



STATE OF NEW JERSEY
Board of Public Utilities
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DIVISION OF ENERGY AND
OFFICE OF CLEAN ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC) ORDER
SERVICE ELECTRIC AND GAS COMPANY FOR)
APPROVAL OF AN EXTENSION OF A SOLAR)
GENERATION INVESTMENT PROGRAM AND) DOCKET NO. EO12080721
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, 48:2-21.1 and N.J.S.A. 48:3-98.1)

(NOTIFICATION LIST ATTACHED)

- Matthew M. Weissman, Esq.**, Attorney for Public Service Electric and Gas Company
- Stefanie A. Brand, Esq.**, Director, New Jersey Division of Rate Counsel
- Stephen S. Goldenberg, Esq.**, on behalf of the New Jersey Large Energy Users Coalition
- James E. McGuire**, on behalf of WattLotts, LLC
- Michael A. Gruin, Esq.**, on behalf of The Solar Energy Industries Association
- William Potter, Esq.** on behalf of the Mid-Atlantic Solar Energy Industries Association
- Cynthia L. M. Holland, Esq.**, on behalf of Petra Solar
- Robert F. Shapiro, Esq.**, on behalf of Prologis
- Hani Khoury, Esq.**, on behalf of the New Jersey Solar Industry Manufacturers Association
- Robert T. Lawless, Esq.**, on behalf of SunDurance Energy
- Michael R. Yellin, Esq.**, on behalf of KDC Solar LLC
- Gary Weisman Esq.**, on behalf of the New Jersey Solar Energy Coalition
- Pamela J. Scott, Esq.**, Atlantic City Electric Company

BY THE BOARD:

Background and Procedural History

On January 13, 2008, L. 2007, c. 340 ("Act") was signed into law by former Governor Corzine based on the New Jersey Legislature's findings that energy efficiency and conservation measures and increased use of renewable energy resources must be essential elements of the State's energy future, and that greater reliance on energy efficiency, conservation, and renewable energy resources will provide significant benefits to the citizens of New Jersey. The Legislature also found that public utility involvement and competition in the renewable energy, conservation and energy efficiency industries are essential to maximize efficiencies. N.J.S.A. 26:2C-45.

Pursuant to Section 13 of the Act, codified as N.J.S.A. 48:3-98.1 (a)(2), an electric or gas public utility may, among other things, invest in Class I renewable energy resources or offer Class I renewable energy programs in its service territory on a regulated basis. Such investment in renewable energy, energy efficiency and conservation programs may be eligible for rate treatment approved by the New Jersey Board of Public Utilities ("Board"), including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. 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. An electric or gas public utility seeking cost recovery for any renewable energy, energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board.

August 2012 Filing

On August 1, 2012, Public Service Electric and Gas Company ("PSE&G" or "Company") filed the instant petition with the Board. By letter dated August 31, 2012, Board Staff notified PSE&G that the filing was administratively incomplete. On September 12, 2012, PSE&G submitted a supplemental filing to address the deficiencies outlined in the August 31 letter from Staff. Subsequently, Board Staff notified PSE&G that with the information submitted in the September 12 supplemental filing, the filing was administratively complete.¹

In the petition, PSE&G seeks approval to extend its current Solar 4 All Program through the addition of four distinct segments. ("S4AE Program"). Under the proposal, PSE&G would develop an additional 136 megawatt ("MW") dc of solar photovoltaic systems. As proposed, PSE&G would own and operate all solar systems built under the S4AE Program. It is estimated that the S4AE Program's capital investment would be approximately \$690 million over a five year period. PSE&G proposes to recover all S4AE Program costs through a new component of the Regional Greenhouse Gas Initiative Recovery Charge.

The proposed segments are as follows:

Segment A- Landfills and Brownfields (90 MW) - With a proposed investment of approximately, \$474 million, PSE&G proposes to invest in properties that cannot be productively utilized because of past or current site conditions. These sites would include (a) sanitary landfill facilities or portions of sanitary landfill facilities for which performance is complete with respect to all activities associated with the design, installation, purchase or construction of all measures, structures, or equipment required by the Department of Environmental Protection; (b) any former or current commercial or industrial sites that are currently vacant or underutilized and on which there has been, or there is suspected to have been, a discharge of contaminant ("brownfields"); (c) areas that include large volumes of "non-indigenous material" or fill; and (d) underutilized sites owned by governmental entities such as unused lands surrounding state prisons (collectively, "Non-Productive Sites").

Segment B - Warehouse Roofs (20 MW)- PSE&G proposes to invest approximately \$74 million in solar systems on warehouse roofs on commercial and industrial facilities. The Company estimates that the 20 MW would be completed with approximately six to ten transactions. This segment would be directed at owners of buildings with roofs of approximately 50,000 square feet.

¹ N.J.S.A. 48: 3-98.1 requires the Board to decide cost recovery issues within 180 days. Pursuant to the Board Order issued in response to a further statutory directive within that section, Board Staff must review a petition for completeness within 30 days and, when a petition is determined to be complete, set the beginning of the 180-day period. I/M/O Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in their Respective Service Territories on a Regulated Basis Pursuant to N.J.S.A. 48:3-98.1, Dkt. No. EO08030164 (May 8, 2008). Accordingly, the 180-day period for a Board determination commenced on September 12, 2012. However, by Orders dated January 23, 2013 and March 20, 2013, the Board approved extensions of the 180 days, with the most recent extension until May 31, 2013, approved by its Order dated April 30, 2013.

Segment C - Parking Lots (25 MW) - This proposed segment would focus on existing or proposed commercial, retail, industrial, municipal, professional, recreational, transit, commuter, entertainer complex, multi-use, or mixed-use parking lots with a capacity of 350 or more vehicles. The proposed budget for this segment is \$133 million. PSE&G asserts that it will consider projects that can provide additional revenues sources, such as advertising or electric vehicle charging, to potentially reduce the overall cost of the S4AE Program to ratepayers. PSE&G estimates that the segment can be completed with approximately 5-15 projects of various sizes.

Segment D - Pilots and Demonstrations (1 MW) - With an approximate investment of \$9 million, PSE&G proposes to operate pilot or demonstration solar systems, soliciting projects from both industry and academia. The primary focus of the pilot programs would be to integrate solar power with energy storage; however, other proposals that attempt to lower the overall cost of solar power and more fully integrate solar into the distribution grid, or otherwise show a dual benefit to solar power, will also be considered. PSE&G states that the primary objectives in this segment are to study the physical operation of the pilot technology and to gather data to better understand its impact on cost and overall effect on the distribution system.

By Order dated October 23, 2012, the Board retained this matter for review and hearing as authorized by N.J.S.A. 48:2-32, and designated President Robert M. Hanna as the presiding officer in this proceeding. Subsequently, by Order dated November 19, 2012, President Hanna approved a procedural schedule in this matter. By Orders dated January 15, 2013 and February 21, 2013, President Hanna approved revised procedural schedules. By Orders dated January 23, 2013, March 20, 2013, and April 30, 2013, the Board approved stipulations extending the 180 day review period. Per the April 30, 2013 Order, the 180 day review period will end on May 31, 2013.

Motions for intervention were received from the New Jersey Large Energy Users Coalition ("NJLEUC"), WattLotts, LLC ("WattLotts"), The Solar Energy Industries Association ("SEIA"), the Mid-Atlantic Solar Energy Industries Association ("MSEIA"), Petra Solar, Prologis, the New Jersey Solar Industry Manufacturers Association, SunDurance Energy ("SunDurance"), KDC Solar LLC ("KDC Solar"), and the New Jersey Solar Energy Coalition ("NJ SEC"). A motion to participate was filed by Atlantic City Electric Company. By Order dated November 29, 2012, President Hanna ruled on motions to intervene that had been filed as of that date. By various Orders since then, the additional parties were added to this proceeding with each new party agreeing to adhere to the adopted schedule.

After notice in newspapers in general circulation within the service territory, public hearings were held on November, 27, 2012 in New Brunswick, November 29, 2012 in Hackensack, and December 4, 2012 in Mt. Holly. Nine members of the public attended.

On January 18, 2013, the New Jersey Division of Rate Counsel ("Rate Counsel") filed its direct testimony in this proceeding. In addition, SEIA, WattLotts, SunDurance, Petra Solar and KDC Solar filed direct testimony in this matter. PSE&G filed its rebuttal testimony on February 4, 2013. In addition, SEIA filed rebuttal in response to the direct testimony filed by WattLotts.

On February 8, 2013, Rate Counsel filed a motion in limine to strike testimony filed by PSE&G which included a cost of equity study and extensive financial analysis and testimony of Company witness, Jorge Cardenas. In the alternative, Rate Counsel requested a sixty day extension to issue discovery on the rebuttal testimony and to present written surrebuttal testimony. On February 13, 2013, PSE&G filed its response to Rate Counsel's motion maintaining that the challenged testimony was properly submitted under the schedule and responsive to Rate Counsel's testimony. Following discussions among the parties, a revised schedule allowing time for written surrebuttal and limited discovery thereon was developed. On March 1, 2013, Rate Counsel filed its surrebuttal testimony.

Commissioner Joseph L. Fiordaliso presided over evidentiary hearings for this matter as a designee of President Hanna. Evidentiary hearings were held at the Office of Administrative Law in Newark on March 18, 19, and 21, 2013. Petitioner presented witnesses Paul Moul, Stephen Swetz, and Terrence Moran; Rate Counsel presented witnesses Andrea Crane, Matthew Kahal, and David Dismukes; WattLots presented witness Lance R. Miller; and SEIA presented witness Katie Bolcar Rever. Briefs were filed on April 12, 2013.

Litigated Positions of the Parties

PSE&G

In its post-hearing brief, PSE&G asserts that there is substantial evidence in the record supporting approval of the Extension Program, the proposed cost recovery mechanism, and requested return on equity. PSE&G brief at 1-2. PSE&G claims that its program is consistent with New Jersey's renewable energy law and Energy Master Plan policy which it characterizes as emphasizing solar development on "underutilized and particularly challenging properties." Id. at 2. PSE&G also states that representatives of organized labor and interveners representing the solar industry have testified that PSE&G's program will have a positive impact on jobs and the New Jersey economy. Id. at 3. In addition, PSE&G states that the increase in the number of large grid-supply projects relative to the number of smaller projects has increased the uncertainty in the solar 'pipeline' and makes the Extension Program desirable as a means of ensuring the continued development of solar projects, particularly upon underutilized spaces. Id. at 4-5. According to PSE&G, the rate impacts would be just and reasonable because a typical residential ratepayer would experience a rate increase of less than \$0.75 per month. Id. at 5. With respect to the cost recovery mechanism and the use of the return on equity from the most recent base rate case, PSE&G points out that the same methodology was used in unanimous stipulations in several previous cases. Id. at 5-6. PSE&G further points to the testimony of its expert witness that an appropriate return on equity ("ROE") would be 10.875%, and that the requested 10.3% is thus plainly reasonable. In addition, PSE&G cites the testimony of one of its employees that the higher ROE would help to ensure management's continued commitment to best practices. Id. at 6-7.

Rate Counsel

Rate Counsel opposes the S4AE Program stating "there is simply no need for the program." Rate Counsel brief at 1. Rate Counsel asserts that the proposed rate recovery mechanism requires ratepayers to pay for administrative costs in violation of the Board's May 23, 2012 Order,² and the program would add another "pass through" rate recovery mechanism to a number of similar mechanisms. Id. at 3. Rate Counsel also disagrees with the Company's proposal to use the weighted average cost of capital ("WACC") approved in its last base rate case, including a 10.3% return on equity. Ibid. Rate Counsel argues that the WACC proposed is excessive relative to current market conditions and does not give consideration to the fact that the clause-type recovery mechanism poses less risk than recovery of costs through base rates. Id. at 3. Rate Counsel believes the cost of the program is high, the actual burden on ratepayers is uncertain, and the Company's estimated revenue credits are overstated. Id. at 31. Rate Counsel believes "PSE&G is proposing to be compensated handsomely for virtually risk-free investments while at the same time interfering with and destabilizing the solar market and negatively affecting its residential and business ratepayers and the State's economy as a whole." Id. at 4. Rate Counsel asserts that the S4AE is inconsistent with State policy as the program "would be anticompetitive, would de-stabilize the State's SREC market, and would create negative impacts on New Jersey's economy." Id. at 10.

² In re the Review of Utility Supported Solar Programs, Docket No. EO11050311V.

Petra Solar

Petra Solar, a manufacturer of turnkey solar facilities, fully supports the Extension Program, stating that it is consistent with State and Board policy to promote solar energy, particularly within under-utilized market sectors. Petra Solar brief at 1-2, 3-4. More specifically, Petra Solar asserts that certain government assets, such as State-owned transportation assets and rights-of-way, are particularly suited to this segment. Id. at 5. Petra Solar further attests that the Extension Program will add only an incremental 2.27 MW per month and that this amount is unlikely to "crash" the market. Id. at 7. In addition, Petra Solar points to itself as an example of a solar business that has created jobs and economic growth since its founding in 2009, and claims that the impact upon ratepayers would be, on average, only \$0.68 per year. Id. at 7, 8.

KDC Solar

KDC Solar, a New Jersey based developer of net metered solar facilities, opposes the S4AE Program, arguing that it is not needed as New Jersey's solar market already has a substantial number of installations and installed capacity resulting in a significant oversupply of SRECs. KDC brief at 8. As a direct competitor of PSE&G with respect to the kinds of projects proposed in the S4A Extension Program, KDC Solar asserts that the program directly and adversely impacts market competition. Id. at 3. Arguing that the program would continue to use ratepayer monies to guarantee PSE&G's investment in the solar energy assets, KDC Solar believes that PSE&G would have an unnecessary and unfair competitive edge in the marketplace. Id. at 3. KDC Solar believes that "as proposed, the S4A Extension Program significantly expands both the size and duration of the Solar 4 All Program – directly and adversely impacting market competition." Ibid. KDC Solar suggests that should the Board decide to proceed with the S4A Extension Program, it should be limited to subsidizing PSE&G's development of solar energy facilities for solar projects that test and demonstrate emerging technologies and/or where the market has not been able to develop. Id. at 6. KDC Solar argues that the program should be reduced to 20-40 MW limited to solely new solar technologies and/or landfills, where the market has not been developed. Id. at 8. KDC Solar further asserts that the program should not generate SRECs but be financed on a rate-based model. Ibid.

SunDurance

SunDurance, a company involved in the development, construction and design of large scale solar facilities, agrees with PSE&G's assertion that the petition will have a major and beneficial impact on the scope, nature and pace of solar project development in New Jersey. SunDurance claims the market segments being proposed in the petition are underserved because the projects are more costly due to the barriers to develop, design, and construct. Sundurance brief at 4-5. SunDurance does, however, share the concern of other interveners that PSE&G's relative immunity to the prevailing market value of SRECs poses a risk of over-supply. Id. at 6.

SunDurance recommends measures be adopted to encourage PSE&G to hire solar industry firms, through a competitive process, in order to promote the growth of the New Jersey solar industry, and be preferred over PSE&G using its own labor and potentially competing with solar contractors. Id. at 7. SunDurance further recommends that provisions be implemented to ensure that PSE&G considers non-productive sites that are brought to it by developers capable of delivering a completed project to PSE&G, in addition to sites developed by PSE&G and bid out for construction. Ibid.

MSEIA

MSEIA, an association of solar developers and installers, argues that the Board should accept the petition, but modify it, and define the program size according to a megawatt total. MSEIA believes that the injection of SRECs into the market during a time of critical oversupply (which it believes to be the case for the next three to five years) would have a serious and potentially devastating effect on the local solar business community, and the New Jersey solar industry as a whole. Id. at 2.

Regarding the segments, MSEIA argues that the Warehouse Rooftop and the Parking Lot segments should be eliminated and the capacity associated with these segments reallocated to the other two segments. Id. at 4. MSEIA believes that the Pilots and Demonstrations segment should be increased to at least ten MWs, and perhaps as much as twenty MWs. Ibid. Finally, MSEIA argues that the program size should be defined by a total MW capacity, as opposed to a dollar limit as presently proposed. Based on its observation, MSEIA asserts that the current installed prices for solar power systems are considerably lower than those which seem to be embodied in the proposed investment total. Id. at 3, 4.

SEIA

SEIA, a national trade association of solar businesses, opposes the PSE&G S4AE arguing that the Company has not demonstrated a need for the program; further, Petitioner has not shown that the program will not have a detrimental effect on the competitive solar market. SEIA brief at 5. SEIA argues that the S4AE Program may benefit PSE&G shareholders and certain specific solar companies but it is certain to have a detrimental effect on the larger competitive solar market. Ibid. SEIA argues that the S4AE Program will not add jobs or environmental benefits; rather, the extension will simply displace the jobs and environmental benefits that would have been created by private competitive solar development. Ibid. SEIA adds that PSE&G claims sectors such as warehouse rooftops and parking lots are "under-utilized" but these projects are presently being built by the competitive market and do not need the "boost" that PSE&G claims to be offering. Id. at 6.

SEIA suggests that if the Board decides to approve the S4AE Program, the program should be reduced in size. Id. at 17. SEIA also suggests that the Board authorize PSE&G's recovery of its costs through mechanisms outside the SREC market, and implement a control mechanism authorizing the Program's SRECs only under identified market conditions. Id. at 18.

WattLots

Wattlots, a company specializing in innovative designs for the solar industry, supports PSE&G's S4AE Program, stating that the program is consistent with law and Board policy. Wattlots brief at 3. Wattlots asserts that the program will assist the Board in meeting the RPS requirements. Id. at 10. Wattlots also supports the program because the legislature views the EDC participation in renewable energy programs essential to maximize efficiencies. Id. at 6. Wattlots believes that the Parking Lot segment should be approved because this segment is not being served. Id. at 8. Wattlots anticipates adding hundreds of additional jobs if the program is approved as filed. Id. at 11. Wattlots attests that the program would allow the company the opportunity to scale its production, thus reducing costs and providing the financial certainty needed to continue the development of innovative technologies. Id. at 11.

New Jersey Large Energy Users Coalition (NJLEUC)

NJLEUC opposes the S4AE Program, arguing that because the program would be fully subsidized by ratepayers, PSE&G shareholders would obtain a substantial, risk-free return on their investments without being required to assume any of the normal risks inherent in the solar business. NJLEUC brief at 2-3. NJLEUC argues that PSE&G would be a highly advantaged, price insensitive actor in the solar market that has a strong potential to "crowd out" other developers,

thereby undermining the competitive model that the State has tried to develop, as well as depressing the price of SRECs for its competitors by increasing the existing over-supply. Id. at 3. NJLEUC points to PSE&G's testimony that total program costs through 2037 are approximately \$1.864 billion, and states that these costs will be still higher if, as NJLEUC deems likely, PSE&G has over-estimated the offsets produced by sales of SRECs, energy, and capacity. Id. at 4-5. NJLEUC also criticizes PSE&G's proposal to recover administrative costs from ratepayers, alleging that such recovery would violate the Board's May 23, 2012 Order requiring that administrative fees be paid by solar developers or generation customers. Id. at 6. NJLEUC asserts that recovery of S4AE Program costs through a clause amounts to single-issue ratemaking, and further objects to the requested 10.3% return on equity as excessive in the current market climate and inappropriate to an investment NJLEUC sees as "risk-free." Id. at 6-9.

New Jersey Solar Industries Manufacturer's Association (NJSIMA)

NJSIMA, a nonprofit representing solar industry manufacturers, supports the S4AE Program, with several modifications, as one which incorporates innovation and which will create "green-collar" jobs. NJSIMA brief at 4. The commenter wishes to see the inverters used in the landfill, parking lot, and warehouse roof segments as making these projects "microgrid-ready;" to have the capacity of the pilot/demonstration segment increased from one MW to three MW; and to have the pilot/demonstration projects include the ability to power variable loads, such as large motors to maximize efficiency and control. Ibid.

The Proposed Settlement

On April 26, 2013, a stipulation of settlement ("Stipulation") was submitted to the Board. The Stipulation was signed by the Company, SEIA, MSEIA, Prologis, KDC Solar, SunDurance, and Board Staff ("Signatory Parties" or "Parties"). Below are the salient terms of the Stipulation.³

1. The Signatory Parties agree that the program size will be capped at 45 MW (dc) of grid-connected solar-projects interconnected to a utility's electrical distribution system under the terms and conditions of this settlement. The capital investment (excluding Allowance for Funds Used During Construction) over the initial build-out period is estimated to be \$247.2 million. The reduced size of the S4AE Program is the result of a negotiation between the parties reflecting the different views as set forth in the testimony presented by several parties indicating support for PSE&G's continued involvement in solar development, at a reduced program size and scope.
2. The Solar Photovoltaic System ("Solar System") must be capable of generating solar renewable energy certificates ("SRECs") as defined under the Board's regulations.
3. No capacity will be placed into service before Energy Year ("EY") 2015, and no more than 20 MWs of the 45 MWs will be placed in service in EY 2015, with the remainder going into service in EY 2016 or thereafter.
4. The S4AE Program will have the following Segments:
 - A. Landfills/brownfields – 42 MW, minimum project size 1,000 kW
 - B. Underutilized government facilities – 1 MW, minimum project size 100 kW
 - C. Pilot program on grid security/storm preparedness – 1 MW, minimum project size 100 kW

³ Although described in this Order, should there be any conflict between this summary and the stipulation, the terms of the stipulation control, subject to the findings and conclusions contained in this Order. In addition, the Stipulation also addressed PSE&G's Solar Loan III Petition in Docket No. EO12080726. Only the Stipulation terms as they pertain to this docket are discussed in this Order.

- D. Pilot program for innovative parking lot applications – 1 MW, minimum project size 100 kW

Segments B, C and D are collectively referred to as "Pilots."

The reduced scope of the program segments reflects the result of negotiations among the parties consistent with the evidence presented in this proceeding reflecting the unique challenges with achieving the Energy Master Plan's objective of building solar on landfills and brownfields. In addition, the Parties expressed an interest in exploring the evaluation of the innovative use of solar technologies through pilot programs.

