

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF )  
PUBLIC SERVICE ELECTRIC AND GAS ) SETTLEMENT AGREEMENT  
COMPANY FOR APPROVAL OF A SOLAR )  
LOAN II PROGRAM AND AN ASSOCIATED ) BPU Docket No. EO09030249  
COST RECOVERY MECHANISM )

APPEARANCES<sup>1</sup>:

**Frances Sundheim**, Vice President & Corporate Rate Counsel and **Gregory Eisenstark**, Assistant General Corporate Rate Counsel, for the Petitioner, Public Service Electric and Gas Company

**Paul E. Flanagan, Esq.**, Litigation Manager, **Felicia Thomas-Friel, Esq.**, Deputy Public Advocate, **Sarah H. Steindel, Esq.**, and **Judith B. Appel, Esq.**, and **James W. Glassen, Esq.**, Assistant Deputy Public Advocates, Department of the Public Advocate, Division of Rate Counsel (**Ronald K. Chen, Esq.**, Public Advocate, **Stefanie A. Brand, Esq.**, Director)

**Kerri Kirschbaum and Alex Moreau**, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Anne Milgram**, Attorney General of New Jersey)

**Susan LeGros, Esq.**, for the Intervenor The Solar Alliance

**Basem Ramadan, Esq.**, for the Intervenor New Jersey Solar Industry Manufacturers Association.

**James Meyer, Esq.**, (Riker Danzig, LLP) for the Intervenor Rockland Electric Company

**R. William Potter, Esq.**, (Potter & Dickson) for the Intervenor Mid-Atlantic Solar Energy Industries Association

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

It is hereby AGREED, as of the 4th day of November 2009, by and between

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<sup>1</sup> These are the Parties to this proceeding, as distinguished from the Signatory Parties to this

Public Service Electric and Gas Company (“PSE&G”, “Public Service” or the “Company”), the Staff of the Board of Public Utilities (“Board Staff”), the Department of the Public Advocate, Division of Rate Counsel (“Rate Counsel”), the Solar Alliance (“Solar Alliance”), and the Mid-Atlantic Solar Energy Industries Association (“MSEIA (hereinafter referred to as the “Signatory Parties”)” to execute this Settlement Agreement (“Settlement”) for Public Service’s Solar Loan II Program and Associated Cost Recovery Mechanism (“Solar Loan II” or “Program”).

The Signatory Parties do hereby join in recommending that the Board of Public Utilities (“Board” or “BPU”) issue a Final Decision and Order approving this Settlement, including the attached proposed sheets of PSE&G’s Tariff for Electric Service, as set forth herein.

#### **BACKGROUND**

1. Pursuant to *N.J.S.A. 48:3-98.1 et seq.*, on February 25, 2009, Public Service held the required Regional Greenhouse Gas Initiative (RGGI) pre-filing meeting with Board Staff and Rate Counsel to discuss the nature of the Solar Loan II Program and describe the cost recovery mechanism to be proposed by the Company. The Company scheduled this pre-filing meeting in response to the Board’s August 7, 2008 Order in Docket No. EOO6100744, which required each of the State’s four electric utilities to file a petition for

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Settlement Agreement.

17. Following said settlement conferences, the Signatory Parties agreed to submit this Settlement, the terms of which are set forth below. Specifically, the Signatory Parties hereby **STIPULATE AND AGREE** to the following:

**STIPULATED MATTERS**

**Program Size, Segments, and Schedule for Quarterly Application Periods**

18. The Signatory Parties agree that the Solar Loan II Program shall be 51 MW (DC) in total size (plus capacity transferred from the Solar Loan I Program, if any), and shall be open to net-metered solar systems that are 500 kW and smaller.

19. The Program will have the following segments and capacities

- |  |       |
|--|-------|
| a. Greater than 150 kW up to 500 kW(non-residential) | 25 MW |
| b. Up to 150 kW (non-residential)                    | 17 MW |
| c. Residential                                       | 9 MW  |

20. Loan applications will be accepted on a quarterly basis, with eight application periods over a two-year period ending December 31, 2011. The first application period will begin as soon as practicable after BPU approval and will be inclusive of the remaining period in 2009 through March 31, 2010. The following table shows the initial proposed schedule of quarterly application periods:

Application Period/Capacity Schedule			Available (MW)							
Class	% of Total	Total MW	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
Residential	17.7%	9	0.4	0.6	0.8	1.20	1.50	1.50	1.50	1.50
<b>Non Residential</b>										
Quarterly Amount	100%	51	20%	20%	15%	15%	8%	8%	8%	6%
Non Resi ≤150kW	33.3%	17	1.0	1.5	2.0	2.8	2.5	2.5	2.5	2.2
Non-Resi >150kW ≤500kW	49.0%	25	8.1	7.4	4.6	3.4	0.5	0.5	0.5	0
<b>Total</b>		<b>51</b>	<b>9.5</b>	<b>9.5</b>	<b>7.4</b>	<b>7.4</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>3.7</b>

21. The quarterly allocations of capacity for each segment set forth in Paragraph 20 may be increased by up to 10% or 500kW, whichever is smaller, based on the results of each quarterly application period. PSE&G shall report the actual installed capacities in each segment per quarter as part of the quarterly status reports referred to in paragraph 44 herein.

