



March 29, 2010

***VIA FEDERAL EXPRESS***

Ms. Kristi Izzo, Secretary  
New Jersey Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

Re: IN THE MATTER OF THE PETITION OF  
NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF REGIONAL GREENHOUSE  
GAS INITIATIVE PROGRAMS AND  
ASSOCIATED COST RECOVERY MECHANISMS  
PURSUANT TO N.J.S.A. 48:3-98.1  
BPU DOCKET NO. \_\_\_\_\_

Dear Secretary Izzo:

Enclosed herewith for filing please find an original and ten (10) copies of the Petition of New Jersey Natural Gas Company (NJNG) for the approval of Regional Greenhouse Gas Initiative programs with an associated cost recovery mechanism.

Copies of the petition, including the supporting Exhibits, are also being served upon the Department of the Public Advocate, Division of Rate Counsel and the Division of Law.

Kindly acknowledge receipt of this filing by date stamping the enclosed copy of this letter and returning same in the self-addressed, stamped envelope.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Tracey Thayer', is written over a horizontal line.

Tracey Thayer  
Director, Regulatory Affairs Counsel

Enclosures

C: Service List

**IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF REGIONAL GREENHOUSE GAS INITIATIVE PROGRAMS AND  
ASSOCIATED COST RECOVERY MECHANISMS  
PURSUANT TO N.J.S.A. 48:3-98.1**

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NJ BOARD OF PUBLIC UTILITIES

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**IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
FOR APPROVAL OF REGIONAL GREENHOUSE GAS INITIATIVE PROGRAMS AND  
ASSOCIATED COST RECOVERY MECHANISMS  
PURSUANT TO N.J.S.A. 48:3-98.1**

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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

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**IN THE MATTER OF THE PETITION )  
OF NEW JERSEY NATURAL GAS )  
COMPANY FOR APPROVAL OF )  
REGIONAL GREENHOUSE GAS )  
INITIATIVE PROGRAMS AND )  
ASSOCIATED COST RECOVERY )  
MECHANISMS PURSUANT TO N.J.S.A.  
**48:3-98.1****

**PETITION**

**BPU DOCKET NO. GR\_\_\_\_\_**

# I N D E X

## INDEX

### Exhibit P-1: PETITION

Schedule NJNG-1	Comparative Balance Sheet
Schedule NJNG-2	Comparative Income Statement
Schedule NJNG-3	Balance Sheet (February 2010)
Schedule NJNG-4	Statement of Revenue
Schedule NJNG-5	Pro-Forma Income Statement
Schedule NJNG-6	Payments to Affiliates
Schedule NJNG-7	Notice of Filing to Municipalities
Schedule NJNG-8	Proposed Tariff Sheets
Schedule NJNG-9	Draft Public Notice
Schedule NJNG-10	Accounting Entries
Schedule NJNG-11	Office of Clean Energy Budget Information
Schedule NJNG-12	Proposed Lease Agreement
Schedule NJNG-13	Proposed Contractor Agreement
Schedule NJNG-14	Cost Benefit Analysis
Schedule NJNG-15	List of MFRs
Schedule NJNG-16	Job Creation

### Exhibit P-2: Testimony of Thomas J. Massaro

Schedule TJM-1	NJCEP and NJNG Program Comparison
Schedule TJM-2	Marketing Plan
Schedule TJM-3	Flow Chart of Complaint Resolution Process
Schedule TJM-4	REEP
Schedule TJM-5	Access
Schedule TJM-6	CEEP
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### Exhibit P-3: Testimony of Daniel P. Yardley

Schedule DPY-1	Program Unit Costs and Projected Take Rates
Schedule DPY-2	Net RGGI Investments by Year
Schedule DPY-3	Cost of Capital
Schedule DPY-4	Operations and Maintenance Costs
Schedule DPY-5	Revenue Requirements Summary
Schedule DPY-6	Energy Efficiency and Renewable Energy Tariff
Schedule DPY-7	Projected Bill Impacts by Class.

**PETITION OF**

**NEW JERSEY NATURAL GAS COMPANY  
REGIONAL GREEN HOUSE GAS INITIATIVE  
PROGRAMS AND ASSOCIATED COST  
RECOVERY MECHANISMS**

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE PETITION )  
OF NEW JERSEY NATURAL GAS ) PETITION  
COMPANY FOR APPROVAL OF )  
REGIONAL GREENHOUSE GAS ) BPU DOCKET NO. GR \_\_\_\_\_  
INITIATIVE PROGRAMS AND THE )  
ASSOCIATED COST RECOVERY )  
MECHANISM PURSUANT TO N.J.S.A. )  
**48:3-98.1****

**TO: THE HONORABLE COMMISSIONERS OF  
THE NEW JERSEY BOARD OF PUBLIC UTILITIES**

New Jersey Natural Gas (“NJNG” or the “Company”) respectfully petitions the New Jersey Board of Public Utilities (the “Board” or “BPU”) pursuant to N.J.S.A. 48:3-98.1, et seq., as follows:

1. NJNG is a corporation duly organized under the laws of the State of New Jersey and is a public utility engaged in the distribution and transportation of natural gas subject to the jurisdiction of the Board. The Company’s principal business office is located at 1415 Wyckoff Road, Wall Township, New Jersey 07719.

2. Communications and correspondence relating to this filing should be sent to:

Mark R. Sperduto, Vice President, Regulatory & External Affairs  
Tracey Thayer, Esq., Director, Regulatory Affairs Counsel  
New Jersey Natural Gas Company  
1415 Wyckoff Road, P.O. Box 1464  
Wall, N.J. 07719  
(732) 938-1214 (Sperduto)  
(732) 919-8025 (Thayer)  
(732) 938-2620 (fax)

3. This Petition is accompanied by supporting schedules attached hereto and made a part of this Petition:

Schedule NJNG-1	Comparative Balance Sheet
Schedule NJNG-2	Comparative Income Statement
Schedule NJNG-3	Balance Sheet (February 2010)
Schedule NJNG-4	Statement of Revenues
Schedule NJNG-5	Pro-Forma Income Statement
Schedule NJNG-6	Payments to Affiliates
Schedule NJNG-7	Notice of Filing to Counties and Municipalities
Schedule NJNG-8	Proposed Tariff Sheets
Schedule NJNG-9	Draft Public Notice
Schedule NJNG-10	Accounting Entries
Schedule NJNG-11	Proposed Budget in New Jersey's Clean Energy Program Format
Schedule NJNG-12	Proposed Lease Documents
Schedule NJNG-13	Proposed Contractor Agreement
Schedule NJNG-14	Cost Benefit Analysis
Schedule NJNG-15	Listing of Minimum Filing Requirements
Schedule NJNG-16	Job Creation Overview

#### **Background**

4. Pursuant to N.J.S.A. 26:2C-45 (“Global Warming Response Act” or the “RGGI Legislation”), signed into law on January 13, 2008, the New Jersey Legislature found global warming to be a pervasive and dangerous threat internationally, nationally and locally. It was further determined that New Jersey can address the problem through the establishment of a program that will, among other things, limit the level of statewide GHG emissions from electricity both generated and used in the state, as well as that used in the state but generated from sources outside New Jersey. Establishing an ambitious and far-reaching goal of reducing such emissions to the 1990 level or below by 2020, the RGGI Legislation also found that

energy-efficiency and conservation measures must be essential elements within all future energy planning, including the ongoing work stemming from the findings and action plans within the New Jersey Energy Master Plan (“EMP”) released in October 2008.

5. An additional finding in the RGGI Legislation denotes the necessity for public utilities in New Jersey to be involved with and participate in efforts to reduce GHG emissions, specifically through the establishment of energy-efficiency, conservation and renewable energy programs. The active participation of New Jersey utilities provides an integral element in developing a coordinated approach to successfully reducing emissions.

5. Section 13 of the RGGI Legislation, codified as N.J.S.A. 48:3-98.1, establishes that an electric or natural gas utility can offer and invest in regulated energy-efficiency and conservation programs within its service territory. Utilities can also provide and invest in Class I renewable energy programs on a regulated basis, and such programs may reside on the utility side or the customer side of the electric interconnection. Furthermore, utilities are authorized to file a petition with the BPU seeking approval for the recovery of costs related to such programs (a “RGGI” filing). That recovery may include a return on equity, the establishment of incentives and the development of a rate mechanism that breaks the link between utility revenues and customer usage. The eligible ratemaking treatment can provide for the inclusion of certain related investments in rate base or the recovery of such costs through another BPU-approved method.

6. Pursuant to the RGGI Legislation, the BPU was mandated to issue an order within 120 days of the enactment of the RGGI Legislation, establishing the procedures through which electric and natural gas utilities can seek BPU approval to offer energy-efficiency, conservation and renewable energy programs on a regulated basis. That order was issued on May 12, 2008 (“May 2008 Order”) after active participation from the members of a stakeholder group that included representatives from the BPU Staff, the Department of the Public Advocate, Division of Rate Counsel (“Rate Counsel”), the electric and natural gas utilities and other interested parties.

### **Procedural Matters**

7. The May 2008 Order established that certain information must be included in any petition for approval to offer energy-efficiency and renewable energy programs. It was intended that such data will permit a comprehensive review of RGGI filings by BPU Staff and Rate Counsel within the statutorily designated 180-day review period. The Minimum Filing Requirements (“MFRs”) detail the information, analyses and data that generally must be included within a RGGI filing. Attached hereto as Schedule NJNG-15 is a listing of the MFRs and the locations within NJNG’s filing where the respective information can be found.

8. NJNG requests that the BPU retain this matter at the Agency for an administrative review and issuance of a BPU Decision and Order pursuant to the terms of the RGGI Legislation and the May 2008 Order.

9. The May 2008 Order also requires that a utility must meet with Board Staff and Rate Counsel at least 30 days in advance of submitting a RGGI filing to provide an overview of the elements and cost recovery mechanism proposed. Accordingly, NJNG met with representatives of various divisions within the BPU, Rate Counsel, and the Division of Law within the Department of Law and Public Safety on February 26, 2010 to provide an overview of the programs and cost recovery mechanism proposed within this RGGI filing.

10. Attached hereto and made part of this Petition is a draft form of notice (Schedule NJNG-9) that will be published in papers of general circulation within NJNG’s service territory providing notice to customers of this filing and the details about the public hearing that will be scheduled. A proposed notice to municipalities and counties within the service territory is attached as Schedule NJNG-7.

11. NJNG has served notice and a copy of this filing, together with a copy of the annexed exhibits and schedules and NJNG’s supporting testimonies being filed herewith, upon the Department of the Public Advocate, Division of Rate Counsel, 31 Clinton Street, Newark, New Jersey and to those listed on the attached Service List. Additionally, a copy will be made available at all NJNG Customer Service Centers within its Service Territory.

12. NJNG has developed and proposed energy-efficiency and renewable energy programs that coordinate closely with existing programs in New Jersey’s Clean Energy Program (“NJCEP”). The Company reserves the right to amend this filing should that be necessitated by future modifications or changes to the current NJCEP programs, incentives, rebates, policies, overall budget, and/or coordination with other utilities and state agencies at any time during the 180-day review period. Since NJNG anticipates that any amendment would serve to better align its program with State policy, the Company requests that such amendment not cause delay to the statutorily mandated schedule.

### **NJNG Filing and Proposed Programs**

13. Meeting the energy-efficiency, conservation and renewable energy goals established for New Jersey, and successfully reducing GHG emissions, requires the involvement of numerous entities, including electric and natural gas utilities. In light of that, NJNG is seeking approval from the BPU to implement and obtain recovery of the associated costs of the RGGI programs proposed herein.

14. NJNG seeks approval to provide the customers the opportunities proposed in this filing over a three year period from the date of the Board Order approving this filing. The RGGI programs expand upon and enhance those currently available through NJCEP and the energy-efficiency programs incorporated in NJNG’s The SAVEGREEN™ Project, approved by the BPU on July 17, 2009 in NJNG’s Energy-Efficiency Program filing (“E3”), Docket Nos. EO09010056 and GO090710057.

15. In this filing, NJNG has included a Residential Energy-Efficiency Program (“REEP”) that will transition directly from the ongoing work of SAVEGREEN. In that way, NJNG will avoid any start-up expenses, delays and the loss of qualified staff. Within REEP, NJNG is proposing to contract with OPOWER to conduct a three-year pilot program that will assess residential customer responses to information on energy efficiency. By starting OPOWER as a pilot program, NJNG can gauge the potential for providing such information to a larger group. The second residential program proposed is the Access to Affordable Energy (“Access”) proposal. This new offer serves to align with benefits from the Universal

Service Fund (“USF”) by helping USF customers obtain higher-efficiency equipment through conversions to natural gas equipment and thus reducing other customers’ financial support of the USF program.

16. For the commercial sector, NJNG has developed a Commercial Energy-Efficiency Program (“CEEP”) through which NJNG is providing additional incentives to those currently available in NJCEP’s SmartStart program and offering financial support for the development of combined heat and power (“CHP”) projects.

17. NJNG is also proposing a renewable energy program, entitled the Solar Energy Program (“SEP”) through which residential customers are provided with a solar energy system on a lease basis with the system being owned and maintained by NJNG.

18. The BPU has demonstrated an interest in transitioning the solar market away from an incentive-based system and towards a model supported by Solar Renewable Energy Certificates (“SRECs”). SEP provides additional opportunities for that transition to continue with less financial impact on New Jersey residents. As noted in the testimony of Daniel P. Yardley (Exhibit P-3), any benefits received by NJNG from the SRECs generated through the SEP as well as participating customers lease payments are projected to offset the SEP annual revenue requirements over the 15 year customer lease term.

19. By providing residential customers an opportunity to gain the benefits of solar energy without the necessity of a large financial investment, SEP also works to eliminate certain pervasive market barriers. Traditionally, even with incentives or rebates provided from the BPU, many residential customers have not been able to shoulder the up front financial burden associated with solar installations.

20. Finally, NJNG seeks approval for the implementation of a program entitled Fostering Environmental and Economic Development (“FEED”), a program that will provide financial assistance for energy-efficiency and economic development opportunities for commercial customers with no risk or cost to other NJNG customers.

21. These programs are all described in greater detail in the testimony of Thomas Massaro (Exhibit P-2) and Schedules TJM-4 through TJM-7.

22. The RGGI programs proposed herein and within the supporting documents enhance and complement ongoing efforts in New Jersey that are directed toward meeting the aggressive goals established in the EMP to reduce GHG emissions 20 percent by 2020. Importantly, the renewable energy portion of this filing will also assist the state in meeting at least 30 percent of the state's power needs through electricity generated from renewable energy resources. Finally, in these difficult economic times, these offers provide opportunities for local businesses to grow and jobs to be created for residents of New Jersey.

23. The NJNG RGGI programs will also address and support economic growth through increased activity specifically in the energy efficiency and solar industries. Increased economic activity will benefit not only developers and installers of high-efficiency equipment and solar technologies but also the associated businesses and service personnel in other industries and fields providing ancillary services.

#### **Cost Recovery Mechanism**

24. NJNG is requesting that the BPU approve the use of deferred accounting for all costs associated with the RGGI Programs, including the costs of the rebates, customer incentives, Operations and Maintenance ("O&M") expenses, amortization expense, return on investments and income taxes. The recovery of those costs shall be through a per-therm charge applicable to all jurisdictional volumes through NJNG's system. The investments associated with the RGGI Programs will be amortized over a ten year period from the month they are incurred. It is proposed that the recovery be through Rider F of the NJNG Tariff, the same mechanism now in place for the recovery of the E3 costs. NJNG seeks approval for Rider F, that will be entitled the Energy-Efficiency and Renewable Energy ("EERE") Rider, to be effective as of the date of the Board Order approving this filing.

**WHEREFORE, NJNG** respectfully requests that the Board retain jurisdiction of this filing for the statutorily authorized review within the time frame allowed through the RGGI legislation and issue an Order finding that:

1. The Board will retain this matter for a review at the Agency in the manner incorporated in the RGGI Legislation, specifically Section 13:
2. The four RGGI Programs proposed by NJNG (REEP, Access, CEEP, and SEP) and associated cost recovery mechanism are in the public interest and NJNG is fully authorized to implement and administer the RGGI Programs on a regulated basis for three years under the terms and conditions set forth in this Petition, the Exhibits and Schedules attached thereto;
3. NJNG is authorized to offer FEED as proposed in this filing;
4. NJNG is authorized to utilize deferred accounting and recover all reasonable costs associated with the proposed RGGI Programs through Rider F to the NJNG tariff with such recovery being effective as of the date of the Board Order in this proceeding;
5. The carrying costs on the deferred balances related to the RGGI Programs herein will be set pursuant to NJNG's overall Weighted Average Cost of Capital as authorized by the BPU in the most recent NJNG base rate case, net of income tax impacts;
6. The proposed Energy-Efficiency Renewable Energy ("EERE") surcharge, a continuation of the Board approved Energy-Efficiency Rider collected through Rider F as set forth in the proposed Tariff Sheets shown in Schedule NJNG-8, is approved;
7. NJNG will make an annual filing related to the EERE and the costs associated thereto to be submitted on or before June 1;

8. The proposed rates and charges, as set forth in this Petition and the supporting Exhibits and Schedules, are just and reasonable and NJNG is authorized to implement such proposed rates as of the date of the BPU order approving the RGGI Programs; and
9. In the event funding for specific incentives is no longer available from NJCEP or is reduced, NJNG has the authority to increase the incentives offered to customers to match the decrease in NJCEP funding;
10. Granting such other relief as the Board deems just, reasonable and necessary.

Respectfully submitted,

**NEW JERSEY NATURAL GAS COMPANY**

By:



Tracey Thayer, Esq.

Attorney for New Jersey Natural Gas Company

Dated:

**NEW JERSEY NATURAL GAS COMPANY**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30**

	(\$000)		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>			
<b>PROPERTY, PLANT &amp; EQUIP</b>			
UTILITY PLANT, AT COST	\$ 1,400,259	\$ 1,336,960	\$ 1,273,928
CONSTRUCTION WORK IN PROGRESS	38,686	29,277	25,517
	1,438,945	1,366,237	1,299,445
ACCUMULATED DEPRECIATION AND AMORT. PROPERTY, PLANT & EQUIPMENT, NET	(393,275)	(368,172)	(347,418)
	1,045,670	998,065	952,027
<b>CURRENT ASSETS</b>			
CASH AND TEMPORARY INVESTMENTS	35,468	41,860	2,078
RESTRICTED CASH	-	0	2,608
CUSTOMER ACCOUNTS RECEIVABLE	21,239	21,398	5,583
UNBILLED REVENUE	8,616	9,417	8,895
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(3,297)	(4,571)	(3,166)
GAS IN STORAGE, AT AVG COST	175,201	189,828	191,460
MATERIALS AND SUPPLIES, AT AVG COST	5,055	4,092	4,155
PREPAID STATE TAXES	41,836	37,271	28,239
REGULATORY ASSETS	5,878	51,376	24,634
DERIVATIVES, AT FV	15,801	12,039	13,285
BROKER MARGIN ACCOUNT	16,458	41,276	12,345
DEFERRED TAXES	20,801	-	-
OTHER MISC	8,089	4,477	3,876
TOTAL CURRENT ASSETS	351,145	408,463	293,992
<b>NONCURRENT ASSETS</b>			
REGULATORY ASSETS	391,025	340,670	312,369
DERIVATIVES, AT FV	1,077	751	381
RESTRICTED CASH CONSTRUCTION FUND	-	4,200	4,200
PREPAID PENSION ASSET	-	-	-
OTHER MISC	8,248	9,814	9,460
TOTAL NONCURRENT ASSETS	400,350	355,435	326,410
TOTAL ASSETS	\$ 1,797,165	\$ 1,761,963	\$ 1,572,429

**NEW JERSEY NATURAL GAS COMPANY**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30**

	(\$000)		
	2009	2008	2007
<u>CAPITALIZATION AND LIABILITIES</u>			
<u>CAPITALIZATION</u>			
COMMON STOCK EQUITY	593,202	\$ 472,417	\$ 472,833
LONG-TERM DEBT	405,492	405,117	308,184
TOTAL CAPITALIZATION	998,694	877,534	781,017
<u>CURRENT LIABILITIES</u>			
CURRENT MATURITIES OF L/T DEBT	6,510	35,119	4,338
SHORT-TERM DEBT	0	145,500	186,229
REGULATORY LIABILITIES	36,203	-	9,583
GAS PURCHASES PAYABLE	28,547	55,195	40,337
ACCOUNTS PAYABLE AND OTHER	41,181	49,091	46,551
DEFERRED TAXES	0	26,572	6,940
BROKER MARGIN ACCOUNT	0	-	-
DERIVATIVES, AT FAIR VALUE	24,274	42,842	33,293
CUSTOMERS' CREDIT BALANCES AND DEPOSITS	73,089	63,370	27,182
CLEAN ENERGY PROGRAM	10,920	3,056	8,832
TOTAL CURRENT LIABILITIES	220,724	420,745	363,285
<u>NONCURRENT LIABILITIES</u>			
DEFERRED INCOME TAXES	252,244	190,128	176,741
DEFERRED INVESTMENT TAX CREDITS	6,870	7,192	7,513
DERIVATIVES, AT FAIR VALUE	677	19,558	32,208
MANUFACTURED GAS PLANT REMEDIATION	146,700	120,730	105,340
POSTRETIREMENT EMPLOYEE BENEFIT LIABILITY	56,134	34,089	12,417
REGULATORY LIABILITIES	56,450	63,419	61,270
CLEAN ENERGY AND CIP	28,449	864	3,992
ASSET RETIREMENT OBLIGATION	25,097	24,416	23,895
OTHER	5,126	3,288	4,751
TOTAL NONCURRENT LIABILITIES	577,747	463,684	428,127
TOTAL CAPITALIZATION AND LIABILITIES	1,797,165	\$ 1,761,963	\$ 1,572,429

**NEW JERSEY NATURAL GAS COMPANY**  
**STATEMENT OF INCOME**  
**AS OF SEPTEMBER 30**

	(\$000)		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<u>OPERATING REVENUE</u>	\$ 1,082,001	\$ 1,078,824	\$ 1,005,588
<u>OPERATING EXPENSES</u>			
GAS PURCHASES	709,906	753,249	687,201
OPERATION AND MAINTENANCE	106,814	98,035	97,006
REGULATORY RIDER EXPENSES	44,992	39,666	37,605
DEPRECIATION AND AMORTIZATION	29,417	37,723	35,648
ENERGY AND OTHER TAXES	70,508	62,015	59,600
TOTAL OPERATING EXPENSES	<u>961,637</u>	<u>990,688</u>	<u>917,060</u>
OPERATING INCOME	120,364	88,136	88,528
OTHER INCOME	3,474	3,460	3,468
INTEREST CHARGES, NET	18,706	21,277	21,182
INCOME BEFORE INCOME TAXES	<u>105,132</u>	<u>70,319</u>	<u>70,814</u>
INCOME TAX PROVISION	39,729	27,840	26,334
NET INCOME	<u>\$ 65,403</u>	<u>\$ 42,479</u>	<u>\$ 44,480</u>

**NEW JERSEY NATURAL GAS COMPANY  
BALANCE SHEET**

	(\$000)
	<b>Feb-2010</b>
<u>ASSETS</u>	
<u>PROPERTY, PLANT &amp; EQUIP</u>	
UTILITY PLANT, AT COST	\$ 1,414,662
CONSTRUCTION WORK IN PROGRESS	45,466
	<u>1,460,128</u>
ACCUMULATED DEPRECIATION AND AMORT.	(403,290)
PROPERTY, PLANT & EQUIPMENT, NET	<u>1,056,838</u>
 <u>CURRENT ASSETS</u>	
CASH AND TEMPORARY INVESTMENTS	99,771
CUSTOMER ACCOUNTS RECEIVABLE	76,422
UNBILLED REVENUE	67,921
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(3,190)
GAS IN STORAGE, AT AVG COST	42,295
MATERIALS AND SUPPLIES, AT AVG COST	5,555
PREPAID STATE TAXES	85
REGULATORY ASSETS	
DERIVATIVES, AT FV	14,446
BROKER MARGIN ACCOUNT	2,903
OTHER MISC	9,278
TOTAL CURRENT ASSETS	<u>315,486</u>
 <u>NONCURRENT ASSETS</u>	
REGULATORY ASSETS	356,019
OVER/UNDER RECOVERED GAS COSTS	1,396
UNAMORTIZED DEBT EXPENSE	7,289
DEFERRED INCOME TAXES	15,564
OTHER MISC	776
TOTAL NONCURRENT ASSETS	<u>381,044</u>
TOTAL ASSETS	<u>\$ 1,753,368</u>

**NEW JERSEY NATURAL GAS COMPANY  
BALANCE SHEET**

	(\$000)
	<b>Feb-2010</b>
<u>CAPITALIZATION AND LIABILITIES</u>	
<u>CAPITALIZATION</u>	
COMMON STOCK EQUITY	\$ 633,211
LONG-TERM DEBT	386,986
TOTAL CAPITALIZATION	<u>1,020,197</u>
<u>CURRENT LIABILITIES</u>	
CURRENT MATURITIES OF L/T DEBT	20,000
SHORT-TERM DEBT	-
CUSTOMER DEPOSITS	6,260
GAS PURCHASES PAYABLE	66,349
ACCOUNTS PAYABLE AND OTHER	18,793
ACCRUED TAXES	12,202
CURRENT LEASE OBLIGATIONS	7,226
DERIVATIVES, AT FAIR VALUE	29,507
CUSTOMERS' CREDIT BALANCES AND DEPOSITS	10,915
CLEAN ENERGY PROGRAM	10,955
TOTAL CURRENT LIABILITIES	<u>182,207</u>
<u>NONCURRENT LIABILITIES</u>	
DEFERRED INCOME TAXES	249,073
DEFERRED INVESTMENT TAX CREDITS	3,037
DERIVATIVES, AT FAIR VALUE	(15,061)
MANUFACTURED GAS PLANT REMEDIATION	146,700
POSTRETIREMENT EMPLOYEE BENEFIT LIABILITY	38,996
REGULATORY LIABILITIES	42,026
CLEAN ENERGY AND CIP	24,205
ASSET RETIREMENT OBLIGATION	25,450
OTHER	36,538
TOTAL NONCURRENT LIABILITIES	<u>550,964</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 1,753,368</u>

**NEW JERSEY NATURAL GAS COMPANY  
GAS REVENUE BY CLASS OF BUSINESS  
AS OF DECEMBER 31, 2009**

	(\$000)
Residential	\$ 604,355
Commercial	123,313
Industrial	189
Firm Transportation	52,268
Street & Yard Light Service	5
Cogeneration	11
Off-System Sales & Storage	<u>222,529</u>
Total	<u>\$ 1,002,670</u>



**New Jersey Natural Gas  
RGGI Program  
Pro-Forma Income Statement**

**IV. Solar**

**A. Income Statement**

Operating Revenue	\$ 4,331	\$ 6,063	\$ 8,051	\$ 6,348	\$ 5,389	\$ 4,956	\$ 4,518	\$ 4,144	\$ 3,819	\$ 3,510	\$ 2,419	\$ 1,434
Operating Expense	\$ 2,806	\$ 2,461	\$ 2,618	\$ 800	\$ 448	\$ 526	\$ 530	\$ 533	\$ 536	\$ 540	\$ 544	\$ 547
Operations & Maintenance	687	1,374	2,061	2,061	2,061	2,061	2,061	2,061	2,061	2,061	1,374	688
Depreciation & Amortization	223	623	944	980	785	621	479	357	252	151	67	17
Income Taxes	146	293	439	439	439	439	439	439	439	439	293	147
Recapture Tax on ITC Basis Adj.	150	420	636	661	529	418	323	241	169	102	45	11
Interest Expense	4,012	5,170	6,698	4,942	4,263	4,066	3,831	3,632	3,458	3,293	2,323	1,409
Total Operating Expense	\$ 319	\$ 893	\$ 1,353	\$ 1,406	\$ 1,126	\$ 890	\$ 886	\$ 512	\$ 361	\$ 216	\$ 96	\$ 24
Net Income	\$ 11,748	\$ 16,719	\$ 22,156	\$ 15,743	\$ 14,045	\$ 13,208	\$ 12,365	\$ 11,587	\$ 10,858	\$ 10,144	\$ 6,937	\$ 3,721

**V. All Programs - Combined**

**A. Income Statement**

Operating Revenue	\$ 7,912	\$ 7,706	\$ 8,005	\$ 1,136	\$ 448	\$ 526	\$ 530	\$ 533	\$ 536	\$ 540	\$ 544	\$ 547
Operating Expense	2,459	5,159	8,060	8,060	8,060	8,060	8,060	8,060	8,060	8,060	5,601	2,901
Operations & Maintenance	396	1,146	1,819	1,965	1,640	1,346	1,074	822	586	356	161	41
Depreciation & Amortization	146	293	439	439	439	439	439	439	439	439	293	147
Income Taxes	267	772	1,225	1,324	1,105	907	723	554	395	240	108	27
Recapture Tax on ITC Basis Adj.	11,180	15,076	19,548	12,925	11,693	11,278	10,826	10,408	10,017	9,634	6,707	3,663
Interest Expense	\$ 567	\$ 1,643	\$ 2,608	\$ 2,818	\$ 2,352	\$ 1,930	\$ 1,539	\$ 1,179	\$ 841	\$ 510	\$ 231	\$ 58
Total Operating Expense	\$ 11,748	\$ 16,719	\$ 22,156	\$ 15,743	\$ 14,045	\$ 13,208	\$ 12,365	\$ 11,587	\$ 10,858	\$ 10,144	\$ 6,937	\$ 3,721
Net Income	\$ 7,912	\$ 7,706	\$ 8,005	\$ 1,136	\$ 448	\$ 526	\$ 530	\$ 533	\$ 536	\$ 540	\$ 544	\$ 547

**NEW JERSEY NATURAL GAS COMPANY  
PAYMENTS AND ACCRUALS TO AFFILIATE COMPANIES**

---

THE ATTACHED WORKSHEETS INCLUDES THE PAYMENTS AND ACCRUALS  
TO THE FOLLOWING AFFILIATE COMPANIES OF NEW JERSEY RESOURCES (NJR):

	<u>FISCAL YEAR</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
NJR SERVICE COMPANY TO NJNG	\$ 18,097,414	\$ 18,627,648	\$ 18,275,808
NJR SERVICE COMPANY TO NJR ENERGY SERVICES, INCLUDING NJNG TO NJR ENERGY SERVICES	\$ 5,585,753	\$ 5,867,797	\$ 4,545,418
NJR SERVICE COMPANY TO NJR HOME SERVICES, INCLUDING NJNG TO NJR HOME SERVICES	\$ 4,277,784	\$ 4,077,479	\$ 3,612,305
NJR SERVICE COMPANY TO NJR CR&R INCLUDING NJNG TO COMMERCIAL REALITY & RESOURCES	\$ 183,296	\$ 155,262	\$ 78,581
NJR SERVICE COMPANY TO NJR ENERGY	\$ 213,299	\$ 284,881	\$ 320,993
Total	<u>\$ 28,357,546</u>	<u>\$ 29,013,067</u>	<u>\$ 26,833,105</u>

<<ADD DATE>>

To: County Clerk, Municipal Clerk and County Administrator

**IN THE MATTER OF THE PETITION )**  
**OF NEW JERSEY NATURAL GAS ) PETITION**  
**COMPANY FOR APPROVAL OF )**  
**REGIONAL GREENHOUSE GAS ) BPU DOCKET NO.**  
**INITIATIVE PROGRAMS AND ) GR\_\_\_\_\_**  
**ASSOCIATED COST RECOVERY )**  
**MECHANISMS PURSUANT TO N.J.S.A. )**  
**48:3-98.1**

Pursuant to law, New Jersey Natural Gas Company (“NJNG” or the “Company”) is providing you with notice of a filing made on <<ADD DATE>> with the New Jersey Board of Public Utilities for approval of Regional Greenhouse Gas Initiative Programs and associated cost recovery mechanisms. As noted on the attached copy of the public notice, a hearing on this matter has been scheduled by the BPU for <<ADD DATE AND TIME>> in Freehold Township. Copies of the filing are available for review at the Company’s Customer Service Offices and at the New Jersey Board of Public Utilities, Two Gateway Center, Newark, New Jersey.