5. PSE&G will have flexibility to move capacity only between the Pilots. PSE&G may increase the landfills/brownfields Segment by up to 3 MWs, but may not reduce solar on landfills/brownfields to increase the size of another Pilot Segment. For solar on landfills/brownfields, PSE&G will seek Board certification of project locations pursuant to the Board's Order implementing the Solar Act of 2012, N.J.S.A. 48:3-51⁴ subsection (t) by submitting an application to the Board for New Jersey Department of Environmental Protection review and approval by the Board.
6. PSE&G shall not transfer any costs from a canceled project to a new Solar4All Extension project unless those costs directly benefit the new project.

Selection Process and Site Identification for Segments A & B

7. PSE&G will be responsible for identifying and selecting suitable sites for the Solar Systems. Additionally, PSE&G may also request landfill or brownfield site owners to submit proposals for consideration. PSE&G will give favorable consideration to those projects in which the site owner and solar contractor have coordinated and prepared a fully engineered, ready to build project.
8. PSE&G may retain the services of an engineering firm for site assessment, development of the scope of work, permitting, proposal review, and other services.
9. PSE&G and a host site owner will enter into a suitable agreement ("Lease") containing typical terms and conditions including rent payments, insurance, indemnifications, owner responsibility for pre-existing site conditions, and access, all to be negotiated with the site owner. All Leases between PSE&G and the site owner will have a 20 year term, unless applicable law requires a shorter term, and may contain options to extend the term as negotiated by the parties.
10. The determination of the lease payment will follow the methodology established in the current Solar 4 All program and will be escalated by a percentage annually for a term of 20 years. The lease payment will be set at a price per kWh of projected output in the first year.
11. Additional payments may be made to site owners, which may also include pre- and post- commercial operation payments, and other option payments necessary to secure property rights for the site.
12. The site owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions.

⁴ The Stipulation apparently intended to cite to N.J.S.A. 48:3-87(t).

Selection Process and Site Identification for Segments C & D

13. For Segments C and D, PSE&G will conduct a solicitation requesting proposals that meet the objectives of each pilot/demo segment. Notices for each solicitation will be posted on the PSE&G website and may also be promoted through other means as determined by PSE&G.
14. Each proposal shall contain: (i) a project description, site plan solar array layout, and total installed watts (dc); (ii) the total installed cost of the pilot/demo solar system; (iii) an annual energy output estimate in kWh for the first year using a methodology as may be appropriate and acceptable to PSE&G; (iv) a project schedule; and (v) a clear and detailed description of how the proposed pilot/demo Solar System meets the objectives of the segment.
15. PSE&G will evaluate and select proposals for segments C and D based on the objectives and criteria established for each segment. PSE&G reserves the right to reject any or all proposals that, in its view, do not meet the segment's objectives and criteria.

Construction and Interconnection of Projects for Segments A and B

16. Developers will be hired through a competitive bid process to provide the engineering, permitting, procurement and construction services required to develop the projects, with preference for New Jersey providers and prevailing wages required.
17. Upon the final acceptance of a proposal, PSE&G will enter into a contract with the developer to build the Solar System. The contract will contain typical terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the Site Owner.
18. Alternatively, PSE&G may procure the equipment directly, with preference for New Jersey providers, and hire developers through a competitive bid process as described in paragraph 16 to provide the engineering, permitting and construction services.
19. PSE&G (a) will initiate the PJM Interconnection process, and (b) seek to identify the interconnection costs associated with viable sites as determined by PSE&G.
20. PSE&G will perform the interconnection work for projects in PSE&G's territory and may perform portions of the other work.

Construction and Interconnection of Projects for Segments C and D

21. For each segment, PSE&G will conduct a solicitation requesting proposals that meet the objectives of each pilot/demonstration segment, with preference for New Jersey providers and prevailing wages required. Notice for each solicitation will be posted on the PSE&G website and may also be promoted through other means as determined by PSE&G.
22. Upon the final acceptance of a proposal, PSE&G will enter into a contract to build the pilot/demo Solar System. The contract will contain typical terms and conditions

including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the site owner.

23. PSE&G and site owner will enter into a suitable agreement containing typical terms and conditions including insurance, indemnifications, owner responsibility for pre-existing site conditions, and access. Because of the uniqueness of the pilot/demo projects, the exact nature of any financial transactions between PSE&G and the site owner will be determined on a case by case basis.
24. The site owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions. PSE&G will not be responsible for pre-existing site conditions.
25. PSE&G (a) will initiate the PJM Interconnection process, and (b) seek to identify the interconnection costs associated with viable sites as determined by PSE&G.
26. PSE&G will perform the interconnection work for projects in PSE&G's territory and may perform portions of the other work.

Reporting

27. PSE&G will provide Project Milestone Reporting including but not limited to SREC Registration Program ("SRP") Package submission date, SRP acceptance date, and construction initiation date. In addition, PSE&G will provide quarterly construction updates to the Board, including construction completion and authorization to energize dates.

Sale of SRECs

28. SRECs will be sold in the year generated or in the next available auction following the close of the Energy Year.

Cost Recovery and Bill Impacts

29. PSE&G will recover the net revenue requirements for the Solar4All Extension Program via a new Solar Generation Investment Extension Program ("SGIEP") component of the Company's electric RGGI Recovery Charge ("RRC"). The SGIEP will be applicable to all electric rate schedules on an equal cents per kilowatt-hour basis for recovery of the costs associated with the S4AE Program. The initial SGIEP will be based on revenue requirements from June 1, 2013, or the date of the written Board Order, through September 30, 2014. Thereafter, the SGIEP will be changed nominally on an annual basis in conjunction with the annual filing for all other existing RRC components, incorporating a true-up for actual results and a forecast of revenue requirements for the twelve months succeeding the anticipated Board approval date.
30. The Signatory Parties stipulate that the revenue requirements recovered through the SGIEP will be calculated to include a return on investment and a return of investment over the lives of the capital assets. The Program investments are proposed to be treated as separate utility assets, and depending on the type of investment, either depreciated or amortized as described in the corresponding section below. The revenue requirements associated with the direct costs of the Program would be expressed as:

*Revenue Requirements = (Pre-Tax Cost of Capital * Net Investment) + Amortization and/or Depreciation + Operation and Maintenance Costs – Revenues from Solar Output – ITC Amortization w/ Tax Gross Up + Tax Associated from ITC Basis Reduction*

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

Cost of Capital – This is PSE&G’s overall weighted average cost of capital (“WACC”). The overall cost of capital utilized to set rates for the initial rate period of the Program will be 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 10.0% and the Company’s embedded long-term cost of debt as of March 31, 2013 of 5.1702%.

Net Investment – This is the Gross Plant-in-Service less associated accumulated depreciation and/or amortization less Accumulated Deferred Income Tax (“ADIT”).

Depreciation/Amortization – The depreciation or amortization of the Program assets will vary depending on its asset class. The table below summarizes the book recovery and associated base tax depreciation applied to the corresponding asset classes. The base tax depreciation is calculated on the total amount of the asset less any bonus depreciation and any applicable tax credits.

Asset Class	Book Recovery	Base Tax Depreciation
Solar Panels, acquisition and installation costs	20 year dep.	5 year MACRS
Inverters	5 year dep.	
Communications Equipment		
Meters	20 year dep.	20 year MACRS

The amortization/depreciation would be based on a monthly vintaging methodology instead of the mass property accounting typically used for utility property.

Operations and Maintenance Costs – Operations and Maintenance Costs will include:

- PSE&G labor and other related on-going costs required to manage the physical assets.
- Administrative costs related to the management of the Program.
- Rent/lease or other payments or bill credits made to non-PSE&G host sites/facilities and the fair values of rents for use of electric transmission sites/facilities.
- Insurance Expense

Revenues from Solar Output – PSE&G will pursue generating revenues from solar output from the following sources:

- Sales of energy in the applicable PJM wholesale markets
- Capacity payments from the PJM capacity market
- Sales of SRECs through an auction process

PSE&G will apply all net revenues it receives from the energy and capacity sales in the PJM markets and the sale of SRECs to customers to offset the S4AE program revenue requirements.

Investment Tax Credit ("ITC") – The Company will return all of the ITC it utilizes to ratepayers in accordance with Federal income tax law. The return of the ITC to ratepayers must be amortized over the book life of the assets. The ITC benefit is partially offset by the tax impact associated with the tax basis reduction equal to fifty percent of the ITC. This tax basis reduction is prescribed by Federal income tax law governing the ITC. The impact on revenue requirements is generated by applying the book depreciation method to the difference between the book basis and the tax basis multiplied by the tax rate, and then multiplied by the revenue conversion factor.

32. The Signatory Parties further stipulate that the initial revenue requirement calculation will use a WACC of 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 10.0%, and the Company's embedded long-term cost of debt as of March 31, 2013 of 5.1702% (See Attachment A for WACC Calculation). The Signatory Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations, effective as of the date of the Board's base rate case order authorizing a change in the WACC. The Parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the date of the next scheduled annual true-up but in any event, no later than January 1 of the subsequent year. The Parties stipulate that after the initial revenue requirements period, the SGIEP will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial SGIEP for the period ending September 30, 2014 is set forth in Attachment A to the Stipulation. The corresponding forecasted rates for all periods are set forth in Attachment L to the Stipulation.
33. In calculating the monthly interest on net over and under recoveries, the interest rate shall 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. In the event that neither commercial paper nor bank credit lines were utilized in the preceding month, the last calculated rate will be used. The interest rate shall not exceed PSE&G's overall rate of return as authorized by the Board. The interest amount charged to the SGIEP balance will be computed using the methodology set forth in Attachment B attached hereto and made a part of this Stipulation, based on the net of tax average monthly balance. Simple interest shall accrue on any under and over recovered balance, and shall be included in the deferred SGIEP balance at the end of each reconciliation period. The true-up calculation of over-and under-recoveries shall be included in the Company's Annual Filing.
34. The Parties agree that PSE&G has the right to request Board approval to roll the net, unrecovered Program investment balance into base rates at the time of a future electric base rate case filing.
35. The Signatory Parties request that the Board set the effective date of the initial SGIEP as June 1, 2013.
36. The SGIEP will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under recovered balance to be recovered from or returned to ratepayers over the following year. Any Board ordered cost recovery adjustments resulting from the review of the actual costs will be made to the over/under deferred balance and reflected in the charges

established for the following year pursuant to a Final Board Order. The Signatory Parties stipulate that the Company will file an annual petition ("Annual Filing") to adjust its SGIEP in conjunction with the annual filing for the existing components of the electric RRC, with the first Annual Filing currently scheduled to be made by no later than July 1, 2014 for rates effective October 1, 2014 through September 30, 2015.

37. Each Annual Filing will contain a reconciliation of PSE&G's actual SGIEP recoveries (which were based on PSE&G's projected SGIEP costs) and actual revenue requirements for the prior period, and a forecast of revenue requirements for the remainder of the current period and for the upcoming 12-month period that shall be based upon the Company's authorized ROE and capital structure for this Program. The Annual Filing also will present actual costs incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudence. The Annual Filing will also provide information consistent with the information in the Minimum Filing Requirements ("MFRs") provided in the existing S4A Program. The Annual Filing will be subject to review by the Parties with opportunity for discovery and filed comments prior to the issuance of a Board Order establishing the Company's revised SGIEP. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings, if required by law.
38. The Parties agree that the proposed SGIEP rate, as set forth in the tariff sheets in Attachment C to the Stipulation are just and reasonable and PSE&G is authorized to implement the proposed rates on June 1, 2013 or on the date of the written BPU Order approving the Stipulation, whichever is later.
39. A typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours on an annual basis and on BGS-FP service with PSE&G would see an initial increase in the annual bill from \$1,349.08 to \$1,349.36 or \$0.28 or approximately 0.02%. See Attachment D to the Stipulation for residential customer bill impacts. As currently projected, the maximum rate impacts for the same typical residential electric customers from the SGIEP would occur in the October 1, 2015 through September 30, 2016 cost recovery period. The expected maximum increase from the SGIEP for a typical residential customer in the October 1, 2015 through September 30, 2016 cost recovery period would be \$0.000601 per kWh (including sales and used tax (SUT)), for a typical annual residential bill impact of \$4.44 (0.329 %) or about \$0.37 per month.

Program Rules

40. The Signatory Parties agree that the program rules for S4AE Program ("S4AE Program Rules") shall be as set forth in Attachment E to the Stipulation. PSE&G shall have the right to amend the S4AE Program Rules as required for commercial reasons, after ten business days advance notice to Board Staff and Rate Counsel unless Board Staff notifies PSE&G in writing within that same ten business day period that it objects to the amendment. In such event, Board Staff shall have the right to seek Board review of the amendment on an expedited basis so as not to delay program implementation.
83. The Signatory Parties agree that PSE&G will attempt to resolve any disputes that arise under the Solar Loan III and Solar 4 All Extension Programs on an informal basis. Any disputes that cannot be resolved informally shall be resolved in the appropriate legal forum.

During a telephone status conference on April 25, 2013, the parties agreed to a procedural schedule for submission of comments on the Stipulation. Commissioner Fiordaliso orally approved the revised schedule which was subsequently incorporated into a stipulation signed by a number of the parties extending the Review Date to May 31, 2013. That stipulation was approved by the Board by order dated April 30, 2013.

On May 9, 2013, the following parties submitted comments on the Stipulation: PSE&G, Rate Counsel, Sundurance, SEIA, KDC Solar, MSEIA, NJLEUC, and WattLots.

On May 13, 2013, PSE&G and Petra Solar submitted reply comments.

Comments and Reply Comments on the Stipulation

PSE&G

PSE&G asserts that there is substantial evidence in the record supporting approval of the Solar 4 All program, the proposed cost recovery mechanism, and the 10% return on equity. PSE&G also asserts that the Stipulation takes into account the divergent positions of the various parties and should be approved under the Board's broad authority under N.J.S.A. 48:3-98.1. PSE&G comments at 2. PSE&G maintains that the factors the Board is authorized to consider in ruling upon a petition under N.J.S.A. 48:3-98.1, including job creation, effect on competition, existing market barriers, and the availability of these programs in the marketplace, were demonstrated on the record to support the petition as filed at 136 MW, and also support the 45 MW contained in the Stipulation. Id. at 4-6. PSE&G stresses the Stipulation's emphasis on the landfill/brownfield segment and states that the record demonstrates that there has been very limited activity in that market segment, while State policy supports solar development at these locations. Id. at 6, 8. In addition, PSE&G points to the testimony of witness Mr. Moran that the nature of the solar "pipeline" has changed, with large, grid-connected projects whose development is characterized by a greater degree of uncertainty as evidence that the capacity added by Solar 4 All would not overload the market. Id. at 7. PSE&G also states that the record establishes that the average rate impact of less than seven dollars per year under the S4AE Program as proposed would be reasonable, and that as the rate impact of the Stipulation would be less than 40% of the maximum rate impact of the petition, that smaller impact must be reasonable as well. Id. at 9. PSE&G also maintains that the Stipulation provides for project selection, site identification, construction, and interconnection processes that are consistent with processes already in use. Id. at 10-12.

Rate Counsel

Rate Counsel objects to the Stipulation on both procedural and substantive grounds and recommends that the Board reject it. Procedurally, Rate Counsel argues that the Stipulation was negotiated "behind closed doors" with parties expected to object invited into negotiations only after the major terms of the Stipulation had been agreed upon and that this procedure constitutes a violation of due process. Rate Counsel comments at 16. Rate Counsel also asserts that the Stipulation is defective because while it was negotiated after an evidentiary proceeding had been fully litigated and briefed, the provisions of the Stipulation have no basis in the evidentiary record. Id. at 18, 33-36. In terms of substance, Rate Counsel makes several criticisms of the proposed settlement, stating that the Stipulation includes no limit on how much the Company can spend and provides insufficient detail and Board oversight to adequately protect the interest of PSE&G's ratepayers, who will be funding the program. Id. at 21-22. Rate Counsel also argues that the Stipulation is silent on the mechanism to be used to ensure against double-recovery of costs. Id. at 24. In addition, Rate Counsel argues that the Stipulation allows PSE&G to change rules without sufficient oversight, and that the prudency review is inadequate. Id. at 25-26. Rate Counsel also argues that the Stipulation contravenes State and Board policies favoring the development of

competitive markets, referencing its post-hearing brief, and adds that the Stipulation includes no provisions to ensure that PSE&G will select the lowest-cost qualified bidder to develop projects in any of its four market segments. Id. at 26-30. Rate Counsel further argues that the "Landfills/brownfields" segment of the Extension Program is contrary to section (t) of the Solar Act because it "pre-empts" the Board's ongoing proceeding to establish an incentive mechanism for projects on landfills/brownfields, and is inconsistent with the Board's process for certifying that a project is located on such a site. Id. at 30. Rate Counsel again raises cost concerns, stating that the Stipulation would allow PSE&G to include the cost of remediation, as well as solar installation, in its payments to site owners. Id. at 31-32.

Rate Counsel makes a number of recommendations in the event that the Board approves the Stipulation over its objections. Among other proposals, Rate Counsel recommends that the Board cap PSE&G's expenditures at the \$247.2 million that it estimates as its initial investment, and that the Stipulation should define in detail the types of projects that will be eligible and the specific criteria which PSE&G will apply. Id. at 22-23. Rate Counsel also argues that the Stipulation should provide for appropriate accounting with respect to administrative, labor, and interconnection and other costs, to ensure against double recovery. Id. at 24. Rate Counsel would like to see the Stipulation require thirty days' notice to all parties of any proposed rule changes, and provide for resolution as a contested case if any costs are alleged to be unreasonable. Id. at 25. Arguing that there are insufficient standards to allow for a meaningful prudency review, Rate Counsel proposes allowing for a full contested case to resolve disputes over the costs of the program. Id. at 26.

KDC

Noting that it is a direct competitor of PSE&G with respect to the type of projects proposed in the Extension Program, KDC states that it believes that the Stipulation strikes an appropriate balance of the various competing interests involved in the proceeding and requests that the Board approve it.

SEIA

SEIA recommends approval of the Stipulation because SEIA believes it is a reasonable policy solution to the conflicting positions presented in the proceedings on issues of future public utility investment in New Jersey's renewable energy programs. Stating that the Board is tasked by the Solar Advancement and Fair Competition Act with allocating SRECs across utility-owned solar projects such that non-utility project development is not negatively impacted, and by the EMP with promoting solar investment in landfills and brownfields, SEIA maintains that the Extension Program carefully calibrates the amount and allocation of utility-owned solar and balances the development of solar on landfills and brownfields with the need to safeguard the already oversupplied SREC market.

WattLots

Noting that it has consistently supported the Extension Program as filed because it believes that program to be fully consistent with the goal of the Solar Act to promote solar development on parking lots, Wattlots supports the Stipulation as a potential starting point to respond to legislative intent on that goal, and recommends that the Board approve the Stipulation.

MSEIA

MSEIA supports the proposed settlement and has signed the Stipulation. While MSEIA is concerned that PSE&G's Solar 4 All program could "further destabilize the already critically oversupplied SREC market," MSEIA is satisfied that the reduced size of the program and the delay in implementation until EY 2015 and EY 2016 "can reasonably be expected to mitigate this risk." MSEIA comments at 1. Of all the proposed solar projects, MSEIA believes that those intended to increase Grid Security and Storm Preparedness offer "the greatest value as a public good," and

therefore, take priority for an increase should the Board modify the proposed allocation of MW among segments. Id. at 2.

NJLEUC

NJLEUC urges the Board to reject the Stipulation on both procedural and structural grounds. NJLEUC comments at 2. NJLEUC notes that the Solar 4 All program has been opposed by Rate Counsel, maintaining that the fact that no ratepayer representatives agreed to execute the stipulation is “unprecedented.” Ibid. The procedural grounds cited by NJLEUC center on the absence of certain parties, including Rate Counsel, in the negotiation process. NJLEUC argues that the agreement of Board staff to enter into the stipulation without hearing opposing comments of non-settling parties violates the non-settling parties’ due process rights. Id. at 4.

NJLEUC argues that the Solar 4 All program is inconsistent with the market-driven solar development model endorsed by the Board and by the Legislature in the Solar Act, and favors PSE&G shareholders over ratepayers. Id. at 5. NJLEUC criticizes the failure of the Stipulation to cap the potential investment and to include performance standards. Id. at 6. According to NJLEUC, under the stipulation, ratepayers will assume all risks associated with the development of these projects. Id. at 8. NJLEUC also opposes the 10% ROE maintaining that PSE&G incurs no risk in this form of investment, interest rates are low, and PSE&G’s own witness testified that the company has a “relatively low cost of capital.” Ibid. In addition, NJLEUC criticizes the use of “clause” mechanisms because, according to NJLEUC, they result in single-issue ratemaking and keep utilities from bringing base rate cases which would allow a comprehensive review of their earnings. Id. at 9. Finally, NJLEUC makes a series of recommendations for modifications to the Stipulation should the Board elect to approve it, including capping the investment, reducing the ROE, and establishing reporting requirements and performance standards. Id. at 11.

Sundurance

Noting that its position is unique in that it is the only intervener to have designed and constructed a landfill solar project under the Solar 4 All program, Sundurance states that the Stipulation strikes a reasonable balance and will help to implement the EMP by promoting solar on landfills.

PSE&G Reply Comments

In its Reply Comments, PSE&G counters due process challenges by citing the “extensive discovery and submission of direct testimony,” rebuttal testimony, motion practice, surrebuttal testimony, hearings, and briefings as well as “informal settlement discussions that helped establish the basis for the stipulation[.]” PSE&G Reply Comments at 3. The majority of parties have signed the Stipulation, as it is a balanced compromise that achieves the goals of the Energy Master Plan and the Solar Act. Id. at 4. According to PSE&G, due process only requires that all parties have “notice and an opportunity to be heard on the issues raised in the Stipulation.” (citing I/M/O Public Service Electric and Gas Company’s Rate Unbundling, Stranded Costs and Restructuring Filings, 330 N.J.Super. 65 (App. Div. 2000), aff’d, 167 N.J. 377 (2001)). Id. at 7.