22. PSE&G may reallocate unused capacity in a segment within a quarterly period to other oversubscribed segments for that same quarterly period. PSE&G will provide notice to the Signatory Parties not less than twenty days before such capacity reallocation between segments. If, in a given quarterly period all three segments are under-subscribed, there will be no reallocation of capacity for that quarter.

23. After the reallocation of capacity described in Paragraph 22 (if any), any unused capacity in a quarterly application period will be carried over and added to the same segment in the next quarterly application period, and shall not expire.

24. During each quarterly application period, qualified projects will be accepted on a first-come, first-served basis within each segment.

25. An entity cap shall apply to the Program under certain circumstances. The details of the entity cap, as well as additional details about the quarterly application periods and related processes, is included in the Program Rules, which are attached as Exhibit A.

**SREC Floor Prices**

26. The SREC Floor Prices for each of the eight quarterly application periods and segments will be as follows:

(\$/SREC)	Q1&2	Q3&4	Q5&6	Q7&8
Residential	450	435	420	400
Non-res. up to 150 kW	410	395	380	360
>150 KW to 500 kW	380	365	350	330

(Note: the above-listed Floor Prices include consideration of the administrative fee that PSE&G will retain at closing from each loan issued to cover a portion of the Program's administrative costs. See Paragraph 31(a))

27. Loan commitments and SREC Floor Prices will be based on the original project design and system capacity as stated in the application. If the final project design

(as-built) is larger than the original design, the final project size (as built) will determine the appropriate Floor Price for purposes of the Loan Agreement and the final loan calculation.

**Transition from Solar Loan I to Solar Loan II**

28. Available capacity from the Solar Loan I Program will first be made available to customers on the Solar Loan I Program waiting list through the end date of Solar Loan I (4/16/2010), at a fixed SREC Floor Price of \$475 and the 500 kW limit shall not apply for such projects. No new projects will be added to the Solar Loan I waiting list after the BPU issues the final, written order approving Solar Loan II.

29. Capacity not used by the Solar Loan I Program waiting list will be added to the next quarterly application period in the >150 kW to 500 kW segment of Solar Loan II.

**Program Rules**

30. The Signatory Parties agree that the Program Rules shall be as set forth in Exhibit A. PSE&G shall have the right to amend the Program Rules as required for commercial reasons, after ten business days advance notice to the Board and the Signatory Parties, unless a Signatory Party notifies PSE&G in writing within that same ten business day period that it objects to the amendment. In such event, a Signatory Party shall have the right to seek Board review of the amendment and the Signatory Parties agree and

recommend that the Board should consider such matter on an expedited basis so as not to delay the Program implementation.

**Administrative Costs**

31. PSE&G shall recover reasonable and prudent incremental administrative costs associated with the Solar Loan II Program as follows and as further set forth in Exhibits B and C hereto.

- a. PSE&G will retain a percentage of the proceeds of each loan as an administrative fee to cover a portion of the Program's administrative costs, as detailed in Exhibit B. In order to accommodate this mechanism, the Signatory Parties agree that the SREC Floor Prices for each segment and period listed herein above are inclusive of the following amounts to accommodate this mechanism: \$25 for the residential segment, \$10 for the non-residential up to 150 kW segment, and \$5 for the > 150 kW to 500 kW segment.
- b. Exhibit C contains an annual schedule of PSE&G's forecast administrative costs for the Program. The Signatory Parties agree that PSE&G shall recover actual, reasonable and prudent incremental administrative costs subject to the annual and total program caps set forth in Exhibit C. If PSE&G's actual administrative costs in the following categories are below the annual capped amount in any given year between 2009 and 2012 (inclusive), the amount

below the cap shall be rolled forward on a cumulative basis and be added to the cap for the next year: Volume Related Labor (internal and external) (Column d); Other Costs: marketing, market research, Experian/Credit data and Loan II closing costs (recording fees, filings) (Column g). The following categories of administrative costs, as listed in Exhibit C, shall not be eligible for this roll-over provision: Program Management Labor (Internal and External) (Column c); Tracking System Maintenance costs (Column e); and Other Costs: office supplies, monthly desktop/SAP/ phones, and website (Column f). In addition, while Exhibit C ends with the year 2027, PSE&G shall be allowed to recover administrative costs after 2027 so long as the total Program cap is not exceeded. The only caps applicable to administrative costs for Solar Loan II are the annual and total Program amounts set forth in Exhibit C.

### **Credit Criteria**

32. For residential applications, the minimum Experian FICO credit score shall be 680 for applicants that are salaried employees, on a fixed income, or have been self-employed for not less than two years. For residential applicants that have been self-employed for less than two years, the minimum Experian FICO credit score shall be 720. In addition, all residential applicants shall have had no bankruptcy filings in the last seven years. PSE&G will perform the remaining elements of the credit review in a similar manner as it currently does for Solar Loan I.