Very truly yours,

Tracey Thayer  
Director, Regulatory Affairs Counsel

Enclosure

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

First Revised Sheet No. 2  
Superseding Original Sheet No. 2

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*Date of Issue:* ~~October 6, 2008~~March 29, 2010  
*Issued by:* Mark R. Spurduto, Vice President  
Wall, NJ 07719

*Effective for service rendered on  
and after October ~~13, 2010~~08*

Filed pursuant to Order of the Board of Public Utilities entered in  
Docket No. ~~GR07110889~~

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~Second~~<sup>First</sup> Revised Sheet No. 3  
Superseding ~~First Revised~~<sup>Original</sup> Sheet No. 3

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Date of Issue: ~~July 22, 2009~~ March 29, 2010  
 Issued by: Mark R. Sperduto, Vice President  
~~201009~~  
 Wall, NJ 07719

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NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

First Revised Sheet No. 7  
Superseding Original Sheet No. 7

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**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT**

- |  |   |
|--|---|
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Date of Issue: ~~October 6, 2008~~ March 29, 2010  
Issued by: Mark R. Sperduto, Vice President  
~~2008~~

Wall, NJ 07719

Effective for service rendered on  
and after October 1, 2010~~3,~~

Filed pursuant to Order of the Board of Public Utilities entered in  
Docket No. GR07110889

**NEW JERSEY NATURAL GAS COMPANY**

***BPU No. 8 - Gas***

***Original Sheet No. 38***

**STANDARD TERMS & CONDITIONS**

**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT**

**11.1 LEASE**

NJNG hereby leases to Lessee, and Lessee hereby leases from NJNG, equipment for the generation of electricity using solar energy, together with all replacement parts, additions, and accessories incorporated therein or affixed thereto, which is further described on Exhibit A to the Lease (the "Solar Equipment"). This is an equipment lease, not a sales contract or a bill of sale. Accordingly, all renewable energy attributes, including, but not limited to, any NJ Renewable Energy Incentive Program ("REIP") rebates or other rebates, incentives, solar renewable energy certificates ("SRECs"), renewable energy certificates ("RECs"), carbon credits and any other environmental attributes related to the generation of electricity using solar energy, will remain the sole property of NJNG, and Lessee agrees to complete any documentation reasonably requested by NJNG to reflect NJNG's ownership of such rebates, incentives, credits or environmental attributes and to the extent that any payment related to REIP rebates, SRECs, RECs or any other of the foregoing is received by Lessee, Lessee shall promptly reimburse or turn over such payment to NJNG. Subject to the restrictions, limitations and exclusions of the Lease, Lessee will be entitled to keep for its own use all of electricity generated by the Solar Equipment during the Term, if any.

**11.2 INSTALLATION; OPERATION AND MAINTENANCE**

NJNG will construct, install, operate and maintain the Solar Equipment on Lessee's Property and will be in charge of repairing, relocating or maintaining the Solar Equipment as may be necessary during the Term (as defined below). NJNG will construct, install, operate and maintain the Solar Equipment in accordance with the REIP Program Guidebook technical requirements for solar installations and all other applicable requirements of the NJ REIP. All installation work will be performed by NJ state-licensed contractors listed in the NJ Clean Energy Program Trade Ally Database or their NJ state-licensed subcontractors. Lessee acknowledges that NJNG may subcontract the construction, installation and/or operation and maintenance of the Solar Equipment to a third-party installer or contractor meeting the above requirements.

**11.3 INFORMATION AND AUTHORIZATION**

Lessee shall designate NJNG to the local utility provider as an authorized recipient of Lessee's current and historical energy billing and usage data. Lessee authorizes NJNG to take such actions it deems necessary to obtain any and all net metering and/or interconnection rights from the local utility provider as may be required to interconnect the Solar Equipment to the local utility provider's system for net metering purposes and otherwise meet its obligations under the Lease, including executing on Lessee's behalf any documents necessary to effectuate such purposes. Lessee shall take any actions and execute any documents as NJNG shall reasonably request in this regard. Lessee shall also provide to NJNG, upon its request, at a minimum, the following information: Lessee's local utility provider account number and meter number(s), meter read data, rate class, electric usage, and other information as NJNG may reasonably require from time to time consistent with the purposes herein and applicable law.

***Date of Issue: March 29, 2010***  
***Issued by: Mark R. Spurduto, Vice President***  
***Wall, NJ 07719***

***Effective for service rendered on***  
***and after October 1, 2010***

**NEW JERSEY NATURAL GAS COMPANY**

***BPU No. 8 - Gas***

***Original Sheet No. 38a***

**STANDARD TERMS & CONDITIONS**

**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

**11.4 ACCESS TO PROPERTY/MEMORANDUM**

Lessee hereby grants to NJNG the following express easements over and upon Lessee's Property: (a) an easement to access the Leased Property Location during the installation of the Solar Equipment, (b) an easement to undertake activities on the Leased Property Location in order to facilitate obtaining or complying with any permits, laws, and/or regulations, (c) an easement to repair, relocate or maintain the Solar Equipment, (d) an easement to periodically monitor the performance of the Solar Equipment, (e) an easement to take any actions needed to permit the Solar Equipment to deliver generated energy directly into the utility system, (f) an exclusive right and easement for solar energy conversion, for the collection and transmission of electric power, the right to conduct studies of solar radiation, solar energy, soils, geotechnical tests, and other meteorological and geotechnical data, and for related and incidental purposes and activities, and (g) an easement to remove the Solar Equipment at the expiration of the Lease (if necessary) or upon Lessee's Default under the Lease, including any Lessee Default of its obligations under Section 11.9 (collectively, the "Easements"). Lessee shall execute any additional documentation requested by NJNG to further ensure the enforceability of the above-referenced easements (and the Third Party Sales Easement described below), and NJNG reserves the right to record all such additional documentation in the relevant county, and for such recording purposes, the easement is set forth in the Memorandum of Solar Lease and Grant of Easements attached to the Lease, which NJNG has separately executed and which Lessee shall execute and deliver to NJNG simultaneously with its delivery of the Lease. The Easements shall run with title to Lessee's Property and shall not terminate with a termination of the Lease and shall only terminate upon the issuance and recordation by NJNG of a written notice that it intends to abandon operations of the Solar Equipment at Lessee's Property (an "Abandonment"; the notice being referred to as an "Abandonment Notice").

**11.5 RENT/DELINQUENT PAYMENTS/CREDITS**

NJNG will include the periodic payment to be paid by Lessee to NJNG for the leasing of the Solar Equipment (the "Rent") in an invoice delivered by NJNG to Lessee for payment of the Rent (the "Monthly Invoice"). Such invoice may be included within the monthly bill received from NJNG customers for the provision of natural gas service and subject to the payment requirements therein. NJNG will include the pro-rated Rent due for the period beginning on the date on which NJNG completes installation of the Solar Equipment on Lessee's Property (the "Installation Date") and ending on the first day of the next month, plus the Rent for the first full month of the Term, in the initial Rent included in Lessee's Monthly Invoice. Rent will be due in accordance with the terms set forth in the Monthly Invoice. Lessee authorizes NJNG to obtain a credit report for Lessee at any time, and if such credit report indicates that Lessee's credit score is below 625, NJNG may require that Lessee deliver a deposit to NJNG.

***Date of Issue: March 29, 2010***  
***Issued by: Mark R. Sperduto, Vice President***  
***Wall, NJ 07719***

***Effective for service rendered on***  
***and after October 1, 2010***

**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Original Sheet No. 38b**

**STANDARD TERMS & CONDITIONS**

**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

**11.6 TERM/SURVIVAL**

The term of the Lease will be fifteen (15) years (the "Term") and will commence on the Installation Date and, unless earlier cancelled as provided herein, will expire on the date that is the fifteenth (15<sup>th</sup>) anniversary of the Installation Date (the "Expiration Date"). All obligations of Lessee hereunder will survive the expiration or cancellation of the Term of the Lease. Notwithstanding the foregoing, NJNG shall have the right to terminate this Agreement upon ninety (90) days notice to Lessee, in which event NJNG shall, within sixty (60) days after such termination date remove the Solar Equipment from the Lessee's Property, cause the recordation of the Abandonment Notice, and repair any unreasonable damage to Lessee's Property caused by the installation and removal of the Solar Equipment (reasonable wear and tear and casualty excepted) and the parties shall have no further rights or obligations hereunder.

**11.7 REPRESENTATIONS AND WARRANTIES OF LESSEE**

Lessee represents and warrants that:

- (a) Lessee's full and accurate legal name is as stated in the Lease and the information describing Lessee set forth in the Lease is accurate in all respects.
- (b) If Lessee is an individual: Lessee is a U.S. citizen or lawful permanent resident.
- (c) If Lessee is a legal entity: (i) Lessee is an entity formed and doing business in the United States; (ii) Lessee is not a governmental entity or tax-exempt person; and (iii) if Lessee is an entity other than a corporation, Lessee does not have any direct or indirect owners other than individuals who are U.S. citizens or lawful permanent residents and corporations formed and doing business in the United States.
- (d) Lessee is the legal owner of Lessee's Property (including the residence or other structure upon which the Solar Equipment is to be mounted).
- (e) The person signing the Lease has full authority to represent, sign for, and bind Lessee in all respects.
- (f) The execution, delivery, and performance of the Lease and all related instruments and documents (i) have been duly authorized by all necessary action on the part of Lessee, (ii) do not require the approval of any other person, and (iii) do not and will not contravene any law, governmental rule, regulation, or order now binding on Lessee, or constitute a Default under the Lease, or result in the creation of any lien or encumbrance upon the property of Lessee under any indenture, mortgage, contract, or other agreement to which Lessee is a party or by which he or she or his or her property is bound.
- (g) The Lease, when entered into, will constitute legal, valid, and binding obligations of Lessee enforceable against Lessee in accordance with their terms.

**Date of Issue: March 29, 2010**  
**Issued by: Mark R. Sperduto, Vice President**  
**Wall, NJ 07719**

**Effective for service rendered on**  
**and after October 1, 2010**

**NEW JERSEY NATURAL GAS COMPANY**

***BPU No. 8 - Gas***

***Original Sheet No. 38c***

**STANDARD TERMS & CONDITIONS**

**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

- (h) There are no actions or proceedings to which Lessee is a party, and there are no other threatened actions or proceedings of which Lessee has knowledge, before any governmental authority which, either individually or in the aggregate, would adversely affect the financial condition of Lessee or the ability of Lessee to perform his or her obligations under the Lease.
- (i) Lessee is not in default under any obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any rent under any lease agreement which, either individually or in the aggregate, would adversely affect the financial condition of Lessee or the ability of Lessee to perform his or her obligations under the Lease.
- (j) The Leased Property Location is in a condition suitable for the installation of the Solar Equipment and the Leased Property Location is in compliance with applicable laws, rules, codes and ordinances.
- (k) Lessee has no knowledge of any claim having been made by any governmental agency that a violation of applicable building or electrical codes, regulations, or ordinances exists with respect to the Leased Property Location or any portion thereof.
- (l) Lessee will not cause, create, incur, assume, permit or suffer to exist any liens or encumbrances (including mechanics', labor or materialman's liens) on the Leased Property Location, except as permitted in the Lease. If Lessee breaches its obligations under this section, it shall immediately notify NJNG in writing, shall promptly cause such liens or encumbrances to be discharged and released of record without cost to NJNG, and shall indemnify NJNG against all costs and expenses (including attorneys' fees and court costs at trial and on appeal) incurred in discharging and releasing such liens or encumbrances.
- (m) No Hazardous Materials exist at, in, on, or under the Leased Property Location, or have been released or are in imminent threat of release at, on, in to or from the Leased Property Location, and Lessee shall not (and shall not permit any other party to) use, store, dispose of or release Hazardous Materials on or to the Leased Property Location. "Hazardous Materials" is defined to include without limitation any "hazardous substance", "hazardous material", "toxic substance" "solid waste" or similar term as defined in any applicable law pertaining in whole or part to the protection of the environment, natural resources or human health, including, without limitation, asbestos, asbestos-containing material and suspected or potential asbestos-containing material.
- (n) No action, suit, proceeding, claim, complaint, dispute, arbitration or investigation has been instituted or, to the knowledge of Lessee, is threatened against the Lessee in relation to the Leased Property Location.
- (o) No foreclosure proceeding is ongoing with respect to the Leased Property Location.
- (p) Lessee shall not, and shall not permit others (except NJNG and its contractors and authorized agents) to, access the Solar Equipment once installed on the Lessee's Property, and shall not permit any person to walk on, run on, play on, mount, or otherwise engage in activities of any nature on or in close proximity to the Solar Equipment. Lessee acknowledges that breach of this warranty may result in injury to persons, including death, as well as damage to the Solar Equipment.

***Date of Issue: March 29, 2010***  
***Issued by: Mark R. Sperduto, Vice President***  
***Wall, NJ 07719***

***Effective for service rendered on***  
***and after October 1, 2010***

**NEW JERSEY NATURAL GAS COMPANY**

***BPU No. 8 - Gas***

***Original Sheet No. 38d***

**STANDARD TERMS & CONDITIONS**

**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

- (q) Lessee shall cooperate with NJNG to procure all building permits, site permits, waivers, variances, permits, authorizations, licenses and related requirements ("Permits") that are required or desirable for the construction, commissioning, operation and maintenance of the Solar Equipment and agrees to complete (and submit, if necessary) any documentation reasonably requested by NJNG related to such Permits; provided, however, NJNG shall pay for all fees and expenses required to be given or paid to any governmental authority in relation to all such Permits. Lessee shall provide a copy of all such Permits to NJNG promptly upon receipt from any government authority.

**11.8 PURCHASE OPTION**

So long as Lessee has not committed any default under the Lease, and subject to the conditions stated herein, NJNG hereby grants to Lessee a non-assignable option to purchase all (but not less than all) of the Solar Equipment described in the Lease on the Expiration Date for an amount equal to the then fair market value of the Solar Equipment (the "Option Price"). NJNG shall deliver notice to Lessee one hundred eighty (180) days prior to the Expiration Date (the "Purchase Notice") indicating the Expiration Date and Lessee's option to purchase the Solar Equipment pursuant to the Lease, and Lessee shall have sixty (60) days from the date of the Purchase Notice to provide notice to NJNG of its intent to purchase the Solar Equipment, subject to agreement on the Option Price. If Lessee has indicated its intent to purchase the Solar Equipment, at least ninety (90) days prior to the Expiration Date the Option Price will be determined by an American Society of Appraisers (or any successor thereto) certified appraiser selected by NJNG and such appraiser will notify both Lessee and NJNG of the Option Price by a date no later than sixty (60) days prior to the Expiration Date. Lessee will indicate its election to exercise the purchase option by payment of the Option Price to NJNG, in cash or other immediately available funds as required by NJNG in its sole and absolute discretion, no later than thirty (30) days prior to the expiration of the Term. The estimates represent the fair market value of the Solar Equipment at the end of the Term; these estimates are provided for general informational purposes as an Exhibit to each Lease and should not be assumed to be the applicable Option Price. Lessee's right to purchase the Solar Equipment is contingent upon there being no ongoing Default on the part of Lessee under the Lease or any other agreement between NJNG or its affiliates and Lessee (in NJNG's sole determination). If Lessee fails to comply with any of the requirements of the purchase option, Lessee shall be deemed to have waived the purchase option contained in the Lease. It is expressly understood by the parties hereto that any purchase of the Solar Equipment hereunder will be without representations or warranties, express or implied, on the part of NJNG, and that NJNG will sell the Solar Equipment to Lessee, and Lessee will assume the Solar Equipment, on an "as is," "where is," "with all faults" basis.

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**NEW JERSEY NATURAL GAS COMPANY**

***BPU No. 8 - Gas***

***Original Sheet No. 38e***

**STANDARD TERMS & CONDITIONS**

**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

**11.9 RIGHTS OF THE PARTIES FOLLOWING THE EXPIRATION DATE/THIRD PARTY EASEMENT**

If Lessee elects not to exercise or waives the purchase option in Section 11.8, the Parties agree that the Solar Equipment will remain at the Leased Property Location, and so long as Lessee has not committed a default under the Lease, Lessee shall have the right to purchase any electricity generated by the Solar Equipment at a per-kilowatt rate to be determined at such time by NJNG in its sole discretion (but such rate shall be no greater than the rate offered at such time by NJNG to similarly situated customers), for a period extending until the earlier of ten (10) years after the Expiration Date or NJNG's removal (effected at a time determined in its sole discretion) of the Solar Equipment from the Leased Property Location. If Lessee does not elect to purchase such electricity, Lessee agrees that it will not disturb the Solar Equipment and shall continue to comply with the requirements with respect to the use of the Solar Equipment set forth in Section 11.11 for a period of ten (10) years following the Expiration Date. In such event, NJNG shall continue to have the easement rights described in Section 11.4 above (as well as the Third Party Sales Easement described below) and may enter upon the premises of Lessee or other premises where the Solar Equipment may be located and (without notice to Lessee and with or without legal process) take any actions necessary to permit the Solar Equipment to deliver generated energy directly into the utility system, without liability to Lessee by reason of such entry. In addition to the Easements set forth in Section 11.4 above, all of which shall run with title to Lessee's Property, be binding on successors-in-title and survive a termination of the Lease for any reason other than an Abandonment, Lessee hereby grants and conveys to NJNG a perpetual exclusive easement to on and over Lessee's Property for (a) the installation, maintenance, repair, and replacement of above-ground and/or underground electrical transmission lines, conduit and related equipment, collection and transmission grid, power conditioning equipment, transformers, telecommunications equipment and other related facilities, equipment and improvements which are necessary for NJNG to connect to the distribution grid and sold by NJNG to third parties ("Third Party Sales"), and for (b) Third Party Sales and related activities (collectively, the "Third Party Sales Easement"). The Third Party Sales Easement is hereby granted by Lessee and shall be deemed immediately effective, provided however, that NJNG shall not have the right to exercise the Third Party Sales Easement rights, other than as stated in this Section 11.9, above, and in Section 11.20(b)(iii). The Third Party Sales Easement shall terminate if the Lease is terminated as the result of a default by NJNG or due to an Abandonment in accordance with the terms of Section 11.4 above.

**11.10 ABSOLUTE OBLIGATION**

Lessee's obligation to pay rent and perform his or her obligations hereunder is absolute, irrevocable, and unconditional, except as provided herein, and will not be subject to any right of set off, counterclaim, deduction, defense, or other right Lessee may have against NJNG, any contractor hired by NJNG to install the facility, or any other party. However, nothing herein will preclude Lessee from asserting any such claims in a separate cause of action. Lessee understands and agrees that no contractor or installer hired by NJNG to install, operate or maintain the solar equipment, nor any sales representative or other agent of such contractor or installer is an agent of NJNG or is authorized to waive or alter any term or condition of the Lease, and no such waiver or alteration shall vary the terms of the Lease. Lessee agrees not to assert against NJNG any claims or defenses Lessee may have against any such contractor or installer.

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**STANDARD TERMS & CONDITIONS**

**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

**11.11 USE/ALTERATIONS**

Lessee (a) will not alter, repair, remove or relocate the Solar Equipment, or make any attachments thereto, without the prior written approval of NJNG, (b) will comply with the guidelines specified by the manufacturer of the Solar Equipment and (c) will notify NJNG within ten (10) days of any damage to the Solar Equipment. Lessee will comply with all applicable laws, regulations, utility requirements and approvals with respect to the Solar Equipment, and will immediately notify NJNG, in writing, upon becoming aware of any existing or threatened investigation, claim, or action by any governmental authority that could adversely affect the Solar Equipment, NJNG, or the Lease.

**11.12 TITLE TO THE SOLAR EQUIPMENT**

Title to the Solar Equipment will remain with NJNG at all times during the Lease. There will be no transfer of title to Lessee, except upon the purchase by Lessee of the Solar Equipment under Lessee's purchase option set forth in Section 11.8.

**11.13 ASSIGNMENT BY LESSEE**

(a) Lessee will not, without NJNG's prior written consent, (i) sell, assign, transfer, pledge, hypothecate, allow a lien or other encumbrance to be placed on or otherwise dispose of the Lease or the Solar Equipment, (ii) rent, sublet, or lend the solar equipment to anyone, or (iii) permit the Solar Equipment to be used by anyone other than Lessee. Lessee acknowledges that he or she remains primarily liable for all obligations hereunder notwithstanding any use by another person. Subject to the restrictions on assignment contained in this Section 11.13, the Lease may inure to the benefit of, and is binding upon, Lessee's successors and assigns as are permitted under this Section 11.13. In the event that Lessee sells, bequeaths, or otherwise transfers title to Lessee's Property (including the residence or other structure upon which the Solar Equipment is mounted) to a transferee (any such action being referred to herein as a "Property Transfer"), Lessee shall transfer and assign its obligations under the Lease to such transferee and Lessee shall cause the transferee to unconditionally accept the agreements and obligations of Lessee hereunder in writing pursuant to an assignment/assumption agreement (as the same may be modified by NJNG to ensure compliance with recordation formalities), or in another form otherwise acceptable to NJNG (the "Assignment Document"). If Lessee elects to cause a Property Transfer, Lessee shall provide written notice to NJNG of the Property Transfer at least thirty (30) days prior to the consummation of the Property Transfer, along with the name and contact information of the transferee. Lessee and the transferee shall, at the closing deliver to Lessor a copy of the fully executed Assignment Document. If Lessee does not provide a fully executed original counterpart of the Assignment Document within thirty (30) days after the closing of the Property Transfer, the failure of Lessee to provide such Assignment Document shall be deemed a default under Section 11.20(b)(iii), below, and NJNG shall be entitled to exercise all rights and remedies as specified in Section 11.20. In the event the Assignment Document is timely delivered, Lessee shall be relieved of its obligations hereunder to the extent arising after the date of the Property Transfer and the Lease as pertains to the Lessee shall be terminated. In any event, if Lessee is divested of ownership of Lessee's Property, its purchase option set forth in Section 11.8 and any option for Lessee to purchase power from NJNG (including, without limitation, pursuant to the terms of Section 11.9) or

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**STANDARD TERMS & CONDITIONS**

**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

to otherwise cause compliance by NJNG with the terms of the Lease, shall automatically terminate. The Easements set forth in Section 11.4 and the Third Party Sales Easement in Section 11.9 above shall run with title to Lessee's Property and shall survive any such divesture and shall continue to burden Lessee's Property in accordance with their terms. NJNG shall have the right to cause the Assignment Document to be recorded.

**11.14 SUBLEASE AND ASSIGNMENT BY LESSOR**

Lessee understands and acknowledges that NJNG may sell, transfer, assign, and/or grant a security interest in all or any part of NJNG's interest in the Lease or any Solar Equipment (each, an "NJNG Transfer"), at any time with or without notice to Lessee. Any purchaser, transferee, assignee, or secured party of NJNG (each, an "NJNG Assignee") shall have and may exercise all of NJNG's rights under the Lease with respect to the items to which any such NJNG Transfer relates, and the Lease shall inure to the benefit of, and be binding upon, any NJNG Assignee (to the extent of the NJNG Transfer to such NJNG Assignee). Upon written notice of an NJNG Transfer, Lessee agrees to cooperate with NJNG and any NJNG Assignee and shall execute documentation reasonably requested by NJNG and any NJNG Assignee in connection with the NJNG Transfer. Following such NJNG Transfer, the term NJNG shall be deemed to refer to each NJNG Assignee. Lessee will provide reasonable assistance to NJNG to complete any transaction contemplated by this subsection.

**11.15 RISK OF LOSS/DAMAGE TO SOLAR EQUIPMENT**

(a) NJNG will bear the entire risk of loss of all or any part of the Solar Equipment (including, without limitation, theft, destruction, or disappearance of, or damage to the Solar Equipment) during the Term, other than for loss or damage to all or any part of the Solar Equipment due to Lessee's breach of the Lease, negligence, gross negligence or willful misconduct and no such loss that is the responsibility of Lessee will relieve Lessee of the obligation to pay Rent or of any other obligation under the Lease. (b) If any Solar Equipment is lost, stolen, or damaged beyond repair, or confiscated, seized, or the use and/or title thereof requisitioned to someone other than Lessee, Lessee shall immediately notify NJNG of such event. In the event that such loss is the responsibility of Lessee, Lessee shall pay NJNG an amount equal to the sum of (i) all Rent due and owing under the Lease accrued as of the date of such payment, plus (ii) the Stipulated Loss Value for the Solar Equipment as of the date of such loss event, net of any insurance proceeds already paid over to NJNG on account of such loss. NJNG shall calculate the amount owed by Lessee and shall include such amount in the following month's invoice. The Lease shall automatically terminate upon Lessee's payment in full of such amount. For purposes of the Lease, "Stipulated Loss Value" means the amount, in the reasonable but sole opinion of NJNG, which is necessary as of the date of any loss event (including a Default or other event triggering a payment obligation), to maintain NJNG's originally anticipated after-tax yield from the Lease during the Term. (c) In the event of any casualty or acts of God, including, but not limited to, physical or weather related events (a "Casualty") that causes material damage to the Solar Equipment, NJNG's obligations under the Lease with respect to the delivery of electricity from the Solar Equipment shall be suspended as of the day of the Casualty and shall not resume until the day the Solar Equipment or part thereof is restored to full service; provided, that if NJNG reasonably determines not to re-build the Solar Equipment (such election to be made by NJNG in its sole discretion), then either NJNG or Lessee may terminate the Lease by giving the other a notice in writing within ninety (90) days after the Casualty, whereupon the term of the Lease shall

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**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

expire by lapse of time upon the date set forth in such notice which date shall be no longer than thirty (30) days after the date of the notice. Upon the termination of the Lease under the conditions herein provided, Lessee shall only be obligated to pay Rent up to the date the Casualty rendered the Solar Equipment or any part thereof unusable. Whether or not the Lease is terminated, Lessee's obligation to pay Rent shall abate beginning on the day the Solar Equipment or part thereof was rendered unusable by the Casualty and ending on the day the Solar Equipment or part thereof is restored to full service, and such abatement shall be proportionate to the percentage of the Solar Equipment rendered unusable and pro-rated for the days during which the Solar Equipment was rendered unusable.

**11.16 INSURANCE**

Lessee shall, at all times during the Term of the Lease and at Lessee's sole cost and expense, maintain general liability insurance (including blanket contractual liability coverage and products liability coverage) for personal and bodily injury and property damage of at least \$250,000 per occurrence, and such insurance policies shall include terms, and be with insurance carriers, reasonably satisfactory to NJNG. Without limiting the generality of the foregoing, each policy shall include the following terms: (a) all physical damage insurance shall name NJNG and its assigns as loss payee, (b) all liability insurance shall name NJNG and its assigns as additional insureds, (c) the policy shall not be canceled or altered without at least thirty (30) days advance notice to NJNG and its assigns, and (d) coverage shall not be invalidated against NJNG or its assigns because of any violation of any condition or warranty contained in any policy or application therefore by Lessee or by reason of any action or inaction of Lessee. On each anniversary of the Installation Date during the Term of the Lease, at NJNG's request, Lessee shall deliver to NJNG certificates or other proof of insurance satisfactory to NJNG evidencing the coverage required by this section.

**11.17 TAXES**

As of the date of execution of the Lease, the Parties acknowledge and agree that the Solar Equipment may be subject to property taxes that are currently imposed by the State of New Jersey. To the extent that property taxes are imposed on the Solar Equipment, such taxes will be included in the amount of Rent, or, if applicable, Lessee (with NJNG's cooperation) will apply for an exemption from tax based on certification of the solar product as a renewable energy system. To the extent that any other additional taxes are imposed upon the Lease or the Solar Equipment, NJNG shall have the right to increase the Rent, in its sole discretion.

**11.18 NJNG'S RIGHT TO PERFORM FOR LESSEE**

If Lessee fails to perform any of his or her obligations contained in the Lease, NJNG may (but shall not be obligated to) itself perform such obligations, and the amount of the reasonable costs and expenses of NJNG incurred in connection with such performance shall be payable by Lessee to NJNG upon demand. No such performance by NJNG shall be deemed a waiver of any rights or remedies of NJNG or be deemed to cure the Default of Lessee under the Lease.

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**STANDARD TERMS & CONDITIONS**

**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

**11.19 PERSONAL PROPERTY/LIENS**

Lessee acknowledges and agrees that the Solar Equipment is, and will at all times during the Term remain, fully removable personal property notwithstanding any affixation or attachment to real property or improvements. Lessee hereby agrees not to permit the Solar Equipment to be or become a fixture under applicable law. Lessee hereby waives and releases in favor of NJNG, on behalf of itself and any other party which at any time obtains an interest in Lessee's Property (collectively, the "Property Interest Holders") (a) any and all rights of distraint, levy and execution that the Property Interest Holders may have against the Solar Equipment, (b) any and all statutory liens, security interests or other liens that the Property Interest Holders may now or hereafter have in the Solar Equipment, and (c) any and all other interests or claims of every nature whatsoever that the Property Interest Holders, may now or hereafter have in or against the Solar Equipment. Lessee will at all times during the Term keep the Solar Equipment free and clear from all liens and encumbrances of any kind or nature other than those created by, through, or under NJNG.

**11.20 DEFAULT/REMEDIES**

- (a) As used in the Lease, the term "Default" means any of the following events: (i) Lessee fails to pay any Rent or other amount due under the Lease within ninety (90) days after such payment is due; (ii) a foreclosure process has commenced with respect to Lessee's Property on which the Leased Property Location is located; (iii) Lessee violates or fails to perform any provision of the Lease or any other agreement between Lessee and NJNG; (iv) any warranty or representation made by Lessee proves to have been false or misleading when made; or (v) without the prior written consent of NJNG, Lessee attempts to or does sell, lease, dispose of, or assign its interest in the Lease with respect to any of the Solar Equipment. A Default by Lessee under the Lease will, at NJNG's option, be a Default for all agreements between NJNG and Lessee.
- (b) Upon the occurrence of a Default, NJNG or its agents may do one or more of the following (in its sole discretion): (i) proceed by appropriate court action to enforce performance by Lessee of the Lease or to recover damages, including incidental and consequential damages, for the breach thereof; (ii) by notice in writing to Lessee, cancel the Lease, without prejudice to any other remedies hereunder; (iii) enter upon the premises of Lessee or other premises where the Solar Equipment may be located and (without notice to Lessee and with or without legal process) take possession of and remove all or any part of the Solar Equipment or take any actions necessary to permit the Solar Equipment to deliver generated energy directly into the utility system, without liability to Lessee by reason of such entry or taking of possession, and without such action canceling the Lease unless NJNG notifies Lessee of such cancellation in writing; (iv) deliver written notice to Lessee specifying a payment date on which Lessee will pay to NJNG, a sum equal to (as liquidated damages for loss of a bargain and not as a penalty): (A) any unpaid Rent accrued and due as of such payment date, plus (B) the Stipulated Loss Value; (v) sell the Solar Equipment at public or private sale or hold, keep idle, or lease the Solar Equipment to any other person; and (vi) exercise any other right or remedy available to NJNG under applicable law. In addition, Lessee will be liable for all costs, expenses, and legal fees incurred in enforcing NJNG's rights under the Lease, before or in connection with litigation or arbitration and for any deficiency (below the Stipulated Loss Value owed by Lessee) in the amount received by NJNG upon disposition of the Solar Equipment.

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**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

- (c) None of NJNG's rights or remedies hereunder are intended to be exclusive, but each will be cumulative and in addition to any other right or remedy referred to in the Lease or otherwise available to NJNG at law or in equity, and no express or implied waiver by NJNG of any Default will be a waiver of any other Default or a waiver of any of NJNG's rights.
- (d) With respect to any exercise by NJNG of its right to recover and/or dispose of any Solar Equipment or any other collateral securing Lessee's obligations under the Lease, Lessee acknowledges and agrees that NJNG may dispose of the Solar Equipment in compliance with applicable law and with such preparation (if any) as NJNG determines, in its sole discretion, to be necessary or desirable. Lessee will remain liable for any shortfall between the Stipulated Loss value and the price received for the disposition of the Solar Equipment.

**11.21 LIMITATION OF LIABILITY**

NJNG shall not be liable for any claim for damages resulting from the supply, use, care or handling of the electricity generated by the Solar Equipment or from the presence or operation of the Solar Equipment, except for general or direct damages that follow from NJNG's negligence, recklessness, or willful misconduct. NJNG shall not be liable for special or consequential damages. Lessee Electrical Equipment shall be suitable for the use of electricity and shall be installed, inspected, repaired and maintained solely by the Lessee and solely at Lessee's expense in a manner approved by the public authorities having jurisdiction over the same, and in good and safe condition in accordance with all applicable codes. Lessee shall be solely responsible for the selection of Lessee Electrical Equipment and NJNG shall have no duty or responsibility for the design, selection, installation, operation or repair of said Equipment. NJNG shall not be liable for damages to Lessee Electrical Equipment or for injuries sustained by Lessee or others, due to the condition or character of Lessee Equipment. Lessee shall, at all times, be solely responsible for the inspection, integrity and safety of all Lessee Electrical Equipment. "Lessee Electrical Equipment" shall mean all electrical appliances, electronics, lighting or any other piece of equipment or product that uses electricity and includes electrical equipment leased by the Lessee from third parties other than the Solar Equipment and all electrical equipment connecting Lessee's Property with the Solar Equipment.

