	0.02	0.01
12,000	1,250	240.57	240.61	0.04	0.02

(1) Based upon current Delivery Rates and Basic Generation Service Fixed Pricing (BGS-FP) charges in effect July 1, 2012 and assumes that the customer receives BGS-FP service from Public Service.

(2) Same as (1) except includes the initial change for the Solar Loan III Program component of the RGGI Recovery Charge.

**Sheree Kelly, Esq.  
Assistant General Regulatory Counsel**

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

## TYPICAL RESIDENTIAL ELECTRIC BILL IMPACTS

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

<b>Residential Electric Service</b>					
If Your Monthly Summer kWhr Use Is:	And Your Annual kWhr Use Is:	Then Your Present Annual Bill (1) Would Be:	And Your Proposed Annual Bill (2) Would Be:	Your Annual Bill Change Would Be:	And Your Percent Change Would Be:
170	1,600	\$312.12	\$312.12	\$0.00	0.00%
415	3,900	717.44	717.56	0.12	0.02
780	7,360	1,336.60	1,336.76	0.16	0.01
803	7,800	1,415.93	1,416.09	0.16	0.01
1,320	12,400	2,253.64	2,253.96	0.32	0.01

- (1) Based upon current Delivery Rates and Basic Generation Service Fixed Pricing (BGS-FP) charges in effect July 1, 2012 and assumes that the customer receives BGS-FP service from Public Service.
- (2) Same as (1) except includes changes from the new proposed Solar Loan III Program component of the RRC.

<b>Residential Electric Service</b>					
If Your Annual kWhr Use Is:	And Your Monthly Summer kWhr Use Is:	Then Your Present Monthly Summer Bill (3) Would Be:	And Your Proposed Monthly Summer Bill (4) Would Be:	Your Monthly Summer Bill Change Would Be:	And Your Percent Change Would Be:
1,600	170	\$31.93	\$31.93	\$0.00	0.00%
3,900	415	74.32	74.33	0.01	0.01
7,360	780	139.87	139.89	0.02	0.01
7,800	803	144.17	144.19	0.02	0.01
12,400	1,320	240.57	240.61	0.04	0.02

- (3) Based upon current Delivery Rates and Basic Generation Service Fixed Pricing (BGS-FP) charges in effect July 1, 2012 and assumes that the customer receives BGS-FP service from Public Service.
- (4) Same as (3) except includes changes from the new proposed Solar Loan III Program component of the RRC.



**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

**XXX Revised Sheet No. 65**

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

**Superseding**

**XXX Revised Sheet No. 65**

**RGGI RECOVERY CHARGE**

**Charge  
(per kilowatthour)**

**Component:**

Carbon Abatement Program .....	\$ 0.000045
Demand Response Working Group Modified Program .....	\$ 0.000000
Energy Efficiency Economic Stimulus Program.....	\$ 0.000434
Demand Response Program .....	\$ 0.000122
Solar Generation Investment Program .....	\$ 0.000432
Solar Loan II Program.....	\$ 0.000067
Energy Efficiency Economic Extension Program.....	\$ 0.000099
<u>Solar Loan III Program .....</u>	<u>\$ 0.000023</u>
Sub-total per kilowatthour .....	\$ <u>0.0011990.001222</u>

Charge including New Jersey Sales and Use Tax (SUT).....	\$ <u>0.0012830.001308</u>
--	----------------------------

**RGGI RECOVERY CHARGE**

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

Date of Issue:

Issued by ROSE M. CHERNICK, Vice President Finance – PSE&G  
80 Park Plaza, Newark, New Jersey 07102  
Filed pursuant to Order of Board of Public Utilities dated  
in Docket No.

Effective:

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY**

**XXX Revised Sheet No. 65**

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

**Superseding**

**XXX Revised Sheet No. 65**

**RGGI RECOVERY CHARGE**

**Charge  
(per kilowatthour)**

**Component:**

Carbon Abatement Program .....	\$ 0.000045
Demand Response Working Group Modified Program .....	\$ 0.000000
Energy Efficiency Economic Stimulus Program.....	\$ 0.000434
Demand Response Program .....	\$ 0.000122
Solar Generation Investment Program .....	\$ 0.000432
Solar Loan II Program.....	\$ 0.000067
Energy Efficiency Economic Extension Program.....	\$ 0.000099
Solar Loan III Program.....	\$ <u>0.000023</u>
Sub-total per kilowatthour .....	\$ 0.001222

Charge including New Jersey Sales and Use Tax (SUT)..... \$ 0.001308

**RGGI RECOVERY CHARGE**

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

Date of Issue:

Issued by ROSE M. CHERNICK, Vice President Finance – PSE&G  
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