



New Jersey Board of Public Utilities

PRESS RELEASE

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NJ Board of Public Utilities Approves PSE&G Solar Energy Pilot Program

Program will provide financing to PSE&G customers to fund solar installations
(NEWARK, NJ) – The New Jersey Board of Public Utilities (NJBPU) today unanimously approved a solar pilot program proposed by Public Service Electric & Gas (PSE&G) to provide upfront capital of \$100 million to install about 30 megawatts of solar capacity for its customers – enough to supply about electricity for 24,000 homes.

The stipulation that the Board approved today reflects an agreement between Board staff, the NJ Rate Counsel, PSE&G, and many other stakeholders. This collective work resulted in a program that considered how New Jersey can promote the greatest amount of renewable energy in the State, at the least financial impact to the ratepayer.

“I congratulate PSE&G and all of our stakeholders for coming to the Board with this initiative,” said NJBPU President Jeanne M. Fox. “This showcases what we can accomplish when stakeholders in this State work collectively to come up with true innovation.

“I know Governor Corzine shares our commitment to foster clean, renewable energy in the state of New Jersey. The goals in his coming draft Energy Master Plan certainly reflect that commitment. Under the Governor's goals, New Jersey will reduce its projected energy use by 20 percent, generate 20 percent of Class 1 Renewables – including a 2 percent solar set aside, and reduce the amount of greenhouse gas emissions back to 1990 levels by 2020. PSE&G's pilot will be a key component of meeting our immediate term Renewable Portfolio Standard goals.”

The approved pilot program authorizes PSE&G to offer \$100 million in loans to help finance the installation of solar systems on homes, businesses, and municipal buildings throughout its electric service area. Under the plan, PSE&G customers will repay this loan to PSE&G over 10 to 15 years by providing Solar Renewable Energy Credits (SRECs) to PSE&G. The program will be open to the full spectrum of PSE&G customers – including commercial and industrial, residential, multi-family/affordable housing, and municipal/non-profit. (*See attached Q&A's for further information.*)

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“We are fortunate in New Jersey to have utilities that come to the Board with ground-breaking ideas on how utilities can help lead the way in innovation in clean energy,” said President Fox. “I strongly encourage all of the electric utilities to examine this pilot program, and come to the Board with ideas on how they can build off of this idea by implementing the pilot in their territories, or come up with new innovative plans to meet New Jersey’s renewable energy goals. This is an exciting time for clean energy in New Jersey, and I am happy to see our utilities stepping to the front of the pack.”

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About the New Jersey Board of Public Utilities (NJBP)

The New Jersey Board of Public Utilities is a state agency and regulatory authority mandated to ensure safe, adequate, and proper utility services at reasonable rates for New Jersey customers. Critical services regulated by the NJBP include natural gas, electricity, water, wastewater, telecommunications and cable television. The Board has general oversight responsibility for monitoring utility service, responding to consumer complaints, and investigating utility accidents. To find out more about the NJBP, visit our web site at www.nj.gov/bpu.



New Jersey Approves Public Service Electric and Gas Company's Solar Financing Pilot Program

Frequently Asked Questions

Q. What is the program the Board approved?

- A.** The program is a distributed photovoltaic solar initiative in which solar photovoltaic systems will be installed on customers' premises "behind the meter," using PSE&G as an essential source of capital. The program is intended to reduce the overall cost of project development, installation, financing and maintenance. The program is for a 30 megawatt (MW) Phase 1, designed to fulfill approximately one-half of the Board's estimated 57 MW Renewable Portfolio Standard ("RPS") requirements for load served in the PSE&G service territory during the energy years 2009 and 2010. The program will have four segments- Commercial & Industrial, Residential, Multi-family/affordable housing, and Municipal/not for Profit. PSE&G will provide loans to solar photovoltaic system developers, large commercial or industrial customers, or other qualifying entities, and directly to residential customers.

Q. Who is eligible to participate in the PSE&G pilot program?

- A.** For residential customers, an applicant must submit to a credit check and have an Experian FICO score of at least 720. Applicants can have no bankruptcy filings within the last three (3) years. Customers must also be in good standing with respect to payment of energy bills. In addition, there must be no liens, other than mortgages or home equity loans, on the property where the solar equipment will be installed. For all other segments, the eligibility criteria are essentially similar.