**11.22 INDEMNITY**

Lessee agrees to indemnify, defend and hold harmless NJNG and all related entities and their respective officers, directors, agents, servants and employees with respect to all liabilities, suits, claims, damages, demands and expenses (including attorney's fees) brought by any and all persons not a party to the Lease, arising from or out of (a) claims of personal injury (including death) or property damage from electricity delivered from the Solar Equipment to Lessee or from the presence or operation of the Solar Equipment; (b) any condition of Lessee's Property (including, without limitation the presence of Hazardous Materials or failure of Lessee's Property to be and remain in compliance with any legal requirements) (c) a breach by Lessee of the Lease; or (d) any sole or concurrent negligence or other tortious acts or omissions by Lessee in the performance of the Lease.

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**STANDARD TERMS & CONDITIONS**

**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

**11.23 NOTICES**

Except for the Monthly Invoice, any other statements with respect to Rent that are issued prior to the time of any Lessee Default, and any other routine communications, all notices and other communications under the Lease to Lessee shall be in writing and shall be transmitted by hand, overnight courier, or certified mail (return receipt requested), U.S. postage prepaid. All notices and other communications under the Lease to NJNG (except for remittances of Rent) shall be in writing and shall be transmitted by overnight courier, or certified mail (return receipt requested), U.S. postage prepaid. Such notices and other communications shall be addressed to the respective party at the address set forth in the Lease or at such other address as any party may, from time to time, designate by notice duly given in accordance with this section. Such notices and other communications shall be effective three (3) days after mailing if mailed in accordance with the terms of this section.

**11.24 FEES AND EXPENSES**

Lessee shall pay all reasonable costs and expenses of NJNG, including, without limitation, attorney's and other professional fees, returned check or non-sufficient funds charges, the fees of any collection agencies and appraisers, and all other costs and expenses related to any collection, repossession, sale or re-lease of Solar Equipment (including storage costs) incurred by NJNG in enforcing any of the terms, conditions, or provisions of the Lease or in protecting NJNG's rights under the Lease.

**11.25 LESSEE'S WAIVERS**

To the extent permitted by applicable law, Lessee waives (a) any and all rights and remedies conferred upon a Lessee by article 2a of the UCC and (b) any rights now or hereafter conferred by statute or otherwise to recover incidental or consequential damages from NJNG for any breach of warranty or for any other reason or to set off or deduct all or any part of any claimed damages resulting from NJNG's default, if any, under the related Lease.

**11.26 UCC OR OTHER FILINGS**

Lessee authorizes NJNG to authenticate and/or file all UCC financing statements and amendments and any memorandum of lease or filing of easements that, in NJNG's sole discretion, are deemed necessary or proper to secure or protect NJNG's interest in the solar equipment in all applicable jurisdictions. Lessee ratifies, to the extent permitted by law, all that NJNG shall lawfully and in good faith do or cause to be done by reason of and in compliance with this section. Lessee shall provide written notice to NJNG at least thirty (30) days prior to any contemplated change in Lessee's name or address.

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**11. FOR CUSTOMERS LEASING COMPANY INSTALLED SOLAR EQUIPMENT (continued)**

**11.27 MISCELLANEOUS**

Time is of the essence with respect to the Lease. Any failure of NJNG to require strict performance by Lessee or any waiver by NJNG of any provision of a Lease shall not be construed as a consent or waiver of any other provision of the Lease. The Lease will be binding upon NJNG only if executed by a duly authorized officer of NJNG at NJNG's address set forth in the Lease. Any provision of the Lease that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof. Headings and titles in the Lease are intended for convenience or reference only, and shall not be construed to define, limit, or describe the scope or intent of any provisions of the Lease. Lessee will promptly execute or otherwise authenticate and deliver to NJNG such further documents, instruments, assurances, and other records and take such further action as NJNG may reasonably request in order to carry out the intent and purpose of the Lease and to establish and protect the rights and remedies created or intended to be created in favor of NJNG thereunder.

**11.28 GOVERNING LAW**

The Lease is being delivered in, and shall be governed by and construed in accordance with the laws of, the State of New Jersey, including all matters of construction, validity, and performance, without giving effect to any choice of law or conflict of laws. NJNG and Lessee hereby each waive their respective rights to trial by jury of any claim or cause of action based upon or arising out of or related to solar equipment or the Lease. This waiver is made knowingly, willingly, and voluntarily by NJNG and Lessee who each acknowledge that no representations have been made by any individual to induce this waiver of trial by jury or in any way to modify or nullify its effect. This waiver shall apply to any subsequent amendments, supplements, or modifications to the Lease.

**11.29 LIMITED WARRANTIES**

NJNG warrants to Lessee that during the Term the Solar Equipment will function so as to be capable of generating electricity from solar energy, of a quality that may be utilized in a residential dwelling in lieu of electricity purchased from and delivered by any local utility provider. In the event that the Solar Equipment fails to function in the foregoing manner, and such failure is not a result of Lessee's breach of the Lease, negligence, gross negligence or willful misconduct, NJNG will repair the Solar Equipment so that it again functions in the manner specified in the preceding sentence. Except as stated above, NJNG makes no warranties as to the quantity of such electricity that may be generated by the Solar Equipment, nor any other warranties as to the quality of the electricity. NJNG shall not be deemed to be in violation of its warranty due to a Casualty event that causes material damage to the Solar Equipment or any action or inaction of Lessee rendering the Solar Equipment inoperative or less operative than it would have been were it not for the Lessee's action or inaction. NJNG makes no warranties, express or implied, as to any matter whatsoever, including, without limitation, title to, design, operation, condition, or quality of the material or workmanship in, solar equipment, its merchantability, or its fitness for any particular purpose, the absence of latent or other defects (whether or not discoverable), lack of infringement of any patent, trademark, or copyright, and NJNG hereby disclaims all such warranties; it being understood that the solar equipment is, to the extent permitted by law, leased to Lessee on an as is, where is basis

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except with respect to the warranties expressly stated in the Lease. In no event shall NJNG be liable for any indirect, special or consequential damages. In no event will NJNG be liable for any loss of profits, indirect, consequential, or other damages resulting from any failure of the solar equipment or any delay in the delivery of any component or any delay in the performance of any maintenance. Lessee acknowledges and agrees that Lessee's full and complete energy needs may not be provided by the solar equipment, and in such instance Lessee will be responsible at Lessee's own cost and expense, for purchasing any and all additional energy needs from Lessee's local utility provider.

**11.30 COUNTERPARTS**

The Lease may be executed in several counterparts and by different parties thereto on separate counterparts, each of which when so executed or otherwise authenticated and delivered shall be an original, but all such counterparts shall together consist of one and the same instrument; except, to the extent that any Lease Documents constitute chattel paper under the UCC, no security interest therein may be created other than through the transfer or possession of the original counterpart, which shall be identified by NJNG.

**11.31 ENTIRE AGREEMENT**

The Lease, together with all exhibits and attachments constitute the entire understanding or agreement between NJNG and Lessee with respect to the leasing of Solar Equipment, and there is no understanding or agreement, oral or written, which is not set forth in the Lease. The Lease may not be amended except by a writing signed by NJNG and Lessee. Any alteration, addition, or modification made by Lessee to the preprinted terms of the Lease shall be void and without any effect.

**11.32 ACCEPTANCE**

The Lease shall not be binding or enforceable against NJNG unless and until signed by an authorized officer of NJNG.

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***Date of Issue: March 29, 2010***  
***Issued by: Mark R. Sperduto, Vice President***  
***Wall, NJ 07719***

***Effective for service rendered on***  
***and after October 1, 2010***

**NEW JERSEY NATURAL GAS COMPANY**

***BPU No. 8 - Gas***

***Original Sheet Nos. 39-50***

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***RESERVED FOR FUTURE USE***

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***Date of Issue: March 29, 2010***  
***Issued by: Mark R. Spurduto, Vice President***  
***Wall, NJ 07719***

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***Filed pursuant to Order of the Board of Public Utilities entered in***  
***Docket No.***



**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Original Sheet No. 94**

**SERVICE CLASSIFICATION - FEED**

**FOSTERING ENVIRONMENTAL AND ECONOMIC DEVELOPMENT SERVICE**

**AVAILABILITY**

This service is available to any qualifying commercial and industrial customers on: a voluntary basis; alone or in conjunction with any other applicable rate schedule and to customers that meet the stated eligibility requirements and contract terms and conditions with the Company for service under the FEED program.

**CHARACTER OF SERVICE**

Firm or Interruptible gas service where Customer may either purchase gas supply from the Company's Rider "A" for Basic Gas Supply Service ("BGSS") or from an independent Marketer or Broker.

**CONDITIONS PRECEDENT**

In order to be a qualifying customer, the customer must meet one or more of the following conditions:

1. For new customers, the customer must intend to utilize natural gas to provide significant environmental or economic development benefits within NJNG's service territory or in a manner that increases system utilization.
2. An existing customer that materially expands its use of natural gas.
3. An existing Customer that provides significant environmental or economic development benefits within NJNG's service territory or that increases system utilization.

**APPLICATION**

This Rate Classification allows the Company to offer customer specific services under terms and conditions as agreed to between the Company and Customer, including, but not limited to, the following:

1. FEED Incentive or Discounted Rates designed to encourage environmental improvements or development within the Company's service territory or enhance the Company's system utilization (FEED Class 1). FEED Class 1 may be used separately or in conjunction with FEED Class 2 or FEED Class 3.
2. FEED Special Developmental Rates designed to allow the Company to recover from the Customer the Company's capital investment, fees, expenses, costs, other charges and a return on the investment over the duration of the Contract related to distribution system and mains expansions (FEED Class 2).
3. FEED Special Developmental Rates designed to encourage significant, new and/or environmental or economic development projects in NJNG's service territory and allow the Company to install and/or operate equipment and facilities to fulfill the Contract and recover from the Customer the Company's capital investment, fees, expenses, costs, other charges and a return on the investment over the duration of the Contract related to non-traditional equipment (FEED Class 3). The projects will not be included in the Company's rate base.

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**Wall, NJ 07719**

**Effective for service rendered on**  
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**NEW JERSEY NATURAL GAS COMPANY**

**BPU No. 8 - Gas**

**Original Sheet No. 95**

**SERVICE CLASSIFICATION - FEED**

**FOSTERING ENVIRONMENTAL AND ECONOMIC DEVELOPMENT SERVICE (continued)**

**SPECIAL CONTRACT AND PROVISIONS**

1. **Contract**

The Customer and the Company shall enter into a contract detailing the rates, charges, terms and other conditions. At the conclusion of the specified term of the Contract, any continuing service to the Customer shall be charged under the terms and conditions of the then-applicable Tariff rate schedule for similarly situated customers.

2. **Contract Terms**

The Contract will include details regarding length of the initial term and any renewal options, a specified term for the recovery of the Company's capital investment in facilities and all related costs, charges and expenses, the operational terms and conditions, the rates and charges applicable under the Contract, and other provisions to fully define the obligations and rights of the parties.

3. **Significant Economic Benefit**

Customers must intend to: create new jobs or avoid potential job reductions in New Jersey; or otherwise provide material benefits in the areas of economic development or infrastructure enhancements which might not be attained absent the contract under this Service Classification.

4. **Significant Environmental Benefit**

Customers must intend to: install or modernize equipment that uses energy more efficiently; reduce carbon emissions; achieve goals under a State or Federal Energy Plan or policy as may be established from time to time; or otherwise intend to provide measurable benefits to improve New Jersey's environment.

**BILLING**

Recovery of the Company's costs including but not limited to, the capital investment, fees, expenses, costs, other charges and a return on investment shall be billed under a separately stated charge on the Customer's bill, which shall be determined for each individual Customer and specified in the Contract.

**REGULATORY REVIEW**

The Company shall file the Contract and any other terms and conditions with the New Jersey Board of Public Utilities (Board) and the Public Advocate's Division of Rate Counsel (Rate Counsel) for review, together with information regarding how service under the Contract provides significant environmental or economic benefit or improves system utilization. Absent action by the Board or Rate Counsel to the contrary, the Contract and any other terms and conditions shall take effect sixty (60) days following the date on which the Contract was filed. Any subsequent amendments following implementation of the Contract that modify the terms of the Contract shall be submitted to the Board and Rate Counsel within sixty (60) days of the effective date of such amendment, and absent action by the Board and Rate Counsel to the contrary, the amendment(s) shall take effect, as prescribed.

**Date of Issue: March 29, 2010**  
**Issued by: Mark R. Sperduto, Vice President**  
**Wall, NJ 07719**

**Effective for service rendered on**  
**and after October 1, 2010**

**Filed pursuant to Order of the Board of Public Utilities entered in**  
**Docket No.**

**NEW JERSEY NATURAL GAS COMPANY**

***BPU No. 8 - Gas***

***Original Sheet No. 96***

**SERVICE CLASSIFICATION - FEED**

**FOSTERING ENVIRONMENTAL AND ECONOMIC DEVELOPMENT SERVICE (continued)**

**PAYMENT**

Bills are due within ten (10) days after the Company sends the bill and subject to a late payment charge as set forth in Paragraph 8.9 of the Standard Terms and Conditions of this Tariff.

**TERMS AND CONDITIONS**

When applicable, service is subject to the Standard Terms and Conditions of this Tariff and the Contract.

***Date of Issue: March 29, 2010***  
***Issued by: Mark R. Sperduto, Vice President***  
***Wall, NJ 07719***

***Effective for service rendered on***  
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***Filed pursuant to Order of the Board of Public Utilities entered in***  
***Docket No.***

*NEW JERSEY NATURAL GAS COMPANY*

*BPU No. 8 - Gas*

*Original Sheet Nos. 97-150*

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RESERVED FOR FUTURE USE

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*Wall, NJ 07719*

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*and after October 1, 2010*

*Filed pursuant to Order of the Board of Public Utilities entered in*  
*Docket No.*

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

First Revised Sheet No. 172  
Superseding Original Sheet No. 172

**RIDER "F"**

**ENERGY EFFICIENCY AND RENEWABLE ENERGY - EERE**

**AVAILABILITY**

Applicable to the following service classifications:

RS	Residential Service	ED	Economic Development
DGR	Distributed Generation Residential	FC	Firm Cogeneration
GSS	General Service - Small	NGV	Natural Gas Vehicle
GSL	General Service - Large	IS	Interruptible Service
FT	Firm Transportation	IGS	Incremental Gas Service
DGC	Distributed Generation Commercial		

The Energy Efficiency and Renewable Energy ("EERE") rate is for recovering authorized expenditures related to the energy efficiency and renewable energy programs as approved in BPU Docket Nos. GO09010057 and GR1003.

**DETERMINATION OF THE EERE**

The Company shall file an annual request with the Board for implementation of an EERE charge, which shall be applicable to customers on all service classifications to which Rider "F" applies. The EERE recovery year is intended to run from October 1<sup>st</sup> to September 30<sup>th</sup> of each year.

**I. Determination of the RateEE**

The EERE rate shall be derived in the following manner:

- (1) An estimate shall be made of the total annual cost related to the EE-programs. This rider will include only expenses for energy efficiency and renewable energy programs approved by the Board in BPU Docket Nos. GO09010057 and GR1003, unless modified further by Board Order.
- (2) An estimate shall be made of the total annual volume of prospective jurisdictional sales of gas (in therms) to NJNG's sales and transportation customers.
- (3) The prospective EE-costs (per paragraph (1)) shall be adjusted upward or downward to the extent of the amount of any prior under-recovery or over-recovery of EE to determine the total EE-costs to be recovered and then shall be divided by the estimated total volume of prospective sales (per paragraph (2)), to determine the per unit EE-cost recovery rate.

Date of Issue: ~~July 22, 2009~~ March 29, 2010  
Issued by: Mark R. Sperduto, Vice President  
201009

Wall, NJ 07719

Effective for service rendered on  
and after October ~~August~~ 1,

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~Second~~~~First~~ Revised Sheet No. 173  
Superseding ~~First Revised~~~~Original~~ Sheet No. 173

RIDER "F"

ENERGY EFFICIENCY AND RENEWABLE ENERGY - EERE

II. Tracking the Operation of the EERE

The Company shall calculate carrying costs on the average monthly balances of under-or over-recovery of deferred ~~EE~~ costs based upon the Company's monthly commercial paper rate. The carrying cost calculation shall be based on the net of tax beginning and end average monthly balance. The carrying costs shall accrue on a monthly basis and shall be rolled into the ~~EE~~ balance at the end of each EERE recovery year.

In accordance with P.L., 1997 c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax ("SUT"), and when billed to customers exempt from this tax, as set forth in Rider "B", shall be reduced by the amount of such tax included therein.

The EERE factor shall be credited/collected on a per therm basis within the Delivery Charge for all service classifications to which Rider "F" applies. The EERE factor is as set forth below:

\$0.0127

Date of Issue: ~~July 22, 2009~~ March 29, 2010  
Issued by: Mark R. Spurduto, Vice President  
~~201009~~

Wall, NJ 07719

Effective for service rendered on  
and after ~~October~~ August 1,

**NOTICE TO NEW JERSEY NATURAL GAS CUSTOMERS**  
**Docket No. GR10\_\_\_\_\_**

**NOTICE OF RGGI FILING AND PUBLIC HEARING**

**TO OUR CUSTOMERS:**

**PLEASE TAKE NOTICE** that on March 29, 2010, New Jersey Natural Gas (“NJNG” or the “Company”) filed a Petition with the New Jersey Board of Public Utilities (“Board”) seeking approval of its Regional Greenhouse Gas Initiative (“RGGI”) Program and associated cost recovery mechanisms. The proposed programs target various customer segments in the NJNG service territory and complement or supplement existing New Jersey Clean Energy programs such as WARMAdvantage, COOLAdvantage, Home Performance with Energy Star (HPES), Pay for Performance and SmartStart Building programs. These programs will provide customers with increased incentives for participation in New Jersey’s Clean Energy Programs through enhanced rebates, potential financing arrangements, audit and weatherization opportunities, and expanded outreach efforts. Additionally, a renewable energy program is proposed through which NJNG will purchase, install and maintain solar energy equipment on residential homes through a lease arrangement with the homeowner. Pursuant to its RGGI filing, NJNG requested that the Board permit NJNG to transition the Board-approved Energy Efficiency Rider (“EE”) that has been in effect since August 1, 2009 for collection of the costs associated with the RGGI programs. It is proposed that the new rider be the Energy Efficiency and Renewable Energy (“EERE”) Rider. Those costs include funds for rebates, customer incentives and the associated incremental Operations and Maintenance expenses. NJNG has requested that the carrying costs associated with these programs be allowed.

The EERE recovery charge mechanism will operate and be applied in a manner consistent with existing components and processes of the EE applicable to all jurisdictional throughput volumes. Upon approval by the Board, the impact of this recovery mechanism will not result in an increase to the current EE rate. Individual customers participating in the RGGI programs are expected to achieve annual savings on their energy bills. The current rates are shown in the chart below.

The impact of the Company’s filing and the EERE, requested to be effective on October 1, 2010 or as of the date of the Final Board Order in this proceeding, on a typical residential customer (both heat and non-heat) and a typical general service small customer on a monthly basis is estimated to be as follows based on the usage levels shown below:

Customer Type	Therm Level (Usage)	Total Bill			
		Monthly Bill as of March 29, 2010	Proposed Monthly Bill as of October 1, 2010	Net Dollar Increase	Percent Increase
<b>Residential Heat Sales</b>	100	\$137.93	\$137.93	\$0.00	0.00%
<b>Residential Non-Heat Sales</b>	25	\$41.56	\$41.56	\$0.00	0.00%
<b>General Service Small</b>	100	\$1,347.34	\$1,347.34	\$0.00	0.00%

The EERE rates above reflect the proposed impact on customers for the first year of operation. In subsequent years, the applicable rates will be determined following an annual filing by NJNG on June 1 based on actual collections for the previous time period and projected collections for the next twelve-month period. Additionally, the Board has the statutory authority to establish the EERE rate at a level it finds just and reasonable pursuant to *N.J.S.A. 48:2-21*. Therefore, the Board may establish the EERE charge at a level other than those proposed by NJNG and the impact on a customer’s bill may vary from the information provided above.

**PLEASE TAKE NOTICE** that a public hearing on the RGGI Programs and EERE Rider has been scheduled at the following date, time and place:

\_\_\_\_\_ **2010, 7 p.m.**  
Freehold Borough Municipal Building  
51 W. Main Street  
Freehold, NJ 07728-2195

The public is invited to attend, and interested persons will be permitted to testify and/or make a statement of their views on the proposed rate changes. In order to encourage full participation in this opportunity for public comment, please submit any requests for needed accommodations, including interpreter, listening devices or mobility assistance, 48 hours prior to this hearing to the Board Secretary at the address below. Regardless of whether they attend the hearing, members of the public may submit written comments concerning the petition to the Board by addressing them to: Kristi Izzo, Secretary, New Jersey Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102. Copies of NJNG's January 20, 2009, filing can be reviewed either at the NJNG Customer Service Centers or at the New Jersey Board of Public Utilities, Two Gateway Center, Newark, New Jersey 07102.

Tracey Thayer, Esq.  
**New Jersey Natural Gas**

DRAFT

**NEW JERSEY NATURAL GAS COMPANY  
ACCOUNTING ENTRIES**

<u>Entry</u>	<u>Acct.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b><u>Accounting for Company Owned Solar Equipment</u></b>				
S1		Capitalize the solar equipment owned by NJNG to CWIP		
	107	Construction work in progress	XXX	
	131	Cash (outside services, materials and supplies)		XXX
S2		Capitalize AFUDC on the solar equipment		
	107	Construction work in progress	XXX	
	419.1	Allowance for other funds used during construction		XXX
	432	Allowance for borrowed funds used during construction		XXX
S3		Capitalize the solar equipment owned by NJNG		
	386	Other Property on Customer's Premise	XXX	
	107	Construction work in progress		XXX
S4		Depreciate the solar equipment over the book life.		
	403	Depreciation Expense	XXX	
	108	Accumulated Depreciation		XXX
S5		Record deferred income taxes on the book tax timing difference .		
	410.1	Deferred Income Taxes, Utility Operating Income	XXX	
	282	Accumulated Deferred Income Taxes		XXX
		or		
	411.1	Deferred Income Taxes - Credit, Utility Operating Income		XXX
	282	Accumulated Deferred Income Taxes	XXX	
S6		Record the solar equipment Investment Tax Credit.		
	236	Taxes Accrued	XXX	
	410.1	Deferred Income Taxes, Utility Operating Income	XXX	
	409.1	Income Taxes, Utility Operating Income		XXX
	255	Accumulated Deferred Investment Tax Credits		XXX
S7		Amortize the solar investment tax credit over the book life of the equipment.		
	255	Accumulated Deferred Investment Tax Credits	XXX	
	411.4	Investment Tax Credit Adjustments		XXX
<b><u>Accounting for Solar SRECs</u></b>				
S8		Record the receipt of the SRECs at current market value.		
	174	Misc Current and Accrued Assets -SREC	XXX	
	182	Regulatory Asset - Solar		XXX
S9		Record the sale of the SRECs at auction (net of transaction cost).		
	131	Cash	XXX	
	182	Regulatory Asset - Solar - gain or loss on sale	XXX	
	174	Misc Current and Accrued Assets -SREC		XXX

**NEW JERSEY NATURAL GAS COMPANY  
ACCOUNTING ENTRIES**

<b>Entry</b>	<b>Acct.</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
<b><u>Accounting for Cost Recovery</u></b>				
S10	Record	the monthly revenues.		
	142	Customer Accounts Receivable	XXX	
	400	Operating Revenues		XXX
S11	To record	solar lease receivable		
	131	Cash	XXX	
	182	Regulatory Asset		XXX
S12	Record	the Regulatory asset recovery		
	131	Cash	XXX	
	400	Clause Revenues		XXX
	400	Clause Revenues	XXX	
	182	Regulatory Asset		XXX
S13	Record	solar operation & maintenance expense.		
	182	Regulatory Asset - Solar	XXX	
	131	Cash		XXX
S14	Record	solar operation & maintenance expense.		
		Regulatory Asset Recovery		
	908	Customer assistance expenses	XXX	
	910	Miscellaneous customer service and informational expenses	XXX	
	182	Regulatory Asset - Solar		XXX
S15	Record	any over/ under recovery.		
	182	Regulatory Asset - Solar	XXX	
	407.3	Regulatory Debits	XXX	
	407.4	Regulatory Credits		XXX
	254	Regulatory Liability - Solar		XXX
S16	Record	cost of capital on unrecovered balance using NJNG's WACC.		
	182	Regulatory Asset - Solar	XXX	
	419	Other Income	XXX	XXX
	254	Regulatory Liability - Solar		XXX
<b><u>Accounting for Energy Efficiency Program</u></b>				
EE1	To defer	program expenditures and incremental O&M.		
	182	Program Investment Regulatory Asset	XXX	
	131	Cash		XXX
EE2	To amortize	direct program expenditures over 10 years.		
	908	Customer Assistance Expenses	XXX	
	182	Program Investment Regulatory Asset		XXX
EE3	To charge	incremental O&M to operating expense		
	908	Customer Assistance Expenses	XXX	
	182	Program Investment Regulatory Asset		XXX

**NEW JERSEY NATURAL GAS COMPANY  
ACCOUNTING ENTRIES**

<u>Entry</u>	<u>Acct.</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
EE4		Record the Regulatory asset recovery		
	131	Cash	XXX	
	400	Clause Revenues		XXX
	400	Clause Revenues	XXX	
	182	Regulatory Asset		XXX
EE5		To record any over/ under recovery.		
	182	Regulatory Asset	XXX	
	407.3	Regulatory Debits	XXX	
	407.4	Regulatory Credits		XXX
	254	Regulatory Liability		XXX
EE6		Record cost of capital on unrecovered balance using NJNG's WACC.		
	182	Regulatory Asset	XXX	
	419	Other Income	XXX	XXX
	254	Regulatory Liabilities		XXX

NJNG Energy Efficiency & Renewable Budgets

2011

Energy Efficiency & Renewable Programs	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Residential Energy Efficiency Programs	\$20,741,953	\$550,883	\$1,258,365		\$16,097,000	\$699,840	\$2,135,865		
Commercial Energy Efficiency Programs	\$1,494,036	\$116,154	\$154,050		\$1,125,000	\$98,832			
Access to Affordability Energy	\$592,853	\$40,977	\$30,810		\$500,000	\$21,066			
Solar Energy Programs	\$16,690,564	\$504,900	\$1,704,388		\$13,995,000	\$486,276			
<b>Total</b>	<b>\$39,519,406</b>	<b>\$1,212,914</b>	<b>\$3,147,613</b>		<b>\$31,717,000</b>	<b>\$1,306,014</b>			

2012

Energy Efficiency & Renewable Programs	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Residential Energy Efficiency Programs	\$22,277,367	\$565,757	\$1,292,341		\$17,507,000	\$718,736	\$2,193,533		
Commercial Energy Efficiency Programs	\$2,504,000	\$119,290	\$158,209		\$2,125,000	\$101,500			
Access to Affordability Energy	\$595,360	\$42,083	\$31,642		\$500,000	\$21,635			
Solar Energy Programs	\$16,236,344	\$518,532	\$1,223,406		\$13,995,000	\$499,405			
<b>Total</b>	<b>\$41,613,071</b>	<b>\$1,245,663</b>	<b>\$2,705,599</b>		<b>\$34,127,000</b>	<b>\$1,341,276</b>	<b>\$2,193,533</b>		

2013

Energy Efficiency & Renewable Programs	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Residential Energy Efficiency Programs	\$22,406,167	\$581,032	\$1,327,234		\$17,507,000	\$738,142	\$2,252,759		
Commercial Energy Efficiency Programs	\$4,514,233	\$122,511	\$162,481		\$4,125,000	\$104,241			
Access to Affordability Energy	\$597,935	\$43,220	\$32,496		\$500,000	\$22,219			
Solar Energy Programs	\$16,298,361	\$532,533	\$1,242,938		\$14,010,000	\$512,889			
<b>Total</b>	<b>\$43,816,695</b>	<b>\$1,279,296</b>	<b>\$2,778,650</b>		<b>\$36,142,000</b>	<b>\$1,377,491</b>	<b>\$2,252,759</b>		

2014

Energy Efficiency & Renewable Programs	Proposed Budget	Administration, IT and Program Development	Sales and Marketing	Training	Rebates, Grants, and Other Direct Incentives	Rebate Processing, Inspections and Other Quality Control	Audit and Quality control	Performance Incentives	Evaluation and Related Research
Residential Energy Efficiency Programs	\$336,000	\$336,000							
Solar Energy Programs	\$800,000	\$470,000				\$330,000			
<b>Total</b>	<b>\$1,136,000</b>					<b>\$330,000</b>			





**SOLAR EQUIPMENT LEASE**

Lessee Name(s):	Date of Lease:	NJNG: New Jersey Natural Gas Company ("NJNG") 1415 Wyckoff Road Wall, New Jersey 07719
Lessee Street Address:	Lessee City, State & Zip:	
Lessee Home Telephone:	Lessee Mobile Telephone:	

Leased Property Location (the "Leased Property Location" or "Lessee's Property"):

**DESCRIPTION OF SOLAR EQUIPMENT SUBJECT TO THIS LEASE**

<u>Number of kW Installed</u>	<u>\$ per kW Installed per Month</u>	<i>SEE EXHIBIT B FOR THE SPECIFIC DESCRIPTION OF THE SOLAR EQUIPMENT SUBJECT TO THIS LEASE.</i>
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**SCHEDULE OF PAYMENTS**

<u>Term (in months)</u>	<u>Number of Payments</u>	<u>Amount of Each Periodic Payment</u>	<u>Total of Payments</u> <i>(The amount you will pay after you have made all scheduled payments.)</i>
180	180	\$	\$

**ITEMIZATION OF ADDITIONAL CHARGES DUE AT SIGNING**

Security Deposit	\$ _____
UCC Recording Fees	\$ _____
Easement Recording Fees	\$ _____
Other: _____	\$ _____
Total	\$ _____

**WHEN PAYMENTS ARE DUE**

Lessee will pay Rent in accordance with the due dates for bills related to natural gas service from NJNG or as specified in this Lease.

In consideration of the above, the Lessee enters into this Solar Equipment Lease ("Lease"), and unconditionally and irrevocably promises to NJNG the prompt payment and performance of all obligations under this Lease. If more than one Lessee has signed this Lease, each Lessee agrees that his or her liability is joint and several. Lessee authorizes NJNG or any of NJNG's designees to obtain and share with others credit bureau reports regarding Lessee's personal credit and make other credit inquiries that NJNG determines are necessary. PLEASE READ CAREFULLY THE GENERAL TERMS AND CONDITIONS CONTAINED ON THE OTHER PAGES AND ATTACHMENTS OF THIS LEASE.

NOTICE TO THE LESSEE: THIS IS A LEASE. YOU ARE NOT BUYING THE SOLAR EQUIPMENT, ALTHOUGH YOU MAY HAVE THE RIGHT TO DO SO UPON EXPIRATION OF THE TERM OF THE LEASE. DO NOT SIGN THIS LEASE BEFORE YOU READ IT. YOU ARE ENTITLED TO A COMPLETED COPY OF THIS LEASE WHEN YOU SIGN IT. LESSEE HAS READ AND UNDERSTANDS THIS LEASE IN ITS ENTIRETY, INCLUDING THE GENERAL TERMS AND CONDITIONS IN SECTION 11, SHEET NOS. 38(a) to 38(m) OF NEW JERSEY NATURAL GAS COMPANY'S TARIFF (ATTACHED AS EXHIBIT A FOR CONVENIENCE) AND THE ATTACHED EXHIBITS B-E, ALL OF WHICH ARE DEEMED TO BE A PART OF THIS LEASE. LESSEE ACKNOWLEDGES HAVING RECEIVED A SIGNED, DATED, AND COMPLETELY FILLED-IN COPY OF THIS LEASE, INCLUDING THE TWO ACCOMPANYING NOTICE OF CANCELLATION FORMS, ON THE DATE FIRST WRITTEN ABOVE (ATTACHED AS EXHIBIT E). LESSEE ALSO ACKNOWLEDGES THAT HE OR SHE WAS ORALLY INFORMED OF HIS OR HER RIGHT TO CANCEL THIS TRANSACTION. LESSEE MAY TAKE POSSESSION OF AND REVIEW A COMPLETED COPY OF THIS LEASE BEFORE SIGNING, AND IS ENTITLED TO A COPY OF THIS LEASE EVEN IF LESSEE CHOOSES NOT TO SIGN IT AT THIS TIME.

YOU, THE LESSEE, MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. SEE THE ACCOMPANYING NOTICE OF CANCELLATION FORM FOR AN EXPLANATION OF THIS RIGHT (ATTACHED AS EXHIBIT E).