PSE&G claims that the non-signatory parties’ criticisms of the terms of the S4AE program are based on the mistaken presumption that the Board should assume “control over the day-to-day operations of a public utility investment program.” Id. at 9. PSE&G asserts that any modification of program rules from that required by the Board under the original Solar 4 All Order is without basis and would result in delayed implementation of the program. Id. at 12.

In response to Rate Counsel’s statement that S4AE Program provides PSE&G with an unfair and uncompetitive advantage over other solar developers and, as such, is contrary to Board policy, PSE&G points to the supportive comments filed by other market participants in this matter. Id. at

12-14. PSE&G asserts that, contrary to Rate Counsel's claims that its program will undermine the Board's ongoing certification process under section (t) of the Solar Act, it will follow the certification process called for in the Solar Act including the condition of Board approval of solar projects on landfills. Id. at 14. Although Rate Counsel seeks a provision in the Stipulation providing for evidentiary hearings in connection with PSE&G's annual cost recovery filings, N.J.A.C. 14:1-8.1 makes such a provision unnecessary as the Board may schedule hearings in any case deemed contested. Id. at 15. With regard to Rate Counsel's claim that the Stipulation does not require PSE&G to roll the net, unrecovered S4AE Program investment balance into rate base at the time of its next base rate case, PSE&G replies that any party, including Rate Counsel, can request that the balance be rolled into base rates. Ibid.

Petra Reply Comments

Petra did not sign the Stipulation and, instead, recommends a modification to encourage solar projects that are not currently served by the market or supported through "traditional sources of capital." Petra Reply Comments at 2. Specifically, Petra recommends that the Board allow PSE&G to redirect up to 10 percent of the MW allocated to the landfills and brownfields segment to any of the other three segments, depending on demand for projects in those segments. If, according to Petra, the solar market finds solar projects on underutilized government facilities or parking lots, or in grid security and storm preparedness segments, "compelling and cost-effective," then action by the Board to allow the reallocation of MW to those segment will prove to be "both good business and good policy." Id. at 3.

DISCUSSION AND FINDINGS

In evaluating a proposed settlement, the Board must review the record, balance the interests of the ratepayers and the shareholders, and determine whether the settlement represents a reasonable disposition of the issues that will enable the Company to provide its customers in this State with safe, adequate and proper service at just and reasonable rates. In re Petition of Pub. Serv. Elec. & Gas, 304 N.J. Super. 247 (App. Div.), cert. denied, 152 N.J. 12 (1997). The Board recognizes that the Stipulation was not signed by all the parties in this proceeding; nonetheless, it is well-established that the Board may consider and rely upon a non-unanimous stipulation as a fact-finding tool so long as the Board independently examines the existing record and expressly finds that the stipulated rates yield rates that satisfy the statutory standards. Id. at 270.

As a threshold matter, the Board considers the allegation made by Rate Counsel and NJLEUC that the process through which the Stipulation was negotiated was so procedurally defective that the Board cannot consider the settlement, and that Rate Counsel and other parties have been deprived of due process. Rate Counsel alleges that the settlement process itself was flawed because, according to Rate Counsel, it was apprised of settlement discussions only after "major terms" had been agreed upon. Rate Counsel comments at 16.

As acknowledged by Rate Counsel in its comments, the Stipulation was entered into after this matter had been fully litigated and briefed. Rate Counsel comments at 1, 16. Rate Counsel presented the direct, rebuttal and surrebuttal testimony of several witnesses, engaged in extensive discovery, cross examined PSE&G's witnesses, submitted a post-hearing brief and the above-cited objections to the Stipulation⁵. Rate Counsel and NJLEUC were both provided with notice and the opportunity to be heard both at the hearings and after the Signatory Parties agreed to the Stipulation, and that is the essence of due process. In any event, Rate Counsel and NJLEUC have presented their challenges to the Stipulation to the Board, and the Board has carefully reviewed and considered those objections. As non-consenting parties, they have had the opportunity to be heard on the merits of the Stipulation but do not have the right to prevent other parties from presenting a

⁵ NJLEUC did not participate in the hearings but did submit a brief as described above.

proposed settlement to the Board for its consideration. In re Petition of Public Service Elec. and Gas Co., 304 N.J. Super. 247 (App.Div. 1997). While the Board agrees that the settlement process should be open for participation by the parties to the proceeding, it is not persuaded that the nonconsenting parties have not had an opportunity to review the settlement and provide their positions, and that any new proposals within the Stipulation were not based on concepts that had been considered during the proceedings. In re Public Serv. Elec. and Gas Company's Rate Unbundling, Stranded Costs & Restructuring Filing, 330 N.J. Super. 65,111 (App. Div. 2000), aff'd 167 N.J. 377 (2001). Therefore, the Board will consider the Stipulation on the merits.

In considering the merits of the Stipulation, the Board is mindful of the legislative and policy context within which it acts. On February 9, 1999, the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 to -107 ("EDECA") was signed into law. EDECA established requirements to advance energy efficiency and renewable energy in New Jersey. N.J.S.A. 48:3-87. The Legislature has amended EDECA several times in the succeeding years, notably with the Solar Energy Advancement and Fair Competition Act, L. 2009, c. 289 ("SEAFCA") and the Solar Act of 2012, L. 2012, c. 24 ("Solar Act"). SEAFCA increased New Jersey's Renewable Portfolio Standard ("RPS") and mandated that in order to be eligible to serve as the basis for the creation of SRECs, a solar system must be connected to the distribution system in New Jersey.

By 2011, New Jersey had seen a surge in construction of solar energy facilities due to the high price of SRECs, the Federal Investment Tax Credit, and the decline in the cost of the photovoltaic panels. The SREC market for EY 2012 was supplied fully within the first two months and, as a result, SREC prices dropped dramatically. In the 2011 Energy Master Plan ("EMP"), the Administration proposed "to take action to provide relief to the solar industry and give certainty to the financial community [and] provide continued opportunities for market participation in all sectors[.]" EMP at 105. Further, the EMP recommended limiting SREC eligibility to "promote solar installations that provide economic and environmental benefit[s]." Id. at 106.

Projects that offer a "dual benefit" for commercial and industrial, as well as government and school applications should take priority for approval. Brownfields and landfills, in particular, are well-suited for the development of large solar generation. Some of these properties cannot be developed for general commercial or residential purposes and may not provide adequate revenue to the towns and counties where they are situated. However, solar development can offset the costs to cap and or remediate these sites and should be encouraged where local government has determined it to be the best use of the property.
[EMP at 107]

The Solar Act implements the policy directives of the EMP, and brings balance to the over-supplied market by increasing the solar RPS again and reducing the Solar Alternative Compliance Payments while placing strict controls upon the eligibility of certain projects to generate SRECs. The Solar Act also defined "connected to the distribution system" to include several specific categories of solar systems, including those which are net metered and those which are owned by an electric distribution company pursuant to N.J.S.A. 48:3-98.1.⁶ At the same time, the Solar Act provided that any solar system located on a site which had been certified by the Board, in consultation with the Department of Environmental Protection ("DEP"), as being a landfill, brownfield, or area of historic fill would automatically be deemed "connected to the distribution system." N.J.S.A. 48:3-87(t). The Solar Act thus codified a clear legislative intent to promote solar generation in these areas.⁷ Moreover, the Solar Act directed the Board to develop a supplemental incentive to cover the additional costs of constructing solar generation upon these challenging sites. Ibid.

⁶ Solar facilities owned or operated by an electric public utility and approved by the Board pursuant to N.J.S.A. 48:3-98.1 are defined as "connected to the distribution system." N.J.S.A. 48:3-51.

⁷ Specifically included are "those owned or operated by an electric public utility and approved pursuant to section 13 of P. L. 2007, c. 340 (C. 48:3-98.1)." Ibid.

The Board is also mindful of its role in providing regulatory supervision to New Jersey's solar market, a role which entails monitoring the supply of SRECs in light of the demand for them to avoid or mitigate situations of oversupply which tend to drive down the value of these commodities pending the time when the solar market no longer requires these subsidies. It is in light of all these considerations – the policy directive to promote solar generation on landfills, brownfields and areas of historic fill, the legislative intent to bring balance to the SREC market in order that an excess supply should not unduly diminish their value, and the directive from both the EMP and the Solar Act to promote the location of solar generation upon landfills, brownfields, and other challenging sites – that the Board considers the Stipulation before it.

The Stipulation contains several provisions to moderate any adverse impact on the SREC market should the S4AE Program be approved in any form. First, as filed, PSE&G's petition proposed to invest \$690 million over five years in solar photovoltaic installations totaling at least 136 MW. The Stipulation now before the Board provides for a reduced program size of 45 MW, a reduction of approximately two thirds. The reduced size of the S4AE Program will result in a far lower number of SRECs entering the market and reflects recognition of the current market conditions. In addition, the Stipulation provides that no MW will be placed in service before June 1, 2014, no more than 20 MWs will be placed in service in EY15 and the remainder in service in EY16 or later. These staggered in-service dates, together with the five year period for which SRECs may be used to satisfy the RPS, will act, together with the reduction in the size of the program, as buffers for the introduction of new supply into the SREC market.

The S4AE Program as originally proposed included four market segments, in an allocation which PSE&G could alter at its own discretion. PSE&G proposed to develop 90 MW of the initial 136 MW in projects on landfills, brownfields or areas of historic fill, 20 MW were allocated to solar generation upon warehouse roofs, 25 to solar upon parking lots, and 1 MW to pilot/demonstration projects. The negotiated settlement, while it decreases the absolute number of MW allocated to landfills, brownfields, and areas of historic fill, increases the emphasis upon these sites, stipulating that 42 MW of the 45 MW will be allocated to solar projects at these locations.

The allocation to the other market segments has been eliminated or drastically reduced. Stipulation at para. 4. PSE&G may allocate additional capacity to the landfill and brownfield segment but may not reallocate any capacity away from it. Stipulation at para. 5. This portion of the S4AE Program is consistent with the EMP policy preference for solar on landfills and brownfields, as well as with the Solar Act directive to the Board to develop an incentive for grid supply solar electric generation facilities on landfills, brownfields, and areas of historic fill. N.J.S.A. 48:3-87(t). Notwithstanding the policy objective of incentivizing solar generation on brownfields and landfills, the Board recognizes that market conditions may make reallocation necessary.

The Board also notes that under the Stipulation, PSE&G will seek certification of proposed facilities in the landfill/brownfields segment by submitting an application to the Board for DEP review and approval by the Board. Stipulation at para. 5.

As stated above, N.J.S.A. 48:3-87(t) directs the Board to develop a supplemental incentive to cover the extra expense of constructing solar generation upon landfills, brownfields, and areas of historic fill. The Stipulation includes provision for such an incentive, providing a return on equity of 10% and an overall weighted average cost of capital of 7.6431% (11.1790% on a pre-tax basis). Stipulation at para. 29. Since well over 90% of the solar capacity covered by the Stipulation will be located upon precisely the locations targeted by N.J.S.A. 48:3-87(t), the stipulated return on investment will serve as a mechanism for providing the incentive mandated by the Legislature.

Rate Counsel has stated that the Stipulation, if approved, would preempt the Board's own ongoing proceeding to determine an appropriate supplemental incentive for solar projects located on landfills, brownfields, and areas of historic fill. Rate Counsel comments at 38-39. The Board does not concur. The settlement negotiations which produced the Stipulation did not constitute a public stakeholder proceeding initiated with the goal of developing an incentive to be applicable statewide. Rather, the Stipulation is the resolution of a single contested case and provides a specific incentive for one set of solar generation projects, projects developed by a public utility under N.J.S.A. 48:3-98.1. It in no way precludes or preempts the ongoing proceeding initiated by the Board in conformance with the Solar Act which will determine what type of incentive is necessary to support development by the marketplace.

The Board therefore **FINDS** that the Stipulation, by focusing upon solar generation on landfills, brownfields, and areas of historic fill and by providing an incentive for PSE&G to invest in solar upon these challenging land types, furthers State policy as clearly expressed in the EMP and the Solar Act.

Having determined that the S4AE Program as modified by the Stipulation is consistent with current policy, the Board turns to the issue of the cost recovery requested. Because this petition was filed under N.J.S.A. 48:3-98.1, in determining the recovery of program costs, the Board may take into account the potential for job creation from the program, the affect on competition, existing market barriers, environmental benefits, and the availability of such programs in the marketplace. N.J.S.A. 48:3-98.1(b).

In considering the potential for job creation from the S4AE program, the Board looks to the evidence presented by PSE&G in support of the program as filed. Representatives of organized labor testified at the public hearings held on this matter in support of the positive impact the S4AE Program would produce. See, e.g., testimony of the International Brotherhood of Electrical Workers, the Burlington and Mercer County Trades Council, and the construction firm J. Fletcher Creamer and Son. PSE&G also produced an estimate of approximately 885 job-years of direct labor and 800-900 job-years of indirect labor. See, Exhibit P-17; 2T at 35—43.⁸ While these figures pertained to the 136 MW contained in the original petition, it is reasonable to expect that these benefits, proportionately reduced by the reduced size of the Stipulation, would accrue to New Jersey's job market.

As reduced and re-focused by the Stipulation, the S4AE's projected impact on competition, existing market barriers, and the availability of similar programs in the marketplace also supports approval of the program. The record supports PSE&G's contention that there has been limited solar development on landfills and brownfields and that PSE&G's existing Solar 4 All program has been responsible for a significant amount of that development. 2T at 9-11. Some interveners have also testified to a role for utility-owned solar on these challenging locations. Exhibit SEIA-1 at 3-4; 3T at 115; Exhibit KDC-1 at 3. This evidence supports a conclusion that implementation of the S4AE Program as modified by the Stipulation will not have a harmful impact on competition, that significant market barriers exist to the development of solar on landfills and brownfields, and that there is limited availability of similar programs in the marketplace. The Board therefore **FINDS** that the criteria found in N.J.S.A. 48:3-98.1 support approval of the stipulated program.

Taking all of the above into consideration, the Board now reviews the cost recovery proposed for the S4AE Program. In the petition, PSE&G requested that the Board approve recovery of all S4AE Program costs through a separate Solar Generation Investment Extension Program Component ("SGIEPC") of the electric Regional Greenhouse Gas Initiative Recovery Charge ("RRC") mechanism approved by the Board for the original Solar 4 All program. Exhibit P-1 at para. 34. PSE&G proposed that the recovery mechanism be reviewed and modified via annual filings by PSE&G. Details on PSE&G's proposed cost recovery mechanism and estimated rate impacts on

⁸ References to the transcripts of the hearings are as follows: to March 18, 2013 as 1T, March 19, 2013 as 2T, and March 21, 2013 as 3T.

customers were presented in the direct testimony of witness Stephen Swetz. See Exhibit P-1,, Attachment B. PSE&G requested that it earn a return on its net investment based on a Weighted Average Cost of Capital ("WACC") of 8.21% per year, the rate the Board approved in the Company's last base rate case in May 2010. Schedule SS-S4AE-2 to Swetz testimony, Exhibit P-25. Mr. Swetz used the corresponding pre-tax WACC of 11.8520% per year, or 0.9877% per month, to calculate revenue requirements. Mr. Swetz testified that PSE&G should earn a return on its net investment in S4AE based upon the Company's authorized return on equity ("ROE") and capital structure from its last base rate case, BPU Docket No. GR09050422, which is 8.21%, based on a return on equity ("ROE") of 10.3% and current tax rates. Swetz Direct, Exhibit P-25 at 3. Company witness Paul R. Moul filed rebuttal testimony stating that based on his judgment and the results of his four analyses, "the reasonable cost of common equity is 10.875% for the company...[and] the 10.3% equity return obtained from the settlement of the company's last base rate case is reasonable." Moul Rebuttal Testimony, Exhibit P-5 at 40.

For cost recovery, the Company proposed a surcharge mechanism with a true-up provision that it calculated would recover the total projected revenue requirement of \$1.864B for the S4AE Program over the program life to the year 2037. The \$1.864B projected revenue requirement was obtained based on the rate base/rate of return model.

Rate Counsel witness Andrea C. Crane, noting that the Company's 8.21% return is taken from the Company's last base rate case as stated above, recommended that the Board approve an ROE no higher than 9.75%, consistent with a recent BPU-approved electric utility ROE, BPU Docket No. ER11080469. Crane's Direct testimony, Exhibit RC-12 at 9 Table1. Ms. Crane also recommended that the Board update the company's return on debt to reflect the embedded debt cost, as well as the current capital structure. Exhibit RC-12 at 20, lines 10-11. Ms. Crane contended that if the Board finds that the Company's shareholders are bearing no risk in offering the S4AE Program then the company's cost of debt would be an appropriate return to use as its cost of capital; and if the Board finds that the Company shareholders are incurring some risk, then it might be appropriate to include a return on equity that is higher than the company's cost of debt, but lower than the return awarded on electric distribution plant recovered in base rates Exhibit RC-12 at 20, lines 20-23. In support of her position, Ms. Crane noted that market conditions had changed substantially and that the Company had failed to reflect key changes in its request to earn its currently authorized WACC on investment made in the Extension Program. Specifically, Ms. Crane noted key declines in costs such as U.S. Government bonds and the company's embedded cost of debt. *Id.* at 15-18. In addition, Ms. Crane argued that the proposed program structure and cost recovery method of the S4AE guaranteed the Company recovery of 100% of its costs through the Regional Greenhouse Gas Initiative Recovery Charge was of significantly lower risk to PSE&G than its investment in traditional distribution plant. Crane asserts that the return awarded to PSE&G for this program should be commensurate with this lower risk. *Id.* at 20, lines 17-20.

Rate Counsel consultant Matthew I. Kahal evaluated the four analyses performed by PSE&G witness Moul and argued that PSE&G's cost of equity today is not 10.3 percent or more and that it is in fact "far below" 10.3 percent. Kahal asserted that Crane's recommendation of 9.75 percent is "entirely reasonable-and in fact conservatively higher-given current market conditions." Kahal also disagreed with PSE&G witness Swetz's position on the use of an embedded cost of debt taken from the company's 2009/2010, characterizing such a number as "stale." Kahal, however, did not object to Swetz's use in rebuttal testimony of an updated 5.35 percent estimate of the embedded cost of debt as of November 2012 assuming the accuracy of Swetz's calculation. Exhibit RC-2 at 4, lines 1-8.

In comments on the Stipulation, Rate Counsel argues that the Stipulation is contrary to the State and Board objectives of assuring that ratepayer-funded subsidies are kept at the lowest possible level through competition because PSE&G would have two competitive advantages over the solar developers: a guaranteed 10% return on its investment and no cap on the amount it can spend. Rate Counsel states that the stipulated conditions including the "pass-through mechanism" will

allow the Company to develop solar facilities without cost or risk because the Company would always be made whole by its ratepayers. Rate Counsel comments at 27. Rate Counsel also maintains that the stipulated 10 percent ROE is not supported by the record evidence and that the Board must approve an ROE based on evidence in the record. Rate Counsel points to its witness's recommendation of a maximum 9.75 percent ROE. Rate Counsel again asserts that the Company will face virtually no risk in the recovery of S4AE program costs from ratepayers because in Rate Counsel's view the Stipulation virtually guarantees cost recovery and does so on a contemporaneous basis. Rate Counsel Comments at 45-46.

In its comments, PSE&G asserts that information developed in testimony, discovery, hearings and briefs support the conclusion that "there is substantial evidence in the record supporting approval of the proposed Solar4All Extension Program . . . as well as the proposed cost recovery mechanism and return on equity." PSE&G comments at 2. On the issue of reviewing costs for recovery, PSE&G states that provisions of the Stipulation ensure that PSE&G's actual costs incurred in connection with these projects will be subject to review for reasonableness and prudence in PSE&G's Annual Cost Recovery Filings made to reconcile the Company's actual recoveries against its actual revenue requirements. See Stipulation para. 36-37; Exhibit P-4 at 3; Exhibit P-26 (Swetz Rebuttal) at 3; PSE&G comments at 12. The Company states that the Stipulation's provisions call for discovery, comments and public hearings for each Annual Cost Recovery Filing. PSE&G comments at 16. Although Mr. Moul justified a 10.875 percent ROE in his testimony, according to the Company, and the Board has previously approved a 10.3% ROE for programs developed under N.J.S.A. 48:3-98.1, PSE&G is willing to accept the 10% ROE in the Stipulation. PSE&G comments at 17. The Company also asserts that the S4AE is a voluntary program that PSE&G, alone among all public utilities in New Jersey, has chosen to pursue in support of the State's Energy Master Plan policies, justifying an ROE 'premium' even if one were to assume the propriety of Rate Counsel's "base" figure of 9.75. As to the potential rate impact of the proposed programs, PSE&G asserts that while the impacts of the program as filed were reasonable, the rate impacts of the stipulated S4AE Program are substantially less than those of the filed program, and therefore must be considered reasonable. PSE&G comments at 17-28.

After reviewing the record, including the comments filed in support of and in opposition to the Stipulation, the Board **FINDS** that the costs of capital have been declining since the Board approval of the Company's last base rate case. The Board **FINDS** that the Stipulation makes use of the rate base/rate of return model and provides contemporaneous cost recovery through a surcharge and true-up adjustment provision. Accordingly, the Board **FINDS** that the ROE PSE&G is permitted to earn should be less than the 10.3 percent originally requested. With regard to the Company's assertion that it deserves to earn a "premium" return based on the voluntary nature the S4AE Program, the Board rejects the award of a "premium" ROE based on factors unrelated to program costs.

