



Agenda Date: 3/12/09
Agenda Item: LSA

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu

DIVISION OF ENERGY

IN THE MATTER OF THE PETITION OF PUBLIC
SERVICE ELECTRIC AND GAS COMPANY FOR
APPROVAL OF A SOLAR ENERGY PROGRAM
AND ASSOCIATED COST RECOVERY MECHANISM

)
)
)
)

DECISION AND ORDER
APPROVING MODIFICATION
TO MARCH 24, 2008
STIPULATION

DOCKET NO. EO07040278

(SERVICE LIST ATTACHED)

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board" or "BPU") considers the March 10, 2009 Stipulation executed by Public Service Electric and Gas Company ("PSE&G" or "Company"), the Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel"), Board Staff, New Jersey Natural Gas ("NJNG"), and the Mid Atlantic Solar Energy Industries Association ("MSEIA"), by which the parties to the Stipulation agreed to modify the March 24, 2008 Settlement ("PSE&G Solar Loan Program Settlement") approved by the Board on April 16, 2008¹ by removing the requirement that PSE&G obtain a first-priority lien on the solar project equipment, requiring only that PSE&G continue to obtain a security interest in the equipment and any associated agreements, subject to Board approval.

BACKGROUND AND PROCEDURAL HISTORY

On April 19, 2007, PSE&G filed with the Board a petition and exhibits requesting Board approval to implement a 30 MW solar photovoltaic (PV) development program (the "Program") within its electric service territory across all customer classes, with segments for residential, residential low-income, municipal/public entities, and commercial/industrial and not-for-profit customers.

After extensive discovery and settlement meetings, the PSE&G Solar Loan Program Settlement was executed by the Company, Board Staff, Rate Counsel, MSEIA, NJNG, and South Jersey Gas Company ("SJG").²

¹ I/M/O the Petition of Public Service Electric and Gas Company for Approval of a Solar Energy Program and Associated Cost Recovery Mechanism. BPU Docket No. EO07040278. Order dated April 16, 2008.

² Jersey Central Power and Light Company ("JCP&L"), Rockland Electric Company ("RECO"), and Retail Energy Supply Association ("RESA") submitted letters to the Board taking no position in support or opposition of the Settlement. The New Jersey Large Energy

On April 16, 2008, the Board issued an Order adopting the PSE&G Solar Loan Program Settlement and approving the Program as a pilot for a period of 2 years. PSE&G has implemented the Program pursuant to that Order and, according to the Company, has received a robust response, especially in the commercial and industrial sector.

Subsequently, on November 7, 2008, the Board issued an Order approving an auction process associated with disposition of Solar Renewable Energy Credits ("SRECs") associated with the loan program.

On January 15, 2009, PSE&G filed a letter with the Board requesting approval to modify various program requirements. The Company asserts that many interested and otherwise qualified applicants will be able to participate in the Program if certain modifications are made to the terms of the PSE&G Solar Loan Program Settlement. In addition, PSE&G states that the modifications will allow more prompt closing of the loans.

STIPULATION

On March 10, 2009, a stipulation (the "Stipulation") was executed by PSE&G, Rate Counsel, Board Staff, NJNG, and MSEIA which removed the requirement that PSE&G obtain a first-priority lien but required PSE&G to continue to obtain a security interest in the solar project equipment and associated agreements for loans issued in the Program. No agreement has been reached on the remaining requests at this time.

The Stipulation provides:

- 1.1 The requirement that PSE&G obtain a first priority lien on the solar project equipment shall no longer apply. However, PSE&G shall obtain a security interest in the solar project equipment for loans issued in the Program.