\_\_\_\_\_  
NJNG'S AUTHORIZED SIGNATURE\_\_\_\_\_  
LESSEE SIGNATURE\_\_\_\_\_  
LESSEE SIGNATURE\_\_\_\_\_  
PRINT NAME\_\_\_\_\_  
PRINT NAME

## Exhibit A to Solar Equipment Lease<sup>1</sup>

### General Terms and Conditions

- Lease:** NJNG hereby leases to Lessee, and Lessee hereby leases from NJNG, equipment for the generation of electricity using solar energy, together with all replacement parts, additions, and accessories incorporated therein or affixed thereto, which is further described on Exhibit B to this Lease (the “**Solar Equipment**”). This is an equipment lease, not a sales contract or a bill of sale. Accordingly, all renewable energy attributes, including, but not limited to, any New Jersey Renewable Energy Incentive Program (“**REIP**”) rebates or other rebates, incentives, solar renewable energy certificates (“**SRECs**”), renewable energy certificates (“**RECs**”), carbon credits and any other environmental attributes related to the generation of electricity using solar energy, will remain the sole property of NJNG, and Lessee agrees to complete any documentation reasonably requested by NJNG to reflect NJNG’s ownership of such rebates, incentives, credits or environmental attributes and to the extent that any payment related to REIP rebates, SRECs, RECs or any other of the foregoing is received by Lessee, Lessee shall promptly reimburse or turn over such payment to NJNG. Subject to the restrictions, limitations and exclusions of this Lease, Lessee will be entitled to keep for its own use all of electricity generated by the Solar Equipment during the Term, if any.
- Installation; Operation and Maintenance:** NJNG will construct, install, operate and maintain the Solar Equipment on Lessee’s Property and will be in charge of repairing, relocating or maintaining the Solar Equipment as may be necessary during the Term (as defined below). NJNG will construct, install, operate and maintain the Solar Equipment in accordance with the REIP Program Guidebook technical requirements for solar installations and all other applicable requirements of the NJ REIP. All installation work will be performed by New Jersey state-licensed contractors listed in New Jersey’s Clean Energy Program (“**NJCEP**”) Trade Ally Database or their New Jersey state-licensed subcontractors. Lessee acknowledges that NJNG may subcontract the construction, installation and/or operation and maintenance of the Solar Equipment to a third-party installer or contractor meeting the above requirements.
- Information and Authorization:** Lessee shall designate NJNG to the local utility provider as an authorized recipient of Lessee’s current and historical energy billing and usage data. Lessee authorizes NJNG to take such actions it deems necessary to obtain any and all net metering and/or interconnection rights from the local utility provider as may be required to interconnect the Solar Equipment to the local utility provider’s system for net metering purposes and otherwise meet its obligations under this Lease, including executing on Lessee’s behalf any documents necessary to effectuate such purposes. Lessee shall take any actions and execute any documents as NJNG shall reasonably request in this regard. Lessee shall also provide to NJNG, upon its request, at a minimum, the following information: Lessee’s local utility provider account number and meter number(s), meter read data, rate class, electric usage, and other information as NJNG may reasonably require from time to time consistent with the purposes herein and applicable law.
- Access To Property/Memorandum:** Lessee hereby grants to NJNG the following express easements over and upon Lessee’s Property: (a) an easement to access the Leased Property Location during the installation of the Solar Equipment, (b) an easement to undertake activities on the Leased Property Location in order to facilitate obtaining or complying with any permits, laws, and/or regulations, (c) an easement to repair, relocate or maintain the Solar Equipment, (d) an easement to periodically

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<sup>1</sup> The following provisions are substantially the same as those contained in the NJNG Tariff, Section 11, Sheet Numbers 38(a0 – 38(m)).

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monitor the performance of the Solar Equipment, (e) an easement to take any actions needed to permit the Solar Equipment to deliver generated energy directly into the utility system, (f) an exclusive right and easement for solar energy conversion, for the collection and transmission of electric power, the right to conduct studies of solar radiation, solar energy, soils, geotechnical tests, and other meteorological and geotechnical data, and for related and incidental purposes and activities, and (g) an easement to remove the Solar Equipment at the expiration of this Lease (if necessary) or upon Lessee's Default under this Lease, including any Lessee Default of its obligations under Section 9 of this Lease (collectively, the "Easements"). Lessee shall execute any additional documentation requested by NJNG to further ensure the enforceability of the above-referenced easements (and the Third Party Sales Easement described below), and NJNG reserves the right to record all such additional documentation in the relevant county, and for such recording purposes, the foregoing easement is set forth in the Memorandum of Solar Lease and Grant of Easements attached as Exhibit D to this Lease, which NJNG has separately executed and which Lessee shall execute and deliver to NJNG simultaneously with its delivery of this Lease. The Easements shall run with title to Lessee's Property and shall not terminate with a termination of this Lease and shall only terminate upon the issuance and recordation by NJNG of a written notice that it intends to abandon operations of the Solar Equipment at Lessee's Property (an "Abandonment"; the notice being referred to as an "Abandonment Notice").

5. **Rent/Delinquent Payments/Credit:** NJNG will include the periodic payment to be paid by Lessee to NJNG for the leasing of the Solar Equipment (the "**Rent**") in an invoice delivered by NJNG to Lessee for payment of the Rent (the "**Monthly Invoice**"). Such invoice may be included within the monthly bill received from NJNG customers for the provision of natural gas service and subject to the payment requirements therein. NJNG will include the pro-rated Rent due for the period beginning on the date on which NJNG completes installation of the Solar Equipment on Lessee's Property (the "**Installation Date**") and ending on the first day of the next month, plus the Rent for the first full month of the Term, in the initial Rent included in Lessee's Monthly Invoice. Rent will be due in accordance with the terms set forth in the Monthly Invoice. Lessee authorizes NJNG to obtain a credit report for Lessee at any time, and if such credit report indicates that Lessee's credit score is below 625, NJNG may require that Lessee deliver a deposit to NJNG.

6. **Term/Survival:** The term of this Lease will be fifteen (15) years (the "**Term**") and will commence on the Installation Date and, unless earlier cancelled as provided herein, will expire on the date that is the fifteenth (15<sup>th</sup>) anniversary of the Installation Date (the "**Expiration Date**"). All obligations of Lessee hereunder will survive the expiration or cancellation of the Term of this Lease. Notwithstanding the foregoing, NJNG shall have the right to terminate this Agreement upon ninety (90) days notice to Lessee, in which event NJNG shall, within sixty (60) days after such termination date remove the Solar Equipment from the Lessee's Property, cause the recordation of the Abandonment Notice, and repair any unreasonable damage to Lessee's Property caused by the installation and removal of the Solar Equipment (reasonable wear and tear and casualty excepted) and the parties shall have no further rights or obligations hereunder.

7. **Representations and Warranties of Lessee:** Lessee represents and warrants that:

(a) Lessee's full and accurate legal name is as stated in this Lease and the information describing Lessee set forth in this Lease is accurate in all respects.

(b) If Lessee is an individual: Lessee is a U.S. citizen or lawful permanent resident.

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(c) If Lessee is a legal entity: (i) Lessee is an entity formed and doing business in the United States; (ii) Lessee is not a governmental entity or tax-exempt person; and (iii) if Lessee is an entity other than a corporation, Lessee does not have any direct or indirect owners other than individuals who are U.S. citizens or lawful permanent residents and corporations formed and doing business in the United States.

(d) Lessee is the legal owner of Lessee's Property (including the residence or other structure upon which the Solar Equipment is to be mounted).

(e) The person signing this Lease has full authority to represent, sign for, and bind Lessee in all respects.

(f) The execution, delivery, and performance of this Lease and all related instruments and documents (i) have been duly authorized by all necessary action on the part of Lessee, (ii) do not require the approval of any other person, and (iii) do not and will not contravene any law, governmental rule, regulation, or order now binding on Lessee, or constitute a Default under this Lease, or result in the creation of any lien or encumbrance upon the property of Lessee under any indenture, mortgage, contract, or other agreement to which Lessee is a party or by which he or she or his or her property is bound.

(g) This Lease, when entered into, will constitute legal, valid, and binding obligations of Lessee enforceable against Lessee in accordance with their terms.

(h) There are no actions or proceedings to which Lessee is a party, and there are no other threatened actions or proceedings of which Lessee has knowledge, before any governmental authority which, either individually or in the aggregate, would adversely affect the financial condition of Lessee or the ability of Lessee to perform his or her obligations under this Lease.

(i) Lessee is not in default under any obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any rent under any lease agreement which, either individually or in the aggregate, would adversely affect the financial condition of Lessee or the ability of Lessee to perform his or her obligations under this Lease.

(j) The Leased Property Location is in a condition suitable for the installation of the Solar Equipment and the Leased Property Location is in compliance with applicable laws, rules, codes and ordinances.

(k) Lessee has no knowledge of any claim having been made by any governmental agency that a violation of applicable building or electrical codes, regulations, or ordinances exists with respect to the Leased Property Location or any portion thereof.

(l) Lessee will not cause, create, incur, assume, permit or suffer to exist any liens or encumbrances (including mechanics', labor or materialman's liens) on the Leased Property Location, except as permitted in this Lease. If Lessee breaches its obligations under this section, it shall immediately notify NJNG in writing, shall promptly cause such liens or encumbrances to be discharged and released of record without cost to NJNG, and shall indemnify NJNG against all costs and expenses (including attorneys' fees and court costs at trial and on appeal) incurred in discharging and releasing such liens or encumbrances.

(m) No Hazardous Materials exist at, in, on, or under the Leased Property Location, or have been released or are in imminent threat of release at, on, in to or from the Leased Property Location, and Lessee shall not (and shall not permit any other party to) use, store, dispose of or release Hazardous

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Materials on or to the Leased Property Location. "Hazardous Materials" is defined to include without limitation any "hazardous substance", "hazardous material", "toxic substance" "solid waste" or similar term as defined in any applicable law pertaining in whole or part to the protection of the environment, natural resources or human health, including, without limitation, asbestos, asbestos-containing material and suspected or potential asbestos-containing material.

(n) No action, suit, proceeding, claim, complaint, dispute, arbitration or investigation has been instituted or, to the knowledge of Lessee, is threatened against the Lessee in relation to the Leased Property Location.

(o) No foreclosure proceeding is ongoing with respect to the Leased Property Location.

(p) Lessee shall not, and shall not permit others (except NJNG and its contractors and authorized agents) to, access the Solar Equipment once installed on the Lessee's Property, and shall not permit any person to walk on, run on, play on, mount, or otherwise engage in activities of any nature on or in close proximity to the Solar Equipment. Lessee acknowledges that breach of this warranty may result in injury to persons, including death, as well as damage to the Solar Equipment.

(q) Lessee shall cooperate with NJNG to procure all building permits, site permits, waivers, variances, permits, authorizations, licenses and related requirements ("**Permits**") that are required or desirable for the construction, commissioning, operation and maintenance of the Solar Equipment and agrees to complete (and submit, if necessary) any documentation reasonably requested by NJNG related to such Permits; provided, however, NJNG shall pay for all fees and expenses required to be given or paid to any governmental authority in relation to all such Permits. Lessee shall provide a copy of all such Permits to NJNG promptly upon receipt from any government authority.

8. **Purchase Option:** So long as Lessee has not committed any default under this Lease, and subject to the conditions stated herein, NJNG hereby grants to Lessee a non-assignable option to purchase all (but not less than all) of the Solar Equipment described in this Lease on the Expiration Date for an amount equal to the then fair market value of the Solar Equipment (the "**Option Price**"). NJNG shall deliver notice to Lessee one hundred eighty (180) days prior to the Expiration Date (the "**Purchase Notice**") indicating the Expiration Date and Lessee's option to purchase the Solar Equipment pursuant to this Lease, and Lessee shall have sixty (60) days from the date of the Purchase Notice to provide notice to NJNG of its intent to purchase the Solar Equipment, subject to agreement on the Option Price. If Lessee has indicated its intent to purchase the Solar Equipment, at least ninety (90) days prior to the Expiration Date the Option Price will be determined by an American Society of Appraisers (or any successor thereto) certified appraiser selected by NJNG and such appraiser will notify both Lessee and NJNG of the Option Price by a date no later than sixty (60) days prior to the Expiration Date. Lessee will indicate its election to exercise the purchase option by payment of the Option Price to NJNG, in cash or other immediately available funds as required by NJNG in its sole and absolute discretion, no later than thirty (30) days prior to the expiration of the Term. The attached Exhibit C shows NJNG's estimate of the fair market value of the Solar Equipment at the end of the Term; these estimates are provided herein for general informational purposes and should not be assumed to be the applicable Option Price. Lessee's right to purchase the Solar Equipment is contingent upon there being no ongoing Default on the part of Lessee under this Lease or any other agreement between NJNG and Lessee (in NJNG's sole determination). If Lessee fails to comply with any of the requirements of the purchase option, Lessee shall be deemed to have waived the purchase option contained in this Lease. It is expressly understood by the parties hereto that any purchase of the Solar Equipment hereunder WILL BE WITHOUT REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, on the part of NJNG, and that NJNG will sell the Solar Equipment to Lessee,

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and Lessee will assume the Solar Equipment, on an “AS IS,” “WHERE IS,” “WITH ALL FAULTS” basis.

9. **Rights of the Parties Following the Expiration Date/Third Party Sales Easement.** If Lessee elects not to exercise or waives the purchase option in Section 8, the Parties agree that the Solar Equipment will remain at the Leased Property Location, and so long as Lessee has not committed a default under this Lease, Lessee shall have the right to purchase any electricity generated by the Solar Equipment at a per-kilowatt rate to be determined at such time by NJNG in its sole discretion (but such rate shall be no greater than the rate offered at such time by NJNG to similarly situated customers), for a period extending until the earlier of ten (10) years after the Expiration Date or NJNG’s removal (effected at a time determined in its sole discretion) of the Solar Equipment from the Leased Property Location. If Lessee does not elect to purchase such electricity, Lessee agrees that it will not disturb the Solar Equipment and shall continue to comply with the requirements with respect to the use of the Solar Equipment set forth in Section 11 of this Lease for a period of ten (10) years following the Expiration Date. In such event, NJNG shall continue to have the easement rights described in Section 4 of this Lease (as well as the Third Party Sales Easement described below) and may enter upon the premises of Lessee or other premises where the Solar Equipment may be located and (without notice to Lessee and with or without legal process) take any actions necessary to permit the Solar Equipment to deliver generated energy directly into the utility system, without liability to Lessee by reason of such entry. In addition to the Easements set forth in Section 4 above, all of which shall run with title to Lessee’s Property, be binding on successors-in-title and survive a termination of this Lease for any reason other than an Abandonment, Lessee hereby grants and conveys to NJNG a perpetual exclusive easement to on and over Lessee’s Property for (a) the installation, maintenance, repair, and replacement of above-ground and/or underground electrical transmission lines, conduit and related equipment, collection and transmission grid, power conditioning equipment, transformers, telecommunications equipment and other related facilities, equipment and improvements which are necessary for NJNG to connect to the distribution grid and sell electric power to third parties (“Third Party Sales”), and for (b) Third Party Sales and related activities (collectively, the “Third Party Sales Easement”). The Third Party Sales Easement hereby granted by Lessee is and shall be deemed immediately effective, provided however, that NJNG shall not have the right to exercise the Third Party Sales Easement rights, other than as stated in this Section 9, above, and in Section 20(b)(iii). The Third Party Sales Easement shall terminate if this Lease is terminated as the result of a default by NJNG or due to an Abandonment in accordance with the terms of Section 4 above.

10. **Absolute Obligation:** LESSEE’S OBLIGATION TO PAY RENT AND PERFORM HIS OR HER OBLIGATIONS HEREUNDER IS ABSOLUTE, IRREVOCABLE, AND UNCONDITIONAL, EXCEPT AS PROVIDED HEREIN, AND WILL NOT BE SUBJECT TO ANY RIGHT OF SET OFF, COUNTERCLAIM, DEDUCTION, DEFENSE, OR OTHER RIGHT LESSEE MAY HAVE AGAINST NJNG, ANY CONTRACTOR HIRED BY NJNG TO INSTALL THE FACILITY, OR ANY OTHER PARTY. HOWEVER, NOTHING HEREIN WILL PRECLUDE LESSEE FROM ASSERTING ANY SUCH CLAIMS IN A SEPARATE CAUSE OF ACTION. LESSEE UNDERSTANDS AND AGREES THAT NO CONTRACTOR OR INSTALLER HIRED BY NJNG TO INSTALL, OPERATE OR MAINTAIN THE SOLAR EQUIPMENT, NOR ANY SALES REPRESENTATIVE OR OTHER AGENT OF SUCH CONTRACTOR OR INSTALLER IS AN AGENT OF NJNG OR IS AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE, AND NO SUCH WAIVER OR ALTERATION SHALL VARY THE TERMS OF THIS LEASE. LESSEE AGREES NOT TO ASSERT AGAINST NJNG ANY CLAIMS OR DEFENSES LESSEE MAY HAVE AGAINST ANY SUCH CONTRACTOR OR INSTALLER.

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11. **Use/Alterations:** Lessee (a) will not alter, repair, remove or relocate the Solar Equipment, or make any attachments thereto, without the prior written approval of NJNG, (b) will comply with the guidelines specified by the manufacturer of the Solar Equipment, which are set forth in Exhibit B and (c) will notify NJNG within ten (10) days of any damage to the Solar Equipment. Lessee will comply with all applicable laws, regulations, utility requirements and approvals with respect to the Solar Equipment, and will immediately notify NJNG, in writing, upon becoming aware of any existing or threatened investigation, claim, or action by any governmental authority that could adversely affect the Solar Equipment, NJNG, or this Lease.

12. **Title to the Solar Equipment:** Title to the Solar Equipment will remain with NJNG at all times during this Lease. There will be no transfer of title to Lessee, except upon the purchase by Lessee of the Solar Equipment under Lessee's purchase option set forth in Section 8.

13. **Assignment by Lessee:** (a) LESSEE WILL NOT, WITHOUT NJNG'S PRIOR WRITTEN CONSENT, (i) SELL, ASSIGN, TRANSFER, PLEDGE, HYPOTHECATE, ALLOW A LIEN OR OTHER ENCUMBRANCE TO BE PLACED ON OR OTHERWISE DISPOSE OF THIS LEASE OR THE SOLAR EQUIPMENT, (ii) RENT, SUBLET, OR LEND THE SOLAR EQUIPMENT TO ANYONE, OR (iii) PERMIT THE SOLAR EQUIPMENT TO BE USED BY ANYONE OTHER THAN LESSEE. LESSEE ACKNOWLEDGES THAT HE OR SHE REMAINS PRIMARILY LIABLE FOR ALL OBLIGATIONS HEREUNDER NOTWITHSTANDING ANY USE BY ANOTHER PERSON. Subject to the restrictions on assignment contained in this Section 13, this Lease may inure to the benefit of, and is binding upon, Lessee's successors and assigns as are permitted under this Section 13. In the event that Lessee sells, bequeaths, or otherwise transfers title to Lessee's Property (including the residence or other structure upon which the Solar Equipment is mounted) to a transferee (any such action being referred to herein as a "Property Transfer"), Lessee shall transfer and assign its obligations under the Lease to such transferee and Lessee shall cause the transferee to unconditionally accept the agreements and obligations of Lessee hereunder in writing pursuant to an assignment/assumption agreement in form attached hereto as Exhibit F (as the same may be modified by NJNG to ensure compliance with recordation formalities), or in another form otherwise acceptable to NJNG (the "Assignment Document"). If Lessee elects to cause a Property Transfer, Lessee shall provide written notice to NJNG of the Property Transfer at least thirty (30) days prior to the consummation of the Property Transfer, along with the name and contact information of the transferee. Lessee and the transferee shall, at the closing deliver to NJNG a copy of the fully executed Assignment Document. If Lessee does not provide a fully executed original counterpart of the Assignment Document within thirty (30) days after the closing of the Property Transfer, the failure of Lessee to provide such Assignment Document shall be deemed a default under Section 20(b)(iii), below, and NJNG shall be entitled to exercise all rights and remedies as specified in Section 20. In the event the Assignment Document is timely delivered, Lessee shall be relieved of its obligations hereunder to the extent arising after the date of the Property Transfer and the Lease as pertains to the Lessee shall be terminated. In any event, if Lessee is divested of ownership of Lessee's Property, its purchase option set forth in Section 8 and any option for Lessee to purchase power from NJNG (including, without limitation, pursuant to the terms of Section 9) or to otherwise cause compliance by NJNG with the terms of this Lease, shall automatically terminate. The Easements set forth in Section 4 and the Third Party Sales Easement in Section 9 above shall run with title to Lessee's Property and shall survive any such divesture and shall continue to burden Lessee's Property in accordance with their terms. NJNG shall have the right to cause the Assignment Document to be recorded.

14. **Sublease and Assignment by NJNG:** Lessee understands and acknowledges that NJNG may sell, transfer, assign, and/or grant a security interest in all or any part of NJNG's interest in this Lease or

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any Solar Equipment (each, an “NJNG Transfer”), at any time with or without notice to Lessee. Any purchaser, transferee, assignee, or secured party of NJNG (each, an “NJNG Assignee”) shall have and may exercise all of NJNG’s rights under this Lease with respect to the items to which any such NJNG Transfer relates, and this Lease shall inure to the benefit of, and be binding upon, any NJNG Assignee (to the extent of the NJNG Transfer to such NJNG Assignee). Upon written notice of an NJNG Transfer, Lessee agrees to cooperate with NJNG and any NJNG Assignee and shall execute documentation reasonably requested by NJNG and any NJNG Assignee in connection with the NJNG Transfer. Following such NJNG Transfer, the term NJNG shall be deemed to refer to each NJNG Assignee. Lessee will provide reasonable assistance to NJNG to complete any transaction contemplated by this subsection.

15. **Risk of Loss/Damage to Solar Equipment:** (a) NJNG will bear the entire risk of loss of all or any part of the Solar Equipment (including, without limitation, theft, destruction, or disappearance of, or damage to the Solar Equipment) during the Term, other than for loss or damage to all or any part of the Solar Equipment due to Lessee’s breach of this Lease, negligence, gross negligence or willful misconduct and no such loss that is the responsibility of Lessee will relieve Lessee of the obligation to pay Rent or of any other obligation under this Lease. (b) If any Solar Equipment is lost, stolen, or damaged beyond repair, or confiscated, seized, or the use and/or title thereof requisitioned to someone other than Lessee, Lessee shall immediately notify NJNG of such event. In the event that such loss is the responsibility of Lessee, Lessee shall pay NJNG an amount equal to the sum of (i) all Rent due and owing under this Lease accrued as of the date of such payment, plus (ii) the Stipulated Loss Value for the Solar Equipment as of the date of such loss event, net of any insurance proceeds already paid over to NJNG on account of such loss. NJNG shall calculate the amount owed by Lessee and shall include such amount in the following month’s natural gas bill or invoice. This Lease shall automatically terminate upon Lessee’s payment in full of such amount. For purposes of this Lease, “**Stipulated Loss Value**” means the amount, in the reasonable but sole opinion of NJNG, which is necessary as of the date of any loss event (including a Default or other event triggering a payment obligation), to maintain NJNG’s originally anticipated after-tax yield from the Lease during the Term, and which is set forth on Exhibit C to this Lease. (c) In the event of any casualty or acts of God, including, but not limited to, physical or weather related events (a “Casualty”) that causes material damage to the Solar Equipment, NJNG’s obligations under this Lease with respect to the delivery of electricity from the Solar Equipment shall be suspended as of the day of the Casualty and shall not resume until the day the Solar Equipment or part thereof is restored to full service; provided, that if NJNG reasonably determines not to re-build the Solar Equipment (such election to be made by NJNG in its sole discretion), then either NJNG or Lessee may terminate this Lease by giving the other a notice in writing within ninety (90) days after the Casualty, whereupon the term of this Lease shall expire by lapse of time upon the date set forth in such notice which date shall be no longer than thirty (30) days after the date of the notice. Upon the termination of this Lease under the conditions herein provided, Lessee shall only be obligated to pay Rent up to the date the Casualty rendered the Solar Equipment or any part thereof unusable. Whether or not this Lease is terminated, Lessee’s obligation to pay Rent shall abate beginning on the day the Solar Equipment or part thereof was rendered unusable by the Casualty and ending on the day the Solar Equipment or part thereof is restored to full service, and such abatement shall be proportionate to the percentage of the Solar Equipment rendered unusable and pro-rated for the days during which the Solar Equipment was rendered unusable.

16. **Insurance:** Lessee shall, at all times during the Term of this Lease and at Lessee’s sole cost and expense, maintain general liability insurance (including blanket contractual liability coverage and products liability coverage) for personal and bodily injury and property damage of at least \$250,000 per occurrence, and such insurance policies shall include terms, and be with insurance carriers, reasonably satisfactory to NJNG. Without limiting the generality of the foregoing, each policy shall include the following terms: (a) all physical damage insurance shall name NJNG and its assigns as loss payee, (b) all

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liability insurance shall name NJNG and its assigns as additional insureds, (c) the policy shall not be canceled or altered without at least thirty (30) days advance notice to NJNG and its assigns, and (d) coverage shall not be invalidated against NJNG or its assigns because of any violation of any condition or warranty contained in any policy or application therefore by Lessee or by reason of any action or inaction of Lessee. On each anniversary of the Installation Date during the Term of this Lease, at NJNG's request, Lessee shall deliver to NJNG certificates or other proof of insurance satisfactory to NJNG evidencing the coverage required by this section.

17. **Taxes:** As of the date of execution of this Lease, the Parties acknowledge and agree that the Solar Equipment may be subject to property taxes that are currently imposed by the State of New Jersey. To the extent that property taxes are imposed on the Solar Equipment, such taxes will be included in the amount of Rent, or, if applicable, Lessee (with NJNG's cooperation) will apply for an exemption from tax based on certification of the solar product as a renewable energy system. To the extent that any other additional taxes are imposed upon this Lease or the Solar Equipment, NJNG shall have the right to increase the Rent, in its sole discretion.

18. **NJNG's Right to Perform for Lessee:** If Lessee fails to perform any of his or her obligations contained in this Lease, NJNG may (but shall not be obligated to) itself perform such obligations, and the amount of the reasonable costs and expenses of NJNG incurred in connection with such performance shall be payable by Lessee to NJNG upon demand. No such performance by NJNG shall be deemed a waiver of any rights or remedies of NJNG or be deemed to cure the Default of Lessee under this Lease.

19. **Personal Property/Liens:** Lessee acknowledges and agrees that the Solar Equipment is, and will at all times during the Term remain, fully removable personal property notwithstanding any affixation or attachment to real property or improvements. Lessee hereby agrees not to permit the Solar Equipment to be or become a fixture under applicable law. Lessee hereby waives and releases in favor of NJNG, on behalf of itself and any other party which at any time obtains an interest in Lessee's Property (collectively, the "**Property Interest Holders**") (a) any and all rights of distraint, levy and execution that the Property Interest Holders may have against the Solar Equipment, (b) any and all statutory liens, security interests or other liens that the Property Interest Holders may now or hereafter have in the Solar Equipment, and (c) any and all other interests or claims of every nature whatsoever that the Property Interest Holders, may now or hereafter have in or against the Solar Equipment. Lessee will at all times during the Term keep the Solar Equipment free and clear from all liens and encumbrances of any kind or nature other than those created by, through, or under NJNG.

20. **Default/Remedies:**

(a) As used in this Lease, the term "Default" means any of the following events: (i) Lessee fails to pay any Rent or other amount due under this Lease within ninety (90) days after such payment is due; (ii) a foreclosure process has commenced with respect to Lessee's Property on which the Leased Property Location is located; (iii) Lessee violates or fails to perform any provision of this Lease or any other agreement between Lessee and NJNG; (iv) any warranty or representation made by Lessee proves to have been false or misleading when made; or (v) without the prior written consent of NJNG, Lessee attempts to or does sell, lease, dispose of, or assign its interest in this Lease with respect to any of the Solar Equipment. A Default by Lessee under this Lease will, at NJNG's option, be a Default for all agreements between NJNG and Lessee.

(b) Upon the occurrence of a Default, NJNG or its agents may do one or more of the following (in its sole discretion): (i) proceed by appropriate court action to enforce performance by

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Lessee of this Lease or to recover damages, including incidental and consequential damages, for the breach thereof; (ii) by notice in writing to Lessee, cancel this Lease, without prejudice to any other remedies hereunder; (iii) enter upon the premises of Lessee or other premises where the Solar Equipment may be located and (without notice to Lessee and with or without legal process) take possession of and remove all or any part of the Solar Equipment or take any actions necessary to permit the Solar Equipment to deliver generated energy directly into the utility system, without liability to Lessee by reason of such entry or taking of possession, and without such action cancelling this Lease unless NJNG notifies Lessee of such cancellation in writing; (iv) deliver written notice to Lessee specifying a payment date on which Lessee will pay to NJNG, a sum equal to (as liquidated damages for loss of a bargain and not as a penalty): (A) any unpaid Rent accrued and due as of such payment date, plus (B) the Stipulated Loss Value; (v) sell the Solar Equipment at public or private sale or hold, keep idle, or lease the Solar Equipment to any other person; and (vi) exercise any other right or remedy available to NJNG under applicable law. In addition, Lessee will be liable for all costs, expenses, and legal fees incurred in enforcing NJNG's rights under this Lease, before or in connection with litigation or arbitration and for any deficiency (below the Stipulated Loss Value owed by Lessee) in the amount received by NJNG upon disposition of the Solar Equipment.

(c) None of NJNG's rights or remedies hereunder are intended to be exclusive, but each will be cumulative and in addition to any other right or remedy referred to in this Lease or otherwise available to NJNG at law or in equity, and no express or implied waiver by NJNG of any Default will be a waiver of any other Default or a waiver of any of NJNG's rights.

(d) With respect to any exercise by NJNG of its right to recover and/or dispose of any Solar Equipment or any other collateral securing Lessee's obligations under this Lease, Lessee acknowledges and agrees that NJNG may dispose of the Solar Equipment in compliance with applicable law and with such preparation (if any) as NJNG determines, in its sole discretion, to be necessary or desirable. Lessee will remain liable for any shortfall between the Stipulated Loss value and the price received for the disposition of the Solar Equipment.

21. **Limitation of Liability:** NJNG shall not be liable for any claim for damages resulting from the supply, use, care or handling of the electricity generated by the Solar Equipment or from the presence or operation of the Solar Equipment, except for general or direct damages that follow from NJNG's negligence, recklessness, or willful misconduct. NJNG shall not be liable for special or consequential damages. Lessee Electrical Equipment shall be suitable for the use of electricity and shall be installed, inspected, repaired and maintained solely by the Lessee and solely at Lessee's expense in a manner approved by the public authorities having jurisdiction over the same, and in good and safe condition in accordance with all applicable codes. Lessee shall be solely responsible for the selection of Lessee Electrical Equipment and NJNG shall have no duty or responsibility for the design, selection, installation, operation or repair of said Equipment. NJNG shall not be liable for damages to Lessee Electrical Equipment or for injuries sustained by Lessee or others, due to the condition or character of Lessee Equipment. Lessee shall, at all times, be solely responsible for the inspection, integrity and safety of all Lessee Electrical Equipment. "**Lessee Electrical Equipment**" shall mean all electrical appliances, electronics, lighting or any other piece of equipment or product that uses electricity and includes electrical equipment leased by the Lessee from third parties other than the Solar Equipment and all electrical equipment connecting Lessee's Property with the Solar Equipment.

22. **Indemnity:** Lessee agrees to indemnify, defend and hold harmless NJNG and all related entities and their respective officers, directors, agents, servants and employees with respect to all liabilities, suits, claims, damages, demands and expenses (including attorney's fees) brought by any and all persons not a

\_\_\_\_\_ *Lessee's Initials*      \_\_\_\_\_ *Lessee's Initials*

party to this Lease, arising from or out of (a) claims of personal injury (including death) or property damage from electricity delivered from the Solar Equipment to Lessee or from the presence or operation of the Solar Equipment; (b) any condition of Lessee's Property (including, without limitation the presence of Hazardous Materials or failure of Lessee's Property to be and remain in compliance with any legal requirements) (c) a breach by Lessee of this Lease; or (d) any sole or concurrent negligence or other tortuous acts or omissions by Lessee in the performance of this Lease.

23. **Notices:** Except for the Monthly Invoice, any other statements with respect to Rent that are issued prior to the time of any Lessee Default, and any other routine communications, all notices and other communications under this Lease to Lessee shall be in writing and shall be transmitted by hand, overnight courier, or certified mail (return receipt requested), U.S. postage prepaid. All notices and other communications under this Lease to NJNG (except for remittances of Rent) shall be in writing and shall be transmitted by overnight courier, or certified mail (return receipt requested), U.S. postage prepaid. Such notices and other communications shall be addressed to the respective party at the address set forth in this Lease or at such other address as any party may, from time to time, designate by notice duly given in accordance with this section. Such notices and other communications shall be effective three (3) days after mailing if mailed in accordance with the terms of this section.