The Board recognizes that, when setting a return on equity, regulators think in term of a "zone of reasonableness," that is, a range within which experts can disagree. The allowed return on common equity approved in PSE&G's last base rate case and requested in this matter was 10.3 percent. More recent returns approved by the Board have ranged from 10.15 percent to 9.75 percent which suggests that 10.3 percent is outside the zone of reasonableness and therefore is higher than necessary to attract capital and maintain the financial integrity of PSE&G.⁹ The Board **FINDS** that the 10.0 percent return on common equity agreed to in the Stipulation is within the zone

⁹ In re the Petition of Atlantic City Electric Company for Approval of Amendments to Its Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to N.J.S.A. 48:2.21 and N.J.S.A. 49:2.21.1 and for Other Appropriate Relief, BPU Docket No. ER11080469, Order dated 10/23/2012; In re the Petition of Middlesex Water Company for Approval of an Increase in Rates for Water Service and Other Tariff Changes, BPU Docket No. WR12010027, Order dated July 20, 2012; In re the Petition of New Jersey American Water Company, Inc. for Approval of Increased Tariff Rates and Changes for Water and Sewer Service; Change in Depreciation Rates and Other Tariff Modifications, BPU Docket No. WR11070460, Order dated May 1, 2012; In re the Petition of Agua New Jersey, Inc. for Approval of an Increase in Rates for Water Service and Other Tariff Changes, BPU Docket No. WR11120859, Order dated April 11, 2012.

of reasonableness, and **APPROVES** the 10% ROE for this program based on the types of projects to be built and the limited scope of the program as proposed in the Stipulation.

The Board notes that the interest component in weighted average cost of capital ("WACC") is the current embedded cost of debt or 5.1702 percent. The current embedded cost of debt is lower than the embedded cost of debt from the last base rate case and better reflects current conditions in the capital markets. This updated cost of debt also benefits ratepayers. The Board **FINDS** that the current cost of debt is reasonable.

With regard to the method of recovery, the Board notes that contemporaneous recovery of program costs should be utilized only in the most limited of circumstances. Generally, rates should be determined in a process that allows for full consideration of costs and revenues to determine just and reasonable rates. Full base rate case proceedings allow for thorough examination of a utility's cost of providing service as well as consideration of any cost savings in operations and or additional revenue that may offset costs to arrive at an accurate cost of service estimate. In the case at hand, the program size and term are of limited scope, and approval of the return and recovery method simply extends the terms of an existing limited program. Based on the reduced size of the program, together with the fact that it is a continuation of a previously approved program with like features, the Board **FINDS** that extension of the cost recovery provisions of the S4AE Program as reflected in the Stipulation is not unreasonable.

While generally finding that the Stipulation complies with the law and Board policy, the Board is mindful of Rate Counsel's and NJLEUC's concerns about oversight of the S4AE Program and its use of ratepayer funds. The Board agrees that for the public interest to be best served, Board oversight must be clearly delineated, and the functioning of the S4AE Program must be as transparent as possible. Accordingly, the Board therefore **FINDS** that the Stipulation must be modified as set forth below to provide sufficient additional reporting and controls to ensure that ratepayer funds are used in a reasonable and prudent manner. The Board is not persuaded that requiring such additional reporting and controls in any way supplants the Company's right to control its day to day operations but only reflects the Board's obligation to supervise the activities of a public utility to ensure that it provides safe, adequate and proper service at just and reasonable rates. N.J.S.A. 48:2-13, 2-23.

First, the Board **CLARIFIES** that consistent with the Program rules as set forth in Attachment E to the Stipulation and N.J.S.A. 48:3-98.1, all S4AE projects shall be located in PSE&G's service territory, and all projects shall be interconnected to PSE&G's electric distribution system.

After a review of the full record including all the filings, testimony, and comments, the Board **FINDS** that it is prudent and reasonable to require more detailed monthly reporting measures within the S4AE program than were required with the Solar for All program. Therefore, the Board **DIRECTS** PSE&G to submit an S4AE Monthly Activity Report ("MAR") program consistent with the requirements set forth in Appendix A –Solar for All Extension Monthly Activity Report. The MAR is to serve as the Company's primary reporting tool for the S4AE Program.

The S4AE MAR shall be transmitted to Secretary of the Board and Rate Counsel consistent with the requirements set forth in Appendix A. The S4AE MAR shall also be transmitted to Office of Clean Energy, the Division of Energy and Rate Counsel electronically on or before the 20th day of the following month of the S4AE MAR reporting period.

Additionally, to ensure appropriate Board oversight, the Board also **FINDS** that the following amendments to the proposed Program Rules are reasonable and necessary.

The Board **DIRECTS** PSE&G to implement a project selection assessment for each project prior to the award of any contract in the S4AE program. Within 30 days of the service of this Order, PSE&G shall submit to Board staff and Rate Counsel a manual for their review that includes the

specific project award selection policies and procedures for making a contract award in each segment of the S4AE program, including:

1. Landfills/Brownfields
2. Pilot Program on Underutilized Government Facilities
3. Pilot Program on Grid Security/Storm Preparedness
4. Pilot Program on Innovative Parking Lot Applications

The S4AE project award selection policies and procedures manual shall include the specific evaluation criteria for meeting the objectives of the program as set forth in this Order and in the Stipulation. The manual shall document the cost effectiveness criteria used for each segment in the selection of a project for award of a contract. In addition, the standard contracts and lease agreement for all segments shall be submitted as part of the S4AE project award selection policies and procedures manual. The cost effectiveness criteria shall be based on the best available cost data and shall be updated every six months during the duration of the S4AE Program.

The Project Award Selection assessment and evaluation for each project in each segment shall be submitted to the Board staff and Rate Counsel for review 10 days prior to the award of a contract by PSE&G. The assessment and evaluation submitted to Board staff and Rate Counsel by PSE&G shall include the rationale for each award as consistent with the S4AE Project Award Selection Policies and Procedures Manual, as well the cost effectiveness determination of the award.

The assessment and evaluation shall document the total estimated cost of each project and all general and specific contract conditions. Board staff and Rate Counsel shall have 10 business days to raise any issues as to why the contract does not meet the approved S4AE Policies and Procedures Manual. If no action is taken by Board staff or Rate Counsel within the 10 business days, the contract shall be deemed authorized. If either Board staff or Rate Counsel contends that the award would not be consistent with the S4AE objectives, PSE&G shall have the right to file a formal request to the Board for Board review of the contract award.

In addition, the Board recognizes that based upon changing market conditions and market response to the different segments of the S4AE Program, PSE&G may require more flexibility in reallocating capacity designated for the landfill/brownfields market segment than is provided in the Stipulation. The Board therefore **ORDERS** that PSE&G may seek Board approval to reallocate up to ten percent of the megawatts currently allocated to landfills and brownfields to the other three segments of the S4AE Program in response to changing market conditions and/or the extent of demand for the segments, after notice and opportunity for comment.


Based on the rates in effect as of February 1, 2013, a typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours on an annual basis and on BGS-FP service with PSE&G would see an initial increase in the annual bill from \$1,349.08 to \$1,349.36 or \$0.28 or approximately 0.02%. The maximum expected rate impact for the same typical residential customer from this program is projected to occur in the October 1, 2015 through September 30, 2016 cost recovery period, and is expected to be an annual increase of \$4.44 or 0.329%. The Board **FINDS** these rates to be reasonable in light of the expected benefits of the S4AE Program as described above.

The Company's costs will remain subject to audit by the Board. This Decision and Order shall not preclude, nor prohibit, the Board from taking any actions determined to be appropriate as a result of any such audit.

As modified by this Order, the Board **HEREBY APPROVES** the Stipulation. Approval of the Stipulation is predicated on the specific facts of this matter, and establishes no precedent for the resolution of other matters.

DATED: *5/31/13*

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

DISSENT BY COMMISSIONER JEANNE M. FOX

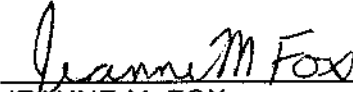
I have serious concerns regarding the extension of PSE&G's Solar Generation Investment Program ("S4AE") and its impact upon ratepayers and the SREC market. I am proud of the solar accomplishments in New Jersey, and I have voted in favor of the extended EDC SREC financing and loan programs that provide financial assistance to the competitive solar market, the market segment negatively impacted by the SREC market oversupply.

The stipulation which was presented to the Board ("Stipulation") includes an estimated cost of \$247 million to add 45 MW of utility owned capacity to an already oversubscribed solar market. Board Staff forecasts the SREC market to continue to be oversupplied through Energy Year 2016, and has estimated that the S4AE Program will add an additional 54,000 SRECs annually to this market. In addition to the costs imposed on PSE&G ratepayers, those PSE&G customer-generators that have invested in their own solar electric systems are likely to be negatively impacted by depressed SREC prices that could result from these additional SRECs.

PSE&G's proposed investment of \$247 million is estimated by the Company to cost the average residential ratepayer \$4.44 per year in Energy Year 2016 when charges reach their highest level. This cost should be considered in the context of the other large anticipated expenditures likely to be recovered from PSE&G ratepayers in response to Hurricane Sandy and other extreme weather events caused in part by climate change and sea level rise, to help prepare for future storms, and for energy efficiency programs.

I would like the Rutgers Center for Energy, Economic & Environmental Policy to evaluate the cost effectiveness of PSE&G's program, and do an impact assessment study, just as Rutgers provided in 2008 and 2009. I believe that PSE&G should be required to provide detailed and accurate cost support for the past pilot programs as well as current and future expenses for the S4AE Program.

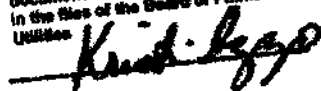
Because I am concerned about the impact on ratepayers and the SREC market, I dissent from the Board's decision.


JEANNE M. FOX
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



In the Matter of the Petition of Public Service Electric and Gas Company for Approval of an Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism and for Changes in the Tariff for Electric Service, Pursuant to N.J.S.A. 48:2-21, 48:2-21.1 and N.J.S.A. 48:3-98.1

DOCKET NO. EO12080721

NOTIFICATION LIST

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Monthly Reporting for PSE&G Solar 4 All Extension Program
Monthly Activity Report ("MAR")

The MAR shall be transmitted as an Excel spreadsheet and as Word document format, as appropriate.

The MAR shall be transmitted to the Divisions of Energy and Audits and to the Office of Clean Energy and to Rate Counsel electronically on or before the 20th day of the following month for which the MAR is reporting.

The MAR shall report on the following segments

1. Properly closed landfills/brownfields
2. Underutilized Government Facilities
3. Grid Security/Storm Preparedness
4. Innovative Parking Lot Applications

The following data shall be provided by project after an award for a project has been committed and updated periodically:

- a. the owner of the property;
- b. the installer/developer;
- c. the operator of the installed project
- d. the total cost per project by the following categories
 - i. design costs
 - ii. equipment cost by panel, inverter and balance of system
 - iii. labor cost (PSE&G vs. non-PSE&G, by task) ;
 - iv. soft costs including permitting and interconnection
- e. Annual lease payments
- f. Any other costs associated with the installed project
- g. Site location of the installation by street address, city and zip code;
- h. market segment
- i. Inventory of equipment installed including both the panels and the inverter and all balance of system equipment;
- j. Status of the installation;
- k. Anticipated and actual SREC revenues;
- l. Capacity of the project;
- m. Any additional revenue stream; and
- n. All application fees
 - i. Assessed
 - ii. Paid

Summary of the number of units and the capacity installed per month and year to date (YTD) for each segment separately and in total.

Full accounting of the funds expended per month and YTD for each segment and in total.

Full accounting of the funds committed per month and YTD for each project, each segment and in total

Summary of the performance of the systems including the expected and measured output/production, such as energy, capacity, and voltage provided. All other grid and project

performance shall be provided as available.

Summary of any problems encountered during the month – number of panels/inverters that are not working, disconnected or low performance, the reason for the performance failure, and the remediation steps taken to improve/resolve the problem.

Summary of any benefits experienced during the month, including but not limited to environmental and economic benefits

RECEIVED

APR 26 2013

April 26, 2013



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
("Solar Loan III Petition")
BPU Docket No. EO12080726

In the Matter of the Petition of
Public Service Electric and Gas Company
for Approval of an Extension of a
Solar Generation Investment Program
and 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, 48:2-21.1 and N.J.S.A. 48:3-98.1
("Solar4All Extension Petition")
BPU Docket No. EO12080721

VIA ELECTRONIC & REGULAR MAIL

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

Dear Secretary Izzo:

Enclosed for filing are an original and ten (10) copies of a Settlement Agreement in the above-referenced matters.

The following parties have signed the Settlement Agreement with respect to the Solar4All Extension Petition: Public Service Electric and Gas Company ("PSE&G"), the Staff of the New Jersey Board of Public Utilities ("BPU "or "Board"), the Solar

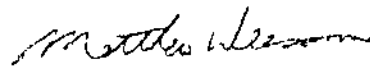
Energy Industries Association ("SEIA"), Mid-Atlantic Solar Energy Industries Association ("MSEIA"), Prologis, and KDC Solar LLC ("KDC Solar"). The signature pages of the aforementioned parties are attached to the Settlement Agreement. In addition to the parties that have signed the Settlement Agreement, we have been advised that Sundurance Energy agrees in principle with the agreement and intends to sign on to it shortly. In addition, the Solar Energy Coalition has provided a letter, which is being submitted herewith, in support of the Settlement Agreement with respect to the Solar 4 All Petition.

The following parties have signed the Settlement Agreement with respect to the Solar Loan III Petition: PSE&G, Board Staff, SEIA, MSEIA, and KDC Solar. The signature pages of the aforementioned parties are also attached to the Settlement Agreement. The letter from the Solar Energy Coalition referenced above has also been filed in support of the Solar Loan III Petition.

PSE&G has agreed to extend the Board's review period for these matters, as provided for under N.J.S.A. 48:3-98.1, to no later than May 31, 2013. Also provided herewith is an Extension Stipulation providing for that extension and also providing that the parties shall have until May 9, 2013 to submit comments on the Settlement Agreement, with reply comments due on or before May 13, 2013. Board Staff has agreed that these matters will be listed for determination on the Board's May 29, 2013 agenda and that an Order will be issued no later than May 31, 2013.

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,



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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 AN EXTENSION)
OF A SOLAR GENERATION INVESTMENT)
PROGRAM AND 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, 48:2-21.1 AND N.J.S.A. 48:3-98.1)
("SOLAR4ALL EXTENSION PETITION"))

STIPULATION

BPU Docket No. EO12080721

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)

STIPULATION

BPU Docket No. EO12080726

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Alex Moreau, T. David Wand, and **Joshua T. Rabinowitz,** Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Jeffrey S. Chiesa,** Attorney General of New Jersey)

James E. McGuire, Esq., Reed Smith LLP, for KDC Solar LLC

Susan P. LeGros, Esq. and Michael A. Gruin, Esq., Stevens & Lee, P.C., for Solar Energy Industries Association

William Potter, Esq., Potter and Dickson, for Mid-Atlantic Solar Energy Industries Association

TO THE HONORABLE COMMISSIONER JOSEPH L. FIORDALISO:

It is hereby AGREED, as of the 26th day of April, 2013, by and between Public Service Electric and Gas Company (“PSE&G” or the “Company”), the Staff of the New Jersey Board of Public Utilities (“BPU “or “Board”), and the undersigned parties (hereinafter referred to as the “S4AE Signatory Parties”) to execute this Settlement Agreement for PSE&G’s Petition for Approval of an Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism and for Changes in the Tariff for Electric (“Solar4All Extension Petition” or “S4AE Program”).

It is hereby FURTHER AGREED, as of the 26th day of April, 2013, by and between PSE&G, the Board Staff, and certain of the undersigned parties (hereinafter referred to as the “SLIII Signatory Parties”) to execute this Settlement Agreement for PSE&G’s Solar Loan III Program and Associated Cost Recovery Mechanism and for Changes in the Tariff for Electric Service (“Solar Loan III Petition,” “Solar Loan III Program,” or “SLIIF”).

The S4AE and SLIII Signatory Parties do hereby join in recommending that the Board issue a Final Decision and Order approving this Global Settlement Agreement, including the Program Rules for the S4AE Program and the SLIII Program attached hereto and the attached proposed sheets of PSE&G’s Tariff for Electric Service, as set forth herein.

I. BACKGROUND

A. SOLAR 4 ALL EXTENSION PROGRAM

On February 28, 2012 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 the original Solar 4 All Program ("Original Program"). In subsequent meetings held on April 18, 2012 in Trenton and on July 12, 2012 at the Company's offices in Newark, PSE&G updated Board Staff and Rate Counsel regarding its plans to file for an extension of the Original Program.

On August 1, 2012, PSE&G filed a Petition ("S4AE Petition")¹ with the Board seeking approval of an extension of its existing approved Solar 4 All Program.² PSE&G also filed the supporting testimonies of PSE&G's Vice President of Customer Operations, Joseph A. Forline; Stephen Swetz, Director – Corporate Rates and Revenue Requirements, PSEG Services Corporation; and Donna M. Powell, Assistant Controller of PSEG Services Corporation.

By letter dated August 31, 2012, Board Staff notified PSE&G that the Petition was administratively incomplete.

On September 12, 2012, PSE&G submitted a supplemental filing to address the deficiencies identified in Staff's August 31, 2012 letter.

By letter dated October 19, 2012, Staff notified the Company that the Petition was administratively complete.

By Order dated October 23, 2012, the Board determined that this matter should be retained by the Board for review and hearing and designated Board President Hanna as the

¹ I/M/O. Petition of Public Service Electric and Gas Company for Approval of an Extension of a Solar Generation Investment Program and Associated Cost Recovery Mechanism and For Changes in the Tariff For Electric Service. BPU Docket No. EO12080721

² In re Petition of Public Service Electric and Gas Company for Approval of a Solar Generation Investment Program and Associated Cost Recovery Mechanism, Docket No. E009020125.

presiding officer.³ By Order dated November 19, 2012, President Hanna set forth the procedural schedule for this matter.

Motions to intervene were filed on behalf of: the Solar Energy Industries Association ("SEIA"), WattLots, L.L.C. ("WattLots"), New Jersey Large Energy Users Coalition ("NJLEUC"), Petra Solar, Inc. ("Petra Solar") Mid-Atlantic Solar Energy Industries Association ("MSEIA"), Prologis, New Jersey Solar Industry Manufacturers Association ("NJSIMA"), Sundurance Energy ("Sundurance"), KDC Solar LLC ("KDC Solar"), and New Jersey Solar Energy Coalition ("NJSEC"). In addition, Atlantic City Electric Company ("ACE") filed a motion to participate. By Orders dated November 29, 2012 and January 9, 2013, the Board granted the aforementioned motions to intervene⁴ and motion to participate.

Public hearings were held in New Brunswick on November 27, 2012, in Hackensack on November 29, 2012, and in Mt. Holly on December 4, 2012. Numerous members of the public spoke in support of the S4AE Program, including representatives from various labor unions, solar developers, contractors and environmental groups. Concerns about overall costs of the Program were expressed by AARP and Rate Counsel. Additionally, one customer expressed some general concerns over utility communication with customers and utility bills.

On January 18, 2013, the Rate Counsel submitted the pre-filed direct testimony of Andrea C. Crane and David E. Dismukes. In addition, direct testimony was filed by interveners SEIA, Wattlots, KDC, MSEIA, Sundurance and Petra Solar.

³ President Hanna subsequently designated BPU Commissioner Fiordaliso as the presiding officer in this matter.

⁴ NJSEC's motion was conditioned upon it obtaining counsel. That condition was not met, so PSE&G has not included NJSEC as a signatory party to the within agreement.

On February 4, 2013, PSE&G submitted the pre-filed rebuttal testimony of Terrence J. Moran, Director of Market Strategy and Development; Paul Ronald Moul - Managing Consultant at the firm P. Moul & Associates; Stephen Swetz - Director - Corporate Rates and Revenue Requirements; and Jorge L. Cardenas - Vice President - Asset Management and Centralized Services. Rate Counsel, also on February 4, 2013, submitted the rebuttal testimony of David E. Dismukes. SEIA witness Katie Bolcar-Rever filed rebuttal testimony in response to the direct testimony of Wattlots.

On February 8, 2013, Rate Counsel filed a motion *in limine* to strike the testimony of Paul Moul and Jorge Cardenas or, alternatively, extend by sixty days the time for Rate Counsel to issue discovery on the rebuttal testimony and to present written surrebuttal testimony.

On February 13, 2013, PSE&G filed its opposition to the motion asserting that the challenged testimony was properly submitted and responsive to Rate Counsel's testimony.

On February 15, 2013, a revised schedule was agreed to between the Parties, allowing time for written surrebuttal and limited discovery by Rate Counsel.

By Order dated February 21, 2013, President Hanna approved a revised procedural schedule. Pursuant to the modified procedural schedule, on March 1, 2013, Rate Counsel submitted the surrebuttal testimony of Andrea C. Crane, David E. Dismukes, and Matthew I Kahal.

Commissioner Fiordaliso presided over evidentiary hearings in this matter, which took place on March 18, 19 and 21, 2013. PSE&G proffered three witnesses covering the Program components, need for the Program, cost of capital and cost recovery. Rate Counsel also proffered three witnesses. SEIA and Wattlots each proffered a witness. In addition to the

written pre-filed direct, rebuttal and surrebuttal testimony submitted by the parties, PSE&G and Wattlots presented oral surrebuttal testimony at the time of the hearings.

Throughout the course of this proceeding, the parties have served and responded to numerous discovery requests, which have all been moved into evidence and are part of the record in this matter.

B. SOLAR LOAN III PROGRAM

The Solar Loan III Program was developed in accordance with the Board's Order dated May 23, 2012 in Docket No. EO11050311V ("May 2012 Order") concerning future public utility investment in renewable energy programs. The May 2012 Order adopted the recommendation of the Board's Office of Clean Energy ("OCE") to extend the existing Electric Distribution Company ("EDC") SREC financing programs by 180 MW over a three-year period. PSE&G's share of that additional capacity is 97.5 MW.⁵ The May 2012 Order directed each EDC to indicate in writing its acceptance of its respective allocation. On June 1, 2012, PSE&G submitted correspondence accepting its respective allocation.

As 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.

⁵ All references to MW capacity of Solar Systems in this Settlement Agreement 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."