The Stipulation also includes the certification of Alfred Z. Matos, PSE&G Vice President of Renewables and Energy Solutions which supports the requested modification. According to the certification, PSE&G has had discussion with applicants, potential applicants, and solar installers and developers concerning the requirement that the Company obtain a first priority lien on the solar project equipment. According to Mr. Matos, PSE&G has been informed by mortgage and home equity lenders that the terms of such mortgages and home equity loans prevent another entity from obtaining a first priority lien on solar equipment that is attached to the home. Additionally, the Company has been unable to get any banks or other financial institutions to execute a subordination agreement to modify the terms of such mortgages and home equity loans so as to allow PSE&G to obtain a first priority lien on the solar project equipment. PSE&G has stated that with respect to commercial and industrial solar projects, the Company has met with resistance from other lenders to allow PSE&G to obtain a first priority lien on the solar project equipment. In addition, Mr. Matos states that PSE&G has been informed by solar installers and developers that the first priority lien requirement has been an obstacle to attracting potential customers to participate in the Program. For the foregoing reasons, PSE&G states that removal of the first lien requirement will allow additional projects to qualify for the Program.

DISCUSSION AND FINDINGS

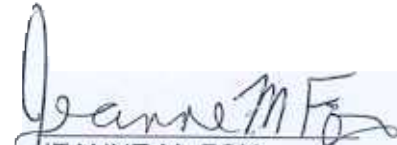
The Board has carefully reviewed the record in this matter, including the Stipulation and the certification. As discussed below, the Board **FINDS** that the Stipulation represents a fair and reasonable resolution of this matter and is in the public interest.

In its April 16, 2008 Order approving the PSE&G Solar Loan Program Settlement, the Board found that the Program would further the State's and the Board's goals and commitment to foster clean, renewable energy in the State. (Order at 19). Accordingly, the Board **FURTHER FINDS** that this modification will allow for greater participation in the Program, and furtherance of both State and Board goals..

Therefore, the Board **HEREBY ADOPTS** the attached Stipulation in its entirety and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.


DATED: 3/17/09


BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

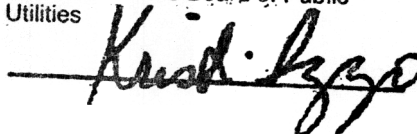

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
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



Gregory Eisenstark
Assistant General Corporate Rate Counsel

PSEG Services Corporation
80 Park Plaza – T5, Newark, New Jersey 07102-4194
973-430-6281 fax: 973-430-5983
email: gregory.eisenstark@pseg.com



March 10, 2009

In The Matter Of The Petition Of
Public Service Electric And Gas Company
For Approval Of A Solar Energy Program And An
Associated Cost Recovery Mechanism

BPU Docket No. EO07040278

VIA ELECTRONIC MAIL & REGULAR MAIL

Kristi Izzo, Secretary
Office of the Secretary
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Dear Secretary Izzo:

Enclosed for filing is an executed Stipulation on Program Modifications in the above-referenced matter. An original and ten copies are enclosed.

PSE&G understands that this matter will be considered as a "Late Starter" at the Board's March 12, 2009 agenda meeting.

Respectfully submitted,
Original Signed by
Gregory Eisenstark

C Service List

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY
SOLAR ENERGY PROGRAM
BPU DOCKET NO. EO07040278**

BPU

Alice Bator, Bureau Chief
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-2448
FAX: (973) 648-7420
alice.bator@bpu.state.nj.us

Mark Beyer, Chief Economist
New Jersey Board of Public Utilities
Office of the Economist
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-3414
FAX: (973) 648-4410
mark.beyer@bpu.state.nj.us

Victor Fortkiewicz, Executive Director
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-4852
FAX: (973) 648-2409
victor.fortkiewicz@bpu.state.nj.us

Noreen Giblin, Chief of Staff
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
PHONE: () - -
FAX: () - -

Benjamin Hunter
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
PHONE: () - -
FAX: () - -
Benjamin.Hunter@bpu.state.nj.us

Kristi Izzo, Secretary
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-3426
FAX: (973) 638-2409
kristi.izzo@bpu.state.nj.us

Christine Lin
New Jersey Board of Public Utilities
Office of the Economist
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-3407
FAX: () - -
christine.lin@bpu.state.nj.us