Q. How does the program work?

- A.** PSE&G will provide financing for part of the expected project cost; an equity partner or the customer would provide the remaining financing. For residential customers, it is anticipated that PSE&G will provide around 40-50% of the total project cost. The borrower will fully repay the loans made by the Company by providing PSE&G with Solar Renewable Energy Certificates ("SRECS") or cash, to repay principal and interest. The Project Owner will repay the loan over a 15-year period. For consumer loans, the repayment period will be 10 years.

Q. What is a Solar Renewable Energy Certificate (SREC)?

- A.** SREC stands for Solar Renewable Energy Certificate and is a type of clean energy credit that can be bought or sold. An SREC is issued once a solar facility has generated 1000kWh (1MWh), through either estimated or actual metered production, and represents all the clean energy benefits of electricity generated from a solar electric system. SRECs can be sold or traded separately from the electricity (KWhs) thus providing solar system owners a source of revenue to help offset the cost of installation.

Q. How do Solar Renewable Energy Certificates help finance solar development?

- A. Solar Renewable Energy Certificates (SRECs) provide a source of additional revenue that can help provide long term financing for solar installations and help reduce the payback period. Solar system owners can choose to sell their SRECs to a broker, aggregator or Load Serving Entity (LSE) who must buy SRECs to meet its RPS obligation. Some solar installers or project developers will offer to buy the SRECs as part of the project financing, thereby reducing the amount of capital needed up front to finance a project. All residential and commercial customers considering financing options for a solar installation should ask about the value of SRECs and who will have the rights to claim them.

Q. How is the price of the Solar Renewable Energy Certificates determined?

- A. The price of a Solar Renewable Energy Certificate (SREC) is determined by a number of factors including supply and demand for SRECs in any given year and the cost of Solar Alternative Compliance Payment (SACP) that utilities are required to pay if they do not meet the Solar RPS through purchasing SRECs. The SACP establishes the ceiling price for an SREC. Generally, SACP levels are set by the Board above the target SREC levels so that electric suppliers have an incentive to purchase SRECs instead of paying SACP and in consideration of a target internal rate of return for solar projects. In New Jersey, SRECs have been trading in the range of 50 to 75% of the current \$300 SACP level for the past two years. However, SREC prices are strongly influenced by market conditions and the supply and demand for available SRECs. (See SREC Pricing on line at www.NJCleanEnergy.com). The competitiveness of this type of market-based approach helps drive down project cost and can significantly benefit ratepayers.

On September 12, 2007 the Board approved the following increase in the SACP and established an 8 year rolling SACP Schedule. The schedule reflects a 3% annual decrease to account for an expected decrease in the cost of solar going forward and improved project economics:

Approved 8 Year SACP Schedule

Energy Year	2009	2010	2011	2012	2013	2014	2015	2016
SACP	\$711	\$693	\$675	\$658	\$641	\$625	\$609	\$594

A balance has been struck which protects ratepayers against the potential risks from setting a multi-year SACP schedule that locks in SACP levels for eight years, and creating an environment in which solar projects can be financed based on the expectation that these SACP levels will not be modified by a future Board. The Board believes the approved SACP schedule achieves such a balance.

Q. Does the Board or NJCEP guarantee SREC prices?

- A. No. SRECs pricing is not determined nor guaranteed by the Board. SRECs trade in a competitive market and SREC pricing is determined by competitive factors such as supply and demand. The Board sets the Solar Alternative Compliance Payment (SACP) at a particular price to serve as an incentive to buy SRECs. SRECs are expected to trade somewhere below the SACP, which acts as ceiling for SREC prices. The Board does not set a minimum or 'floor price' for SRECs. It should be noted that SRECs are a market instrument to assist in financing solar. The actual price of an SREC during a trading period can and will fluctuate depending on supply and demand. The NJCEP makes no representation as to current or future price of SRECs and this risk is entirely assumed by the registrant or investor.

Q. *What is the cost of the pilot program to PSE&G ratepayers?*

- A.** The estimated total amount of PSE&G loans under the pilot program is approximately \$105 million. The cost of the program will be recovered through a new charge of PSE&G's electric tariff called the Solar Pilot Recovery Charge ("SPRC"). PSE&G will sell the SRECs through periodic auctions that are held at least annually and credit the net proceeds of all program SRECS sold to the SPRC to offset the costs of the program. PSE&G is not requesting a change to the SPRC at this time. Therefore, there will be no immediate change in customers' electricity delivery bills. Although the exact amounts of any increase and the subsequent impact on a customer's bill are not known at this time, the maximum expected increase to an average residential customer's annual bill would be \$2.29. This impact will vary based on various assumptions, including the number of loans in year 1 and the value of SRECS sold by PSE&G and credited to the SPRC.