On August 1, 2012, PSE&G filed a petition ("SLIII Petition") with the Board seeking approval of its Solar Loan III Program.⁶ PSE&G also filed the supporting testimonies of PSE&G's Vice President of Customer Operations, Joseph A. Forline; Stephen Swetz, Director – Corporate Rates and Revenue Requirements, PSEG Services Corporation; and Donna M. Powell, Assistant Controller of PSEG Services Corporation.

By letter dated August 31, 2012, Board Staff notified PSE&G that the SLIII Petition was administratively complete and the 180-day review period under N.J.S.A. 48:3-98.1 commenced on August 31, 2012.

By Order dated September 13, 2012, the Board determined that the matter should be retained by the Board for review and hearing and designated Commissioner Fiordaliso as the Presiding Officer.

By Order dated October 4, 2012 Commissioner Fiordaliso set forth the procedural schedule for this matter. The procedural schedule anticipated a March 2013 agenda date.⁷

Public hearings were consolidated with the S4AE public hearings and held in New Brunswick on November 27, 2012, in Hackensack on November 29, 2012, and in Mt. Holly on December 4, 2012.

Motions to intervene were filed on behalf of the following parties: SEIA, NJSEC, KDC Solar and MSEIA. By Order dated December 3, 2012 Commissioner Fiordaliso granted the motions to intervene.

⁶ I/M/O The Petition of Public Service Electric and Gas Company for Approval of a Solar Loan III Program and Associated Cost Recovery Mechanism, Docket No. E012080726.

⁷ By Order dated January 23, 2013, the Board approved a Stipulation to extend the deadline for Board action on the Petition to April 1, 2013. The Board subsequently approved a Stipulation to extend the deadline for Board action until May 1, 2013.

On January 11, 2013, Rate Counsel submitted the pre-filed direct testimony of Andrea C. Crane and David E. Dismukes.

On February 6, 2013, PSE&G submitted the pre-filed rebuttal testimony of Terrence J. Moran, Director of Market Strategy and Development; Paul Ronald Moul - Managing Consultant at the firm P. Moul & Associates; Stephen Swetz - Director -- Corporate Rates and Revenue Requirements; and Jorge L. Cardenas - Vice President -- Asset Management and Centralized Services. SELA also filed rebuttal testimony.

On February 12, 2013, Rate Counsel filed a motion *in limine* to strike the testimony of Paul Moul and Jorge Cardenas or, in the alternative, extend by sixty days the time for Rate Counsel to issue discovery on the rebuttal testimony and to present written surrebuttal testimony.

On February 15, 2013, the Parties agreed to a revised schedule, allowing time for written surrebuttal and limited discovery by Rate Counsel.

By Order dated February 21, 2013, Commissioner Fiordaliso approved that revised procedural schedule, and on March 1, 2013, Rate Counsel submitted the surrebuttal testimonies of Andrea C. Crane, David E. Dismukes, and Matthew I. Kahal.

Throughout the course of the proceeding, the Parties served and responded to numerous discovery requests, which are part of the record in this matter. In addition, a discovery conference was held on November 7, 2012.

Hearings in this matter were scheduled for April 1 and 2, 2013.

By Order dated April 1, 2013, Commissioner Fiordaliso approved a Stipulation canceling the hearings and accepting the agreement of the parties with respect to items

comprising the record.⁸ Pursuant to that Stipulation and Order, the record in the SLIII proceeding includes, among other things, (a) all prefiled testimony submitted in this docket; (b) all discovery responses provided by the parties in this docket; and (c) the transcripts and Exhibits included in the record of the separate matter, I/M/O the Petition of Public Service Electric and Gas Company for Approval of an Extension of a Solar Generation Investment Program and 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. 48:3-98.1, BPU Docket No. EO12080721, to the extent those record items pertain to witnesses of parties in the Solar Loan III proceeding and concern issues that are substantially similar or identical to issues addressed and testimony submitted in the Solar Loan III proceeding.

C. SETTLEMENT EFFORTS

Throughout the course of both the S4AE and SLIII proceedings, both formal and informal settlement efforts have been on-going. Settlement meetings among all parties were conducted on November 27, 2012, December 4, 2012, and January 14, 2013 at PSE&G's offices in Newark, New Jersey and on April 24, 2013 at PSE&G's offices in Trenton, New Jersey

On October 29, 2012 Superstorm Sandy made landfall in New Jersey. Although remaining committed to the continued development of solar in New Jersey in accordance with New Jersey's Energy Master Plan ("EMP") goals and objectives, PSE&G has incorporated the priority of strengthening and making its distribution system more resilient into its settlement

⁸ I/M/O The Petition of Public Service Electric and Gas Company for Approval of a Solar Loan III Program and Associated Cost Recovery, Docket No. EO12080726, Order Adopting Stipulation Setting Contents of the Record and Canceling Evidentiary Hearings (April 1, 2013).

efforts in the within matters. Additionally, pursuant to the EMP, the State of New Jersey is supportive of solar investment particularly on landfills and brownfields. As such, and in consideration of these issues as well as other issues raised in these proceedings by various parties, PSE&G has agreed to certain modifications to the S4AE and SLIII Programs as set forth below.

In light of the foregoing, the Signatory Parties have agreed to submit this Settlement Agreement, the terms of which are set forth below. Specifically, the Signatory Parties hereby **STIPULATE AND AGREE** to the following:

II. STIPULATED MATTERS

A. SOLAR 4 ALL EXTENSION PETITION

Program Size, Segments, Solicitation Process and Allocation of Capacity

1. The Signatory Parties agree that the Program Size will be capped at 45 MW (dc) of grid-connected solar-projects interconnected to a utility's electrical distribution system under the terms and conditions of this settlement. The capital investment (excluding AFUDC) over the initial build-out period is estimated to be \$247.2 million. The reduced size of the S4AE Program is the result of a negotiation between the parties reflecting the different views as set forth in the testimony presented by several parties indicating support for PSE&G's continued involvement in solar development, at a reduced Program size and scope.

2. The Solar Photovoltaic System ("Solar System") must be capable of generating solar renewable energy certificates ("SRECs") as defined under the Board's regulations.

3. No capacity will be placed into service before Energy Year (“EY”) 2015, and no more than 20 MWs of the 45MWs will be placed in service in EY 2015, with the remainder going into service in EY 2016 or thereafter.

4. The S4AE Program will have the following Segments:

- A. Landfills/brownfields – 42 MW, minimum project size 1000 kW
- B. Underutilized government facilities – 1 MW, minimum project size 100 kW
- C. Pilot program on grid security/storm preparedness – 1 MW, minimum project size 100 kW
- D. Pilot program for innovative parking lot applications – 1 MW, minimum project size 100 kW

Segments B, C and D are collectively referred to as “Pilots.”

The reduced scope of the Program Segments reflects the result of negotiations among the parties consistent with the evidence presented in this proceeding reflecting the unique challenges with achieving the EMP’s objective of building solar on landfills and brownfields. In addition, the parties expressed an interest in exploring the evaluation of the innovative use of solar technologies through pilot programs.

5. PSE&G will have flexibility to move capacity only between the Pilots. PSE&G may increase the landfills/brownfields Segment by up to 3 MWs, but may not reduce solar on landfills/brownfields to increase the size of another Pilot Segment. For solar on landfills/brownfields, PSE&G will seek Board certification of project location pursuant to the Board’s Order implementing the Solar Act of 2012, N.J.S.A. 48:3-87 subsection (t) by submitting an application to the Board for NJDEP review and approval by the Board.

6. PSE&G shall not transfer any costs from a canceled project to a new Solar4All Extension project unless those costs directly benefit the new project.

Selection Process and Site Identification for Segments A & B

7. PSE&G will be responsible for identifying and selecting suitable sites for the Solar Systems. Additionally, PSE&G may also request landfill or brownfield site owners to submit proposals for consideration. PSE&G will give favorable consideration to those projects in which the site owner and solar contractor have coordinated and prepared a fully engineered, ready to build project.

8. PSE&G may retain the services of an engineering firm for site assessment, development of the scope of work, permitting, proposal review, and other services.

9. PSE&G and a host site owner will enter into a suitable agreement (“Lease”) containing typical terms and conditions including rent payments, insurance, indemnifications, owner responsibility for pre-existing site conditions, and access, all to be negotiated with the site owner. All Leases between PSE&G and the site owner will have a 20 year term, unless applicable law requires a shorter term, and may contain options to extend the term as negotiated by the parties.

10. The determination of the lease payment will follow the methodology established in the current Solar 4 All™ program and will be escalated by a percentage annually for a term of 20 years. The lease payment will be set at a price per kWh of projected output in the first year.

11. Additional payments may be made to site owners, which may also include pre- and post- commercial operation payments, and other option payments necessary to secure property rights for the site.

12. The site owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions.

Selection Process and Site Identification for Segments C & D

13. For Segments C and D, PSE&G will conduct a solicitation requesting proposals that meet the objectives of each pilot/demo segment. Notices for each solicitation will be posted on the PSE&G website and may also be promoted through other means as determined by PSE&G.

14. Each proposal shall contain: (i) a project description, site plan solar array layout, and total installed watts (dc); (ii) the total installed cost of the pilot/demo solar system; (iii) an annual energy output estimate in kWh for the first year using a methodology as may be appropriate and acceptable to PSE&G; (iv) a project schedule; and (v) a clear and detailed description of how the proposed pilot/demo Solar System meets the objectives of the segment.

15. PSE&G will evaluate and select proposals for segments C and D based on the objectives and criteria established for each segment. PSE&G reserves the right to reject any or all proposals that, in its view, do not meet the segment's objectives and criteria.

Construction and Interconnection of Projects for Segments A and B

16. Developers will be hired through a competitive bid process to provide the engineering, permitting, procurement and construction services required to develop the projects, with preference for New Jersey providers and prevailing wages required.

17. Upon the final acceptance of a proposal, PSE&G will enter into a contract with the developer to build the Solar System. The contract will contain typical terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the Site Owner.

18. Alternatively, PSE&G may procure the equipment directly, with preference for New Jersey providers, and hire developers through a competitive bid process as described in paragraph 16 to provide the engineering, permitting and construction services.

19. PSE&G (a) will initiate the PJM Interconnection process, and (b) seek to identify the interconnection costs associated with viable sites as determined by PSE&G.

20. PSE&G will perform the inter-connection work for projects in PSE&G's territory and may perform portions of the other work.

Construction and Interconnection of Projects for Segments C and D

21. For each segment, PSE&G will conduct a solicitation requesting proposals that meet the objectives of each pilot/demonstration segment, with preference for New Jersey providers and prevailing wages required. Notice for each solicitation will be posted on the PSE&G website and may also be promoted through other means as determined by PSE&G.

22. Upon the final acceptance of a proposal, PSE&G will enter into a contract to build the pilot/demo Solar System. The contract will contain typical terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the site owner.

23. PSE&G and site owner will enter into a suitable agreement containing typical terms and conditions including insurance, indemnifications, owner responsibility for pre-existing site conditions, and access. Because of the uniqueness of the pilot/demo projects, the exact nature of any financial transactions between PSE&G and the site owner will be determined on a case by case basis.

24. The site owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions. PSE&G will not be responsible for pre-existing site conditions.

25. PSE&G (a) will initiate the PJM Interconnection process, and (b) seek to identify the interconnection costs associated with viable sites as determined by PSE&G.

26. PSE&G will perform the interconnection work for projects in PSE&G's territory and may perform portions of the other work.

Reporting

27. PSE&G will provide Project Milestone Reporting including but not limited to SREC Registration Program (SRP) Package submission date, SRP acceptance date, and construction initiation date. In addition, PSE&G will provide quarterly construction updates to the Board, including construction completion and authorization to energize dates.

Sale of SRECs

28. SRECs will be sold in the year generated or in the next available auction following the close of the Energy Year.

Cost Recovery and Bill Impacts

29. PSE&G will recover the net revenue requirements for the Solar4All Extension Program via a new Solar Generation Investment Extension Program (“SGIEP”) component of the Company’s electric RGGI Recovery Charge (“RRC”). The SGIEP will be applicable to all electric rate schedules on an equal cents per kilowatt-hour basis for recovery of the costs associated with the Solar 4 All Extension Program. The initial SGIEP will be based on revenue requirements from June 1, 2013, or the date of the written Board Order, through September 30, 2014. Thereafter, the SGIEP will be changed nominally on an annual basis in conjunction with the annual filing for all other existing RRC components, incorporating a true-up for actual results and a forecast of revenue requirements for the twelve months succeeding the anticipated Board approval date.

30. The Signatory Parties stipulate that the revenue requirements recovered through the SGIEP will be calculated to include a return on investment and a return of investment over the lives of the capital assets. The Program investments are proposed to be treated as separate utility assets, and depending on the type of investment, either depreciated or amortized as described in the corresponding section below. The revenue requirements associated with the direct costs of the Program would be expressed as:

$$\text{Revenue Requirements} = (\text{Pre-Tax Cost of Capital} * \text{Net Investment}) + \text{Amortization and/or Depreciation} + \text{Operation and Maintenance Costs} - \text{Revenues from Solar Output} - \text{ITC Amortization w/ Tax Gross Up} + \text{Tax Associated from ITC Basis Reduction}$$

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

Cost of Capital – This is PSE&G’s overall weighted average cost of capital (“WACC”). The overall cost of capital utilized to set rates for the initial rate period of the Program will be 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on

equity of 10.0% and the Company's embedded long-term cost of debt as of March 31, 2013 of 5.1702%.

Net Investment – This is the Gross Plant-in-Service less associated accumulated depreciation and/or amortization less Accumulated Deferred Income Tax (“ADIT”).

Depreciation/Amortization – The depreciation or amortization of the Program assets will vary depending on its asset class. The table below summarizes the book recovery and associated base tax depreciation applied to the corresponding asset classes. The base tax depreciation is calculated on the total amount of the asset less any bonus depreciation and any applicable tax credits.

Asset Class	Book Recovery	Base Tax Depreciation
Solar Panels, acquisition and installation costs	20 year dep.	5 year MACRS
Inverters	5 year dep.	
Communications Equipment		
Meters	20 year dep.	20 year MACRS

The amortization/depreciation would be based on a monthly vintaging methodology instead of the mass property accounting typically used for utility property.

Operations and Maintenance Costs – Operations and Maintenance Costs will include:

- PSE&G labor and other related on-going costs required to manage the physical assets.
- Administrative costs related to the management of the Program.
- Rent/lease or other payments or bill credits made to non-PSE&G host sites/facilities and the fair values of rents for use of electric transmission sites/facilities.
- Insurance Expense

Revenues from Solar Output – PSE&G will pursue generating revenues from solar output from the following sources:

- Sales of energy in the applicable PJM wholesale markets
- Capacity payments from the PJM capacity market
- Sales of SRECs through an auction process

PSE&G will apply all net revenues it receives from the energy and capacity sales in the PJM markets and the sale of SRECs to customers to offset the Extension Program revenue requirements.

Investment Tax Credit ("ITC") –The Company will return all of the ITC it utilizes to ratepayers in accordance with Federal income tax law. The return of the ITC to ratepayers must be amortized over the book life of the assets. The ITC benefit is partially offset by the tax impact associated with the tax basis reduction equal to fifty percent of the ITC. This tax basis reduction is prescribed by Federal income tax law governing the ITC. The impact on revenue requirements is generated by applying the book depreciation method to the difference between the book basis and the tax basis multiplied by the tax rate, and then multiplied by the revenue conversion factor.

32. The Signatory Parties further stipulate that the initial revenue requirement calculation will use a WACC of 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 10.0%, and the Company's embedded long-term cost of debt as of March 31, 2013 of 5.1702% (See Attachment A for WACC Calculation). The Signatory Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations, effective as of the date of the Board's base rate case order authorizing a change in the WACC. The Parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the date of the next scheduled annual true-up but in any event, no later than January 1 of the subsequent year. The Parties stipulate that after the initial revenue requirements period, the SGIEP will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial SGIEP for the period ending September 30, 2014 is set forth in Attachment A attached hereto and made a part of this Stipulation. The corresponding forecasted rates for all periods are set forth in Attachment L attached hereto and made part of this stipulation.

33. In calculating the monthly interest on net over and under recoveries, the interest rate shall 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. In the event that neither commercial paper nor bank credit lines were utilized in the preceding month, the last calculated rate will be used. The interest rate shall not exceed PSE&G's overall rate of return as authorized by the Board. The interest amount charged to the SGIEP balance will be computed using the methodology set forth in Attachment B attached hereto and made a part of this Stipulation, based on the net of tax average monthly balance. Simple interest shall accrue on any under and over recovered balance, and shall be included in the deferred SGIEP balance at the end of each reconciliation period. The true-up calculation of over-and under-recoveries shall be included in the Company's Annual Filing.

34. The Parties agree that PSE&G has the right to request Board approval to roll the net, unrecovered Program investment balance into base rates at the time of a future electric base rate case filing.

35. The Parties request that the Board set the effective date of the initial SGIEP as June 1, 2013.

36. The SGIEP will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under recovered balance to be recovered from or returned to ratepayers over the following year. Any Board ordered cost recovery adjustments resulting from the review of the actual costs will be made to the over/under deferred balance and reflected in the charges established for the following year pursuant to a

Final Board Order. The Signatory Parties stipulate that the Company will file an annual petition (Annual Filing) to adjust its SGIEP in conjunction with the annual filing for the existing components of the electric RRC, with the first Annual Filing currently scheduled to be made by no later than July 1, 2014 for rates effective October 1, 2014 through September 30, 2015.

37. Each Annual Filing will contain a reconciliation of PSE&G's actual SGIEP recoveries (which were based on PSE&G's projected SGIEP costs) and actual revenue requirements for the prior period, and a forecast of revenue requirements for the remainder of the current period and for the upcoming 12-month period that shall be based upon the Company's authorized ROE and capital structure for this Program. The Annual Filing also will present actual costs incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudence. The Annual Filing will also provide information consistent with the information in the Minimum Filing Requirements ("MFRs") provided in the existing S4A Program. The Annual Filing will be subject to review by the Parties with opportunity for discovery and filed comments prior to the issuance of a Board Order establishing the Company's revised SGIEP. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings, if required by law.

38. The Parties agree that the proposed SGIEP rate, as set forth in the tariff sheets in Attachment C, attached hereto are just and reasonable and PSE&G is authorized to implement the proposed rates on June 1, 2013 or on the date of the written BPU Order approving this Stipulation, whichever is later.

39. A typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours on an annual basis and on BGS-FP service with PSE&G would

see an initial increase in the annual bill from \$1,349.08 to \$1,349.36 or \$0.28 or approximately 0.02%. See Attachment D for residential customer bill impacts. As currently projected, the maximum rate impacts for the same typical residential electric customers from the SGIEP would occur in the October 1, 2015 through September 30, 2016 cost recovery period. The expected maximum increase from the SGIEP for a typical residential customer in the October 1, 2015 through September 30, 2016 cost recovery period would be \$0.000601 per kWh (including sales and used tax (SUT)), for a typical annual residential bill impact of \$4.44 (0.329 %) or about \$0.37 per month.

Program Rules

40. The Signatory Parties agree that the Program Rules for S4AE ("S4AE Program Rules") shall be as set forth in Attachment E. PSE&G shall have the right to amend the S4AE Program Rules as required for commercial reasons, after ten business days advance notice to Board Staff and Rate Counsel unless Board Staff notifies PSE&G in writing within that same ten business day period that it objects to the amendment. In such event, Board Staff shall have the right to seek Board review of the amendment on an expedited basis so as not to delay Program implementation.

B. SOLAR LOAN III PETITION

Program Size, Segments, Solicitation Process and Allocation of Capacity

41. The Signatory Parties agree that the Solar Loan Program shall be 97.5 MW in total size.

42. Loan applications will be grouped into the following market segments:

- a. Residential-Individual Customer – net-metered
- b. Residential-Aggregated by a 3rd Party–net-metered (“Res-Aggregated”)- Third parties that aggregate residential customers shall be allowed to participate and will be treated as non-residential applicants under the Solar Loan III Program through the Res-Aggregated Segment. For the solicitations, they will be required to bid individual residential projects including individual solar renewable energy certificate (“SREC”) Floor Prices. After review by the Solicitation Manager described below, the final group of selected residential projects submitted by a third party aggregator will be combined, and the third party aggregator will be assigned the capacity of the combined residential projects selected and from then on will be treated as a non-residential application for credit review and loan management. In the event that individual residential projects have different SREC bid prices, a weighted average SREC bid price will be calculated. The weighted average SREC floor price will be rounded to the nearest \$5.00 increment. Once individual residential projects have been accepted and the third party aggregator has been assigned capacity, substitute projects will not be allowed.
- c. Non-residential $\leq 150\text{kW}$ – net-metered (“Small Non-Res”)
- d. Non-residential $>150\text{kW}$ (up to 2 MW per project) – net-metered (“Large Non-Res”)
- e. Landfills/brownfields (up to 5 MW per project) – either net-metered or grid connected (“Landfills”) and as defined in P.L.1999, c.23 (C.48:3-49). PSE&G will manage the Landfills/brownfield solicitation process directly or through a third-party vendor. Prior to being qualified for the Program, PSE&G reserves the right to require applicants to demonstrate proof of project viability through geotechnical engineering reports, landfill closure certifications and other documents as required. PSE&G may also require applicants to show proof of site control and a minimum level of site development before being designated as a qualified applicant. Applicants that are required to be certified pursuant to the Board’s Order implementing the Solar Act of 2012, N.J.S.A. 48:3-51 subsection (t) must submit their application to the Board no more than 10 calendar days after PSE&G provides notification that they have been conditionally accepted into the Program.

43. There will be no Call Option for any segment. .

44. 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.

45. Both residential and non-residential borrowers will participate in a competitive solicitation process ("Solicitation Process") in which there will be no pre-set maximum floor price.

46. The cost of the Solicitation Process will be included in the borrower fees and PSE&G's administrative costs as described below.