Jerome May
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-4950
FAX: (973) 648-2467
Jerome.may@bpu.state.nj.us

Lance Miller, Chief of Staff
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-3175
FAX: (973) 648-4195
lance.miller@bpu.state.nj.us

Jacqueline O'Grady
New Jersey Board of Public Utilities
Office of The Economist
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-3451
FAX: (973) 648-4410
jackie.ograde@bpu.state.nj.us

Suzanne Patnaude, Chief Counsel
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-3858
FAX: (973) 648-2467
suzanne.patnaude@bpu.state.nj.us

Stacy Peterson
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-2143
FAX: () - -
stacy.peterson@bpu.state.nj.us

Nnajindu Ugoji
New Jersey Board of Public Utilities
Division of Energy
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-2219
FAX: (973) 648-7420
nnajindu.ugoji@bpu.state.nj.us

Michael Winka, Manager
New Jersey Board of Public Utilities
Office of Clean Energy
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-7270
FAX: (609) 777-3330
michael.winka@bpu.state.nj.us

Samuel Wolfe, Chief Counsel
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
PHONE: (973) 648-2016
FAX: () - -
samuel.wolfe@bpu.state.nj.us

DAG

Elise Goldblat, DAG
Assistant Section Chief
Division of Law
Dept. of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07102
PHONE: (973) 648-3441
FAX: (973) 648-7156
elise.goldblat@dol.lps.state.nj.us

Jenique Jones
Division of Law & Public Safety
124 Halsey St.
PO Box 45029
Newark, NJ 07102
PHONE: (973) 648-3441
FAX: (973) 648-3879
jenique.jones@dol.lps.state.nj.us

Alex Moreau, Deputy Attorney General
Dept. of Law & Public Safety
Division of Law
124 Halsey Street, 5th Fl.
P. O. Box 45029
Newark, NJ 07102
PHONE: (973) 648-3762
FAX: (973) 648-3555/3879
Alex.Moreau@dol.lps.state.nj.us

ADVOCATE

Judith Appel, Esq.
Department of the Public Advocate
31 Clinton St., 11th Floor
P. O. Box 46005
Newark, NJ 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
jappel@rpa.state.nj.us

Stefanie Brand, Esq.
Director
Department of the Public Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
sbrand@rpa.state.nj.us

Paul Flanagan, Litigation Manager
Department of the Public Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102
PHONE: (973) 648-2690
FAX: (973) 642-1047
pflanagan@rpa.state.nj.us

Lisa Gurkas
Department of the Public Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
lgurkas@rpa.state.nj.us

Kurt Lewandowski, Esq.
Department of the Public Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
klewando@rpa.state.nj.us

Susan McClure, Esq.
Division of the Ratepayer Advoc
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
smcclure@rpa.state.nj.us

Ami Morita, Esq.
Department of the Public Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
amorita@rpa.state.nj.us

Diane Schulze, Esq.
Division of the Rate Counsel
31 Clinton Street, 11th Floor
P. O. Box 46005
Newark, NJ 07102
PHONE: (973) 648-2690
FAX: (973) 648-2193
dschulze@rpa.state.nj.us

Felicia Thomas-Friel, Managing
Attorney - Gas
Department of the Public Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
fthomas@rpa.state.nj.us

ADVOCATE CONSULTANTS

Andrea Crane
The Columbia Group
P.O. Box 810
Georgetown, CT 06829
PHONE: () - -
FAX: () - -
ctcolumbia@aol.com

David Dismukes
Acadian Consulting Group
6455 Overton Street
Baton Rouge, LA 70808
PHONE: () - -
FAX: () - -
dismukes@lsu.edu

**PUBLIC SERVICE ELECTRIC AND GAS COMPANY
SOLAR ENERGY PROGRAM
BPU DOCKET NO. EO07040278**

Matthew I. Kahal, Economic Consultant
c/o Exeter Associates, Inc.
5565 Sterret Place, Suite 310
Columbia, MD 21044
PHONE: (410) 992-7500
FAX: (410) 992-3445
Mkahal@exeterassociates.com