24. **Fees and Expenses:** Lessee shall pay all reasonable costs and expenses of NJNG, including, without limitation, attorney's and other professional fees, returned check or non-sufficient funds charges, the fees of any collection agencies and appraisers, and all other costs and expenses related to any collection, repossession, sale or re-lease of Solar Equipment (including storage costs) incurred by NJNG in enforcing any of the terms, conditions, or provisions of this Lease or in protecting NJNG's rights under this Lease.

25. **Lessee's Waivers:** TO THE EXTENT PERMITTED BY APPLICABLE LAW, LESSEE WAIVES (a) ANY AND ALL RIGHTS AND REMEDIES CONFERRED UPON A LESSEE BY ARTICLE 2A OF THE UCC AND (b) ANY RIGHTS NOW OR HEREAFTER CONFERRED BY STATUTE OR OTHERWISE TO RECOVER INCIDENTAL OR CONSEQUENTIAL DAMAGES FROM NJNG FOR ANY BREACH OF WARRANTY OR FOR ANY OTHER REASON OR TO SET OFF OR DEDUCT ALL OR ANY PART OF ANY CLAIMED DAMAGES RESULTING FROM NJNG'S DEFAULT, IF ANY, UNDER THE RELATED LEASE.

26. **UCC or Other Filings:** LESSEE AUTHORIZES NJNG TO AUTHENTICATE AND/OR FILE ALL UCC FINANCING STATEMENTS AND AMENDMENTS AND ANY MEMORANDUM OF LEASE OR FILING OF EASEMENTS THAT, IN NJNG'S SOLE DISCRETION, ARE DEEMED NECESSARY OR PROPER TO SECURE OR PROTECT NJNG'S INTEREST IN THE SOLAR EQUIPMENT IN ALL APPLICABLE JURISDICTIONS. Lessee ratifies, to the extent permitted by law, all that NJNG shall lawfully and in good faith do or cause to be done by reason of and in compliance with this section. Lessee shall provide written notice to NJNG at least thirty (30) days prior to any contemplated change in Lessee's name or address.

27. **Miscellaneous:** Time is of the essence with respect to this Lease. Any failure of NJNG to require strict performance by Lessee or any waiver by NJNG of any provision of a Lease shall not be construed as a consent or waiver of any other provision of this Lease. This Lease will be binding upon NJNG only if executed by a duly authorized officer of NJNG at NJNG's address set forth in this Lease. Any provision of this Lease that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions thereof. Headings and titles in this Lease are intended for convenience or reference only, and shall not be construed to define, limit, or

\_\_\_\_\_ *Lessee's Initials*      \_\_\_\_\_ *Lessee's Initials*

describe the scope or intent of any provisions of this Lease. Lessee will promptly execute or otherwise authenticate and deliver to NJNG such further documents, instruments, assurances, and other records and take such further action as NJNG may reasonably request in order to carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of NJNG thereunder.

28. **Governing Law:** THIS LEASE IS BEING DELIVERED IN, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW JERSEY, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY, AND PERFORMANCE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAWS. NJNG AND LESSEE HEREBY EACH WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO SOLAR EQUIPMENT OR THIS LEASE. THIS WAIVER IS MADE KNOWINGLY, WILLINGLY, AND VOLUNTARILY BY NJNG AND LESSEE WHO EACH ACKNOWLEDGE THAT NO REPRESENTATIONS HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, SUPPLEMENTS, OR MODIFICATIONS TO THIS LEASE.

29. **Limited Warranties:** NJNG warrants to Lessee that during the Term the Solar Equipment will function so as to be capable of generating electricity from solar energy, of a quality that may be utilized in a residential dwelling in lieu of electricity purchased from and delivered by any local utility provider. In the event that the Solar Equipment fails to function in the foregoing manner, and such failure is not a result of Lessee's breach of this Lease, negligence, gross negligence or willful misconduct, NJNG will repair the Solar Equipment so that it again functions in the manner specified in the preceding sentence. Except as stated above, NJNG makes no warranties as to the quantity of such electricity that may be generated by the Solar Equipment, nor any other warranties as to the quality of the electricity. NJNG shall not be deemed to be in violation of its warranty due to a Casualty event that causes material damage to the Solar Equipment or any action or inaction of Lessee rendering the Solar Equipment inoperative or less operative than it would have been were it not for the Lessee's action or inaction. NJNG MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, TITLE TO, DESIGN, OPERATION, CONDITION, OR QUALITY OF THE MATERIAL OR WORKMANSHIP IN, SOLAR EQUIPMENT, ITS MERCHANTABILITY, OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), LACK OF INFRINGEMENT OF ANY PATENT, TRADEMARK, OR COPYRIGHT, AND NJNG HEREBY DISCLAIMS ALL SUCH WARRANTIES; IT BEING UNDERSTOOD THAT THE SOLAR EQUIPMENT IS, TO THE EXTENT PERMITTED BY LAW, LEASED TO LESSEE ON AN AS IS, WHERE IS BASIS EXCEPT WITH RESPECT TO THE WARRANTIES EXPRESSLY STATED IN THIS LEASE. IN NO EVENT SHALL NJNG BE LIABLE FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES. IN NO EVENT WILL NJNG BE LIABLE FOR ANY LOSS OF PROFITS, INDIRECT, CONSEQUENTIAL, OR OTHER DAMAGES RESULTING FROM ANY FAILURE OF THE SOLAR EQUIPMENT OR ANY DELAY IN THE DELIVERY OF ANY COMPONENT OR ANY DELAY IN THE PERFORMANCE OF ANY MAINTENANCE. LESSEE ACKNOWLEDGES AND AGREES THAT LESSEE'S FULL AND COMPLETE ENERGY NEEDS MAY NOT BE PROVIDED BY THE SOLAR EQUIPMENT, AND IN SUCH INSTANCE LESSEE WILL BE RESPONSIBLE AT LESSEE'S OWN COST AND EXPENSE, FOR PURCHASING ANY AND ALL ADDITIONAL ENERGY NEEDS FROM LESSEE'S LOCAL UTILITY PROVIDER.

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30. **Counterparts:** This Lease may be executed in several counterparts and by different parties thereto on separate counterparts, each of which when so executed or otherwise authenticated and delivered shall be an original, but all such counterparts shall together consist of one and the same instrument; except, to the extent that any Lease Documents constitute chattel paper under the UCC, no security interest therein may be created other than through the transfer or possession of the original counterpart, which shall be identified by NJNG.

31. **Entire Agreement:** This Lease, together with all exhibits and attachments constitute the entire understanding or agreement between NJNG and Lessee with respect to the leasing of Solar Equipment, and there is no understanding or agreement, oral or written, which is not set forth in this Lease. This Lease may not be amended except by a writing signed by NJNG and Lessee. Any alteration, addition, or modification made by Lessee to the preprinted terms of this Lease shall be void and without any effect.

32. **Acceptance: THIS LEASE SHALL NOT BE BINDING OR ENFORCEABLE AGAINST NJNG UNLESS AND UNTIL SIGNED BY AN AUTHORIZED OFFICER OF NJNG.**

IN WITNESS WHEREOF, the NJNG and Lessee have caused this Lease to be duly executed as of the date first above written. This Lease shall not become effective as to either party unless and until executed by both parties.

**NJNG**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**LESSEE:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_ *Lessee's Initials*      \_\_\_\_\_ *Lessee's Initials*

**Exhibit B to Solar Equipment Lease**

**Description of the Solar Equipment Subject to the Lease and  
Guidelines to Homeowner Specified by the Manufacturer of the Solar Equipment**

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**Exhibit C to Solar Equipment Lease**

**NJNG Estimate of the Fair Market Value of the Solar Equipment at the End of the Term**

DRAFT

**Prepared by and  
After recording, please return to:**

New Jersey Natural Gas Company  
Attn: Energy Efficiency Department  
1415 Wyckoff Road  
Wall, New Jersey 07719

**MEMORANDUM OF SOLAR LEASE AND GRANT OF EASEMENTS**

THIS MEMORANDUM OF SOLAR LEASE AND GRANT OF EASEMENTS (this “Agreement”), by and between (a) **New Jersey Natural Gas Company**, having an address of 1415 Wyckoff Road , Wall, New Jersey 07719, its successors and assigns (collectively, the “COMPANY”), and (b) \_\_\_\_\_, having an address of \_\_\_\_\_ (“OWNER”).

**WITNESSETH:**

**WHEREAS**, by that certain Solar Equipment Lease (the “Lease”) dated \_\_\_\_\_, the Company has agreed to lease certain equipment to Owner, and Owner has agreed to lease such equipment from the Company, such equipment to be located on the property described on Attachment A attached hereto and made a part hereof; and

**WHEREAS**, pursuant to the Lease, Owner has agreed, under certain circumstances, to assign the Lease to its successors-in-title (each, a “Successor”), and to cause such Successors to assume the obligations and honor the agreements of Lessee under the Lease in the event of a transfer of title to the Property to any such Successor; and

**WHEREAS**, Owner has granted to the Company certain easements over the Property in connection with the Lease; and

**WHEREAS**, the Company and Owner desire to cause the recordation of this Agreement in order to put Successors on notice of the obligations of Owner under the Lease, and to perfect the Easements of record.

**NOW THEREFORE**, in consideration of the payment to Owner by the Company of the sum of TEN and 00/100 (\$10.00), the performance of the promises made herein each to each other herein and in the Lease, and other good and valuable consideration, Owner and the Company, for themselves, their heirs, executors, administrators and assigns, agree as follows:

1. Owner hereby represents that it is the fee owner of the Property.
2. The recitals above are hereby incorporated hereby and made a part hereof as if fully set forth herein.
3. Owner hereby declares, grants and conveys to the Company the following express perpetual easements over and upon all portions of the Property in order to: (a) to access the property described on Attachment B attached hereto and made a part hereof (the "Leased Property Location") during the installation of the Solar Equipment (as defined in the Lease), (b) undertake activities on the Leased Property Location in order to facilitate obtaining or complying with any permits, laws, and/or regulations in connection with the Lease, (c) to repair, relocate or maintain the Solar Equipment, (d) periodically monitor the performance of the Solar Equipment, (e) take any actions needed to permit the Solar Equipment to deliver generated energy directly into the public utility system, and (f) remove the Solar Equipment or any portions thereof from the Property at any time. The foregoing easements shall burden the Property, run with the land, be binding upon the Owner and its respective successors in title to the Property and shall benefit the Company and its successors and assigns (collectively, the "Easements").
4. In addition, Owner hereby declares, grants and conveys to the Company a perpetual, exclusive easement to, on and over the Property for (a) the installation, maintenance, repair, and replacement of above-ground and/or underground electrical transmission lines, conduit and related equipment, collection and transmission grid, power conditioning equipment, transformers, telecommunications equipment and other related facilities, equipment and improvements which are necessary for the Company to connect to the distribution grid and sell electric power to third parties ("Third Party Sales"), and for (b) Third Party Sales and related activities (collectively, the "Third Party Sales Easement"). The Third Party Sales Easement is hereby granted by Owner and is and shall be deemed immediately effective, provided however, that the Company shall not have the right to exercise the Third Party Sales Easement rights unless and until the Lease expires or is terminated in accordance with the terms thereof.
5. The Lease contains substantially the following language:

OWNER WILL NOT, WITHOUT THE COMPANY'S PRIOR WRITTEN CONSENT, (i) SELL, ASSIGN, TRANSFER, PLEDGE, HYPOTHECATE, ALLOW A LIEN OR OTHER ENCUMBRANCE TO BE PLACED ON OR OTHERWISE DISPOSE OF THE LEASE OR THE SOLAR EQUIPMENT, (ii) RENT, SUBLET, OR LEND THE SOLAR EQUIPMENT TO ANYONE, OR (iii) PERMIT THE SOLAR EQUIPMENT TO BE USED BY ANYONE OTHER THAN THE COMPANY. OWNER ACKNOWLEDGES THAT HE OR SHE REMAINS PRIMARILY LIABLE FOR ALL OBLIGATIONS UNDER THE LEASE NOTWITHSTANDING ANY USE OR OWNERSHIP OF THE PROPERTY BY ANOTHER PERSON UNLESS OWNER IS RELEASED FROM LIABILITY PURSUANT TO THE TERMS OF THE LEASE. Subject to the restrictions on assignment contained in this Section, this Lease may inure to the benefit of, and is binding upon, Owner's successors and assigns as are permitted under this Section. In the event that Owner sells, bequeaths, or otherwise transfers title to the Property (including the residence or other structure upon which the Solar Equipment is mounted) to a transferee (any such action being referred to herein as a "Property Transfer"), Owner shall transfer and assign its obligations under the Lease to such transferee and Owner shall cause the transferee to unconditionally accept the agreements and obligations of Owner under the Lease in

writing pursuant to an assignment/assumption agreement in form acceptable to Company (the "Assignment Document"). If Owner elects to cause a Property Transfer, Owner shall provide written notice to the Company of the Property Transfer at least thirty (30) days prior to the consummation of the Property Transfer. If the Company approves the transferee, Owner and the transferee shall, at the closing deliver to the Company a copy of the fully executed Assignment Document. If the Company does not provide a fully executed original counterpart of the Assignment Document within thirty (30) days after the closing of the Property Transfer, or if the Company does not approve the transferee, the Company shall have the right to terminate the Lease, and the Company shall have the right to remove any or all of the Solar Equipment and its other property from the Property and Owner hereby grants to the Company a perpetual easement over the Property to do so, which easement shall run with title to the Property and shall survive any such divesture and shall continue to burden Owner's Property in accordance with its terms. All of the easements granted to the Company set forth herein (including, without limitation the Easements, the Third Party Easements and the easement set forth in the immediately preceding sentence) shall burden the Property, run with the land, be binding upon the Owner and its respective successors in title to the Property.

6. This Memorandum does not set forth the entire Lease, and is solely intended to give notice thereof and to perfect the Easements and the Third Party Sales Easement. This Memorandum is subject to all of the covenants, conditions, and terms set forth in the Lease, which is incorporated herein and made a part hereof by reference, to the same extent as if all of the covenants, conditions, and terms thereof were set forth in full herein. If any conflict exists between the provisions of this Memorandum and the provisions of the Lease, the provisions of the Lease shall control.

[Signatures Begin on Next Page]



EXHIBIT D

Attachment A

EQUIPMENT DESCRIPTION

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EXHIBIT D

Attachment B

LEGAL DESCRIPTION OF PROPERTY

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EXHIBIT D

Attachment A

EQUIPMENT DESCRIPTION

DRAFT

EXHIBIT D

Attachment B

LEGAL DESCRIPTION OF PROPERTY

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**Exhibit E**  
**Notice of Cancellation**

<u>NOTICE OF CANCELLATION</u>	<u>NOTICE OF CANCELLATION</u>
Date of Transaction _____	Date of Transaction _____
<p>You may CANCEL this transaction, without any Penalty or Obligation, within THREE BUSINESS DAYS from the above date. If you cancel, any property traded in, any payments made by you under the Lease, and any negotiable instrument executed by you will be returned WITHIN TEN BUSINESS DAYS following receipt by NJNG of your cancellation notice, and any security interest arising out of the transaction will be canceled. If you cancel, you must make available to NJNG at your residence, in substantially as good condition as when received, any goods delivered to you under this Lease. If you do make the goods available to NJNG and NJNG does not pick them up within 20 days of the date of your Notice of Cancellation, you may retain or dispose of the goods without any further obligation. If you fail to make the goods available to NJNG, then you remain liable for performance of all obligations under the Lease. To cancel this transaction, mail or deliver a signed and dated copy of this Notice of Cancellation or any other written notice, or send a telegram, to _____ at _____, NOT LATER THAN MIDNIGHT OF _____.</p> <p>(Date)</p> <p>I HEREBY CANCEL THIS TRANSACTION.</p> <p>_____ Lessee's Signature                      Date</p> <p>_____ Lessee's Signature                      Date</p>	<p>You may CANCEL this transaction, without any Penalty or Obligation, within THREE BUSINESS DAYS from the above date. If you cancel, any property traded in, any payments made by you under the Lease, and any negotiable instrument executed by you will be returned WITHIN TEN BUSINESS DAYS following receipt by NJNG of your cancellation notice, and any security interest arising out of the transaction will be canceled. If you cancel, you must make available to NJNG at your residence, in substantially as good condition as when received, any goods delivered to you under this Lease. If you do make the goods available to NJNG and NJNG does not pick them up within 20 days of the date of your Notice of Cancellation, you may retain or dispose of the goods without any further obligation. If you fail to make the goods available to NJNG, then you remain liable for performance of all obligations under the Lease. To cancel this transaction, mail or deliver a signed and dated copy of this Notice of Cancellation or any other written notice, or send a telegram, to _____ at _____, NOT LATER THAN MIDNIGHT OF _____.</p> <p>(Date)</p> <p>I HEREBY CANCEL THIS TRANSACTION.</p> <p>_____ Lessee's Signature                      Date</p> <p>_____ Lessee's Signature                      Date</p>

**Exhibit F  
Form of Assignment**

**ASSIGNMENT AND ASSUMPTION OF SOLAR EQUIPMENT LEASE**

**THIS ASSIGNMENT AND ASSUMPTION OF SOLAR EQUIPMENT LEASE** (this "Assignment") is made and entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ ("Assignor"), and \_\_\_\_\_ ("Assignee").

**W I T N E S S E T H:**

**WHEREAS**, Assignor has conveyed to Assignee all that tract or parcel of land more particularly described in Attachment A attached hereto and made a part hereof (the "Property"); and

**WHEREAS**, Assignor and Assignee have agreed that Assignor shall transfer and assign to Assignee all right, title and interest of Assignor in and to that certain Solar Equipment Lease (the "Contract"), dated \_\_\_\_\_ by and between Assignor and NJNG Home Services Company ("NJNG") respecting the leasing of certain solar equipment; and

**WHEREAS**, Assignor and Assignee have further agreed that Assignee shall expressly assume by executing this Assignment all of the obligations of Assignor under the Contract.

**NOW, THEREFORE**, for and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, Assignor and Assignee hereby agree as follows:

**1. Transfer and Assignment.** Assignor hereby sells, transfers, assigns, delivers and conveys to Assignee, its successors and assigns, all right, title and interest of Assignor in, to and under the Contract.

**2. Assumption of Obligations.** Assignee hereby assumes and agrees to observe, perform, carry out and discharge on time and in full all of the obligations and duties of Assignor under the Contract and to honor all agreements set forth therein. In addition, Assignee hereby assumes and agrees to observe and perform all of the obligations for payments due under the Contract that are accrued but unpaid as of the date of this Assignment.

**3. Governing Law.** This Assignment shall be construed and enforced in accordance with and governed by the laws of the State of New Jersey.

**4. Binding Effect.** This Assignment shall be binding upon the parties hereto and their respective successors and assigns and shall, except as otherwise set forth herein, inure to the benefit of only the parties hereto. The parties acknowledge and agree that NJNG shall at all times be deemed a direct third party beneficiary of this Assignment.

5. **Counterparts.** This Assignment may be executed in one or more counterparts and the signature of any party to any counterpart may be appended to any other counterpart, all of which counterparts when taken together shall equal one Assignment.

[SIGNATURES ON NEXT PAGE]

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**IN WITNESS WHEREOF**, Assignor and Assignee have caused this instrument to be executed under seal, all the day and year first above written.

**ASSIGNOR:**

\_\_\_\_\_

**ASSIGNEE:**

\_\_\_\_\_

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**Exhibit F to Solar Equipment Lease**

**ATTACHMENT A**

LEGAL DESCRIPTION OF PROPERTY

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**TURNKEY RESIDENTIAL SOLAR SYSTEM PURCHASE AND SALE AGREEMENT**

between

**NEW JERSEY NATURAL GAS COMPANY, a New Jersey corporation**

and

[REDACTED], a [REDACTED]

[REDACTED], 2010

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## TURNKEY RESIDENTIAL SOLAR SYSTEM PURCHASE AND SALE AGREEMENT

This Turnkey Residential Solar System Purchase and Sale Agreement, together with the exhibits and schedules hereto (collectively, the “Agreement”) dated as of [ ], 2010 (the “Execution Date”), is entered into by and between NEW JERSEY NATURAL GAS COMPANY (“NJNG”), a New Jersey Corporation (“Buyer”), and [ ], a [ ] (“Seller”). Buyer and Seller are sometimes referred to herein individually as a “Party” and jointly as “Parties.” Capitalized terms in this Agreement shall have the meanings set forth in Exhibit A.

### RECITALS

WHEREAS, Buyer is engaged in the business of providing, among other things, renewable energy, including rooftop solar photovoltaic electric generating systems to residential customers in its Service Territory;

WHEREAS, Buyer and Seller wish to collaborate on the marketing of residential rooftop solar photovoltaic electric generation systems to residential customers in NJNG’s Service Territory;

WHEREAS, Seller, itself or through its vendors, suppliers and Subcontractors, is willing to design, construct and install rooftop solar photovoltaic electric generating systems, and to sell the systems as specified herein to Buyer in accordance with the terms of conditions hereof; and Buyer is willing to purchase the systems pursuant to the terms and conditions set forth herein;

WHEREAS, prior to the installation of each system, Buyer shall enter into a solar equipment Lease with the real property owner containing easements allowing Seller to access, install, interconnect, test, start-up, repair and monitor the system on the rooftop site where the system shall be located;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and in the agreements contemplated hereby, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound and to bind their respective successors and assigns, the Parties do hereby mutually agree as follows.

### ARTICLE ONE. MARKETING OF RESIDENTIAL SOLAR SYSTEMS

#### 1.01 Independent Authorized Representative.

- (a) Seller may act as NJNG’s independent authorized representative as set forth in this Article One for the limited purpose of identifying and qualifying potential residential customers in New Jersey to enter into a solar equipment Lease with Buyer and conducting roof audits (Solar Assessments), as specified in this Article One. Buyer will also identify and qualify potential residential customers and retains the right to revoke the appointment of Seller hereunder on Notice, which shall be effective immediately after such Notice is given, in the event that Buyer reasonably believes that Seller is not performing its duties in a good, workmanlike, and professional manner and in accordance with the Standard of Care. Buyer also reserves the right to perform, or appoint any other person as its authorized representative to perform, at any time or times, all or any part of any of the activities within the authority of Seller herein.
- (b) In conducting the activities within its authority under this Article One, Seller shall at all times plainly identify itself to all potential residential customers and any other third party

as “an independent authorized representative of NJNG” and not as an employee of NJNG or NJNG itself.

- (c) In conducting the activities within its authority under this Article One, Seller may provide potential residential customers with a sample copy of the Lease (attached as Exhibit G), as anticipated in Section 1.04 below. Seller expressly acknowledges that it shall have no authority whatsoever to enter into the Lease or any other agreements with any potential residential customer or third party on behalf of Buyer. Seller understands and agrees it is not authorized to waive, alter or modify any term or condition of the Lease and shall not represent or otherwise indicate to any potential residential customer that it has the authority to do so.
- (d) Seller will provide at no cost to Buyer, all marketing, managerial, administrative, engineering, professional and other services that it deems necessary to exercise its authority and perform all of its duties and responsibilities under this Article One.

#### 1.02 Customer Identification Process.

Seller may conduct a customer lead search for potential residential customers. In performing this activity, Seller may draw upon its existing customer lead database as well as use, at its discretion, mailers, advertising and other marketing techniques to generate sales leads; provided, however, Seller shall not use the name, trade name, service mark or trademark of NJNG or any of its Affiliates in any promotional or advertising material without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned or delayed.

#### 1.03 Customer Qualification Process.

Seller may develop and use a phone screen or similar process to qualify potential residential customers that contact Seller and/or that Seller contacts while performing any customer identification activities, above. The objective of the screening process will be to determine whether the potential residential customer meets the eligibility criteria established by the NJ Renewable Energy Incentive Program (“REIP”) as well as criteria established by Buyer in determining eligibility to enter into a Lease, including, but not limited to, such factors as credit, electric load, ownership of home, comprehension of basic components of solar program, orientation of home, age and condition of roof, taxpayer status, and legal resident status. Buyer shall provide Seller with its eligibility requirements for potential lessees, which may be modified from time-to-time by Buyer. Seller shall not be required to independently verify eligibility requirements such as credit, home ownership, taxpayer status and legal resident status and may rely on representations made to Seller by potential residential customers regarding such requirements which representations shall be communicated to Buyer by Seller.

#### 1.04 Roof Audit (Solar Assessment).

Seller may conduct a roof audit (Solar Assessment) of any potential residential customer that it qualifies under the screening process in Section 1.03, above, and any potential residential customer that Buyer qualifies through its own customer qualification process and refers to Seller for a roof audit. During the course of the roof audit, Seller will physically inspect the potential residential customer’s roof and assess it on the basis of structural integrity, available space, orientation, and pitch; assess electrical requirements for solar installation; verify the customer qualification data gathered in the customer qualification screening process; and provide a copy of the Lease to the potential residential customer.

1.05 Customer Sign-up.

Buyer and Seller shall cooperate with each other in coordinating efforts to sign-up potential residential customers that are deemed qualified by Seller after a roof audit. In the event that the Buyer and the qualified potential residential customer enter into a Lease, the Site for such individual System shall be designated on Schedule 2 (the “Site List”) and Schedule 5 (the Work Schedule) (as such Schedules may be modified, supplemented or amended from time to time by mutual agreement of the Parties). Notwithstanding anything to the contrary in this Agreement, Buyer may decide, in its sole discretion, not to enter into a Lease with a qualified potential residential customer for any reason or no reason at all. Buyer shall inform Seller whether Buyer agrees to enter into a Lease with a qualified potential residential customer within five (5) days of Seller notifying Buyer that the potential residential customer meets Buyer’s qualification requirements and that the roof audit of said potential residential customer was successful.

1.06 Seller’s Marketing Goal.

- (a) Seller shall use commercially reasonable efforts to carry out its activities of identifying and qualifying potential residential customers to enter into a Lease with Buyer with the goal of having at least [ ] Leases fully executed by [ ], 2010 and [ ] ( ) Leases fully executed by [ ], 2010.
- (b) Seller shall regularly communicate to Buyer its progress toward achieving the marketing goals specified above. In the event that the [ ] 2010 marketing goal is achieved or in the reasonable opinion of Seller or Buyer is likely to be achieved, the Parties agree to promptly meet to discuss the appropriate marketing effort thereafter based on the available information at the time, including, but not limited to the remaining resources available to Buyer for the purchase of Systems under Buyer’s Program and the relative success of the efforts of Buyer and Buyer’s other authorized representatives, if any, in marketing rooftop solar photovoltaic electric generating systems under Buyer’s Program. Seller acknowledges that this Agreement does not commit Buyer to purchase a minimum or any other specific number of Systems from Seller.
- (c) Furthermore, the Parties agree and understand that the sale and installation of the Systems as contemplated by this Agreement is pursuant to Buyer’s Program and that the number of Systems installed or Leases executed that, upon the date hereof, the Parties anticipate to be completed or executed, respectively, may not be achieved as quickly as the Parties’ desire. As such, following the Execution Date, the Parties agree to work together to review the success of the marketing effort for Buyer’s Program and agree to consider commercially reasonable modifications to the Lease and other documents or strategies as may be necessary to better achieve the Parties’ mutual desired results; provided, however, any changes to the Lease or other documents under Buyer’s Program shall be at Buyer’s sole discretion.

1.07 Exclusions.

Seller shall not perform any work or activity as Buyer’s independent authorized representative beyond the limited scope set forth in this Article One.

## ARTICLE TWO. PURCHASE AND SALE OBLIGATIONS, DELIVERIES; CLOSING

### 2.01 Design, Construction, Installation and Delivery; Right to Subcontract.

- (a) Seller agrees to perform or cause to be performed all of the work required to design, engineer, procure, construct, install, interconnect, test, and start-up operational, turnkey solar photovoltaic electric generating system installations of approximately 5 kW to 10 kW each on each Site (each a "System"), designed and constructed in accordance with the technical specifications set forth on Schedule 1 hereto (as such Schedule may be modified, supplemented or amended from time to time by mutual agreement of the Parties, the "Specifications"), including those things reasonably inferable from the Specifications, diligently and in a good and workmanlike manner, consistent with the Standard of Care, in accordance with the requirements of this Agreement (the "Work"). Seller shall cause construction of each individual System to commence as promptly as practicable after the date the Site for such individual System is designated on Schedule 2 (the "Site List") and Schedule 5 (as such Schedules may be modified, supplemented or amended from time to time by mutual agreement of the Parties). Each of Seller and Buyer acknowledge and agree that the Systems shall be constructed using the PV Products (designated in Schedule 4). For the avoidance of doubt, Seller may subcontract the responsibility for any of its obligations set forth in this Section 2.01(a) to third parties at any time without the prior consent of or notice to Buyer; provided that Seller shall (i) notify the Buyer in writing of the Subcontractors it is using; (ii) any Subcontractor must agree to be bound by the terms and conditions contained in this Agreement; (iii) such Subcontractors shall be NJ state-licensed contractors under the direct supervision of Seller; and (iv) such subcontracting shall not relieve Seller of any of its duties, liabilities or obligations hereunder; provided, further, Seller shall ensure that all subcontracts (1) are in writing; and (2) provide that the rights (including warranties) and obligations of Seller under each subcontract shall be assignable to Buyer upon the written request of Buyer, without further consent of such Subcontractor, following any termination by Buyer of this Agreement. Seller shall be solely responsible for financing the designing, engineering, procuring, constructing, installing, interconnecting, testing and start-up of each System prior to its sale to Buyer, including, without limitation, that all Work is conducted diligently and in a good and workmanlike manner, consistent with the Standard of Care, as specified above.
- (b) Subject to Section 4.04, Seller shall be responsible for obtaining (and, up until the System Acceptance Date, maintaining) any and all net metering and/or interconnection rights from the Local Utility as may be required to effect installation of each System.
- (c) Seller shall have sole control over the details of the Work and the manner in which the Work is to be accomplished, including the engineering, design and construction means, methods, techniques, sequences and procedures for coordination of the Systems.
- (d) Buyer shall provide the Site pursuant to an executed Lease for each System and any and all easements reasonably required by Seller to access, construct and install each System.
- (e) Seller shall conduct a diligence review of each Site for any and all above surface and subsurface conditions at such Site, and use reasonable commercial efforts to familiarize itself with such Site, the general and local labor conditions, and all other matters that might reasonably be expected to affect the execution of the Work in connection with the

applicable System. In the event that conditions at such Site result in a delay or increase the cost of the Work, and any such conditions were actually known or through reasonable diligence, should have been discovered by Seller, such costs and the effect of such delay shall be the responsibility of Seller.

- (f) Except with respect to Seller's performance of its obligations as an independent authorized representative of Buyer under the limited authority granted by Buyer in Article One, Seller shall perform and execute the provisions of this Agreement as an independent contractor and not as an agent, representative or employee of Buyer. No Subcontractor, representative, agent or employee of Seller shall be deemed for any purpose to be an agent, servant, employee, or representative of the Buyer. Seller shall have no power or authority to execute contracts on behalf of the Buyer or otherwise bind the Buyer, nor shall Seller represent itself as having such power or authority.
- (g) Permits. Seller shall procure all Permits that are required or desirable for the construction, commissioning and operation of the Systems. Seller shall give the notices and pay for all fees required to be given or paid to any Governmental Authority in relation to all such Permits. Seller shall provide a copy of all such Permits to Buyer promptly upon receipt from any Governmental Authority.

2.02 Exclusions.

Seller shall not perform any work or activity beyond the scope set forth in this Agreement.

2.03 Purchase Price.

- (a) As payment for each System, Buyer shall pay to Seller \$X.XX per Watt (the "Purchase Price") notwithstanding the particular Site on which the System is installed or the Total Installed Capacity of the System as follows: (i) within twenty (20) Days after the Mechanical Completion Date for a System, Buyer shall pay to Seller 50% of the Purchase Price; (ii) within twenty (20) days after the System Acceptance Date for a System, Buyer shall pay to Seller 40% of the Purchase Price; and (iii) within twenty (20) days following the Final Completion Date for a System, Buyer shall pay to Seller the remaining 10% of the Purchase Price. To the extent that the Total Installed Capacity of the completed System on the System Acceptance Date as determined by the Performance Test is less than 95% of the Capacity set forth in the Specifications, the Purchase Price shall be reduced by \$X.XX per Watt for each Watt below that required by the Specifications. In the event that the Performance Test demonstrates a performance of less than 95% of the Capacity, Seller shall have the right to correct or modify the installation of the System as may be required to bring the System performance to at least 95% of the Capacity by the System Acceptance Date which Capacity shall be verified by the conduct of one or more Performance Tests conducted in accordance with the provisions of Paragraph 4.03 below. Notwithstanding any other provision to the contrary, Buyer shall have no obligation to purchase a System if the Total Installed Capacity of the completed System as determined by the Performance Test as of the System Acceptance Date is less than 80%. Furthermore, the Purchase Price may be adjusted in accordance with subsection (d), below.
- (b) The Purchase Price shall be payable by Buyer to Seller by wire transfer of immediately available funds to the account or accounts identified by Seller. In exchange for the

Purchase Price, Seller will sell, transfer, and deliver the System to Buyer and Buyer will accept the System. Such transfers shall be effected by appropriate instruments, including without limitation a bill of sale substantially in the form of Exhibit B hereto (the “System Bill of Sale”). Buyer shall be solely responsible for payment of any sales and transfer taxes applicable to the sale of each System from Seller to Buyer.