47. Upon commencement of the Solar Loan III Program, any remaining un-awarded capacity from PSE&G's Solar Loan II program will be rolled into the first solicitation for the Large Non-Res segment.

48. Subsequent to the first Solar Loan III solicitation, if additional Solar Loan II capacity becomes available, it will be rolled into the next available solicitation for the Large Non-Res segment.

49. PSE&G will hire an independent Solicitation Manager ("SM"), selected through a competitive bid process who will independently review and rank the bids received and provide guidance to the Company regarding competitive SREC floor prices and the competitiveness of individual segments based on such factors as the number of bidders, a statistical analysis of bids to identify and reject outliers, kW bid size, and range of pricing. The SM will also provide its guidance to the Board Staff and Rate Counsel for review and comment.

50. Capacity will be made available at each solicitation as follows:

	Solicitation
--	---------------------

Class	% of Total	Total MW	#1	#2	#3	#4 - #12	#13 - #18
Residential	10.00%	9.75	0.300	0.500	0.850	0.900	TBD
Res-Aggregated	10.00%	9.75	0.300	0.500	0.850	0.900	TBD
Small Non-Res	13.48%	13.14	2.628	1.314	1.314	0.876	TBD
Large Non-Res	61.39%	59.86	11.972	5.986	5.986	3.991	TBD
Landfills	5.13%	5.00	5.000	0.000	0.000	0.000	TBD
Total		97.50	20.200	8.300	9.000	6.667	TBD

Loan Terms and Credit Criteria

51. All loans will have a ten-year term.
52. A potential borrower will submit a loan application with a proposed SREC floor price specific to their project.
53. The floor price will remain in effect for the duration of the loan term. ✓
54. 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.
55. All systems that are located in PSE&G's electric service territory and are eligible for SRECs will be eligible to participate.
56. Projects accepted under the SLIII Program will be ineligible for any benefits from other PSE&G or BPU renewable energy programs, with the exception of net-metering and receipt of SRECs generated by the solar system.

57. Projects under construction may not apply for loans in the Residential-Individual Customer, Small Non-Res, and Large Non-Res segments. "Under construction" means anything other than site clearance or site preparation. The receipt and storage of equipment at the facility site will not be considered "under construction", provided no attempt is made to assemble or erect the equipment. In the Res-Aggregated and Landfill market segments, projects under construction but not in commercial operation are eligible to apply for the Solar Loan III Program. "Commercial Operation" means that the system is operating and has received its final inspection in preparation for the issuance of SRECs.

58. For non-residential projects, loan applicants must be registered to do business in New Jersey.

59. All applicants must meet minimum insurance requirements as specified in the appropriate solar loan agreement.

60. All applicants are responsible for solar system maintenance for the duration of the loan term.

61. 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.

Fees

62. Application Fee – an application fee of \$20 per kW, with a maximum of fee 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 becomes non-refundable. If an applicant is not accepted, the application fee will be returned. Res-Aggregators may receive a partial refund if the full capacity bid is not accepted.

63. Administration Fee – there will be an administration fee of \$85 per kW. The administration fee will be deducted from the loan proceeds at the time the loan is issued to the borrower.

64. SREC Processing Fee – there will be a fee for the processing and management of the SRECs generated by the borrower’s solar generation facility, which will include the costs of the SREC auction. For the Residential Segment, the SREC Processing Fee will be \$120 per kW and will be deducted from the loan proceeds at the time the loan is issued to the borrower. For all other segments, the SREC Processing Fee will initially be set at \$10.18 per SREC and then will be reset on an annual basis as described below. The SREC Processing Fee will be billed annually as set forth in the borrower’s loan agreement and will be determined by multiplying the SREC Processing Fee in affect at the time times the number of SRECs generated by the borrower’s project for the previous year.

65. There are other potential fees encompassed within the SLIII Program Rules that may be assessed to a borrower, such as Milestone Fees and name change fees.

66. All PSE&G administrative costs will be paid by borrowers over the life of the Solar Loan III Program. A “true-up mechanism” will ensure all costs are recovered from the borrowers and that the borrowers only pay the actual cost incurred. The SLIII Program Rules attached hereto as Attachment F contain additional details on the true-up mechanism.

Meter Reading

67. All projects will have a PSE&G revenue grade meter installed at the customer's expense to measure solar system output. A second revenue grade meter may be installed as a backup at the customer's expense provided the meter meets the current accuracy standards as set forth by the Board at N.J.A.C. 14:8 et. seq.

68. If a meter reading is simply missed for the month, the generation for that month will be credited when the next actual meter reading is obtained and entered into the Pennsylvania, Jersey, Maryland ("PJM") Environmental Information Services ("EIS") Generation Attribute Tracking System ("GATS"). SRECs will be credited to the loan in the month in which they are created.

69. PSE&G may offer residential customers the option of registering for "MyAccount" on the PSEG website, which will enable them to enter meter readings in any month that their meter is not read by a PSE&G meter reader.

70. If the PSE&G meter is not functioning properly and actual accurate generation data cannot be obtained from this meter, and the Borrower has a backup revenue grade meter installed for the system, PSE&G will accept data from the back-up meter if it is accompanied by a specifications sheet for the meter indicating the meter satisfies the above referenced Board requirements. In the cases where a PSE&G owned meter is functioning properly, but there is an issue with remote telemetry, PSE&G reserves the right to conduct a site visit and obtain generation data directly from the meter.

71. If the PSE&G meter is not functioning properly and actual generation data cannot be obtained from this meter, and the Borrower does not have a backup revenue grade meter

installed for the system, PSE&G will not enter any generation data into PJM GATS for the period when the actual generation data cannot be obtained.

72. Each third-party aggregator is required to install and own a meter that meets the then current standards as approved by the Board for each residential project for which the aggregator receives funding under Solar Loan III. Each third-party aggregator must provide PSE&G with SREC generation data along with access to the data for validation. Third-party aggregators are responsible for ensuring the accuracy and availability of all data.

Cost Recovery and Bill Impacts

73. PSE&G will recover the net revenue requirements for the Solar Loan III Program via a new Solar Loan III Program component ("SLIIIc") of the Company's electric RGGI Recovery Charge (RRC). The SLIIIc will be applicable to all electric rate schedules on an equal cents per kilowatt-hour basis for recovery of the costs associated with the Solar Loan III Program. The initial SLIIIc will be based on revenue requirements from June 1, 2013, or the date of the written Board Order, through September 30, 2014. Thereafter, the SLIIIc will be changed nominally on an annual basis in conjunction with the annual filing for all other existing RRC components, incorporating a true-up for actual results and a forecast of revenue requirements for the twelve months succeeding the anticipated Board approval date.

74. The SLIII Signatory Parties stipulate that the revenue requirements recovered through the SLIIIc will be calculated to include a return on investment and a return of investment over the lives of the capital assets. The Program investments are proposed to be treated as separate utility assets, and depending on the type of investment, either depreciated or amortized

as described in the corresponding section below. The revenue requirements associated with the direct costs of the Program would be expressed as:

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

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

Cost of Capital – This is PSE&G’s overall weighted average cost of capital (“WACC”). The overall cost of capital utilized to set rates for the initial rate period of the Program will be 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 10.0% and the Company’s embedded long-term cost of debt as of March 31, 2013 of 5.1702%.

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

- Total Loan Outstanding Balances. The Total Loan Outstanding Balances are defined as: *Loan Accrued Interest Balances + Loan Principal Balances*
- SREC inventory

Total Loan Outstanding Balances – The detailed monthly return calculation on the total loan outstanding balances would be as follows:

$$\text{Loan Accrued Interest} + \text{Loan Interest Rate to WACC Differential Cost}$$

where

$$\text{Loan Accrued Interest} = \text{Average Daily Outstanding Loan Balance} * (\text{Annual Loan Interest Rate} / 365) * (\# \text{ of Days in Month})$$

And

$$\text{Loan Interest Rate to WACC Differential Cost} = \text{Loan Accrued Interest} * ((\text{Pre Tax WACC} / \text{Loan Interest Rate}) - 1)$$

SREC Inventory – The detailed monthly return calculation on the SREC Inventory would be as follows:

$$\text{Average Daily Outstanding SREC Inventory Balance} * (\text{Pre Tax WACC} / 365) * (\# \text{ of Days in Month})$$

Net Loan Accrued Interest – This amount is subtracted from revenue requirements. It is defined as (Loan Accrued Interest – Loan Interest Paid). It accounts for timing differences

from when loan interest is accrued and loan interest is paid. Over the life of loan, the Loan Accrued Interest is equal to the Loan Interest Paid.

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

Net Operations and Maintenance Costs -- is calculated as Gross Operation and Maintenance Costs less any revenues received from the borrowers. Gross Operations and Maintenance Costs would include PSE&G labor and other related on-going costs required to manage and administer the Program including related information technology expenses, the cost of the SM, and SREC disposition expenses.

Revenues received from the borrowers would include any revenue received from the following sources as described in the Program Rules:

- Applications fees
- Administrative Fees
- SREC Processing Fees
- Any other applicable Fees

The SLIII Signatory Parties stipulate that the Net Operation and Maintenance Costs must equal zero over the life of the Solar Loan III Program as shown in Attachment G hereto.

The SLIII Signatory Parties further stipulate that common costs shared by all three of PSE&G's solar loan programs be allocated based on forecasted MW capacity installed for the upcoming year. Therefore, every December a forecast will be conducted of the cumulative total capacity installed by the end of the following year for the Solar Loan III Program. For Solar Loan I and Solar Loan II, the current methodology of allocating costs based on the total forecasted capacity installed for the program will be maintained. The ratio of the forecasted installed capacity for each program to total forecasted installed capacity for all of the solar loan programs will be applied to all common costs for the following year starting on January 1.

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

SREC Value Credited to Loans + Gain/(Loss) on Sale of SRECs - SREC Floor Price Costs

SREC Value Credited to Loans – The SREC Value Credited to Loans is defined as the number of SRECs generated and credited to the loans times the higher of the “market value” of SRECs as defined in the Loan Agreements or the Floor Price.

Gain/(Loss) on Sale of SRECs – The proceeds from the Sale of SRECs less their corresponding inventory cost. Inventory cost is the value the SREC received when they were credited to loans as defined above.

SREC Disposition Expenses – All costs related to the disposition of SRECs for the Program.

SREC Floor Price Costs – When the market value of the SRECs credited to loans, as defined in the Loan Agreements, is less than the value of the SRECs priced at the Floor Price, the differential value reduces the Net Proceeds from the sale of SRECs.

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

75. The SLIII Signatory Parties further stipulate that the initial revenue requirement calculation will use a WACC of 7.6431% (11.1790% on a pre-tax basis) based on an equity percentage of 51.2%, a return on equity of 10.0%, and the Company's long-term cost of debt as of March 31, 2013 of 5.1702% (See Attachment H for WACC calculations). The SLIII Signatory Parties agree that any change in the WACC authorized by the Board in a subsequent base rate case will be reflected in the subsequent monthly revenue requirement calculations, effective as of the date of the Board's base rate case order authorizing a change in the WACC. The Parties further agree that any change in the revenue requirement resulting from the change in the WACC will not be included in the monthly interest calculation for over and under recoveries until the date of the next scheduled annual true-up but in any event, no later than January 1 of the subsequent year. The Parties stipulate that after the initial revenue requirements period, the SLIIIc will be calculated utilizing projected cost data subject to annual adjustments. The calculation of the revenue requirement for the purpose of setting the initial SLIIIc for the period ending September 30, 2014 is set forth in Attachment H and Attachment I attached hereto and

made a part of this Stipulation. The corresponding forecasted rates for all periods are set forth in Attachment M attached hereto and made part of this stipulation

76. In calculating the monthly interest on net over and under recoveries, the interest rate shall 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. In the event that neither commercial paper nor bank credit lines were utilized in the preceding month, the last calculated rate will be used. The interest rate shall not exceed PSE&G's overall rate of return as authorized by the Board. The interest amount charged to the SLIII balance will be computed using the methodology set forth in Attachment J hereto, based on the net of tax average monthly balance. Simple interest shall accrue on any under and over recovered balance, and shall be included in the deferred SLIII balance at the end of each reconciliation period. The true-up calculation of over-and under-recoveries shall be included in the Company's Annual Filing.

77. The Parties request that the Board set the effective date of the initial SLIIIc as of June 1, 2013 or the date of the Board's written Order approving this Settlement, whichever is later.

78. The SLIIIc will be subject to adjustment and true-up through the deferral process and any required adjustment will be included in the over/under recovered balance to be recovered from or returned to ratepayers over the following year. Any Board ordered cost recovery adjustments resulting from the review of the actual costs will be made to the over/under deferred balance and reflected in the charges established for the following year pursuant to a Final Board Order. The SLIII Signatory Parties stipulate that the Company will file an annual

petition (Annual Filing) to adjust its SLIIIc in conjunction with the annual filing for the existing components of the electric RRC, with the first Annual Filing currently scheduled to be made by no later than July 1, 2014 for rates effective October 1, 2014 through September 30, 2015.

79. Each Annual Filing will contain a reconciliation of PSE&G's actual SLIII recoveries (which were based on PSE&G's projected SLIII costs) and actual revenue requirements for the prior period, and a forecast of revenue requirements for the remainder of the current period and for the upcoming 12-month period that shall be based upon the Company's authorized ROE and capital structure for this Program. The Annual Filing also will present actual costs incurred since the previous annual review and such costs will then be reviewed for reasonableness and prudence. The Annual Filing will also provide information consistent with the information in the Minimum Filing Requirements ("MFRs") provided in the existing Solar Loan II Program. The Annual Filing will be subject to review by the Parties with opportunity for discovery and filed comments prior to the issuance of a Board Order establishing the Company's revised SLIIIc. The issuance of a written Board Order will be preceded by adequate Public Notice and Public Hearings, if required by law.

80. The Parties agree that the proposed SLIIIc rate, as set forth in the tariff sheets in Attachment C, attached hereto are just and reasonable and PSE&G is authorized to implement the proposed rates on June 1, 2013 or on the date of the written BPU Order approving this Stipulation, whichever is later.

81. A typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours on an annual basis and on BGS-FP service with PSE&G would see an initial increase in the annual bill from \$1,349.08 to \$1,349.24 or \$0.16 or approximately

0.01%. See Attachment K for residential customer bill impacts. As currently projected, the maximum rate impacts for the same typical residential electric customers from the SLIII Program would occur in the October 1, 2018 through September 30, 2019 cost recovery period. The expected maximum increase from the SLIII Program for a typical residential customer in the October 1, 2018 through September 30, 2019 cost recovery period would be \$0.000292 per kWh (including sales and used tax (SUT)), for a typical annual residential bill impact of \$2.12 (0.157%) or about \$0.18 per month.

Program Rules

82. The SLIII Signatory Parties agree that the SLIII Program Rules shall be as set forth in Attachment F. PSE&G shall have the right to amend the SLIII Program Rules as required for commercial reasons, after ten business days advance notice to Board Staff and Rate Counsel unless Board Staff notifies PSE&G in writing within that same ten business day period that it objects to the amendment. In such event, Board Staff shall have the right to seek Board review of the amendment on an expedited basis so as not to delay the Program implementation.

C. General Provisions Applicable to S4AE and SLIII Programs

83. The Signatory Parties agree that PSE&G will attempt to resolve any disputes that arise under the Solar Loan III and Solar 4 All Extension Programs on an informal basis. Any disputes that cannot be resolved informally shall be resolved in the appropriate legal forum.

84. This Settlement Agreement represents a mutual balancing of interests, contains independent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event that any particular aspect of the Settlement Agreement is not accepted and approved in

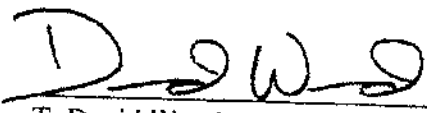
its entirety by the Board, any Signatory Party aggrieved thereby shall have the right to litigate all issues addressed herein to conclusion.

85. It is the intent of the Signatory Parties that the provisions hereof be approved by the Board as being in the public interest. The Signatory Parties further agree that they consider the Settlement Agreement binding on them for all purposes herein.

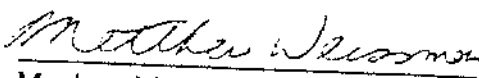
86. It is specifically understood and agreed that this settlement represents a negotiated agreement made exclusively for the Solar Loan III and Solar 4 All Extension proceedings. Except as expressly provided herein the Signatory Parties shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein, in total or by specific item. The Signatory Parties further agree that this Settlement Agreement is not binding upon them in any other proceeding, except to enforce the terms of this Settlement Agreement.

87. Following execution of this Settlement Agreement the Company's rates will remain subject to audit by the Board, and this Settlement Agreement shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

JEFFREY S. CHIESA
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

By: 
T. David Wand
Deputy Attorney General

PUBLIC SERVICE ELECTRIC AND
GAS COMPANY

By: 
Matthew M. Weissman
General Regulatory Counsel - Rates

Dated: April 26, 2013

Dated: April 26, 2013

DIVISION OF RATE COUNSEL

By: _____
Paul E. Flanagan, Esq.
Litigation Manager

Dated: April __, 2013

KDC SOLAR LLC (SLIII)

By: _____
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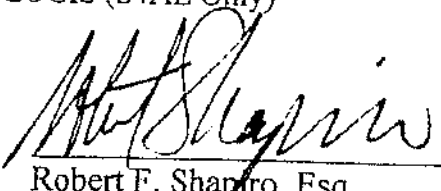
Dated: April __, 2013

PETRA SOLAR, INC. (S4AE Only)

By: _____
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Dated: April __, 2013

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William Potter, Esq.
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By: _____
Allen Bucknam, CEO
SunDurance Energy

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By: _____
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Cole, Schotz, Meisel, Forman &
Leonard, P.A.,

Dated: April __, 2013

NEW JERSEY LARGE ENERGY USERS
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Fox Rothschild, LLP

Dated: April __, 2013

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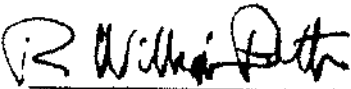
Dated: April __, 2013

PETRA SOLAR, INC.

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Dated: April __, 2013

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Michael A. Gruin, Esq.
Stevens & Lee, P.C.

Dated: April __, 2013



April 25, 2013

Via Electronic Mail

Kristie Izzo
New Jersey Board of Public utilities
44 South Clinton Ave., 9th Floor
PO Box 350
Trenton, NJ 08625 – 0350

IN THE MATTER OF THE PETITION OF
PUBLIC SERVICE ELECTRIC AND GAS
COMPANY FOR APPROVAL OF AN EXTENSION
OF A SOLAR GENERATION INVESTMENT
PROGRAM AND 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, 48:2-21.1 AND N.J.S.A. 48:3-98.1
("SOLAR4ALL EXTENSION PETITION")

STIPULATION

BPU Docket No. EO12080721

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

STIPULATION

BPU Docket No. EO12080726

Dear Secretary Izzo:

As you know, the New Jersey Solar Energy Coalition was granted conditional intervener status on December 3, 2012 subject to our retaining counsel in order to participate in the evidentiary portion of the process. While we did not participate in the evidentiary hearings, we carefully followed the debate and reviewed all documents throughout the process. In addition, as appropriate, we participated in a number of conference calls regarding both of the docketed matters referenced above in settlement and other discussions with all parties.

The New Jersey Solar Energy Coalition is a broad coalition of residential; third party aggregated residential, small commercial, large commercial, brownfield, and landfill solar developers and EPC

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Phone: 732.360.6004 E-mail: info@njsec.org www.njsec.org



contractors, engineering, law, and accounting firms specializing in the development of solar energy in New Jersey and as such these matters are very important to our members.

We have carefully reviewed the global settlement documents dated April 23, 2013 that were circulated to all parties earlier this week. We have discussed the features of that settlement with our membership and we fully support the proposed global settlement. We find that this settlement carefully balances many economic, energy, environmental and land use issues; supports the policies of the New Jersey State Energy Master Plan; and is consistent with the goals of the fabric of law that structures New Jersey's market based solar energy program.

We hope that this global settlement can be brought to the full Board at the earliest opportunity for their approval.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary Weisman".