Brian Kalcic
Excel Consulting
225 S. Meramee Ave
Suite 720T
St. Louis, MO 63105
PHONE: () - -
FAX: () - -
bkalcic@mindspring.com

Michael J. McFadden, President
McFadden Consulting Group, Inc.
625 S. York Street, Suite 107
Denver, CO 80209-4164
PHONE: () - -
FAX: () - -
mmcfadden@mcfaddenconsulting.com

David Nichols, PhD.
787 Willett Avenue
Riverside, RI 02915-2660
PHONE: (401) 433-1230
FAX: (401) 433-2229
davidnichols@verizon.net

JCP&L

Marc B. Lasky, Esq.
Morgan, Lewis & Bockius LLP
89 Headquarters Plaza North
Suite 1435
Morristown, NJ 07960
PHONE: (973) 993-3133
FAX: (877) 432-9652
mlasky@morganlewis.com

Larry Sweeney
JCP&L
300 Madison Avenue
P. O. Box 1911
Morristown, NJ 07962-1911
PHONE: (973) 401-8697
FAX: (973) 644-4157
lsweeney@gpu.com

NJLEUC

Paul F. Forshay, Esq.
Sutherland, Asbill & Brennan, LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004
PHONE: (202) 383-0100
FAX: (202) 637-3593
pforshay@sablaw.com

Steven S. Goldenberg, Esq.
Fox Rothschild LLP
997 Lenox Drive, BLDG. 3
Lawrenceville, NJ 08648-2311
PHONE: (609) 896-4586
FAX: (609) 896-1469
SGoldenberg@foxrothschild.com

NJ NATURAL GAS CO.

Anne-Marie Peracchio
NJ Natural Gas Company
1415 Wyckoff Road
P.O. Box 1464
Wall, NJ 07719
PHONE: (732) 938-1129
FAX: (732) 938-2620
aperacchio@njng.com

Tracey Thayer, Esq.
New Jersey Natural Gas Company
1415 Wyckoff Road
P.O. Box 1464
Wall, NJ 07719
PHONE: (732) 919-8025
FAX: (732) 938-2620
tthayer@njng.com

ROCKLAND

James C. Meyer, Esq.
Riker, Danzig, Scherer, Hyland & Perretti
Headquarters Plaza
One Speedwell Avenue
Morristown, NJ 07962
PHONE: (973) 451-8464
FAX: (973) 538-0800
jmeyer@riker.com

SO. JERSEY GAS CO.

Douglas Frankenthaler
Cozen O'Connor
457 Haddonfield Road
Suite 300
Libertyview
Cherry Hill, NJ 08002
PHONE: () - -
FAX: () - -
dfrankenthaler@cozen.com

Ira G. Megdal, Esq.
Cozen O'Connor
457 Haddonfield Road, Suite 300
Libertyview
Cherry Hill, NJ 08002
PHONE: (856) 910-5019
FAX: (877) 259-7984
imegdal@cozen.com

John F. Stanziola (SJG), Director,
Regulatory Affairs
South Jersey Gas Co.
1 South Jersey Plaza
PO Box 6000
Folsom, NJ 08037
PHONE: (609) 561-9000, X416
FAX: (609) 561-6955
jstanziola@sjindustries.com

OTHER PARTIES

Roger M. Schwarz, c/o RESA
Issues Management, LLC
101 Poor Farm Road
Princeton, NJ 08540
PHONE: (609) 252-1300
FAX: () - -
rschwarz@issuesllc.com

SUNEDISON

Claire Broido
SunEdison
12500 Baltimore Avenue
Beltsville, MD 20705
PHONE: (443) 909-7240
FAX: (443) 909-7140
cbroido@sunedison.com

PSE&G

Gregory Eisenstark, Esq.
Assistant Corporate Rate Counsel
PSEG Services Corporation
80 Park Plaza, T-05
Newark, NJ 07101
PHONE: (973) 430-6281
FAX: (973) 430-5983
gregory.eisenstark@pseg.com