- (c) Buyer may deduct and set-off against any party of the balance due or to become due to Seller under this Agreement.

#### 2.04 Warranties.

From and after the System Acceptance Date for a System and during the periods specified below, Seller shall provide Buyer with the following warranties with respect to that System:

- (a) *General Warranty:* All Work and the PV Products incorporated into each System shall be free of defects and deficiencies in assembly and workmanship, in compliance with this Agreement, suitable for use under the climatic and normal operating conditions extant at the site of the System and otherwise consistent with and in compliance with the Specifications. The construction, procurement and installation services included in the System shall be performed with reasonable skill and judgment, in a good and workmanlike manner, in accordance with the Standard of Care defined in Section 4.01, the Agreement, the Law, insurance policies, and the Specifications.

If the General Warranty is breached during the General Warranty Period, Seller shall correct (or cause to be corrected) the defects and deficiencies promptly at no cost to Buyer. Seller’s obligation to correct defects and deficiencies shall include labor, parts, transportation, factory repair and testing, dismantling, re-erecting, and re-testing. The term “defects and deficiencies” shall not include damage arising from Buyer’s or the homeowner’s misuse or negligence or normal wear and tear. The “General Warranty Period” applicable to a particular System shall be the period extending five (5) years from the System Acceptance Date of that System. All General Warranty Work shall be warranted for the longer of (a) the original remaining General Warranty Period, or (b) twelve (12) additional months from the date of completion of any General Warranty Work.

- (b) *Design Warranty:* The design and engineering on the System shall be performed in a good and workmanlike manner, in accordance with the Standard of Care defined in Section 4.01, with the skill and diligence as would be provided by a solar engineer experienced in supplying similar services to entities owning projects located in the United States of technology, complexity and size similar to that of the Systems, and otherwise in compliance with his Agreement, the Law, PV Products warranties, insurance policies, and the Specifications.

If the Design Warranty is breached during the Design Warranty Period, Seller shall promptly investigate and determine the source of the breach, promptly correct or cause to be corrected any defects or deficiencies which resulted there from, and promptly replace or cause to be replaced equipment and materials associated with the defective or deficient design and re-perform Work necessary (which itself shall be considered Work) to cure the breach of the Design Warranty, at no cost to Buyer. The “Design Warranty Period” applicable to a particular System shall be the period extending five (5) years from the

System Acceptance Date of that System. All Design Warranty Work shall be warranted for the longer of (a) the original remaining Design Warranty Period, or (b) twelve (12) additional months from the date of completion of such Design Warranty Work.

- (c) *PV Products Warranty:* Any defects or deficiencies in the design, engineering, materials, assembly or workmanship in the PV Products shall be covered by the PV Products manufacturer warranties (the “Manufacturer’s Warranties”), in accordance with the terms and for the period set forth therein, unless it is determined that such defect is the result of Seller’s misuse or negligence of the PV Products in designing, engineering, constructing, installing, interconnecting, testing starting-up, operating or maintaining the System, in which case the Seller shall be responsible to Buyer for the repair or replacement of the defective PV Products at Seller’s cost and notwithstanding any limitations of the Manufacturer’s Warranties that may limit Buyer’s rights thereunder. Seller shall assign the Manufacturer’s Warranties to Buyer upon the transfer of title of each System. Notwithstanding the foregoing, consistent with the REIP Program Guidebook and subsection (a) above, for a period extending five (5) years from the System Acceptance Date, Seller shall be responsible to Buyer for the repair or replacement of the defective PV Products at Seller’s cost and notwithstanding any limitations of the Manufacturer’s Warranties that may limit Buyer’s rights thereunder.
- (d) *Intellectual Property Warranty:* Seller hereby warrants that it has all right and authority to all patents, trademarks, service marks, trade names, copyrights and all other intellectual property with respect to its design, engineering, procuring, constructing, installing, and interconnecting of the Systems and Buyer’s ownership and use of the Systems consistent with this Agreement shall not knowingly infringe upon any Persons’ intellectual property rights. Seller will defend Buyer against a third party claim that the System supplied hereunder infringes a patent, service mark, trade name, copyright, trade secret, trademark or any other intellectual property right or that the System’s operation, maintenance or use infringes a patent, service mark, trade name, copyright, trade secret or trademark or any other intellectual property right and Seller will indemnify Buyer from and pay resulting costs, damages and attorney fees finally awarded against Buyer. Seller’s obligation under this subsection is conditioned on Buyer’s agreement that if the System or any part thereof, becomes, or in Seller’s opinion is likely to become the subject of such a claim, Buyer will permit Seller, at Seller’s option and expense, either to procure the right for Buyer to continue using the System or to replace or modify the same so that the System or its use by Buyer becomes non-infringing. Such replacements or modifications will be functionally equivalent to the System. Seller has no liability for any claim based upon the combination, operation or use of any System with equipment not approved by Seller, or based upon Buyer’s or homeowner’s alteration of the System or modification of the System.

For avoidance of doubt, Seller shall own and control all patents, trademarks, service marks, trade names, copyrights and all other intellectual property rights that may arise with respect to the design, construction, installation, and use of the System and Seller represents and warrants to Buyer as of the Effective Date and each System Acceptance Date that Seller owns and controls all patents, trademarks, service marks, trade names, copyrights and all other intellectual property rights that may arise with respect to the design, construction, installation, and use of the System.

2.05 Control and Risk of Loss/Damage to System.

Until the System Acceptance, Seller shall at all times have responsibility for, assume any liability whatsoever with respect to, and bear the entire risk of loss (including, without limitation, theft, destruction, or disappearance of, or damage to the System from any cause whatsoever) of all or any part of the System and retain operational control of the System, be responsible for all operation and maintenance of the System and will bear all costs related to ownership, operation and maintenance thereof. From and after the System Acceptance, Buyer shall be responsible for all operation and maintenance of the System and will bear costs related to ownership, operation and maintenance thereof.

2.06 Scheduling and Milestones.

Seller shall administer and provide the Work in accordance with the Work Schedule set forth on Schedule 5. Subject to periodic review of the Work Schedule (as provided below) and modifications thereto agreed upon by the parties, Seller shall achieve (i) System Acceptance on or before the Guaranteed System Acceptance Date and (ii) Final Completion on or before the Guaranteed Final Completion Date. No later than 9 a.m. EPT every Monday (of if Monday is not a Business Day, the next Business Day thereafter), Seller shall provide Buyer an update to the Work Schedule as the Work progresses, including the incorporation of delay and acceleration analyses where appropriate; provided, however, Seller shall not be relieved from the obligation to meet any milestone date set forth in the Work Schedule unless pursuant to written notice from Buyer, which modification of the Work Schedule shall not be unreasonably contested by Buyer. Further, the Work Schedule and milestone dates set forth therein shall be extended a reasonable amount of time in the event that any consent, inspection or review by Buyer is unreasonably withheld, delayed or denied.

2.07 System Acceptance.

On the Day on which System Acceptance has been completed to the satisfaction of Buyer, the System shall be deemed to have achieved System Acceptance, and Buyer shall issue a certificate to Seller certifying satisfaction of the System Acceptance as of such date (the "System Acceptance Date").

2.08 Mechanical Completion; Punchlist.

(a) Together with the notice of the Performance Test that is to be provided to Buyer pursuant to Paragraph 4.03 below, Seller shall provide Buyer with notice that, subject to the results of the Performance Test, Mechanical Completion of the System has been achieved. On the date that the Performance Test is scheduled to occur, Buyer and Buyer's engineer shall have a right to be present and an opportunity to inspect the System to confirm that, subject to the results of the Performance Test, Mechanical Completion of the System has been achieved. If Buyer does not reasonably believe that Mechanical Completion has been achieved, it shall promptly notify Seller (but in any event in at least two (2) Business Days) of any deficiencies and the basis for such conclusion and thereafter Seller shall make any necessary corrections or modifications to the System in order to achieve Mechanical Completion. The Mechanical Completion Date shall be deemed to be the date that Mechanical Completion, including the satisfactory completion of the Performance Test as set forth in Paragraph 4.03 below, has been achieved.

(b) Within two (2) Business Days following the Mechanical Completion Date, Seller shall, prepare a listing of Punchlist Items and provide it to Buyer, together with an

estimate of the time required to complete and/or correct such Punchlist Items (the “Punchlist”). In the event that a joint inspection of the System is conducted by Buyer and Seller as provided in Subsection 2.08(a) above, the Punchlist shall include those Punchlist Items as noted by the parties during such inspection. Buyer shall review and comment on the Punchlist not later than two (2) Days after Buyer’s receipt thereof, and if Seller, elects, Seller may issue a revised Punchlist that responds to or incorporates Buyer’s comments no later than two (2) Days after Seller’s receipt of such comments or Seller may accept Buyer’s comments by signing Buyer’s written comments acknowledging acceptance of same. The Seller and the Buyer shall each sign the Punchlist once it has been agreed. Seller shall complete all Punchlist Items to the reasonable satisfaction of Buyer no later than the date specified for each such Punchlist Item in the Punchlist.

2.09 Final Completion.

On the Day (the “Final Completion Date”) that Seller has obtained any and all net metering and/or interconnection rights from the Local Utility as may be required to effect installation of the System, the System shall be deemed to have achieved final completion (the “Final Completion”) and Buyer shall issue a certificate certifying as such.

2.10 Hazardous Materials.

(a) Seller shall not, nor shall it permit any Subcontractor to, bring, use, generate or release any Hazardous Materials on a Site, other than Hazardous Materials to be used by Seller or any Subcontractor on a Site in a manner that both (a) does not violate or contribute to a violation of, or whether individually or on an aggregate basis require reporting or disclosure to any governmental authority, Buyer or third party under, any Laws relating to the environment, and (b) is consistent with customary business practice for manufacturing, delivering, installing, assembling, erecting, start-up, commissioning, start-up testing, operating and maintaining solar energy projects, such as lubricants.

(b) Seller shall bear all responsibility and liability for all (a) Hazardous Materials brought, used or generated on a Site by Seller or any Subcontractor, and all (b) Hazardous Materials that are released or spilled on a Site to the extent caused by Seller or any Subcontractor, including performing, in accordance with applicable Law, all characterization, investigation, sampling, testing, clean-up, removal, and remediation of and response to, any Hazardous Materials for which it is responsible under this Section 2.10.

(c) Seller shall minimize the use of Hazardous Materials in performance of the Work and shall not utilize, or permit or cause any Subcontractor to utilize, such Hazardous Materials, whether in their entirety or in such quantities or concentrations, as are prohibited under the Law from being imported into or used in the United States. Seller shall maintain an updated file of all material safety data sheets for all Hazardous Materials used in connection with performance of the Work or at or near a Site or at any construction area related to the System. Seller shall maintain an accurate record and current inventory of all Hazardous Materials used in performance of the Work or at or near a Site or at any construction area related to the System, which record shall identify quantities and concentrations, location of storage, use and final disposition of such Hazardous Materials.

(d) Seller shall be solely responsible for compliance with applicable Law pertaining to Hazardous Materials brought, used, generated or released by Seller, or any Subcontractor, at a Site and for disposing of all Hazardous Materials brought to or used on a Site in accordance with this Section 2.10 through a reputable waste disposal service in compliance with all applicable Law, and Seller shall maintain written records of such disposal.

2.11 Damage to Site.

Subject to the provisions of Paragraph 2.12, Seller shall be required to reimburse Buyer for any payment Buyer is required to make to the Lessee or any other person for damages arising out of or in connection with Seller's (including its Subcontractors, agents, and employees) performance of the Work, including damage to a roof or grounds, building structure, surrounding infrastructure, a building's electrical and mechanical systems, or local flora and fauna. To assist Buyer in managing any third party or Lessee claims ("Damage Claim"), Seller will complete a pre- and post-Work Site checklist at the commencement and completion of Work at each Site, respectively, and provide copies of such checklists to Buyer for its records. Such checklists shall be substantially in the form of Exhibit I hereto ("Pre- and Post-Work Site Checklist"). Except for any Emergency that Seller is unable to timely resolve, Buyer shall not make any payments to third parties or Lessees based upon a Damage Claim without providing Seller with notice and the opportunity to investigate and resolve such Damage Claim as set forth in Paragraph 2.11 below. In the event that Buyer does not comply with the provisions of Paragraph 2.11 below (except for Damage Claims constituting an Emergency), Seller shall have no obligation to reimburse Buyer as otherwise set forth above.

2.12 Investigation and Resolution of Third Party Claims.

Buyer shall forward to Seller for investigation notice of all Damage Claims. Seller shall simultaneously confirm to Buyer in writing Seller's receipt of such forwarded claims and acknowledge to claimant in writing receipt of the Damage Claim from Buyer within one (1) Business Day of Seller's receipt thereof. Seller shall respond to such claims promptly (but in any event in at least two (2) Business Days) and resolve them within a reasonable amount of time, which shall not be longer than ten (10) Business Days from Seller's receipt of the forwarded claim from Buyer (or such longer period as may be required in the event that resolution of the Damage Claim can not be reasonably completed with said ten (10) day period but Buyer has begun resolution during said ten (10) day period and is diligently pursuing same); provided, however, Seller shall immediately resolve any claim that constitutes an Emergency. If Seller determines to deny a third party or Lessee claim, Seller shall send claimant a letter setting forth the reasons for Seller's denial. By copy of its letter to claimant, Seller shall notify Buyer of its determination. Seller also shall provide Buyer a damage report, including any photographs, and any and all applicable information.

2.13 Clean-Up.

Seller shall at all times keep each Site reasonably free from waste materials or rubbish caused by its activities. Seller's performance of the Work shall not unreasonably interfere with the operation of the Systems. As soon as practicable after the completion of all Punchlist Items, Seller shall remove all of its equipment and materials not constituting part of the applicable Systems and complete removal of all waste material and rubbish from and around the Site. All waste material and rubbish resulting from the Work shall be handled and disposed of by Seller at its own expense in accordance with all Laws. Seller shall provide to Buyer copies of all waste

disposal manifests, if any. All obligations with respect to waste material and rubbish that are Hazardous Materials shall be governed by Section 2.10.

2.14 Safety.

(a) Seller shall initiate and maintain safety precautions and programs consistent with the Standard of Care to conform with Laws or other requirements designed to prevent injury to persons or damage to property on, about or adjacent to the Sites. Seller shall be solely responsible for initiating, maintaining and supervising all safety measures and programs in connection with the performance of the Work. Such precautions and programs shall include prevention of injury by local flora and fauna. Seller shall erect and maintain reasonable safeguards for the protection of workers and the public. Seller shall exercise reasonable efforts to eliminate or abate all reasonably foreseeable safety hazards created by or otherwise resulting from performance of the Work. Seller shall, and shall cause all of its employees, agents and Subcontractors to, follow the Seller's safety program.

(b) In the event of any emergency endangering life or property of which Seller is aware, Seller shall take such action as may be necessary to prevent, avoid, or mitigate injury, damage, or loss and shall promptly notify Buyer of any such emergency and the related actions taken by Seller.

(c) Whenever Seller has not complied with its obligations set forth in Sections 2.13(a) or 2.13(b), and creates an emergency requiring immediate action, Buyer may take reasonable precautions to mitigate such emergency, but the taking of such action by Buyer (or its failure to do so) shall not limit Seller's liability or its obligations under this Agreement. Seller shall reimburse Buyer for the costs incurred by Buyer in taking such precautions.

(d) On the first Business Day of each calendar month, Seller shall provide to Buyer a monthly safety report, stating any emergencies (and actions taken in response thereto), work related accidents, injuries or near misses occurred at the Sites during the calendar month immediately preceding the safety report.

2.15 New Jersey's Clean Energy Program; Environmental Attributes.

(a) Seller shall perform and complete the Work so as to ensure that the Project is in compliance with the REIP Program Guidebook and any other requirements of the REIP and New Jersey's Clean Energy Program that apply to residential solar installations.

(b) Seller shall prepare and submit all documents necessary to participate in any current or future governmental, utility company or other third party payments or incentives available to the Buyer and/or the Lessee in respect of each System or the sale of electric power generated there from, including New Jersey's Clean Energy Program, including, but not limited to, REIP rebates and SRECs. Seller shall allow and participate in Site visits by appropriate representatives for the solar incentive program, including, but not limited to, the REIP state inspection.

(c) Seller acknowledges that Buyer shall have all right, title and interest in and to all Environmental Attributes and Renewable Energy Incentives, and other items of whatever nature which are available as a result of energy being produced from the System whether available to Buyer through New Jersey's Clean Energy Program or otherwise. If any Environmental Attributes, Renewable Energy Incentives or other items are initially credited or paid to Seller,

Seller will cause such Environmental Attributes, Renewable Energy Incentives and other items to be assigned or transferred to Buyer without delay. Seller agrees to indemnify, defend, hold harmless and compensate Buyer for any losses, claims, liabilities, or expenses arising out of or resulting from Seller claiming any right with respect to the Environmental Attributes or Renewable Energy Incentives. Seller will cooperate with Buyer in Buyer's efforts to meet the requirements for any certification, registration, or reporting program relating to Environmental Attributes or Renewable Energy Incentives.

2.16 Books and Records.

(a) Seller shall keep, and shall cause its Subcontractors to keep, such books, records and accounts as may be necessary for compliance with its obligations under this Agreement and Buyer's inventory and asset management requirements. Upon Buyer's request, Seller shall provide to Buyer copies of such of Seller's records as are reasonably necessary to verify Seller's compliance under this Agreement. In addition, within a reasonable period of time after a request therefore, Seller shall provide Buyer with any information regarding quantities and descriptions of the Work that Buyer reasonably deems necessary in connection with tracking inventory and assets, the preparation of its tax returns and other regulatory compliance filings and Buyer shall have the right to timely audit Seller's books, records and accounts upon prior written notice in order to verify costs associated with any Work upon a reasonable basis. For avoidance or doubt, Buyer shall not have the right to audit any portion of Seller's books and records that do not directly pertain to this Agreement and the right to audit shall be subject to the provisions pertaining to confidential information, contained in Section 11.01, below and Seller shall have the right to redact any portion of documentation that is reviewed by Buyer but is not directly related to this Agreement.

(b) Seller shall provide Buyer with copies of all Installation Manuals and documentation related to the Systems installed, including an as-built checklist.

2.17 Labor and Personnel.

Seller shall provide all labor and personnel required in connection with the Work all of whom shall be competent to perform those portions of the Work each will perform on the System. If at any time Buyer reasonably believes that any personnel of Seller are not performing their duties in a manner and in accordance with Buyer's Contractor Guidelines then Buyer may notify Seller in writing thereof and Seller shall thereafter address the situation with its personnel such that the personnel shall conduct their duties in accordance with Buyer's Contractor Guidelines. In the event that such personnel continues to act in a manner not in conformance with Buyer's Contractor Guidelines despite Seller's efforts to have such personnel comply, then upon ten (10) days prior written notice, Buyer shall have the right to demand that such personnel be replaced. Notwithstanding the foregoing, Buyer shall have the right to require the immediate removal and permanent expulsion from the Site and from any work associated with the Work of any person that at any time is found under the influence of or in possession of alcohol or illegal drugs (including any amount of marijuana). All costs associated with the replacement of such personnel under this Section 2.17 shall be borne by Seller.

2.18 Liens.

Except for liens arising out of a failure of Buyer to make all payment obligations hereunder to Seller, Seller shall not, as a consequence of its own acts or acts of its suppliers and Subcontractors, suffer or permit liens or encumbrances to attach to the Systems or the Sites.

### ARTICLE THREE. TERMINATION

#### 3.01 Termination Right of Seller.

Seller shall have the right to terminate this Agreement on Notice, which shall be effective five (5) Business Days after such Notice is given, in the event that Buyer has not purchased at least one System pursuant to the terms and conditions set forth herein, prior to [REDACTED].

#### 3.02 Buyer's Termination for Convenience.

Buyer may terminate this Agreement at any time upon forty-five (45) Days written notice to Seller, without further liability except as provided herein. If Buyer exercises its termination right under this Section 3.02, Seller shall be entitled to complete the installation of any System(s) that it is working on or for which it has procured an executed Lease as of the date of the termination set forth in the termination notice and receive payment therefor in accordance with the terms set forth in this Agreement.

#### 3.03 Termination Rights of Both Parties for an Event of Default.

Upon the occurrence of an Event of Default, the non-defaulting Party may terminate this Agreement as set forth in Section 9.02.

### ARTICLE FOUR. COVENANTS

#### 4.01 Standard of Care.

Seller, in designing, engineering, procuring, constructing, installing, interconnecting, testing, and starting-up each System and otherwise performing its obligations pursuant to this Agreement, shall be responsible for complying with Good Utility Practices, Buyer's Contractor Guidelines (contained in Exhibit F), the REIP Program Guidebook technical requirements for solar installations and all other applicable requirements of the NJ REIP and SREC Registration Program, all applicable requirements of Law, the National Electrical Code and all other applicable local, state, and federal codes or practices, the Local Utility, PJM and other Governmental Authorities relating to the System, as well as relating to the performance of its obligations under this Agreement, whether imposed pursuant to existing Law or pursuant to changes enacted or implemented after the date hereof (collectively the "Standard of Care").

#### 4.02 Metering.

All electric metering associated with each System, whether owned by Seller or a third party, shall be installed and tested by or on behalf of Seller in accordance with all applicable requirements of NERC, the Local Utility, PJM, Good Utility Practices, the REIP Program Guidebook and the Specifications.

#### 4.03 Performance Testing.

With respect to each System, Seller shall cause a performance test, testing the net electrical output and overall operability of the System (a "Performance Test"), to be performed. Seller shall provide Buyer at least two (2) Business Days prior written notice of the date and time of the Performance Test so that Buyer and Buyer's engineer, if any, may, if Buyer so elects, be

present at the Performance Test. A Performance Test will not be scheduled until Seller has determined that all of the other elements constituting Mechanical Completion have been achieved such that at the time of the Performance Test, Buyer shall have the opportunity to inspect the System to confirm Mechanical Completion pursuant to Paragraph 2.08 above. Such Performance Test shall be completed in accordance with the criteria and procedures set forth on Schedule 3 hereto. Seller shall bear all costs of any Performance Test. Upon completion of a Performance Test, Seller shall submit a certificate of the results thereof to Buyer for its approval or rejection. Within three (3) Business Days after receiving such certificate, Buyer shall notify Seller in writing whether it finds the results of the Performance Test to have satisfied the criteria and procedures set forth on Schedule 3 hereto. In the event that Buyer fails to provide the notice to Seller in the time required in the immediately preceding sentence, such failure shall be deemed to be an acceptance of the Performance Test results by Buyer. To the extent that a Performance Test is not completed to the satisfaction of Buyer, Buyer shall inform Seller in its notice specific details and bases for such conclusion based upon the criteria and procedures set forth on Schedule 3 hereto and Seller shall promptly take all corrective actions so that a Performance Test may be successfully completed, and Seller shall thereafter repeat the Performance Test.

4.04 Net Metering and Interconnection to Local Utility Distribution System.

Seller shall obtain all required agreements and approvals as may be required to interconnect each System to the Local Utility distribution system as may required for net metering purposes.

4.05 Regulatory and Governmental Filings.

Consistent with Seller's obligations hereunder to install each System at its designated Site in accordance with this Agreement, Seller shall obtain and provide to Buyer all applications or other appropriate requests with the proper authorities for all Permits necessary to fulfill such obligations.

4.06 Access Rights.

Seller acknowledges that Buyer, its authorized agents, employees and inspectors shall have the right of ingress to and egress to each Site at any time on or prior to each System Acceptance Date upon reasonable Notice and for any purposes reasonably connected with this Agreement, including monitoring the construction and installation of a System. Buyer shall be responsible for all costs and bear all risks associated with all such visits to the Site pursuant to this Section 4.06. While at the Site, such Persons shall comply with all applicable Law and observe such safety precautions as may be reasonably required and communicated to such representatives by Seller or Seller's representatives and shall not interfere with the construction, installation or operation of the System. Any such inspection shall in no way relieve Seller or any Subcontractor of its obligations to perform the work in accordance with this Agreement, nor will it impose any obligation or liability on Buyer or its representatives.

4.07 Reports.

Within one (1) Business Days after the close of each calendar week during the term of the Agreement, Seller shall provide to Buyer a weekly report substantially in the form of Exhibit E hereto (the "Weekly Status Report") tracking the installation status (and its consistency with the generic Work Schedule) for each System corresponding to a Site designated on Schedule 2 up through the System Acceptance Date for that System, including projected time to completion.

Buyer and Seller shall also agree to regularly scheduled meetings between representatives of Buyer and Seller to review such weekly reports and discuss Seller's development, construction and installation progress with respect to the Systems.

4.08 Insurance.

Commencing on the Execution Date and continuing until the fourth (4<sup>th</sup>) anniversary of the termination or expiration of this Agreement (the "Insured Period"), Seller shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained, the following insurance coverages with an insurance company or companies rated at least "A-" by A.M. Best Company and be responsible for its Subcontractors maintaining the same.

(a) Workers' Compensation and Employers' Liability.

- (i) Workers' Compensation and basic employer's liability insurance for all employees in accordance with applicable state and federal labor codes, acts, Laws or statutes.
- (ii) Employers' Liability insurance with limits of at least \$1,000,000 for injury or death occurring as a result of each accident.

(b) Commercial General Liability.

Comprehensive or commercial general liability insurance written on an occurrence basis with a combined single limit of at least \$1,000,000 per occurrence, \$2,000,000 aggregate, including premises/operations, owner's protective, broad form property damage liability, explosion and collapse hazard coverage, blanket contractual liability encompassing the indemnity provisions of this Agreement, independent contractors, products and completed operations, and personal injury (and, if such insurance is obtained as part of Seller's general insurance policy for all its projects and assets, such policy, or policies, shall be written on a project-specific basis so that the limits set forth apply solely to the ownership, construction, use, operation and maintenance of Seller's interest in each System installation).

(c) Professional Liability

Professional liability insurance in the amount of at least \$1,000,000.

(d) Property

Property insurance with a single limit of at least \$50,000 per occurrence.

(e) Business Auto.

Comprehensive Automobile Liability insurance with bodily injury, death and property damage combined single limits of at least \$1,000,000 per occurrence for any auto covering vehicles owned, hired or non-owned.

(f) Excess Umbrella Liability Insurance.

Excess Umbrella Liability Insurance with a single limit of at least \$10,000,000 per occurrence and in the aggregate, in excess of the limits of insurance provided above.

(g) Additional Insurance Provisions.

- (i) Seller shall provide Buyer with a certificate of insurance specifically evidencing the coverage required above, naming Buyer and its Affiliates as additional insureds on a broad form endorsement on all liability policies, except for its statutory workers' compensation, employer's liability and professional liability coverage. The following language must appear on the certificate of insurance:

“NJNG and its affiliates are named as additional insureds with respect to all liabilities arising out of or resulting from the named insured's work, operations, products, or services (including completed operations). Coverage B has not been endorsed off the commercial general liability policy.”

- (ii) The certificate of insurance shall also provide for thirty (30) days prior written notice to Buyer in the event of cancellation or any material alteration of any policy, including, but not limited to a reduction in any of the limits of liability. The certificate of insurance shall be furnished to or be on file with Buyer prior to the Execution Date of this Agreement. On request, Seller shall furnish copies of the endorsements naming Buyer and its Affiliates as an additional insured.
- (iii) Seller's insurance coverage shall be primary over any coverage available to Buyer under its own insurance program in the event of any suit, loss or claim with respect to the interest of Buyer and that any insurance maintained by Buyer is excess and not contributory insurance with the insurance required hereunder. The insurance coverage described above in this section shall not be deemed to limit Seller's liability under this Agreement.
- (iv) All insurance coverage (with the exception of Professional Liability) required by this section shall be written and provided by “occurrence-based” policy forms rather than by “claims made” forms, when available.
- (v) Such insurance shall include a cross-liability or severability of insurance interest clause and provisions by which the insurer waives all rights of subrogation against Buyer.
- (vi) Seller represents that its liability coverage is not subject to a self-insured retention (SIR) or deductible.
- (vii) Reviews of such insurance may be conducted by Buyer on an annual basis.
- (viii) Upon written request, Seller shall furnish Buyer evidence of insurance for its Subcontractors.

- (ix) The insurance carrier or carriers and form of policy shall be subject to the reasonable approval by Buyer.
- (x) Any failure by Seller to maintain such insurance or provide such certificate of insurance and/or copies of the endorsements to Buyer shall be considered a material breach of this Agreement. If Seller fails to so maintain such insurance, Buyer shall have the right to withhold payment until proof of the required insurance coverage is provided in addition to any other rights and remedies Buyer may exercise under this Agreement.
- (h) With respect to each System, during the period from the Execution Date to the System Acceptance Date, Seller shall have the sole right to any insurance proceeds paid in connection with that System. From and after the System Acceptance Date until the expiration of the Insured Period, any such proceeds shall be paid to Buyer as a loss payee under the applicable insurance policy set forth above.

4.09 Further Assurances.

Each Party covenants that it shall act in good faith in its performance under this Agreement and agrees to perform any further acts and to execute and deliver such further documents which may be reasonably necessary to carry out the terms of this Agreement.

**ARTICLE FIVE. REPRESENTATIONS AND WARRANTIES**

Each Party represents and warrants to the other Party that the following representations are true and complete at and as of the Execution Date and as of the System Acceptance Date of each System:

- (a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
- (b) Except for the Permits necessary to construct, operate and maintain the Systems in the case of the Seller, it has all Permits necessary for it to perform its obligations under this Agreement;
- (c) The execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Law, rule, regulation, order or the like applicable to it;
- (d) This Agreement constitutes a legally valid and binding obligation enforceable against it in accordance with its terms, subject to any Equitable Defenses;
- (e) There is not pending, or to its knowledge, threatened against it or, in the case of Seller, any of its Affiliates, any legal proceedings that could materially adversely affect its ability to perform under this Agreement;
- (f) No Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement;

- (g) It is acting for its own account and its decision to enter into this Agreement is based upon its own judgment, not in reliance upon the advice or recommendations of the other Party and it is capable of assessing the merits of and understanding, and understands and accepts the terms, conditions and risks of this Agreement; and
- (h) It has entered into this Agreement in connection with the conduct of its business and it has the capacity or ability to make or take delivery of the Systems, which includes the right to own, convey, and accept the Systems as contemplated in this Agreement.

In addition, Seller represents and warrants to Buyer that the following representations are true and complete at and as of the Execution Date and as of the System Acceptance Date of each System:

- (i) Seller is a NJ state-licensed contractor listed in the NJ Clean Energy Program Trade Ally Database; and
- (j) All Work performed by Seller or its Subcontractors is in accordance with the REIP Program Guidebook technical requirements for solar installations and all other applicable requirements of the NJ REIP and SREC Registration Program.

#### **ARTICLE SIX. SYSTEM TITLE TRANSFER**

##### **6.01 System Acceptance.**

- (a) With respect to each System, the transfer of title to the System shall occur on the System Acceptance Date.
- (b) Seller warrants and guarantees that legal title to and ownership of the System and the Work shall be free and clear of any and all liens, claims, security interests or other encumbrances when title thereto passes to Buyer.

#### **ARTICLE SEVEN. INDEMNIFICATION**

- (a) Seller agrees to indemnify, defend and hold harmless Buyer and its Affiliates and their respective officers, directors, agents, servants and employees with respect to all liabilities, suits, claims, damages, demands, penalties (including fines from the BPU or any other Governmental Authority), forfeitures and expenses (including the costs of defense, settlement and reasonable attorney's fees) (collectively, "Claims") that relate to, occur from or arise out of Seller's performance or nonperformance of its obligations under this Agreement (including any Claims that arise from damages caused by the Systems to third party property), including, without limitation, Seller's negligence, and any performance or nonperformance that results in death or bodily injuries or threat thereof to any person, destruction or damage to any property, including Buyer's property or property owned by third-parties, contamination or adverse affects upon the environment, or any violation of local, state or federal law. Seller shall not be required to indemnify any party who is determined by final judgment to be solely at fault. Any and all expenses incurred by Buyer in investigating or defending any Claims subject to indemnification under this Agreement shall be refunded by Seller upon demand by Buyer. Seller shall promptly notify Buyer of any actual or potential damage and any potential or actual Claims involving services rendered pursuant to this Agreement, but in no case later than the end of the next Business Day. Notwithstanding the foregoing, Seller

shall not be obligated to indemnify, defend or hold harmless Buyer for Buyer's gross negligence or willful misconduct.