Gary Weisman, President

New Jersey Solar Energy Coalition

**PSE&G Economic Energy Efficiency Extension Program
Weighted Average Cost of Capital (WACC)**

	<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%	5.1702%	2.5231%	1.0000	2.5231%	1.4924%
Customer Deposits	0.0000%	0.0000%	0.0000%	1.0000	0.0000%	0.0000%
Sub-total	48.8000%		2.5231%		2.5231%	5.1200%
Preferred Stock	0.0000%	0.0000%	0.0000%	1.6906	0.0000%	0.0000%
Common Equity	51.2000%	10.0000%	5.1200%	1.6906	8.6560%	5.1200%
Total	100.0000%		7.6431%		11.17900000%	6.6124%
Monthly WACC			0.63692%		0.93158000%	

Reflects a tax rate of 40.850%

**PSE&G Solar 4 All Extension
Revenue Requirements Calculation**
(\$000's)

Solar 4 All Extension: Segment A - Landfills / Brownfields

	(12)	(14) Expenses				(16)	(17)	(18) Revenue from Sale of			(20)	(21) ITC		(23)	(24)
		(13) Administrative	(14) Rent	(15) Insurance	(16) Other			(17) Energy	(18) Capacity	(19) SRECs		(20) Other	(21) Amortization		
Jan-13															
Feb-13															
Mar-13															
Apr-13															
May-13															
Jun-13	17	99												116	
Jul-13	17	99												116	
Aug-13	17	99												116	
Sep-13	17	99			0									116	
Oct-13	17	99			0									116	
Nov-13	17	99												117	
Dec-13	17	99		1										121	
Jan-14	17	103		1										122	
Feb-14	17	103		2										122	
Mar-14	17	103		2										122	
Apr-14	17	103		3										124	
May-14	17	103		4										126	
Jun-14	17	103		6										128	
Jul-14	17	103		8										131	
Aug-14	17	103		11										131	
Sep-14	17	103		12										131	
2013	117	695		2										814	
2014	206	1,233		95										1,534	
2015	1,619	1,277	1,180	427			1,562	3,298	8,481	9,765	1,884	1,884	651	14,175	
2016	2,561	573	2,439	619			3,269	8,481	9,765	9,765	3,723	2,571	1,286	22,170	
2017	2,738	1,356	2,658	640			3,595	9,765	9,765	9,765	3,953	2,730	1,365	20,752	
2018	2,811	1,403	2,725	659			3,787	483	9,716	9,716	3,953	2,730	1,365	17,757	
2019	2,865	1,453	2,793	679			3,955	1,033	9,667	9,667	3,953	2,730	1,365	15,285	
2020	2,961	1,503	2,863	699			4,078	1,053	9,618	9,618	3,618	2,498	1,249	12,996	
2021	3,039	1,556	2,934	720			4,314	1,068	9,569	9,569	3,272	2,460	1,130	11,098	
2022	3,119	1,610	3,008	742			4,632	1,086	9,520	9,520	3,229	2,230	1,115	10,083	
2023	3,201	1,667	3,083	764			4,877	1,105	9,469	9,469	3,229	2,230	1,115	10,083	
2024	3,285	1,725	3,160	787			5,091	1,129	9,422	9,422	3,229	2,230	1,115	9,364	
2025	3,373	1,785	3,239	811			5,275	1,147	9,369	9,369	3,229	2,230	1,115	9,507	
2026	3,462	1,848	3,320	835			5,568	1,167	9,316	9,316	3,229	2,230	1,115	10,924	
2027	3,553	1,913	3,403	860			5,830	1,189	9,254	9,254	3,229	2,230	1,115	11,413	
2028	3,647	1,980	3,488	886			6,111	1,209	9,184	9,184	3,229	2,230	1,115	10,495	
2029	3,743	2,049	3,575	912			6,406	1,228	9,122	9,122	3,229	2,230	1,115	10,748	
2030-2037	25,056	19,195	19,818	8,358	4,984		21,096	6,218	7,490	7,490	18,010	12,438	6,219	8,757	
Total	71,375	44,921	63,685	19,496	4,984		87,627	19,109	142,260	142,260	88,193	47,098	23,546	289,685	

Col 3 + Col 11
+ Col 12 + Col 13
+ Col 14 + Col 15
+ Col 16 - Col 17
- Col 18 - Col 19
- Col 20 - Col 21
- Col 22 + Col 23

Refer to WP-SS-S4AE-2a (Land).xls "State Rebate and ITC" Worksheet Row 791

Col 21 * [Tax Rate] [Rev. Conv. Fac.]

Col 3 - Col 7 * [Tax Rate] - [Rev. Conv. Fac.]

Tax Assoc. w/50% ITC Basis Reduction

Revenue Requirements

PSE&G Solar 4 All Extension Revenue Requirements Calculation
(\$000's)

Solar 4 All Extension: Segments B, C, and D - Pilots

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Program Investment	Gross Plant	Depreciation Expense	Accumulated Depreciation	Net Plant	Tax Depreciation	Plant Book Deprec. Tax Basis	Deferred Tax Exp	Accumulated Deferred Tax	Net Investment	Return Requirement
Jan-13	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-
Jun-13	-	-	-	-	-	-	-	-	-	-
Jul-13	-	-	-	-	-	-	-	-	-	-
Aug-13	14	-	-	-	-	-	-	-	-	-
Sep-13	14	-	-	-	-	-	-	-	-	-
Oct-13	14	-	-	-	-	-	-	-	-	-
Nov-13	295	-	-	-	-	-	-	-	-	-
Dec-13	295	-	-	-	-	-	-	-	-	-
Jan-14	14	-	-	-	-	-	-	-	-	-
Feb-14	3,564	-	-	-	-	-	-	-	-	-
Mar-14	3,584	-	-	-	-	-	-	-	-	-
Apr-14	14	-	-	-	-	-	-	-	-	-
May-14	14	-	-	-	-	-	-	-	-	-
Jun-14	389	-	-	-	-	-	-	-	-	-
Jul-14	14	-	-	-	-	-	-	-	-	-
Aug-14	389	-	-	-	-	-	-	-	-	-
Sep-14	4,951	-	-	-	-	-	-	-	-	-
Program Assumption	Program Assumption	Refer to WP-SS-S4AE-2d (Pilot) xls "BK Depr" Worksheets	Prior Month + Col 3	Col 2 - Col 4	Refer to WP-SS-S4AE-2d (Pilot) xls "Tax Depr" Worksheets	Refer to WP-SS-S4AE-2d (Pilot) xls "Tax Depr" Worksheets	(Col 6 - Col 7) * (Income Tax Rate)	Prior + Col 8	Col 5 - Col 9	(Pncr Col 6 + Col 6) / 2 * Monthly Pre Tax WACC
2013	631	-	-	-	-	-	-	-	-	-
2014	20,520	-	-	-	-	-	-	-	-	-
2015	4,789	1,467	1,467	25,282	4,482	1,247	1,321	1,321	23,960	2,710
2016	-	1,467	2,934	23,815	7,176	1,247	2,422	3,743	20,071	2,461
2017	-	1,467	4,401	22,348	4,315	1,247	1,253	4,986	17,351	2,092
2018	-	1,467	5,868	20,880	2,593	1,247	550	5,546	15,334	1,827
2019	-	1,467	7,336	19,413	2,591	1,247	549	6,096	13,318	1,601
2020	-	1,294	8,630	16,119	1,317	1,100	88	6,184	11,935	1,411
2021	-	1,294	9,924	15,825	20	1,100	(441)	5,743	11,082	1,287
2022	-	1,294	11,218	15,531	18	1,100	(442)	5,301	10,230	1,191
2023	-	1,294	12,513	14,236	18	1,100	(442)	4,859	9,378	1,096
2024	930	1,387	13,900	13,779	204	1,193	(404)	4,455	9,325	1,045
2025	240	1,504	15,404	12,515	364	1,310	(387)	4,068	8,447	993
2026	-	1,528	16,932	10,987	273	1,334	(433)	3,635	7,352	863
2027	-	1,528	18,460	9,458	171	1,334	(475)	3,160	6,299	763
2028	-	1,528	19,989	7,930	153	1,334	(483)	2,677	5,253	646
2029	-	1,435	21,424	6,495	99	1,241	(466)	2,211	4,284	533
2030-2037	-	6,495	27,919	-	113	5,524	(2,211)	(9)	0	1,194
Total	27,109	27,919	27,919	-	23,906	23,906	0	23,906	0	21,734

PSE&G Solar 4 All Extension
Under/(Over) Calculation

0.000035 Proposed SGIEP Rate \$/kWh
 46.850% Tax Rate

Attachment B
 Page 1 of 3

	1	2	3	4	5	6	7	8
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
<u>RGGI SAAE Under/(Over) Calculation</u>								
(1) SGIEP RGGI Revenue	-	-	-	-	-	132,109	150,989	153,609
Revenue Requirements (excluding Incremental WACC)	-	-	-	-	-	132,109	150,989	153,609
(2) Monthly Under/(Over) Recovery	-	-	-	-	-	123,062	123,062	123,062
(4) Deferred Balance	-	-	-	-	-	(9,046.1)	(27,926.5)	(30,546.7)
(5) Monthly Interest Rate	0.02683%	0.02683%	0.02683%	0.02683%	0.02683%	(9,046)	(36,973)	(67,519)
(6) After Tax Monthly Interest Expense/(Credit)	-	-	-	-	0.02683%	0.02683%	0.02683%	0.02683%
(7) Cumulative Interest Balance Added to Subsequent Year's Revenue Requirements	-	-	-	-	-	(0.72)	(3.65)	(8.29)
(8) Net Sales - kWh (000)	-	-	-	-	-	(0.72)	(4.37)	(12.66)
(10) Incremental Interest From WACC Change	-	-	-	-	-	3,774.531	4,313.972	4,388.635
(11) Cumulative Incremental Interest	-	-	-	-	-	(2,675)	(13,610)	(30,904)
(12) Average Net of Tax Deferred Balance	-	-	-	-	-	(2,675)	(13,610)	(30,904)

PSE&G Solar 4 All Extension
Under/(Over) Calculation

0.000035 Proposed SGIEP Rate \$/kWh
 40.850% Tax Rate

Attachment B
 Page 3 of 3

	17	18	19	20	21	
	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Total
<u>RGGI S4AE Under/(Over) Calculation</u>						
(1) SGIEP RGGI Revenue	114,374	133,859	153,598	165,534	129,515	2,086,898
Revenue Requirements (excluding Incremental WACC)	132,536	134,279	137,045	139,394	141,025	2,068,427
(2) Monthly Under/(Over) Recovery	18,161.3	420.1	(16,553.8)	(16,139.1)	11,510.4	(18,470.5)
(4) Deferred Balance	2,292	2,712	(13,842)	(29,981)	(18,470)	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)	(1.08)	0.40	(0.88)	(3.48)	(3.84)	(Prev Row 4 + Row 4) / 2 * (1 - Tax Rate) * Row 5
(7) Cumulative Interest Balance Added to Subsequent Year's Revenue Requirements	(80.70)	(80.30)	(81.18)	(84.66)	(88.50)	Prev Row 7 + Row 6
(9) Net Sales - kWh (000)	3,267,842	3,824,536	4,388,527	4,443,815	3,700,417	Row 4 + Row 7 + Row 11
(10) Incremental Interest From WACC Change						
(11) Cumulative Incremental Interest						Prev Row 11 + Row 10
(12) Average Net of Tax Deferred Balance	(6,789)	2,502	(5,565)	(21,911)	(24,226)	(Prev Row 4 + Row 4) / 2 * (1 - Tax Rate)

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

B.P.U.N.J. No. 15 ELECTRIC

**XXX Revised Sheet No. 65
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 Generation Investment Extension Program	\$ 0.000035
Solar Loan III Program	\$ 0.000020
Sub-total per kilowatthour	\$ 0.0011990.001254
Charge including New Jersey Sales and Use Tax (SUT)	\$ 0.0012830.001342

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

B.P.U.N.J. No. 15 ELECTRIC

**XXX Revised Sheet No. 65
Superseding
XXX Revised Sheet No. 65**

RGGI RECOVERY CHARGE

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Component:

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Energy Efficiency Economic Extension Program	\$ 0.000099
Solar Generation Investment Extension Program	\$ 0.000035
Solar Loan III Program	\$ 0.000020
Sub-total per kilowatthour	\$ 0.001254

Charge including New Jersey Sales and Use Tax (SUT)..... \$ 0.001342

RGGI RECOVERY CHARGE

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80 Park Plaza, Newark, New Jersey 07102
Filed pursuant to Order of Board of Public Utilities dated
in Docket No.

Effective:

TYPICAL RESIDENTIAL ELECTRIC BILL IMPACTS

The effect of the proposed changes due to the new proposed Solar Generation Investment Extension Program component of the RGGI Recovery Charge (RRC) on typical residential electric bills, if approved by the Board, is illustrated below:

Residential Electric Service					
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	\$314.24	\$314.24	\$0.00	0.00%
415	3,900	723.56	723.72	0.16	0.02
780	7,360	1,349.08	1,349.36	0.28	0.02
803	7,800	1,428.80	1,429.08	0.28	0.02
1,320	12,400	2,275.04	2,275.48	0.44	0.02

- (1) Based upon current Delivery Rates and Basic Generation Service Fixed Pricing (BGS-FP) charges in effect April 1, 2013 and assumes that the customer receives BGS-FP service from Public Service.
- (2) Same as (1) except includes changes from the new proposed Solar Generation Investment Extension Program component of the RRC.

Residential Electric Service					
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	\$32.50	\$32.50	\$0.00	0.00%
3,900	415	75.81	75.83	0.02	0.03
7,360	780	142.73	142.76	0.03	0.02
7,800	803	147.12	147.15	0.03	0.02
12,400	1,320	245.40	245.45	0.05	0.02

- (3) Based upon current Delivery Rates and Basic Generation Service Fixed Pricing (BGS-FP) charges in effect April 1, 2013 and assumes that the customer receives BGS-FP service from Public Service.
- (4) Same as (3) except includes changes from the new proposed Solar Generation Investment Extension Program component of the RRC.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
Solar 4 All™ Extension Program Rules for:

<u>Segment</u>	<u>Name</u>	<u>Segment Size</u>	<u>Minimum Project Size</u>
Segment A	Landfills and Brownfields	42 MW	1 MW
Segment B	Underutilized Government Facilities	1 MW	100 kW
Segment C	Pilot: Grid Security / Storm Preparedness	1MW	100 kW
Segment D	Pilot: Innovative Parking Lot Applications	1 MW	100 kW

GENERAL REQUIREMENTS APPLICABLE TO ALL SEGMENTS

1. Upon completion, Solar Systems must be interconnected to the PSE&G electric distribution system. Net metered projects will not be considered.
2. The Solar Systems in Segments B, C and D may be ground-mounted systems, parking lot canopy systems, or rooftop systems.
3. The Solar System must be capable of generating solar renewable energy certificates ("SRECs") as defined under NJ BPU regulations.
4. For landfill and brownfield projects, PSE&G will seek Board certification pursuant to the Board's Order implementing the Solar Act of 2012, N.J.S.A. 48:3-51 subsection (t) by submitting an application to the Board for NJDEP review and approval by the Board.
5. PSE&G, the Site Owner, or Solar Contractor will initiate the PJM Interconnection process, and identify the interconnection costs associated with viable sites as determined by PSE&G.
6. PSE&G will perform the work and procure the materials necessary to interconnect the Solar Systems to the electric grid and may perform additional portions of the work.

SEGMENTS A & B

7. Site Selection. Potential sites will be evaluated by a number of factors which may include ease of permitting, ease of interconnection, site conditions, and other factors as determined by PSE&G.
 - a. PSE&G may retain the services of an engineering firm for site assessment, development of the scope of work, permitting, proposal review, and other services.
 - b. Alternatively, PSE&G may also request landfill or brownfield property owners to submit proposals for consideration.¹
8. Selection of Contractors. PSE&G will invite reputable solar companies ("Contractors") to participate in a competitive bidding process to provide the engineering, permitting, procurement and construction services required to develop the projects. Alternatively, PSE&G may procure the equipment directly and hire Contractors through a competitive bid process to provide the engineering, permitting, and construction services. More information regarding the competitive bidding process is set forth below.
9. Prior to Board Approval, PSE&G may begin site selection, site evaluation, and bid processes, and contract and lease negotiations. All contracts and leases will be effective only after (a) Board Approval of the Solar 4 All Extension Program and (b) PSE&G's determination that the contract is in compliance with conditions of Board Approval.

Competitive Bidding Process for Contractors

10. For each site PSE&G has identified and selected for development, PSE&G will invite Contractors to submit proposals for the engineering, permitting and construction (and procurement if applicable) of the project ("Proposals"). At a minimum, each Proposal shall contain:
 - A project description, site plan solar array layout, and total installed watts (dc).

¹ PSE&G will also give favorable consideration for those projects in which the site owner and solar contractor have coordinated and prepared a fully engineered, ready to build project.

- The total installed cost of the Solar System as specified by the competitive bid process.
- An annual energy output estimate in kWh for the first year using a methodology as may be appropriate and acceptable to PSE&G.
- A project schedule.
- Financial status of the Contractor including audited financial statements or other means to determine the suitability of the Contractor.
- Priority will be given to NJ firms to the extent permitted by applicable law.

Contract between PSE&G and the Solar Contractor

11. Upon the final acceptance of a Proposal, PSE&G will enter into a construction contract with the Contractor to build the Solar System. The contract will contain typical terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on the successful negotiation of a lease with the Site Owner.

Agreement with the Site Owner

12. PSE&G and the Site Owner will enter into a suitable lease agreement ("Lease") containing typical terms and conditions including rent payments, insurance, indemnifications, owner responsibility for pre-existing site conditions, and access, all to be negotiated with the Site Owner. Lease payments will commence upon the commercial operation of the Solar System. The lease payment will be determined using the methodology established in the current Solar 4 All program and will be escalated by a percentage annually for a term of 20 years unless applicable law requires a shorter term and may contain options to extend the term as negotiated by the parties.. The lease payment will be set at a price per kWh of projected output in the first year.
13. Additional payments may be made to site owners, which may also include pre and post commercial operation payments, and other option payments necessary to secure property rights for the site. The Site Owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions. PSE&G will not be responsible for pre-existing site conditions.

SEGMENTS C & D

Solicitations

14. For each segment, PSE&G will conduct a solicitation requesting proposals that meet the objectives of each pilot/demo segment.
15. Notices for each solicitation will be posted on the PSE&G website and may also be promoted through other means as determined by PSE&G.
16. PSE&G will evaluate and select proposals based on the objectives and criteria established for each segment. PSE&G reserves the right to reject any or all proposed that, in its view, do not meet the segment's objectives and criteria.

Proposal Requirements

17. At a minimum, each Proposal shall contain:
 - A project description, site plan solar array layout, and total installed watts (dc).
 - The total installed cost of the pilot/demo Solar System.
 - An annual energy output estimate in kWh for the first year using a methodology as may be appropriate and acceptable to PSE&G.
 - A project schedule.
 - A clear and detailed description of how the proposed pilot/demo Solar System meets the objectives of the segment and how it will foster the adoption of new, creative and cost effective technical solutions and business models that will further contribute to the develop of solar in NJ.
 - Priority will be given to NJ firms to the extent permitted by applicable law.

Contract between PSE&G and the Solar Contractor

18. Upon the final acceptance of a Proposal, PSE&G will enter into a contract with the Contractor to build the pilot/demo Solar System. The contract will contain typical

terms and conditions including schedule and performance guaranties, liquidated damages, warranties, indemnifications, insurance, retainage or other credit enhancements, and a milestone payment schedule. The contract will be contingent on reaching agreement with the Site Owner.

Agreement with the Site Owner

19. PSE&G and Site Owner will enter into a suitable agreement containing typical terms and conditions including insurance, indemnifications, owner responsibility for pre-existing site conditions, and access. Because of the uniqueness of the pilot/demo projects, the exact nature of any financial transactions between PSE&G and the Site Owner will be determined on a case by case basis.
20. The Site Owner must accept responsibility for pre-existing site conditions including, but not limited to, environmental and subsurface conditions. PSE&G will not be responsible for pre-existing site conditions.

ALLOCATION OF CAPACITY

21. The program size shall be capped at 45 MW, with no more than 20 MW going in-service in EY 2015 and the balance going into service in EY 2016.
22. PSE&G will have the flexibility to move capacity only between Segment B, C and D but cannot decrease the capacity of Segment A.

PSE&G may move capacity from Segments B, C and D to Segment A.

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.
- Projects under construction may not apply for loans in the Residential-Individual Customer, Small Non-Res, and Large Non-Res segments. “Under construction” means anything other than site clearance or site preparation. The receipt and storage of equipment at the facility will not be considered “under construction”, provided no attempt is made to assemble or erect the equipment. In the Res-Aggregated and Landfill market segments, projects under construction but not in commercial operation are eligible to apply for the Solar Loan III Program. “Commercial Operation” means that the system is operating and has received its final inspection in preparation for the issuance of SRECs.
- 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.
- All systems that are located in PSE&G’s electric service territory and are eligible for SRECs will be eligible to participate.

Competitive Solicitation Process for All Segments

- Loan applications will be grouped into market segments as defined below for review:
 - Residential-Individual Customer – net-metered
 - Residential-Aggregated by a 3rd Party – net-metered (“Res-Aggregated”)
 - Non-residential ≤ 150kW – net-metered (“Small Non-Res”)

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- 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”) and as defined in P.L.1999, c.23 (C.48:3-49) et al. 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.
- Upon commencement of the Solar Loan III Program, any remaining unawarded capacity from the Solar Loan II program will be rolled into the first solicitation for the Large Non-Res segment. Subsequent to the first Solar Loan III solicitation, if additional Solar Loan II capacity becomes available, it will be rolled into the next available solicitation for the Large Non-Res segment.
- PSE&G may require applicants to submit documentation via a web portal to participate in the Solar Loan Program
- PSE&G will hire an independent Solicitation Manager (“SM”) selected through a competitive bid process who will review and rank the bids received and provide guidance to the Company regarding competitive SREC Floor prices and the competitiveness of individual segments based on such factors as the number of bidders, a statistical analysis of bids to identify and reject outliers, kW bid and range of pricing. 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
SA Provides SREC Floor Price Benchmark	By Day 5
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 first by Bid Price & then by Date/Time Received	Day 16
SA Reviews Bids & Provides Recommendations to PSE&G	Day 17-19
PSE&G Notifies Applicants of Status (via email)	Day 20
PSE&G Commences Secondary Project Credit & Interconnection Review and Landfill Technical Review as appropriate	Day 21
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:

Class	% of Total	Total MW	Solicitation				
			#1	#2	#3	#4 - #12	#13 - #18
Residential	10.00%	9.75	0.300	0.500	0.850	0.900	TBD
Res-Aggregated	10.00%	9.75	0.300	0.500	0.850	0.900	TBD
Small Non-Res	13.48%	13.14	2.628	1.314	1.314	0.876	TBD
Large Non-Res	61.39%	59.86	11.972	5.986	5.986	3.991	TBD
Landfills	5.13%	5.00	5.000	0.000	0.000	0.000	TBD
Total		97.50	21.850	8.775	9.125	6.417	TBD

- 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.
- 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.
- 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 for that same solicitation, except that for the first solicitation, any unused capacity (kW) in the Residential or Res-Aggregated Segments will be added to their respective segments' capacity in the second solicitation.
 - After any reallocation of unused capacity to other oversubscribed segments, as applicable, any remaining unused capacity in a segment 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 11.972 MW (Solicitation #1) is exceeded by 0.2 MW, the Large Non-Res segment for Solicitation #2 will be reduced from 5.986 MW to 5.786 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 met the acceptance criteria but were not accepted because of capacity limitations 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.