Frances I. Sundheim, Esq.
Public Service Electric & Gas Co.
80 Park Plaza, T-08
Newark, NJ 07101
PHONE: (973) 430-6928
FAX: (973) 648-0838
frances.sundheim@pseg.com

MSEIA

Lyle Rawlings
Advanced Solar Products
66 Snydertown Road
Hopewell, NJ 08525
PHONE: () - -
FAX: () - -

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY FOR APPROVAL OF A SOLAR)
ENERGY PROGRAM AND AN ASSOCIATED)
COST RECOVERY MECHANISM)

STIPULATION ON
PROGRAM
MODIFICATIONS

BPU Docket No. EO07040278

By a Decision and Order Approving Settlement dated April 16, 2008 (“April 16 Order”; “Settlement”), the Board of Public Utilities (“Board” or “BPU”) approved Public Service Electric and Gas Company’s (“PSE&G” or “Company”) request to implement a solar energy program (“Program”) and associated cost recovery mechanism.

PSE&G has implemented the Program pursuant to the April 16 Order. The Company asserts that it has received a robust number of applications, particularly in the Commercial and Industrial segment, which is nearly fully subscribed with approved applications.

The Company states that, because of the innovative nature of the Program, certain post-approval implementation issues have arisen. These issues impact certain terms and conditions under which PSE&G issues loans. Due to the specificity of the Program terms and rules, as set forth in the April 16 Order and the Settlement, the Company finds that it has, in some circumstances, lacked the flexibility necessary to administer the Program. As a result, many interested prospective applicants have not been able to participate in the Program. By letter dated January 15, 2009, PSE&G filed a letter with the Board requesting approval to implement three program modifications: (1) the requirement that projects be net metered; (2) a shift of capacity to the C&I segment prior to the expiration of the “hard caps” on April 17, 2009 as specified in the Board-approved Settlement Agreement; and (3) a relaxation of the 25% customer cap within the C&I segment.

In addition, PSE&G states that it has encountered certain issues that have delayed the closing of loans under the Program, even after nearly all of the Program requirements have been satisfied. PSE&G also states that it has encountered resistance from financial institutions, solar developers, and potential applicants concerning the current requirement that PSE&G obtain a first priority lien on the solar project equipment. Please refer to the Certification of Alfredo Z. Matos attached hereto for additional information concerning the first priority lien issue.

Therefore, the Company has consulted with the parties to the Settlement concerning proposed changes to the Program. As a result of these discussions and negotiations, the undersigned parties ("Parties") have agreed to modify certain terms of the Settlement via this Stipulation on Program Modifications ("Stipulation"). The other issues identified in the Company's January 15, 2009 letter request will not be addressed in this Stipulation, but will remain pending with the Board, subject to further discussions.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

The requirement that PSE&G obtain a first-priority lien on the solar project equipment shall no longer apply. However, PSE&G shall obtain a security interest in the solar project equipment for loans issued in the Program.

2 The Parties agree that this Stipulation shall be filed with the BPU for review and approval.


3 The Parties agree that this Stipulation is being entered into exclusively for the purpose of resolving the issues set forth herein.

4 The Parties agree that this Stipulation was negotiated and agreed to in its entirety with each section being mutually dependent on approval of all other sections.

Therefore, if the Board modifies any of the terms of this Stipulation, each Party is given the option, before implementation of any different terms in this matter, to accept the change or to resume negotiations on the issues set forth herein as if no Stipulation had been reached.