- (b) Each Party shall defend, save harmless and indemnify the other Party from any and all loss, liability, damage, claim, cost, charge, demand or expense arising out of or in connection with any breach made by the other Party of its representations and warranties in Article Five.
- (c) The provisions of this Article Seven shall not be construed to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.
- (d) Except as otherwise provided this Article Seven, neither Party shall be liable to the other Party for indirect, punitive, special or exemplary damages incurred by such other Party or for consequential damages incurred by the other Party to the extent that consequential damages exceed the limits of insurance coverage obtained by such Party for such damages. For avoidance of doubt, amounts payable by an indemnified party to a third party claimant are actual damages of the indemnified party even if indirect, punitive, special or exemplary damages of the third-party claimant.
- (e) All indemnity rights shall survive the termination of this Agreement.

#### **ARTICLE EIGHT. FORCE MAJEURE.**

##### 8.01 No Default for Force Majeure.

Neither Party shall be considered to be in default in the performance of any of its obligations set forth in this Agreement (except for obligations to pay money) when and to the extent failure of performance is caused by Force Majeure.

##### 8.02 Requirements Applicable to the Claiming Party.

If a Party, because of Force Majeure, is rendered wholly or partly unable to perform its obligations when due under this Agreement, that Party (the "Claiming Party"), shall be excused from whatever performance is affected by the Force Majeure to the extent so affected. In order to be excused from its performance obligations hereunder by reason of Force Majeure: (a) the Claiming Party, within 14 Days after the initial occurrence of the claimed Force Majeure, must give the other Party Notice describing the particulars of the occurrence and (b) the Claiming Party must provide timely evidence reasonably sufficient to establish that the occurrence constitutes Force Majeure as defined in this Agreement.

The suspension of the Claiming Party's performance due to Force Majeure shall be of no greater scope and of no longer duration than is required by the Force Majeure. In addition, the Claiming Party shall use commercially reasonable efforts to remedy its inability to perform.

This Section shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Claiming Party, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the sole discretion of the Claiming Party.

When the Claiming Party is able to resume performance of its obligations under this Agreement, the Claiming Party shall give the other Party prompt Notice to that effect.

8.03 Termination for Force Majeure.

Either Party may terminate this Agreement on Notice, which shall be effective five (5) Business Days after such Notice is provided, in the event of Force Majeure that wholly prohibits such Party's performance which extends for more than one hundred eighty (180) consecutive Days.

**ARTICLE NINE. EVENTS OF DEFAULT; REMEDIES.**

9.01 Events of Default.

An "Event of Default" shall mean, with respect to either Party, the occurrence of any of the following:

- (a) Any representation or warranty made by such Party herein is false or misleading in any material respect when made or when deemed made or repeated if the representation or warranty is continuing in nature, if: (A) such misrepresentation or breach of warranty is not remedied within ten (10) Business Days after Notice or (B) such inaccuracy is not capable of a cure, but the non-breaching Party's damages resulting from such inaccuracy can reasonably be ascertained and the payment of such damages is not made within fifteen (15) Business Days after a Notice of such damages is provided by the non-breaching Party to the breaching Party.
- (b) Except for an obligation to make payment when due, the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default or to the extent excused by a Force Majeure) if such failure is not remedied within sixty (60) Days after Notice of such failure (or such shorter period as may be specified below), which Notice sets forth in reasonable detail the nature of the failure; provided that, if such failure is not reasonably capable of being cured within the sixty (60) Day cure period specified above, the Party shall have such additional time (not exceeding an additional one hundred twenty (120) Days) as is reasonably necessary to cure such failure, so long as such Party promptly commences and diligently pursues such cure;
- (c) A Party fails to make when due any payment in a material amount (including not making when due any material portion of the payment) required under this Agreement and such failure is not cured within five (5) Business Days after Notice of such failure;
- (d) A Party becomes Bankrupt; or
- (e) A Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party.

9.02 Remedies.

If an Event of Default shall have occurred, there will be no opportunity for cure except as specified in Section 9.01. The non-defaulting Party shall have the right:

- (a) To designate by Notice, a day, no earlier than twenty (20) calendar Days after the Notice is effective, for the early termination of this Agreement;
- (b) To immediately suspend performance under this Agreement;
- (c) To pursue all remedies available at law or in equity against the defaulting Party (including monetary damages), except to the extent that such remedies are limited by the terms of this Agreement; and
- (d) In addition to the other remedies available to Buyer pursuant to this Section 9.02, in the event of a Event of Default of Seller, Buyer may, at its option, upon termination of this Agreement by Buyer pursuant to Section 9.02(a), take possession of the Systems and any or all Work (whether at the Sites or otherwise); provided, however, Buyer shall be obligated to pay Seller, or at Buyer's discretion setoff from the amount of any damages owed by Seller to Buyer, for all Systems transferred and any Work procured or performed as of the date of termination. If Buyer makes such election, Seller shall assign and transfer to Buyer all of Seller's right, title in and interest to Seller's contracts with Subcontractors (including all of the warranties and guarantees (and all claims there under)) with respect to any part of the Systems. In the event of any termination of the Agreement by Buyer pursuant to Section 9.02(a), Buyer may, without prejudice to any other right or remedy it may have, at its option, finish the Work by whatever method Buyer may deem expedient. Buyer shall thereafter have the right to actual damages from Seller in the sum of (a) the costs to finish the Work and (b) the amounts of the Purchase Prices previously paid by Buyer, that is in excess of the total Purchase Prices.

#### 9.03 Duty to Mitigate.

Each Party agrees that it has a duty to mitigate damages and covenants that it will use reasonable efforts to minimize any damages it may incur as a result of the other Party's performance or non-performance of this Agreement.

### **ARTICLE TEN. LIMITATION OF LIABILITIES.**

EXCEPT AS SET FORTH HEREIN, THERE ARE NO WARRANTIES BY EITHER PARTY UNDER THIS AGREEMENT. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF.

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED, UNLESS THE PROVISION IN QUESTION PROVIDES THAT THE EXPRESS REMEDIES ARE IN ADDITION TO OTHER REMEDIES THAT MAY BE AVAILABLE.

IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO CONSEQUENTIAL

DAMAGES TO THE EXTENT THAT CONSEQUENTIAL DAMAGES ARE LESS THAN OR EQUAL TO THE LIMITS OF INSURANCE COVERAGE OBTAINED BY THE OBLIGOR FOR SUCH DAMAGES AND DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED.

UNLESS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE FOR INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES OR FOR CONSEQUENTIAL DAMAGES INCURRED BY THE OTHER PARTY TO THE EXTENT THAT CONSEQUENTIAL DAMAGES EXCEED THE LIMITS OF INSURANCE COVERAGE OBTAINED BY SUCH PARTY FOR SUCH DAMAGES.

IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES SHALL BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE IS SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

IN NO CASE SHALL SELLER HAVE ANY LIABILITY TO BUYER FOR ANY FAILURE BY IT OR ANY OF ITS INVESTORS TO OBTAIN ANY OR ALL OF THE BENEFIT OF ANY INVESTMENT TAX CREDIT OR DEPRECIATION RELATING TO THE PROJECT.

#### **ARTICLE ELEVEN. CONFIDENTIALITY; PUBLICITY**

##### **11.01 Confidentiality.**

Subject to the provisions of Paragraph 11.02 below and except as may be required by law, no press release, announcement or other publicity concerning this Agreement shall be issued without advance written approval to the form and substance thereof by Buyer and Seller. Each Party agrees to keep the terms of this Agreement and the other agreements contemplated hereby strictly confidential and to not use or disclose to any other Person any non-public documents or other information that relates directly or indirectly to this Agreement; provided that either Party may disclose the terms of this Agreement to (a) any Affiliate, advisor, agent, representative, employee or Subcontractor or (b) any third party considering providing financing to, or merging with or acquiring all or substantially all of the assets of, either of the Parties hereto.

##### **11.02 Publicity.**

The Parties share a common desire to generate favorable publicity regarding the Systems and their association with them. The Parties agree that they may, from time-to-time, issue press releases regarding the Systems and that they shall cooperate with each other in connection with the issuance of such releases including without limitation by completing review of press releases proposed to be issued by the other Party within five (5) Business Days after submission by such other Party. Buyer and Seller shall cooperate to finalize the text of at least one press release from each Party or a joint press release relating to their entering into a definitive agreement to lease the Site and install the Systems. Each Party agrees that it shall not issue any press release regarding the Systems without the prior consent of the other, and each Party agrees not to unduly withhold or delay any such consent.

**ARTICLE TWELVE. MISCELLANEOUS**

12.01 Assignment.

Upon Notice to the other Party, this Agreement may be assigned by either Party at any time without the consent of the other Party (i) to an Affiliate, (ii) to any third party in connection with obtaining financing for the Systems or (iii) in connection with any merger, consolidation or sale of all or substantially all of the assets or equity interests of such Party. Any other assignment shall require the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. This Agreement shall be binding upon and inure to the benefit of Buyer, Seller and their respective successors and permitted assigns.

12.02 Severability.

If any provision of this Agreement shall be held void, voidable, invalid or inoperative, no other provision of this Agreement shall be affected as a result thereof, and, accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though such void, voidable, invalid or inoperative provision had not been contained herein so long as this Agreement as so modified continues to express, without material change, the original intentions of the Parties as to the subject matter of this Agreement and the deletion of such portion of the Agreement will not substantially impair the respective benefits or expectations of the Parties to this Agreement. To the extent that any provision is held void, voidable, invalid or inoperative, the Parties shall negotiate an equitable adjustment in the provisions of this Agreement with a view toward effecting the purpose of this Agreement, and the validity and enforceability of the remaining provisions, or portions or applications thereof, shall not be affected thereby.

12.03 Notices.

All notices permitted or required to be given under this Agreement (“Notices”), other than day-to-day routine communications, shall be in writing and shall be deemed duly given when and only when: (i) if sent by overnight or international courier service, confirmation of receipt by the recipient is confirmed by such service, or (ii) received by the recipient, if delivered by personal delivery or mail. Copies of all notices shall also be given by electronic mail or facsimile. All Notices shall be delivered or sent to the Parties at their respective addresses or numbers shown below or to such other addresses or numbers as a Party may designate by prior Notice given in accordance with this provision to the other Party:

(a) If to Buyer: NJNG  
1415 Wyckoff Road  
Wall, New Jersey 07019  
Attn: [REDACTED]  
Phone: (732) [REDACTED]  
Fax: (732) [REDACTED]

(b) If to Seller: [REDACTED]  
with copies to: [REDACTED]

12.04 Designated Representatives of Buyer and Seller.

The individuals listed in Exhibit H (or their replacements as may be designated by Buyer or Seller, as the case may be, in writing to the other Party from time-to-time), shall be the designated representatives of Buyer and Seller, respectively (each a “Designated Representative”), with authority to authorize or approve any action to be performed hereunder by Buyer or Seller, as the case may be; provided, however, Buyer personnel and Seller personnel shall freely communicate with one another related to Seller’s performance of the Work hereunder.

12.05 Headings.

The headings herein have been inserted for convenience of reference only and shall not in any manner affect the construction, meaning or effect of anything herein contained nor govern the rights and liabilities of the Parties.

12.06 Duties and Remedies Not Limited.

The duties and obligations imposed by this Agreement and the rights and remedies available hereunder shall be in addition to and not in limitation of any duties, obligations, rights and remedies otherwise imposed or available at law or in equity to the Parties.

12.07 No Waiver of Rights.

Except as may be specifically agreed in writing, the failure by any Party to insist in any one or more instances upon the strict performance of any one or more of the provisions of this Agreement or to exercise any right herein contained or provided by law or equity, shall not be construed as, or constitute in any way, a waiver, modification or relinquishment of the performance of such provision or right(s), or of the right to subsequently demand such strict performance or exercise such right(s), and all such rights shall continue unchanged and remain in full force and effect.

12.08 Entire Agreement.

This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous written and oral agreements, proposals, negotiations, warranties, guarantees, understandings and representations pertaining to the subject matter hereof.

12.09 Amendments.

No amendments or modifications of this Agreement shall be valid unless evidenced in writing and signed by a duly authorized representative of the Party against which enforcement is sought.

12.10 No Third Party Rights.

This Agreement and all rights hereunder are intended for the sole benefit of the Parties, and shall not imply or create any rights on the part of, or obligations to, any other Person.

12.11 Joint Preparation.

The terms and conditions of this Agreement, including but not limited to those relating to allocations of, releases from, exclusions against and limitation of liability, have been freely and

fairly negotiated. Each Party acknowledges that in executing this Agreement it relied solely on its own judgment, belief, and knowledge, and such advice as it may have received from its own counsel, and it has not been influenced by any representation or statements made by any other Party or its counsel. No provision in this Agreement is to be interpreted for or against either Party because that Party or its counsel drafted such provisions.

12.12 Counterparts and Facsimile/Electronic Signatures.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement. The counterparts of this Agreement and the schedules and exhibits hereto, may be executed and delivered by facsimile or other electronic signature by any of the Parties to any other Party and the receiving Party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the original had been received.

12.13 Attorneys' Fees.

If any action or proceeding is commenced by either Party to enforce their rights under this Agreement or to collect damages as a result of the breach of any of the provisions of this Agreement, the prevailing Party in such action or proceeding, including any bankruptcy, insolvency or appellate proceedings, shall be entitled to seek recovery of all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees and court, mediation and arbitration costs, in addition to any other relief awarded by the court, arbitrator or mediator.

12.14 Governing Law; Jurisdiction.

- (a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, EXCLUDING ANY CHOICE OF LAW PROVISIONS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANOTHER STATE.
- (b) In the event of any dispute arising under this Agreement, within ten (10) Days following the receipt of a written notice from either Party identifying such dispute, the Parties shall meet, negotiate and attempt, in good faith, to resolve the dispute quickly, informally and inexpensively. If the Parties are unable to resolve a dispute arising hereunder within thirty (30) Days of initiating such discussions, or within forty (40) Days after notice of the dispute, either Party may seek any and all remedies available to it at law or in equity.
- (c) Each Party hereto irrevocably submits to the jurisdiction of any New Jersey State or federal court in any dispute arising out of or relating to this Agreement, and hereby irrevocably agrees that all claims in respect of such dispute may be heard and determined in such New Jersey State or federal court. Each Party hereto hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such proceeding. The Parties further agree, to the extent permitted by law, that any final and unappealable judgment against any of them in any proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of which shall be conclusive evidence of the fact and amount of such judgment.

- (d) While any dispute is pending, the Parties shall continue to perform their obligations under this Agreement notwithstanding such dispute (subject to the right to suspend pursuant to Section 9.02(b)).

12.15 Survival.

Any provision(s) of this Agreement that expressly or by implication come(s) into or remains in full force following the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement.

[Signatures Contained on the Next Page]

DRAFT

**IN WITNESS WHEREOF**, the Parties, intending to be legally bound hereby, have caused this Turnkey Residential Solar System Purchase and Sale Agreement to be executed by their duly authorized officers as of the date first written above.

[REDACTED],  
a [REDACTED]

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

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

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

**NEW JERSEY NATURAL GAS COMPANY,**  
a New Jersey corporation

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

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

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

DRAFT

EXHIBIT A

DEFINED TERMS

The following terms shall have the following meaning for purposes of this Agreement.

“AC” means alternating current.

“Affiliate” means, with respect to any Person, any other Person, who (a) such first Person directly or indirectly, in whole or in part, owns, is owned by or is in common ownership with, or (b) such first Person directly or indirectly controls, is controlled by or is under common control with.

“Bankrupt” means with respect to any entity, such entity: (a) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it that is not dismissed within sixty (60) Days; (b) makes an assignment or any general arrangement for the benefit of creditors; (c) otherwise becomes bankrupt or insolvent (however evidenced); (d) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (e) Is generally unable to pay its debts as they fall due.

“BPU” means New Jersey Board of Public Utilities.

“Business Day” means any Day except a Saturday, Sunday or federal or New Jersey state holiday.

“Buyer’s Contractor Guidelines” means those certain guidelines and requirements, including, but not limited to, the NJR Code of Conduct, contained in Exhibit F.

“Buyer’s Program” means Buyer’s program to make available residential rooftop solar photovoltaic electric generating systems in NJNG’s Service Territory.

“Capacity” means, with respect to any particular System, as of any time, the aggregate nameplate capacity rating of that System.

“Claims” has the meaning set forth in Article Seven.

“Claiming Party” has the meaning set forth in Section 8.02.

“Day” means a period of twenty-four (24) consecutive hours beginning at 00:00 hours EPT on any calendar Day and ending at 24:00 hours EPT on the same calendar Day.

“Design Warranty Period” has the meaning set forth in Section 2.04(b).

“Designated Representative” has the meaning set forth in Section 12.04.

“Emergency” means an event occurring at a Site, or any adjoining property, that (a) poses actual or imminent risk of (i) serious personal injury or (ii) material physical damage to the System and (b)

requiring, in the good faith determination of the Seller or Buyer, immediate preventative or remedial action.

“Environmental Attributes” means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation from the System, and its displacement of conventional energy generation. Environmental Attributes include but are not limited to: (a) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO) and other pollutants; (b) any avoided emissions of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth’s climate by trapping heat in the atmosphere; and (c) the reporting rights to these avoided emissions, such as SRECs, but not including any Renewable Energy Incentives.

“Equitable Defense” means any bankruptcy, insolvency, reorganization and other laws affecting creditors’ rights generally, and with regard to equitable remedies, the discretion of the court before which proceedings to obtain same may be pending.

“Event of Default” has the meaning set forth in Section 9.01.

“Final Completion” has the meaning set forth in Section 2.09.

“Final Completion Date” has the meaning set forth in Section 2.09.

“Force Majeure” means any unforeseeable occurrence that: (a) in whole or in part: (i) delays a Party’s performance under this Agreement; (ii) causes a Party to be unable to perform its obligations; or (iii) prevents a Party from complying with or satisfying the conditions of this Agreement; (b) cannot be avoided by and is not within the control of that Party; (c) the Party has been unable to overcome by the exercise of reasonable efforts and due diligence, and (d) is not due to the fault or negligence of the Party relying thereon as justification for such delay, nonperformance, or noncompliance, including an act of God, flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, terrorism, sabotage, strike or labor dispute, or actions or inactions of any Governmental Authority (except with respect to Seller’s failure to obtain any Permit or comply with applicable Law); provided, however, the term Force Majeure does not include (i) economic hardship or lack of funds, (ii) changes in market conditions, (iii) equipment failures or acts or omissions of agents or Subcontractors, except to the extent such acts or omissions arise from an event of Force Majeure or (iv) any financial obligations of either Party whether arising under this Agreement or otherwise.

“General Warranty Period” has the meaning set forth in Section 2.04(a).

“Good Utility Practices” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry (in the case of the Buyer and Seller) and the solar power industry (in the case of Seller) during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be practices, methods, or acts generally accepted in the region.

“Governmental Authority” means any international, federal, state, local or municipal government, governmental department, commission, board, bureau, agency, or instrumentality, or any judicial, regulatory or administrative body, having jurisdiction as to the matter in question.

“Green Tag Reporting Rights” means the right of a purchaser of renewable energy to report ownership of accumulated “green tags” in compliance with applicable Law and include rights under Section 1605(b) of the Energy Policy Act of 1992, and any present or future federal, state or local certification program or emissions trading program.

“Guaranteed Final Completion Date” with respect to a particular System has the meaning set forth in Schedule 5.

“Guaranteed System Acceptance Date” with respect to a particular System has the meaning set forth in Schedule 5.

“Hazardous Materials” means (a) hazardous substances, as defined by the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq.; (b) hazardous wastes, as defined in by the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; (c) petroleum and petroleum products; (d) any radioactive material, including, without limitation, any source, special nuclear or by-product material as defined in 42 U.S.C. Section 2011 et seq.; (e) asbestos in any form or conditions; (f) polychlorinated biphenyls; and (g) any other material, substance or waste to which liability or standards of conduct can be imposed under any Law related to protection, preservation or conservation of the environment and public or worker health and safety, including, but not limited to applicable New Jersey statutes, rules and regulation.

“Installation Manuals” means the manuals attached hereto as Exhibit D, as such manuals may be revised or supplemented from time to time in the ordinary course of business.

“Law” means any statute, law, treaty, convention, rule, regulation, ordinance, code, Permit, enactment, injunction, order, writ, decision, authorization, judgment, decree or other legal or regulatory determination or restriction issued, adopted, administered or implemented by a court or Governmental Authority, including any of the foregoing that are enacted, amended, or issued after the Execution Date; or any binding interpretation of the foregoing, concerning, (i) Seller, Buyer, Lessee, a System, a Site, the performance of any portion of the Work, and the operation of a System; (ii) safety and the prevention of injury to persons and damage to property on, about or adjacent to a Site; (iii) protection of human health or the environment and emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic, or hazardous substances or wastes into the environment; or (iv) any requirements or conditions on or with respect to the issuance, maintenance, or renewal of any Permit or any application there for.

“Lease” means a Solar Equipment Lease, substantially in the form of Exhibit G hereto.

“Lessee” means the real property owner with whom Buyer shall enter into a solar equipment lease to install the System on the Site.

“Local Utility” means the local electricity distribution company owning and/or controlling and maintaining the distribution system required for delivery of electricity to the Site.

“Mechanical Completion” means, with respect to a particular System, that each of the following has been achieved in accordance with the Standard or Care and the other requirements of this Agreement:

- (A) All equipment (including the PV Products) associated with the System have been installed in accordance with the Specifications;
- (B) All of the electrical works have been properly constructed, installed, insulated and protected where required for such operation, have been correctly adjusted, are mechanically, electrically and structurally sound as set forth in the Specifications and can be used safely in accordance with the Standard of Care and the terms of this Agreement;
- (C) Seller has completed the required connection of the System to the applicable residential electrical system at the Site including interconnection wiring, controls, meters, monitoring, computer peripherals, and safety systems;
- (D) Seller has cleaned, leak checked and point-to-point checked the System to verify that the System is ready for initial operation and testing and may be so operated and tested without damage thereto or to any other property and without injury to any person; and
- (E) Successful completion and acceptance of the Performance Test.

“Mechanical Completion Date” means, with respect to a particular System, the date on which Mechanical Completion is achieved as set forth in Paragraph 2.08..

“NERC” means the North American Electric Reliability Corporation or a successor organization that is responsible for establishing reliability criteria and protocols.

“New Jersey’s Clean Energy Program” means that certain program administered by the New Jersey Office of Clean Energy, including, but not limited to, the REIP and SREC Registration Program.

“NJ Clean Energy Program Trade Ally Database” means that certain database of active renewable installers and vendors maintained by the BPU and available on the New Jersey Clean Energy Program website at <http://njcleanenergy.com/findavendor>

“Notice” has the meaning set forth in Section 12.03.

“Office of Clean Energy” means that certain office established by the BPU to administer New Jersey’s Clean Energy Program.

“Performance Test” has the meaning set forth in Section 4.03.

“Permit” means all waivers, franchises, variances, permits, authorizations, licenses or orders of or from any federal, state, provincial, county, municipal, regional, environmental or other governmental body having jurisdiction over Buyer or Seller and their respective obligations under this Agreement or over the System or a Site, as may be in effect from time to time.

“Person” means an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, or any Governmental Authority.

“PJM” means PJM Interconnection, LLC, or any successor organization thereto.

“Punchlist” has the meaning assigned to such term in Section 2.08

“Punchlist Item” means, with respect to any particular System, any item of uncompleted Work that (considered individually or in the aggregate) does not or will not adversely affect the performance of the System (or any portion thereof) or the ability of Buyer to operate the System (or any portion thereof) in the ordinary course of business in accordance with Good Utility Practices.

“Purchase Price” has the meaning set forth in Section 2.03(a).

“PV Products” means the photovoltaic products designated on Schedule 4.

“REIP” means the NJ Renewable Energy Incentive Program under New Jersey’s Clean Energy Program.

“REIP Program Guidebook” means that certain guidebook providing technical requirements for solar installations pursuant to the REIP.

“Renewable Energy Incentives” means: (a) federal, state, or local tax credits associated with the construction, ownership, or production of electricity from the System (including credits under Sections 38 and 45K of the Internal Revenue Code of 1986, as amended); (b) any investment tax credits and any other tax credits associated with the System (including credits under Sections 38 and 48 of the Internal Revenue Code of 1986, as amended); (c) any state, federal or private cash payments or grants relating in any way to the System or the output thereof; (d) state, federal or private grants or other benefits related to the System or the output thereof, including but not limited to, SRECs, and (e) any other form of incentive that is not an Environmental Attribute that is available with respect to the System.

“Site(s)” means the roof(s) of the residential structure(s) designated on Schedule 2 (as such Schedule may be modified, supplemented or amended from time to time by mutual agreement of the Parties), individually or collectively, as the context requires.

“SREC” means Solar Renewable Energy Certificates as referred to under New Jersey’s Clean Energy Program and defined under the Solar Renewable Portfolio Standard, in effect as of the Effective Date, as set forth at N.J.A.C. 14:8-2.1 et seq., and promulgated pursuant to N.J. Stat. §48:3-49 et seq., that require all retail electricity suppliers in New Jersey to provide a minimum percentage of electricity from a system that employs solar radiation to produce energy that powers an electric generator.

“SREC Registration Program” means that certain program under New Jersey’s Clean Energy Program used to register the intent to install non-rebated solar projects in New Jersey.

“Specifications” has the meaning set forth in Section 2.01(a).

“Standard Express Limited Warranty” means the standard express limited warranty, substantially in the form of Exhibit C hereto.

“Standard of Care” has the meaning set forth in Section 4.01.

“Subcontractors” means any subcontractor, of any tier, or supplier of services to Seller or Buyer, as the case may be, or any subcontractor, of any tier.

“System(s)” has the meaning set forth in Section 2.01(a).

“System Acceptance” means, with respect to particular System, that each of the following has been achieved in accordance with the Standard or Care and the other requirements of this Agreement:

- (A) The System has achieved Mechanical Completion;
- (B) All of the electrical works and all other infrastructure necessary to achieve connection of the System to the applicable electricity transmission system are energized;
- (C) The System has been determined to operate in accordance with all Local Utility requirements.
- (E) The System operates as a single unit capable of generating electricity continuously at rated power;
- (F) The System has achieved commercial operation and is delivering energy as intended;
- (G) The System has successfully passed the NJ state inspection or quality assurance review under the REIP;
- (H) The Punchlist has been agreed upon pursuant to Section 4.03 and Seller has completed the Punchlist Items;
- (I) Seller has prepared and submitted all documents necessary to participate in any current or future governmental, utility company or other third party payments or incentives available to the Buyer and/or the Lessee in respect of the System or the sale of electric power generated there from, including New Jersey's Clean Energy Program, as required pursuant to Section 2.15;
- (J) Seller has assigned to Buyer all warranties provided by Subcontractors and equipment vendors in connection with the design and construction of the System;
- (K) All Permits required to be obtained pursuant to Section 2.01(g) shall have been obtained and final inspections pursuant to such Permits completed.
- (L) The System is free and clear of all liens and encumbrances, other than immaterial liens arising in the ordinary course of business;
- (M) Seller has delivered to Buyer all final design specifications for the System, final "as-built" plans and drawings, all shop drawings, all test reports and all other documentation as reasonably required by Buyer;
- (N) Seller has delivered to Buyer partial lien releases and waivers, and has discharged all liens with respect to the System to extent payment has been received by Buyer as permitted by and in accordance with the New Jersey Construction Lien Law;
- (O) Completion of all Work required under the terms of this Agreement, in accordance with the requirements of the Agreement; and
- (P) Buyer has issued a certificate to Seller certifying satisfaction of System Acceptance.

"System Acceptance Date" has the meaning set forth in Section 2.07.

“Total Installed Capacity” means the specific total installed capacity for each System based on Seller’s design of each specific System.

“Watt” means the international SI unit of power equal to the power produced by a current of one ampere acting across a potential difference of one volt.

“Work” has the meaning set forth in Section 2.01(a).

“Work Schedule” means the schedule outlining the systematic construction of a System in accordance with the requirements of this Agreement, as set forth in Schedule 5.

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6. Severability. Each provision of this Agreement is intended to be severable. If any term or provision is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the remainder of the Agreement.

7. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, EXCLUDING ANY CHOICE OF LAW PROVISIONS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANOTHER STATE. EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT

8. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(Signature page follows.)

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**IN WITNESS WHEREOF**, the Parties, intending to be legally bound hereby, have caused this BILL OF SALE AND ASSIGNMENT AND ASSUMPTION to be executed by their duly authorized officers as of the date first written above.

[ \_\_\_\_\_ ],  
a [ \_\_\_\_\_ ]

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

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

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

**NEW JERSEY NATURAL GAS,**  
a New Jersey corporation

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

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

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

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**EXHIBIT A**

**TO BILL OF SALE AND ASSIGNMENT AGREEMENT**

SYSTEM DESCRIPTION

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EXHIBIT C

STANDARD EXPRESS LIMITED WARRANTY

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EXHIBIT D

SELLER'S INSTALLATION MANUALS

1. Seller intends to install all products in accordance with manufactures recommendations and instructions; and as directed by engineered drawings

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EXHIBIT E

WEEKLY STATUS REPORT

**(Project Name)**

**Weekly Status Report**

**For week ending MM/DD/YYYY**

Project Manager: (Name)

Milestones	Planned Dates	Actual Dates	Comments
(example – Kickoff meeting)	(MM/DD/YYYY)		
(example – Initial Prototype Review)	(MM/DD/YYYY)	(MM/DD/YYYY)	(Delayed due to xyz....)

**Accomplished this Week**

(Task)
(Task)
(Task)

**Accomplished this Week**

(Task)
(Task)
(Task)

**Issues / Risks Identified**

(Description)
(Description)

EXHIBIT F

BUYER'S CONTRACTOR GUIDELINES

- NJR Code of Conduct

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EXHIBIT G

FORM OF LEASE

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EXHIBIT H

DESIGNATED REPRESENTATIVES

Buyer's Designated Representatives:

Seller's Designated Representatives:

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EXHIBIT I

PRE- AND POST-WORK SITE CHECKLISTS

**Contractor**

**Address**

**City, State Zip**

**Phone**

<b>Date:</b>	
<b>Customer Name:</b>	
<b>Address:</b>	

**Pre-Construction Check List:**

Photos Taken of Site:	
-----------------------	--

Photograph and note any damage to siding,	
gutters, leaders, windows, roofing, vents, doors	
drive, walkways, vegetation and landscaping.	

Installer Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Installers name printed: \_\_\_\_\_

Homeowners Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Homeowners name printed: \_\_\_\_\_

**Contractor**  
**Address**  
**City, State Zip**  
**Phone**

<b>Date:</b>	
<b>Customer Name:</b>	
<b>Address:</b>	

**Post-Construction Check List:**

Photos taken of site:	
Site cleaned and debris removed:	
Homeowner instruction given:	

Photograph and note any damage to siding,	
gutters, leaders, windows, roofing, vents, doors	
drive, walkways, vegetation and landscaping.	

Installer Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Installers name printed: \_\_\_\_\_

Homeowners Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Homeowners name printed: \_\_\_\_\_

SCHEDULE 1

TECHNICAL SPECIFICATIONS

[The System shall include all of the following: Seller's equipment, and all of the generation equipment, including inverters, fuses, wiring, output breakers, protective and associated equipment, and other improvements reasonably necessary for the construction, operation, and maintenance of the System, electric metering devices and data processing equipment used to measure output from the System and transformers, and output breakers.]

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SCHEDULE 2

SITE LIST  
To be developed from Customer list

DRAFT

SCHEDULE 3

PERFORMANCE TEST CRITERIA AND PROCEDURES

DRAFT

SCHEDULE 4

PV PRODUCTS

DRAFT

SCHEDULE 5

WORK SCHEDULE  
To be developed from customer list

DRAFT

**TURNKEY RESIDENTIAL SOLAR SYSTEM INSTALLATION AGREEMENT**

between

**NEW JERSEY NATURAL GAS COMPANY, a New Jersey corporation**

and

[\_\_\_\_\_], a [\_\_\_\_\_]

[\_\_\_\_\_] [\_\_\_\_], 2010

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## TURNKEY RESIDENTIAL SOLAR SYSTEM INSTALLATION AGREEMENT

This Turnkey Residential Solar System Installation Agreement, together with the exhibits and schedules hereto (collectively, the “Agreement”) dated as of [\_\_\_\_\_] [\_\_\_\_], 2010 (the “Execution Date”), is entered into by and between NEW JERSEY NATURAL GAS COMPANY, a New Jersey Corporation (“NJNG”), and [\_\_\_\_\_] a [\_\_\_\_\_] (“Installer”). NJNG and Installer are sometimes referred to herein individually as a “Party” and jointly as “Parties.” Capitalized terms in this Agreement shall have the meanings set forth in Exhibit A.