Res-Aggregated Segment

Third parties that aggregate residential customers shall be allowed to participate and will be treated as non-residential applicants under the Solar Loan III Program through the Res-Aggregated Segment. For the solicitations, they will be required to bid individual residential projects including individual SREC Floor Prices. After review by the SA, the final group of selected residential projects will be combined and the third party aggregator will be assigned the capacity of the combined residential projects and from then on will be treated as a non-residential application for credit review and loan management. In the event that individual residential projects have different SREC bid prices, a weighted average SREC bid price will be calculated. The weighted average SREC floor price will be rounded to the nearest \$5.00 increment. Once individual residential projects have been accepted and the third party aggregator has been assigned capacity, substitute projects will not be allowed.

Landfill Segment Projects

Prior to being qualified for the Program, PSE&G reserves the right to require applicants to demonstrate proof of project viability through geotechnical engineering reports, landfill closure certifications and other documents as required. PSE&G may also require applicants to show proof of site control and a minimum level of site development before being designated as a qualified applicant. Applicants that are required to be certified pursuant to the Board's Order implementing the Solar Act of 2012, N.J.S.A. 48:3-51 subsection (t) must submit their application to the Board no more than 10 calendar days after PSE&G provides notification that they have been conditionally accepted into the Program.

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.
- There will be no Call Option for any segment.
- Approved Residential and Res-Aggregated solar projects must be completed within six months after PSE&G issues a loan commitment. PSE&G may withdraw the loan commitment if a Residential Segment 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, PPA agreement) from the borrower. Upon request from PSE&G, borrowers are required to provide such documentation as requested by PSE&G in a timely manner.
- Projects that are required to be certified under section t. of the Solar Act of 2012 must submit their application to the BPU, along with a copy to PSE&G, no more than 10 calendar days after PSE&G provides notification that they have been conditionally accepted into the program.
- 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.

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- 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.
- PSE&G may require applicants to provide a New Jersey certification number in advance of closing a loan as proof that a project is eligible to receive SRECs.

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 in full or partially, in the case of Res-Aggregators, if the full bid capacity is not accepted.
- **Administration Fee** – there will be an administration fee of \$85/kW. 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. For the Residential Segment, the SREC Processing Fee will be \$120/kW and will be deducted from the loan proceeds at the time the loan is issued to the borrower. For all other segments, the SREC Processing Fee will initially be set at \$10.18/SREC and then will be reset on an annual basis as described below. The SREC Processing Fee will be billed annually at the time of the borrower's annual true-up as defined in the borrower's loan agreement and will be determined by multiplying the SREC Processing Fee in affect at the time by the number of SRECs generated by the borrower's project for the previous year.
- Over the term of the Solar Loan III program all PSE&G administrative costs are to be paid by borrowers. The true-up mechanism will ensure all costs are recovered from the borrowers and that the borrowers only pay the actual cost incurred.

- The initial non-residential SREC Processing Fee will be set based on PSE&G forecast of common costs divided by the expected number of non-residential SRECs to be generated by the Program. The SREC Processing Fee for future years will be determined by taking the net balance of fees and administrative costs for the current year and adding it to, or subtracting it from, the forecast of common costs and then dividing by the remaining number of non-residential SRECs expected to be generated for the remaining years. This approach will ensure that there will not be significant year to year volatility in the SREC Processing Fee.
- The Application and Administration Fees and the volume costs will be tracked together and after the last loan has closed the balance will be added to the SREC Processing Fee balance.

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.

Meter Reading

- All projects will have a PSE&G revenue grade meter installed at the customer's expense to measure solar system output. Estimated generation will not be accepted. A second revenue grade meter may be installed as a backup at the customer's expense provided the meter meets the current ANSI accuracy standards as approved by the BPU.
- If a meter reading is simply missed for the month, the generation for that month will be credited when the next actual meter reading is obtained and entered into PJM GATS. SREC's will be credited to the loan in the month in which they are created.
- PSE&G may offer Residential customers the option of registering for "MyAccount" on the PSEG website, which will enable them to enter meter readings in any month that their meter is not read by a PSE&G meter reader
- If the PSE&G meter is not functioning properly and actual accurate generation data cannot be obtained from this meter, and the Borrower has a backup revenue grade meter installed for the system PSE&G will accept data from the back-up meter if it is accompanied by a spec sheet for the meter indicating the meter satisfies the above referenced ANSI code. In the case where the PSE&G owned meter is functioning properly, but there is an issue with remote telemetry, PSE&G reserves the right to conduct a site visit and obtain generation data directly from the meter.
- If the PSE&G meter is not functioning properly and actual generation data cannot be obtained from this meter, and the Borrower does not have a backup revenue grade meter installed for the system PSE&G will not enter any generation data into PJM GATS for the period when the actual generation data cannot be obtained.
- Each third party aggregator is required to install and own a meter that meets the then current accuracy standards as approved by the BPU for each residential project for which the aggregator receives funding under Solar Loan III, and must provide PSE&G SREC generation data along with read-only access to the data for validation. Third party aggregators are responsible for the accuracy and availability of all data.

SE&G Solar Loan III Program Administrative Cost Schedule

Year	Residential				Non-Residential (including Rec-Appraiser Segment)				Admin Fees				Admin Costs				Cash Flow				
	(1)(2)(3)(31)	(2)(3)(32)	(3)(33)(37)	(4)(34)(38)	(5) see Note (6)(35)(39)	(6)(36)(40)	(7) see Note (8)(37)(41)	(8)(38)(42)	(9)(39)(43)	(10)(40)(44)	(11)(41)(45)	(12)(42)(46)	(13) from JAP-SUBS col (3)	(14) from JAF-SUBS col (3)	(15)(13)(14)	(16)(10)(13)	(17)(11)(14)	(18)(12)(15)	(19) Cumulative Net Volume of (16)	(20) Cumulative Net Common of (17)	(21) Cumulative Net Total of (18)
2013	87,000	87,000	87,000	551,558	10.96	551,558	338,655	1,831,625	638,558	1,831,625	1,831,625	1,452,500	242,347	1,452,500	1,452,500	37,907	(813,943)	(813,943)	37,907	(813,943)	
2014	54,000	147,689	208,502	1,253,436	11.26	1,521,446	1,851,472	3,191,716	1,851,472	3,191,716	3,191,716	2,454,284	461,169	2,454,284	2,454,284	198,049	583,906	(291,614)	225,956	(1,049,664)	
2015	54,000	247,564	349,502	2,271,073	11.04	3,191,716	2,738,982	5,622,057	2,738,982	5,622,057	5,622,057	4,698,513	740,081	4,698,513	4,698,513	272,833	868,046	403,789	498,469	(65,796)	
2016	257,125	353,000	620,124	2,352,218	10.26	649,714	2,698,543	1,012,714	2,698,543	1,012,714	3,711,267	1,813,531	858,436	2,711,949	2,711,949	272,833	1,145,111	305,532	1,145,111	1,116,045	
2017	176,373	425,569	601,942	518,464	9.97	1,036,908	1,798,247	1,028,209	1,798,247	1,028,209	2,739,476	1,356,513	891,099	2,711,949	2,711,949	450,842	145,111	-	1,261,156	1,261,156	
2018	-	-	-	977,234	9.54	977,234	977,234	977,234	977,234	977,234	977,234	977,234	907,532	907,532	907,532	68,702	69,702	-	1,330,858	1,330,858	
2019	-	-	-	872,320	9.54	872,320	872,320	872,320	872,320	872,320	872,320	872,320	804,758	804,758	804,758	37,562	37,562	-	1,368,421	1,368,421	
2020	-	-	-	967,462	9.54	967,462	967,462	967,462	967,462	967,462	967,462	967,462	902,800	902,800	902,800	4,662	4,662	-	1,373,102	1,373,102	
2021	-	-	-	962,644	9.54	962,644	962,644	962,644	962,644	962,644	962,644	962,644	991,684	991,684	991,684	(29,040)	(29,040)	-	1,344,062	1,344,062	
2022	-	-	-	957,816	9.54	957,816	957,816	957,816	957,816	957,816	957,816	957,816	1,021,435	1,021,435	1,021,435	(63,619)	(63,619)	-	1,280,444	1,280,444	
2023	-	-	-	865,155	9.54	865,155	865,155	865,155	865,155	865,155	865,155	865,155	1,052,078	1,052,078	1,052,078	(156,923)	(156,923)	-	1,123,520	1,123,520	
2024	-	-	-	685,204	9.54	685,204	685,204	685,204	685,204	685,204	685,204	685,204	1,093,640	1,093,640	1,093,640	(388,436)	(388,436)	-	725,084	725,084	
2025	-	-	-	391,065	9.54	391,065	391,065	391,065	391,065	391,065	391,065	1,116,150	1,116,150	1,116,150	1,116,150	(725,084)	(725,084)	-	-	-	
2026	-	-	-	7,458,081	9.54	7,458,081	7,458,081	7,458,081	7,458,081	7,458,081	7,458,081	9,121,070	11,270,208	11,270,208	11,270,208	305,632	305,632	-	-	-	
Total	86,000	858,740	1,170,000	2,193,750		9,442,260	7,458,081	20,331,278	9,442,260	20,331,278	20,331,278	9,121,070	11,270,208	20,331,278	305,632	305,632	-	-	-	-	-

Notes:
 1 (5)-(31)+(23)+(24)+7,500(1600)+(25)+(26): For the Large Non-Res and Landfill Segment it is assumed that the average project size is 1000 kW and that these projects will be subject to the \$7,500 cap on the Application Fee
 2 For the initial year the SREC Processing Fee rate is set annually by subtracting the projected Residential SREC Processing Fees (30) from the projected Total Common Admin Costs (14) and then dividing by the projected number of SRECs generated by the Non-Residential segments (30)
 3 For subsequent years, the SREC Processing Fee rate is set by subtracting that year's Cumulative New Common Costs (17) from the projected Total Common Admin Costs (14) and then dividing by the projected number of SRECs generated by the Non-Residential segments (30)
 4 After the last loan is closed, the net balance of Volume Related Costs (18) will be transferred to the net balance of Common Costs (17).

(31)	(32)	(33)
Application Fee (\$/kW)	Admin Fee (\$/kW)	SREC Processing Fee (\$/kW)
20	85	120
Residential	20	85
Non-Residential	20	n/a

Year	Application Forecast (kW)			Closing Forecast (kW)		SREC Forecast	
	Res-App	ML	LF	Res-Res	Non-Res	Res	Non-Res
2013	4,350	7,684	33,917	1,738	14,746	750	6,371
2014	2,700	2,628	11,972	2,913	26,718	3,311	28,967
2015	2,700	2,628	11,972	3,025	27,973	6,791	60,669
2016	-	-	-	2,075	16,610	9,926	45,368
2017	-	-	-	-	-	11,435	102,929
2018	-	-	-	-	-	11,360	102,415
2019	-	-	-	-	-	11,321	101,900
2020	-	-	-	-	-	11,266	101,383
2021	-	-	-	-	-	11,208	100,866
2022	-	-	-	-	-	11,153	100,350
2023	-	-	-	-	-	10,363	93,813
2024	-	-	-	-	-	7,690	71,810
2025	-	-	-	-	-	4,526	40,964
2026	-	-	-	-	-	1,489	13,350
Total	9,750	9,700	69,860	9,760	87,748	112,828	1,011,481

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

	<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%	5.1702%	2.5231%	1.0000	2.5231%	1.4924%
Customer Deposits	0.0000%	0.0000%	0.0000%	1.0000	0.0000%	0.0000%
Sub-total	48.8000%		2.5231%		2.5231%	5.1200%
Preferred Stock	0.0000%	0.0000%	0.0000%	1.6906	0.0000%	0.0000%
Common Equity	51.2000%	10.0000%	5.1200%	1.6906	8.6560%	5.1200%
Total	100.0000%		7.6431%		11.17910000%	6.6124%
Monthly WACC			0.63693%		0.93159000%	

Reflects a tax rate of 40.850%

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

Annual Pre-Tax WACC 11.1781%
Monthly Pre-Tax WACC 0.93159%

Monthly Calculations	(1) Total Loan Outstanding Balance	(2) SREC Inventory	(3) Total Net Loan Investment	(4) Return Requirement On Net Loan Investments	(5) Incremental Return Requirement On Net Loan Investments	(6) Net Plant Investment	(7) Return Requirement on Plant Investment	(8) Incremental Return Requirement on Plant Investment	(9) Loan Accrued Interest	(10) Loan Interest Paid	(11) Net Loan Accrued Interest	(12) Loan Principal Paid / Amortized
Jan-13	-	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-	-
Jun-13	-	-	-	-	-	-	-	-	-	-	-	-
Jul-13	-	-	-	-	-	-	-	-	-	-	-	-
Aug-13	-	-	-	-	-	-	-	-	-	-	-	-
Sep-13	-	-	-	-	-	-	-	-	-	-	-	-
Oct-13	-	-	-	-	-	-	-	-	-	-	-	-
Nov-13	-	-	-	-	-	-	-	-	-	-	-	-
Dec-13	-	-	-	-	-	-	-	-	-	-	-	-
Jan-14	-	-	-	-	-	-	-	-	-	-	-	-
Feb-14	-	-	-	-	-	-	-	-	-	-	-	-
Mar-14	-	-	-	-	-	-	-	-	-	-	-	-
Apr-14	-	-	-	-	-	-	-	-	-	-	-	-
May-14	-	-	-	-	-	-	-	-	-	-	-	-
Jun-14	-	-	-	-	-	-	-	-	-	-	-	-
Jul-14	33,877,248	-	33,877,248	308,440	-	-	-	-	308,440	-	308,440	-
Aug-14	34,192,846	-	34,192,846	315,598	-	-	-	-	315,598	-	315,598	-
Sep-14	33,942,283	379,400	34,321,683	318,654	-	-	-	-	318,538	569,100	(250,562)	-
From Sched SS-SLIII-3a Col 11				From Sched SS-SLIII-3a Col 15					From Sched SS-SLIII-3a Col 4	From Sched SS-SLIII-3a Col 7	From Sched SS-SLIII-3a Col 10	From Sched SS-SLIII-3a Col 8
From Sched SS-SLIII-3a Col 1			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				
2012	33,317,032	-	34,741,232	1,906,052	-	-	-	-	-	-	-	-
2013	81,005,945	7,879,800	88,885,745	7,410,758	-	-	-	-	1,884,524	1,884,524	-	251,776
2014	146,666,220	4,850,800	151,517,020	13,715,024	-	-	-	-	7,029,685	7,029,685	0	2,653,715
2015	177,326,347	6,137,800	183,464,147	18,686,965	-	-	-	-	13,439,438	13,439,438	-	6,855,562
2016	162,250,584	6,106,400	168,356,984	19,658,587	-	-	-	-	18,331,426	18,331,426	(9)	11,462,774
2017	145,577,071	6,076,200	151,653,271	17,860,003	-	-	-	-	19,231,437	19,231,437	-	15,077,763
2018	127,121,504	6,045,600	133,167,104	15,934,020	-	-	-	-	17,464,988	17,464,988	-	18,673,512
2019	106,670,346	6,015,800	112,686,146	13,767,327	-	-	-	-	15,510,733	15,510,733	-	18,455,567
2020	83,989,670	5,984,400	89,974,070	11,366,172	-	-	-	-	13,346,542	13,346,542	-	20,451,158
2021	58,815,789	5,955,800	64,771,589	8,702,588	-	-	-	-	10,947,524	10,947,524	-	22,680,676
2022	33,629,163	4,932,400	38,561,563	5,785,474	-	-	-	-	8,286,019	8,286,019	-	25,173,881
2023	14,275,489	3,120,400	17,395,889	3,078,230	-	-	-	-	5,396,880	5,396,880	-	24,986,626
2024	3,227,568	1,253,800	4,481,368	1,137,414	-	-	-	-	2,782,261	2,782,261	-	19,553,674
2025	-	-	-	181,836	-	-	-	-	989,295	989,295	-	11,047,921
2026	-	-	-	-	-	-	-	-	127,566	127,566	-	3,227,568
2027	-	-	-	-	-	-	-	-	-	-	-	-
Total			139,220,461	134,748,316					134,748,316	134,748,316	(9)	198,552,174

Annual Summary

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

Annual Pre-Tax WACC 11.1791%
Monthly Pre-Tax WACC 0.93159%

	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(19a)	(20)	(21)	(22)
	Plant Depreciation	Depreciation/ Amortization	O&M Expenses	SREC Value Credited to Loans	Gain/(Loss) on SREC Sales	SREC Disposition Expenses	SREC Call Option Net Benefit	SREC Floor Price Cost	Net Proceeds from the Sale of SRECs	Cash Payments to Loans	Revenue Requirements
	From Sched SS-SLIII 3a Col 21	Col 12 + Col 13	From Sched SS-SLIII- 3a Col 29	From Sched SS-SLIII- 3a Col 9	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	Col 4 + Col 7 - Col 11 + Col 14 + Col 15 - Col 20 - Col 21
Monthly Calculations											
Jan-13	-	-	-	-	-	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-	-	-	-	-	-
May-13	-	-	-	-	-	-	-	-	-	-	-
Jun-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Jul-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Aug-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Sep-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Oct-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Nov-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Dec-13	-	-	116,278	-	-	-	-	-	-	-	116,278
Jan-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Feb-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Mar-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Apr-14	-	-	19,643	-	-	-	-	-	-	-	19,643
May-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Jun-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Jul-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Aug-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Sep-14	-	-	19,643	-	-	-	-	-	-	-	19,643
Annual Summary											
2012	-	-	813,943	-	-	-	-	-	-	-	813,943
2013	-	-	235,721	-	-	-	-	-	-	-	235,721
2014	-	251,776	(983,905)	2,136,300	-	-	-	712,100	1,424,200	-	813,943
2015	-	2,653,715	(968,045)	9,683,400	20,295,000	-	-	3,227,800	6,455,600	-	968,350
2016	-	6,855,562	(213,759)	26,794,200	34,309,200	-	-	9,931,400	13,530,000	-	2,624,967
2017	-	11,462,774	(145,111)	34,309,200	34,136,500	-	-	11,436,400	19,862,800	-	6,072,542
2018	-	15,077,763	(69,702)	34,136,500	33,966,300	-	-	11,379,500	22,872,800	-	10,073,161
2019	-	16,673,512	(37,962)	33,966,300	33,966,300	-	-	11,322,100	22,759,000	-	11,718,440
2020	-	18,453,567	(4,882)	33,966,300	33,966,300	-	-	11,265,900	22,644,200	-	11,734,813
2021	-	20,451,158	29,040	33,966,300	33,966,300	-	-	11,209,400	22,531,800	-	11,707,825
2022	-	22,680,676	63,618	33,966,300	33,966,300	-	-	11,153,300	22,418,800	-	11,682,003
2023	-	25,173,881	156,923	33,966,300	33,966,300	-	-	10,127,306	22,306,600	-	11,657,068
2024	-	24,986,626	398,436	33,966,300	33,966,300	-	-	7,444,734	20,256,200	-	11,633,488
2025	-	19,553,674	725,084	33,966,300	33,966,300	-	-	4,005,216	14,861,200	-	10,872,823
2026	-	11,047,921	-	33,966,300	33,966,300	-	-	1,117,934	8,012,000	-	8,159,140
2027	-	3,227,588	-	33,966,300	33,966,300	-	-	-	2,237,200	-	4,698,419
Total	-	198,552,174	0	333,300,490	333,300,490	-	-	111,088,090	222,202,400	-	115,570,236

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

0.000020 Proposed SLIII Rate \$/kWh
 40.850% Tax Rate

	1	2	3	4	5	6	7	8
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
RGGLSLIII Under/(Over) Calculation (\$'000)								
(1) Solar Loan III RGGI Revenue	-	-	-	-	-	75,491	86,279	87,777
(2) Revenue Requirements (excluding Incremental WACC)	-	-	-	-	-	116,278	116,278	116,278
(3) Monthly Under/(Over) Recovery	-	-	-	-	-	40,786.9	29,998.1	28,500.8
(4) Deferred Balance	-	-	-	-	-	40,786.9	70,785.0	98,285.8
(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)	-	-	-	-	-	3.24	8.85	13.49
(7) Cumulative Interest Balance Added to Subsequent Year's Revenue Requirements	-	-	-	-	-	3.24	12.09	25.58
(9) Net Sales - kWh (000)						3,774,531	4,413,972	4,388,815
(10) Incremental Interest From WACC Change								
(11) Cumulative Incremental Interest								
(12) Average Net of Tax Deferred Balance						12,062.7	32,997.4	50,298.4

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

0.000020 Proposed SLIII Rate \$/kWh
 40.850% Tax Rate

Attachment J
 Page 2 of 3

	9	10	11	12	13	14	15	16
	Sept-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
(1) Solar Loan III RGGJ Revenue	73,683	65,671	64,758	69,810	75,534	66,993	69,659	64,356
(2) Revenue Requirements (excluding Incremental WACC)	116,278	116,278	116,278	116,278	116,278	116,278	116,278	116,278
(3) Monthly Under/(Over) Recovery	42,594.7	50,606.4	51,519.7	46,467.1	(55,890.7)	(47,349.4)	(50,015.1)	(44,712.6)
(4) Deferred Balance	141,880.5	192,486.9	244,006.6	290,473.7	234,583.1	187,233.7	137,218.6	92,505.9
(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)	19.13	26.53	34.63	42.40	41.66	33.46	25.74	18.23
(7) Cumulative Interest Balance Added to Subsequent Year's Revenue Requirements	44.71	71.24	105.87	148.27	189.93	223.39	249.13	267.36
(9) Net Sales - kWh (000)	3,684.136	3,263.557	3,237.669	3,450.519	3,776.705	3,349.640	3,462.528	3,417.804
(10) Incremental Interest From WACC Change								
(11) Cumulative Incremental Interest								
(12) Average Net of Tax Deferred Balance	71,324.9	98,889.1	218,246.7	267,240.2	262,528.4	210,908.4	162,226.1	114,862.2