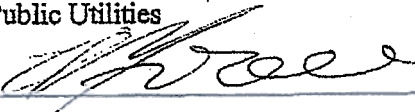
5. The Parties hereby agree that this Stipulation has been made exclusively for the purpose of this proceeding and that this Stipulation, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

By: 
Gregory Eisenstark
Assistant General Corporate Rate Counsel

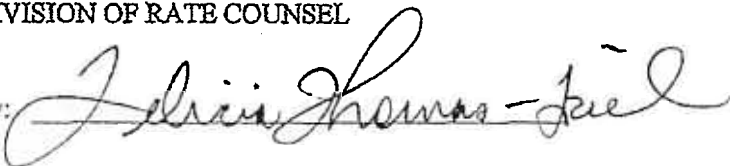
DATED: 3-10-09

ANNE MILGRAM
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the
Board of Public Utilities

By: 
Alex Moreau
Deputy Attorney General

DATED: 03/10/09

RONALD K. CHEN
PUBLIC ADVOCATE OF NEW JERSEY
STEFANIE A. BRAND, DIRECTOR
DIVISION OF RATE COUNSEL

By: 

Deputy Public Advocate

DATED: March 10, 2009

MID-ATLANTIC SOLAR ENERGY INDUSTRIES ASSOCIATION

By: _____

DATED: _____

SOUTH JERSEY GAS COMPANY

By: _____


DATED: _____

NEW JERSEY NATURAL GAS COMPANY

By: _____

DATED: _____

MID-ATLANTIC SOLAR ENERGY INDUSTRIES ASSOCIATION

By: 

DATED: 3/9/08

SOUTH JERSEY GAS COMPANY

DATED: _____

NEW JERSEY NATURAL GAS COMPANY

DATED: _____

MID-ATLANTIC SOLAR ENERGY INDUSTRIES ASSOCIATION

By: _____

DATED: _____

SOUTH JERSEY GAS COMPANY

By: _____

DATED: _____

NEW JERSEY NATURAL GAS COMPANY

By: *[Signature]*

DATED: March 6, 2009

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS)
COMPANY FOR APPROVAL OF A SOLAR)
ENERGY PROGRAM AND AN ASSOCIATED)
COST RECOVERY MECHANISM)

BPU Docket No. EO07040278

CERTIFICATION

STATE OF NEW JERSEY)
COUNTY OF ESSEX)

ALFREDO Z. MATOS, of full age, being duly sworn according to law,
hereby certifies:

I am Vice President Renewables and Energy Solutions of Public Service
Electric and Gas Company, the Petitioner in the foregoing Petition.

2. I am responsible for implementing PSE&G's Solar Loan Program
("Program") and am familiar with the Program's rules and requirements, as approved by the
Board of Public Utilities.

3. I make this Certification in support of a "Stipulation on Program
Modifications" in this matter that would modify the requirement that PSE&G obtain a first
priority lien on the solar project equipment as a condition of issuing a loan.

4. In the context of receiving and reviewing applications for the Program,
PSE&G has had discussions with applicants, potential applicants, and solar installers and

developers concerning the requirement that PSE&G obtain a first priority lien on the solar project equipment.

5. For residential solar projects, the prospective borrower often has a mortgage or home equity loan on the property in question. PSE&G has been informed by the financial institutions holding said mortgages or home equity loans that the terms of such mortgages and home equity loans prevent another entity, such as PSE&G, from obtaining a first priority lien on solar equipment that is attached to the home. In addition, PSE&G has been unable to get any banks or other financial institutions to execute a subordination agreement to modify the terms of such mortgages or home equity loans so as to allow PSE&G to obtain a first priority lien on the solar project equipment.

6. In regard to commercial and industrial solar projects, the prospective borrower often seeks financing in addition to the PSE&G solar loan. PSE&G has met with resistance from such other lenders to allow PSE&G to obtain a first priority lien on the solar project equipment.

7. PSE&G has also been informed by solar installers and developers that the first priority lien requirement has been an obstacle to attracting potential customers to participate in the Program.

8. The foregoing statements are true to the best of my knowledge and belief. I am aware that if any of the foregoing statements are willfully false, I may be subject to punishment.

Original Signed By Alfredo Z. Matos

Alfredo Z. Matos

Sworn and subscribed to)
before me this 10th day)
of March, 2009

Original Signed by

Gregory Eisenstark

Gregory Eisenstark