### RECITALS

WHEREAS, NJNG is engaged in the business of, among other things, providing renewable energy, including rooftop solar photovoltaic electric generating systems to residential customers in its Service Territory;

WHEREAS, NJNG and Installer wish to collaborate on the marketing of residential rooftop solar photovoltaic electric generation systems to residential customers in NJNG’s Service Territory;

WHEREAS, Installer, itself or through its Subcontractors, is willing to design, construct and install rooftop solar photovoltaic electric generating systems, and to install the systems as specified herein for NJNG in accordance with the terms of conditions hereof; and NJNG is willing to purchase the installation services pursuant to the terms and conditions set forth herein;

WHEREAS, prior to the installation of each system, NJNG shall enter into a solar equipment Lease with the real property owner containing easements allowing Installer to access, install, interconnect, test, start-up, repair and monitor the system on the rooftop site where the system shall be located;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and in the agreements contemplated hereby, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound and to bind their respective successors and assigns, the Parties do hereby mutually agree as follows.

### ARTICLE ONE.        **MARKETING OF RESIDENTIAL SOLAR SYSTEMS**

#### 1.01    Independent Authorized Representative.

- (a)    Installer may act as NJNG’s independent authorized representative as set forth in this Article One for the limited purpose of identifying and qualifying potential residential customers in New Jersey to enter into a solar equipment Lease with NJNG and conducting roof audits (Solar Assessments), as specified in this Article One. NJNG will also identify and qualify potential residential customers and retains the right to revoke the appointment of Installer hereunder on Notice, which shall be effective immediately after such Notice is given, in the event that NJNG reasonably believes that Installer is not performing its duties in a good, workmanlike, and professional manner and in accordance with the Standard of Care. NJNG also reserves the right to perform, or appoint any other person as its authorized representative to perform, at any time or times, all or any part of any of the activities within the authority of Installer herein.
- (b)    In conducting the activities within its authority under this Article One, Installer shall at all times plainly identify itself to all potential residential customers and any other third

party as “an independent authorized representative of NJNG ” and not as an employee of NJNG or NJNG itself.

- (c) In conducting the activities within its authority under this Article One, Installer may provide potential residential customers with a copy of the Lease (attached as Exhibit G), as anticipated in Section 1.04 below. Installer expressly acknowledges that it shall have no authority whatsoever to enter into the Lease or any other agreements with any potential residential customer or third party on behalf of NJNG. Installer understands and agrees it is not authorized to waive, alter or modify any term or condition of the Lease and shall not represent or otherwise indicate to any potential residential customer that it has the authority to do so.
- (d) Installer will provide at no cost to NJNG, all marketing, managerial, administrative, engineering, professional and other services that it deems necessary to exercise its authority and perform all of its duties and responsibilities under this Article One.

#### 1.02 Customer Identification Process.

Installer may conduct a customer lead search for potential residential customers. In performing this activity, Installer may draw upon its existing customer lead database as well as use, at its discretion, mailers, advertising and other marketing techniques to generate sales leads; provided, however, Installer shall not use the name, trade name, service mark or trademark of NJNG or any of its Affiliates in any promotional or advertising material without the prior written consent of NJNG, which shall not be unreasonably withheld, conditioned or delayed.

#### 1.03 Customer Qualification Process.

Installer may develop and use a phone screen or similar process to qualify potential residential customers that contact Installer and/or that Installer contacts while performing any customer identification activities, above. The objective of the screening process will be to determine whether the potential residential customer meets the eligibility criteria established by the NJ Renewable Energy Incentive Program (“REIP”) as well as criteria established by NJNG in determining eligibility to enter into a Lease, including, but not limited to, such factors as credit, electric load, ownership of home, comprehension of basic components of solar program, orientation of home, age and condition of roof, taxpayer status, and legal resident status. NJNG shall provide Installer with its eligibility requirements for potential lessees, which may be modified from time-to-time by NJNG. Installer shall not be required to independently verify eligibility requirements such as credit, home ownership, taxpayer status and legal resident status and may rely on representations made to Installer by potential residential customers regarding such requirements which representations shall be communicated to NJNG by Installer.

#### 1.04 Roof Audit (Solar Assessment).

Installer may conduct a roof audit (Solar Assessment) of any potential residential customer that it qualifies under the screening process in Section 1.03, above, and any potential residential customer that NJNG qualifies through its own customer qualification process and refers to Installer for a roof audit. During the course of the roof audit, Installer will physically inspect the potential residential customer’s roof and assess it on the basis of structural integrity, available space, orientation, and pitch; assess electrical requirements for solar installation; verify the customer qualification data gathered in the customer qualification screening process; and provide a copy of the Lease to the potential residential customer.

1.05 Customer Sign-up.

NJNG and Installer shall cooperate with each other in coordinating efforts to sign-up potential residential customers that are deemed qualified by Installer after a roof audit. In the event that the NJNG and the qualified potential residential customer enter into a Lease, the Site for such individual System shall be designated on Schedule 2 (the “Site List”) and Schedule 5 (the Work Schedule) (as such Schedules may be modified, supplemented or amended from time to time by mutual agreement of the Parties). Notwithstanding anything to the contrary in this Agreement, NJNG may decide, in its sole discretion, not to enter into a Lease with a qualified potential residential customer for any reason or no reason at all. NJNG shall inform Installer whether NJNG agrees to enter into a Lease with a qualified potential residential customer within five (5) days of Installer notifying NJNG that the potential residential customer meets NJNG’s qualification requirements and that the roof audit of said potential residential customer was successful.

1.06 Installer’s Marketing Goal.

Installer shall use commercially reasonable efforts to carry out its activities of identifying and qualifying potential residential customers to enter into a Lease with NJNG with the goal of having at least [\_\_\_\_\_( )] Leases fully executed by [\_\_\_\_2010]and [\_\_\_\_\_( )] Leases fully executed by [\_\_\_\_2010].

- (a) Installer shall regularly communicate to NJNG its progress toward achieving the marketing goals specified above. In the event that the [\_\_\_\_2010] marketing goal is achieved or in the reasonable opinion of Installer or NJNG is likely to be achieved, the Parties agree to promptly meet to discuss the appropriate marketing effort thereafter based on the available information at the time, including, but not limited to the remaining resources available to NJNG for the purchase of Systems under NJNG’s Pilot Program and the relative success of the efforts of NJNG and NJNG’s other authorized representatives, if any, in marketing rooftop solar photovoltaic electric generating systems under NJNG’s Pilot Program. Installer acknowledges that this Agreement does not commit NJNG to contract for a minimum or any other specific number of System installations from Installer.
- (b) Furthermore, the Parties agree and understand that the installation of the Systems as contemplated by this Agreement is pursuant to NJNG’s Pilot Program and that the number of Systems installed or Leases executed that, upon the date hereof, the Parties anticipate to be completed or executed, respectively, may not be achieved as quickly as the Parties’ desire. As such, following the Execution Date, the Parties agree to work together to review the success of the marketing effort for NJNG’s Pilot Program and agree to consider commercially reasonable modifications to the Lease and other documents or strategies as may be necessary to better achieve the Parties’ mutual desired results; provided, however, any changes to the Lease or other documents under NJNG’s Pilot Program shall be at NJNG’s sole discretion.

1.07 Exclusions.

Installer shall not perform any work or activity as NJNG’s independent authorized representative beyond the limited scope set forth in this Article One.

## ARTICLE TWO. INSTALLATION OBLIGATIONS, DELIVERIES; CLOSING

### 2.01 Design, Construction, Installation and Delivery; Right to Subcontract.

- (a) Installer agrees to perform or cause to be performed all of the work required to design, engineer, construct, install, interconnect, test, and start-up operational, turnkey solar photovoltaic electric generating system installations of approximately 5 kW to 10 kW each on each Site (each a "System"), designed and constructed in accordance with the technical specifications set forth on Schedule 1 hereto (as such Schedule may be modified, supplemented or amended from time to time by mutual agreement of the Parties, the "Specifications"), including those things reasonably inferable from the Specifications, diligently and in a good and workmanlike manner, consistent with the Standard of Care, in accordance with the requirements of this Agreement (the "Work"). Installer shall cause construction of each individual System to commence as promptly as practicable after the date the Site for such individual System is designated on Schedule 2 (the "Site List") and Schedule 5 (as such Schedules may be modified, supplemented or amended from time to time by mutual agreement of the Parties). Each of Installer and NJNG acknowledge and agree that the Systems shall be constructed using the PV Products provided by NJNG to Installer (designated in Schedule 4). For the avoidance of doubt, Installer may subcontract the responsibility for any of its obligations set forth in this Section 2.01(a) to third parties at any time without the prior consent of or notice to NJNG; provided that NJNG shall (i) notify NJNG in writing of the Subcontractors it is using; (ii) any Subcontractor must agree to be bound by the terms and conditions contained in this Agreement; (iii) such Subcontractors shall be NJ state-licensed contractors under the direct supervision of Installer; and (iv) such subcontracting shall not relieve Installer of any of its duties, liabilities or obligations hereunder; provided, further, Installer shall ensure that all subcontracts (1) are in writing; and (2) provide that the rights (including warranties) and obligations of Installer under each subcontract shall be assignable to NJNG upon the written request of NJNG, without further consent of such Subcontractor, following any termination by NJNG of this Agreement. Installer shall be solely responsible for financing the designing, engineering, constructing, installing, interconnecting, testing and start-up of each System prior to its delivery to NJNG, including, without limitation, that all Work is conducted diligently and in a good and workmanlike manner, consistent with the Standard of Care, as specified above.
- (b) Subject to Section 4.04, Installer shall be responsible for obtaining (and, up until the System Acceptance Date, maintaining) any and all net metering and/or interconnection rights from the Local Utility as may be required to effect installation of each System.
- (c) Installer shall have sole control over the details of the Work and the manner in which the Work is to be accomplished, including the engineering, design and construction means, methods, techniques, sequences and procedures for coordination of the Systems.
- (d) NJNG shall provide the Site pursuant to an executed Lease for each System and any and all easements reasonably required by Installer to access, construct and install each System.
- (e) NJNG shall provide the PV Products to be integrated by Installer into each System, pursuant to the design of each System developed by Installer and provided to NJNG.

- (f) Installer shall provide all materials, equipment and systems required to install the System other than the PV Products for each System.
- (g) Installer shall conduct a diligence review of each Site for any and all above surface and subsurface conditions at such Site, and use reasonable commercial efforts to familiarize itself with such Site, the general and local labor conditions, and all other matters that might reasonably be expected to affect the execution of the Work in connection with the applicable System. In the event that conditions at such Site result in a delay or increase the cost of the Work, and any such conditions were actually known or through reasonable diligence, should have been discovered by Installer, such costs and the effect of such delay shall be the responsibility of Installer.
- (h) Except with respect to Installer's performance of its obligations as an independent authorized representative of NJNG under the limited authority granted by NJNG in Article One, Installer shall perform and execute the provisions of this Agreement as an independent contractor and not as an agent, representative or employee of NJNG. No Subcontractor, representative, agent or employee of Installer shall be deemed for any purpose to be an agent, servant, employee, or representative of the NJNG. Installer shall have no power or authority to execute contracts on behalf of the NJNG or otherwise bind the NJNG, nor shall Installer represent itself as having such power or authority.
- (i) Permits. Installer shall procure all Permits that are required or desirable for the construction, commissioning and operation of the Systems. Installer shall give the notices and pay for all fees required to be given or paid to any Governmental Authority in relation to all such Permits. Installer shall provide a copy of all such Permits to NJNG promptly upon receipt from any Governmental Authority.

2.02 Exclusions.

Installer shall not perform any work or activity beyond the scope set forth in this Agreement.

2.03 Installation Services Price.

- (a) As payment in full for the installation of a System, including, but not limited to all materials, equipment and systems required to install the System other than the PV Products for each System, , NJNG shall pay to Installer [\$X.XX per Watt] (the "Installation Services Price") notwithstanding the particular Site on which the System is installed or the Total Installed Capacity of the System as follows: (i) within twenty (20) Days after the Mechanical Completion Date for a System, NJNG shall pay to Installer 50% of the Purchase Price; (ii) within twenty (20) days after the System Acceptance Date for a System, NJNG shall pay to Installer 40% of the Purchase Price; and (iii) within twenty (20) days following the Final Completion Date for a System, NJNG shall pay to Installer the remaining 10% of the Purchase Price. To the extent that the Total Installed Capacity of the completed System on the System Acceptance Date as determined by the Performance Test is less than 95% of the Capacity set forth in the Specifications, the Installation Services Price shall be reduced by \$X.XX per Watt for each Watt below that required by the Specifications. In the event that the Performance Test demonstrates a performance of less than 95% of the Capacity, Installer shall have the right to correct or modify the installation of the System as may be required to bring the System performance to at least 95% of the Capacity by the System Acceptance Date which Capacity shall be

verified by the conduct of one or more Performance Tests conducted in accordance with the provisions of Paragraph 4.03 below. Notwithstanding any other provision to the contrary, NJNG shall have no obligation to pay for the installation services if the Total Installed Capacity of the completed System as determined by the Performance Test as of the System Acceptance Date is less than 80%. Furthermore, the Installation Services Price may be adjusted in accordance with subsection (d), below.

- (b) The Installation Services Price shall be payable by NJNG to Installer by wire transfer of immediately available funds to the account or accounts identified by Installer. In exchange for the Installation Services Price, Installer will transfer, and deliver the System to NJNG and NJNG will accept the System. Such transfers shall be effected by appropriate instruments, including without limitation a bill of sale, if necessary, substantially in the form of Exhibit B hereto (the “System Bill of Sale”). NJNG shall be solely responsible for payment of any sales and transfer taxes applicable to the transfer of each System from Installer to NJNG.
- (c) NJNG may deduct and set-off against any party of the balance due or to become due to Installer under this Agreement.

#### 2.04 Warranties.

From and after the System Acceptance Date for a System and during the periods specified below, Installer shall provide NJNG with the following warranties with respect to that System:

- (a) *General Warranty:* All Work and the PV Products incorporated into each System shall be free of defects and deficiencies in assembly and workmanship, in compliance with this Agreement, suitable for use under the climatic and normal operating conditions extant at the site of the System and otherwise consistent with and in compliance with the Specifications. The construction, procurement and installation services included in the System shall be performed with reasonable skill and judgment, in a good and workmanlike manner, in accordance with the Standard of Care defined in Section 4.01, the Agreement, the Law, insurance policies, and the Specifications.

If the General Warranty is breached during the General Warranty Period, Installer shall correct (or cause to be corrected) the defects and deficiencies promptly at no cost to NJNG. Installer’s obligation to correct defects and deficiencies shall include labor, parts, transportation, factory repair and testing, dismantling, re-erecting, and re-testing. The term “defects and deficiencies” shall not include damage arising from NJNG’s or the homeowner’s misuse or negligence or normal wear and tear. The “General Warranty Period” applicable to a particular System shall be the period extending five (5) years from the System Acceptance Date of that System. All General Warranty Work shall be warranted for the longer of (a) the original remaining General Warranty Period, or (b) twelve (12) additional months from the date of completion of any General Warranty Work.

- (b) *Design Warranty:* The design and engineering on the System shall be performed in a good and workmanlike manner, in accordance with the Standard of Care defined in Section 4.01, with the skill and diligence as would be provided by a solar engineer experienced in supplying similar services to entities owning projects located in the United States of technology, complexity and size similar to that of the Systems, and otherwise in

compliance with his Agreement, the Law, PV Products warranties, insurance policies, and the Specifications.

If the Design Warranty is breached during the Design Warranty Period, Installer shall promptly investigate and determine the source of the breach, promptly correct or cause to be corrected any defects or deficiencies which resulted there from, and promptly replace or cause to be replaced equipment and materials associated with the defective or deficient design and re-perform Work necessary (which itself shall be considered Work) to cure the breach of the Design Warranty, at no cost to NJNG. The "Design Warranty Period" applicable to a particular System shall be the period extending five (5) years from the System Acceptance Date of that System. All Design Warranty Work shall be warranted for the longer of (a) the original remaining Design Warranty Period, or (b) twelve (12) additional months from the date of completion of such Design Warranty Work.

- (c) *PV Products Warranty:* Any defects or deficiencies in the design, engineering, materials, assembly or workmanship in the PV Products shall be covered by the PV Products manufacturer warranties (the "Manufacturer's Warranties"), in accordance with the terms and for the period set forth therein, unless it is determined that such defect is the result of Installer's misuse or negligence of the PV Products in designing, engineering, constructing, installing, interconnecting, testing starting-up, operating or maintaining the System, in which case the Installer shall be responsible to NJNG for the repair or replacement of the defective PV Products at Installer's cost and notwithstanding any limitations of the Manufacturer's Warranties that may limit NJNG's rights thereunder. Notwithstanding the foregoing, consistent with the REIP Program Guidebook and subsection (a) above, for a period extending five (5) years from the System Acceptance Date, Installer shall be responsible to NJNG for the repair or replacement of the defective PV Products at Installer's cost and notwithstanding any limitations of the Manufacturer's Warranties that may limit NJNG's rights thereunder.
- (d) *Intellectual Property Warranty:* Installer hereby warrants that it has all right and authority to all patents, trademarks, service marks, trade names, copyrights and all other intellectual property with respect to its design, engineering, procuring, constructing, installing, and interconnecting of the Systems and NJNG's ownership and use of the Systems consistent with this Agreement shall not knowingly infringe upon any Persons' intellectual property rights. Installer will defend NJNG against a third party claim that the System supplied hereunder infringes a patent, service mark, trade name, copyright, trade secret, trademark or any other intellectual property right or that the System's operation, maintenance or use infringes a patent, service mark, trade name, copyright, trade secret or trademark or any other intellectual property right and Installer will indemnify NJNG from and pay resulting costs, damages and attorney fees finally awarded against NJNG. Installer's obligation under this subsection is conditioned on NJNG's agreement that if the System or any part thereof, becomes, or in Installer's opinion is likely to become the subject of such a claim, NJNG will permit Installer, at Installer's option and expense, either to procure the right for NJNG to continue using the System or to replace or modify the same so that the System or its use by NJNG becomes non-infringing. Such replacements or modifications will be functionally equivalent to the System. Installer has no liability for any claim based upon the combination, operation or use of any System with equipment not approved by Installer, or based upon NJNG's or homeowner's alteration of the System or modification of the System.

For avoidance of doubt, Installer shall own and control all patents, trademarks, service marks, trade names, copyrights and all other intellectual property rights that may arise with respect to the design, construction, installation, and use of the System and Installer represents and warrants to NJNG as of the Effective Date and each System Acceptance Date that Installer owns and controls all patents, trademarks, service marks, trade names, copyrights and all other intellectual property rights that may arise with respect to the design, construction, installation, and use of the System.

2.05 Control and Risk of Loss/Damage to System.

Until the System Acceptance, Installer shall at all times have responsibility for, assume any liability whatsoever with respect to, and bear the entire risk of loss (including, without limitation, theft, destruction, or disappearance of, or damage to the System from any cause whatsoever) of all or any part of the System (including all PV Products provided to Installer by NJNG) and retain operational control of the System, be responsible for all operation and maintenance of the System and will bear all costs related to ownership, operation and maintenance thereof. From and after the System Acceptance, NJNG shall be responsible for all operation and maintenance of the System and will bear costs related to ownership, operation and maintenance thereof.

2.06 Scheduling and Milestones.

Installer shall administer and provide the Work in accordance with the Work Schedule set forth on Schedule 5. Subject to periodic review of the Work Schedule (as provided below) and modifications thereto agreed upon by the Parties, Installer shall achieve (i) System Acceptance on or before the Guaranteed System Acceptance Date and (ii) Final Completion on or before the Guaranteed Final Completion Date. No later than 9 a.m. EPT every Monday (or if Monday is not a Business Day, the next Business Day thereafter), Installer shall provide NJNG an update to the Work Schedule as the Work progresses, including the incorporation of delay and acceleration analyses where appropriate; provided, however, Installer shall not be relieved from the obligation to meet any milestone date set forth in the Work Schedule unless pursuant to written notice from NJNG, which modification of the Work Schedule shall not be unreasonably contested by NJNG. Further, the Work Schedule and milestone dates set forth therein shall be extended a reasonable amount of time in the event that any consent, inspection or review by NJNG is unreasonably withheld, delayed or denied.

2.07 System Acceptance.

On the Day on which System Acceptance has been completed to the satisfaction of NJNG, the System shall be deemed to have achieved System Acceptance, and NJNG shall issue a certificate to Installer certifying satisfaction of the System Acceptance as of such date (the "System Acceptance Date").

2.08 Mechanical Completion; Punchlist.

(a) Together with the notice of the Performance Test that is to be provided to NJNG pursuant to Paragraph 4.03 below, Installer shall provide NJNG with notice that, subject to the results of the Performance Test, Mechanical Completion of the System has been achieved. On the date that the Performance Test is scheduled to occur, NJNG and NJNG's engineer shall have a right to be present and an opportunity to inspect the System to confirm that, subject to the results of the Performance Test, Mechanical Completion of the System has been achieved. If

NJNG does not reasonably believe that Mechanical Completion has been achieved, it shall promptly notify Installer (but in any event in at least two (2) Business Days) of any deficiencies and the basis for such conclusion and thereafter Installer shall make any necessary corrections or modifications to the System in order to achieve Mechanical Completion. The Mechanical Completion Date shall be deemed to be the date that Mechanical Completion, including the satisfactory completion of the Performance Test as set forth in Paragraph 4.03 below, has been achieved.

(b) Within two (2) Business Days following the Mechanical Completion Date, Installer shall, prepare a listing of Punchlist Items and provide it to NJNG, together with an estimate of the time required to complete and/or correct such Punchlist Items (the “Punchlist”). In the event that a joint inspection of the System is conducted by NJNG and Installer as provided in Subsection 2.08(a) above, the Punchlist shall include those Punchlist Items as noted by the parties during such inspection. NJNG shall review and comment on the Punchlist not later than two (2) Days after NJNG’s receipt thereof, and if Installer, elects, Installer may issue a revised Punchlist that responds to or incorporates NJNG’s comments no later than two (2) Days after Installer’s receipt of such comments or Installer may accept NJNG’s comments by signing NJNG’s written comments acknowledging acceptance of same. The Installer and the NJNG shall each sign the Punchlist once it has been agreed. Installer shall complete all Punchlist Items to the reasonable satisfaction of NJNG no later than the date specified for each such Punchlist Item in the Punchlist.

#### 2.09 Final Completion.

On the Day (the “Final Completion Date”) that Installer has obtained any and all net metering and/or interconnection rights from the Local Utility as may be required to effect installation of the System, the System shall be deemed to have achieved final completion (the “Final Completion”) and NJNG shall issue a certificate certifying as such.

#### 2.10 Hazardous Materials.

(a) Installer shall not, nor shall it permit any Subcontractor to, bring, use, generate or release any Hazardous Materials on a Site, other than Hazardous Materials to be used by Installer or any Subcontractor on a Site in a manner that both (a) does not violate or contribute to a violation of, or whether individually or on an aggregate basis require reporting or disclosure to any governmental authority, NJNG or third party under, any Laws relating to the environment, and (b) is consistent with customary business practice for manufacturing, delivering, installing, assembling, erecting, start-up, commissioning, start-up testing, operating and maintaining solar energy projects, such as lubricants.

(b) Installer shall bear all responsibility and liability for all (a) Hazardous Materials brought, used or generated on a Site by Installer or any Subcontractor, and all (b) Hazardous Materials that are released or spilled on a Site to the extent caused by Installer or any Subcontractor, including performing, in accordance with applicable Law, all characterization, investigation, sampling, testing, clean-up, removal, and remediation of and response to, any Hazardous Materials for which it is responsible under this Section 2.10.

(c) Installer shall minimize the use of Hazardous Materials in performance of the Work and shall not utilize, or permit or cause any Subcontractor to utilize, such Hazardous Materials, whether in their entirety or in such quantities or concentrations, as are prohibited under

the Law from being imported into or used in the United States. Installer shall maintain an updated file of all material safety data sheets for all Hazardous Materials used in connection with performance of the Work or at or near a Site or at any construction area related to the System. Installer shall maintain an accurate record and current inventory of all Hazardous Materials used in performance of the Work or at or near a Site or at any construction area related to the System, which record shall identify quantities and concentrations, location of storage, use and final disposition of such Hazardous Materials.

(d) Installer shall be solely responsible for compliance with applicable Law pertaining to Hazardous Materials brought, used, generated or released by Installer, or any Subcontractor, at a Site and for disposing of all Hazardous Materials brought to or used on a Site in accordance with this Section 2.10 through a reputable waste disposal service in compliance with all applicable Law, and Installer shall maintain written records of such disposal.

#### 2.11 Damage to Site.

Subject to the provisions of Paragraph 2.12, Installer shall be required to reimburse NJNG for any payment NJNG is required to make to the Lessee or any other person for damages arising out of or in connection with Installer's (including its Subcontractors, agents, and employees) performance of the Work, including damage to a roof or grounds, building structure, surrounding infrastructure, a building's electrical and mechanical systems, or local flora and fauna. To assist NJNG in managing any third party or Lessee claims ("Damage Claim"), Installer will complete a pre- and post-Work Site checklist at the commencement and completion of Work at each Site, respectively, and provide copies of such checklists to NJNG for its records. Such checklists shall be substantially in the form of Exhibit I hereto ("Pre- and Post-Work Site Checklist"). Except for any Emergency that Installer is unable to timely resolve, NJNG shall not make any payments to third parties or Lessees based upon a Damage Claim without providing Installer with notice and the opportunity to investigate and resolve such Damage Claim as set forth in Paragraph 2.11 below. In the event that NJNG does not comply with the provisions of Paragraph 2.11 below (except for Damage Claims constituting an Emergency), Installer shall have no obligation to reimburse NJNG as otherwise set forth above.

#### 2.12 Investigation and Resolution of Third Party Claims.

NJNG shall forward to Installer for investigation notice of all Damage Claims. Installer shall simultaneously confirm to NJNG in writing Installer's receipt of such forwarded claims and acknowledge to claimant in writing receipt of the Damage Claim from NJNG within one (1) Business Day of Installer's receipt thereof. Installer shall respond to such claims promptly (but in any event in at least two (2) Business Days) and resolve them within a reasonable amount of time, which shall not be longer than ten (10) Business Days from Installer's receipt of the forwarded claim from NJNG (or such longer period as may be required in the event that resolution of the Damage Claim can not be reasonably completed with said ten (10) day period but NJNG has begun resolution during said ten (10) day period and is diligently pursuing same); provided, however, Installer shall immediately resolve any claim that constitutes an Emergency. If Installer determines to deny a third party or Lessee claim, Installer shall send claimant a letter setting forth the reasons for Installer's denial. By copy of its letter to claimant, Installer shall notify NJNG of its determination. Installer also shall provide NJNG a damage report, including any photographs, and any and all applicable information.

#### 2.13 Clean-Up.

Installer shall at all times keep each Site reasonably free from waste materials or rubbish caused by its activities. Installer's performance of the Work shall not unreasonably interfere with the operation of the Systems. As soon as practicable after the completion of all Punchlist Items, Installer shall remove all of its equipment and materials not constituting part of the applicable Systems and complete removal of all waste material and rubbish from and around the Site. All waste material and rubbish resulting from the Work shall be handled and disposed of by Installer at its own expense in accordance with all Laws. Installer shall provide to NJNG copies of all waste disposal manifests, if any. All obligations with respect to waste material and rubbish that are Hazardous Materials shall be governed by Section 2.10.

2.14 Safety.

(a) Installer shall initiate and maintain safety precautions and programs consistent with the Standard of Care to conform with Laws or other requirements designed to prevent injury to persons or damage to property on, about or adjacent to the Sites. Installer shall be solely responsible for initiating, maintaining and supervising all safety measures and programs in connection with the performance of the Work. Such precautions and programs shall include prevention of injury by local flora and fauna. Installer shall erect and maintain reasonable safeguards for the protection of workers and the public. Installer shall exercise reasonable efforts to eliminate or abate all reasonably foreseeable safety hazards created by or otherwise resulting from performance of the Work. Installer shall, and shall cause all of its employees, agents and Subcontractors to, follow the Installer's safety program.

(b) In the event of any emergency endangering life or property of which Installer is aware, Installer shall take such action as may be necessary to prevent, avoid, or mitigate injury, damage, or loss and shall promptly notify NJNG of any such emergency and the related actions taken by Installer.

(c) Whenever Installer has not complied with its obligations set forth in Sections 2.13(a) or 2.13(b), and creates an emergency requiring immediate action, NJNG may take reasonable precautions to mitigate such emergency, but the taking of such action by NJNG (or its failure to do so) shall not limit Installer's liability or its obligations under this Agreement. Installer shall reimburse NJNG for the costs incurred by NJNG in taking such precautions.

(d) On the first Business Day of each calendar month, Installer shall provide to NJNG a monthly safety report, stating any emergencies (and actions taken in response thereto), work related accidents, injuries or near misses occurred at the Sites during the calendar month immediately preceding the safety report.

2.15 New Jersey's Clean Energy Program; Environmental Attributes.

(a) Installer shall perform and complete the Work so as to ensure that the Project is in compliance with the REIP Program Guidebook and any other requirements of the REIP and New Jersey's Clean Energy Program that apply to residential solar installations.

(b) Installer shall prepare and submit all documents necessary to participate in any current or future governmental, utility company or other third party payments or incentives available to the NJNG and/or the Lessee in respect of each System or the sale of electric power generated there from, including New Jersey's Clean Energy Program, including, but not limited to, REIP rebates and SRECs. Installer shall allow and participate in Site visits by appropriate

representatives for the solar incentive program, including, but not limited to, the REIP state inspection.

(c) Installer acknowledges that NJNG shall have all right, title and interest in and to all Environmental Attributes and Renewable Energy Incentives, and other items of whatever nature which are available as a result of energy being produced from the System whether available to NJNG through New Jersey's Clean Energy Program or otherwise. If any Environmental Attributes, Renewable Energy Incentives or other items are initially credited or paid to Installer, Installer will cause such Environmental Attributes, Renewable Energy Incentives and other items to be assigned or transferred to NJNG without delay. Installer agrees to indemnify, defend, hold harmless and compensate NJNG for any losses, claims, liabilities, or expenses arising out of or resulting from Installer claiming any right with respect to the Environmental Attributes or Renewable Energy Incentives. Installer will cooperate with NJNG in NJNG's efforts to meet the requirements for any certification, registration, or reporting program relating to Environmental Attributes or Renewable Energy Incentives.

#### 2.16 Books and Records.

(a) Installer shall keep, and shall cause its Subcontractors to keep, such books, records and accounts as may be necessary for compliance with its obligations under this Agreement and NJNG's inventory and asset management requirements. Upon NJNG's request, Installer shall provide to NJNG copies of such of Installer's records as are reasonably necessary to verify Installer's compliance under this Agreement. In addition, within a reasonable period of time after a request therefore, Installer shall provide NJNG with any information regarding quantities and descriptions of the Work that NJNG reasonably deems necessary in connection with tracking inventory and assets, the preparation of its tax returns and other regulatory compliance filings and NJNG shall have the right to timely audit Installer's books, records and accounts upon prior written notice in order to verify costs associated with any Work upon a reasonable basis. For avoidance or doubt, NJNG shall not have the right to audit any portion of Installer's books and records that do not directly pertain to this Agreement and the right to audit shall be subject to the provisions pertaining to confidential information, contained in Section 11.01, below and Installer shall have the right to redact any portion of documentation that is reviewed by NJNG but is not directly related to this Agreement.

(b) Installer shall provide NJNG with copies of all Installation Manuals and documentation related to the Systems installed, including an as-built checklist.

#### 2.17 Labor and Personnel.

Installer shall provide all labor and personnel required in connection with the Work all of whom shall be competent to perform those portions of the Work each will perform on the System. If at any time NJNG reasonably believes that any personnel of Installer are not performing their duties in a manner and in accordance with NJNG's Contractor Guidelines then NJNG may notify Installer in writing thereof and Installer shall thereafter address the situation with its personnel such that the personnel shall conduct their duties in accordance with NJNG's Contractor Guidelines. In the event that such personnel continues to act in a manner not in conformance with NJNG's Contractor Guidelines despite Installer's efforts to have such personnel comply, then upon ten (10) days prior written notice, NJNG shall have the right to demand that such personnel be replaced. Notwithstanding the foregoing, NJNG shall have the right to require the immediate removal and permanent expulsion from the Site and from any work associated with the Work of any person that at any time is found under the influence of or in

possession of alcohol or illegal drugs (including any amount of marijuana). All costs associated with the replacement of such personnel under this Section 2.17 shall be borne by Installer.

2.18 Liens.

Except for liens arising out of a failure of NJNG to make all payment obligations hereunder to Installer, Installer shall not, as a consequence of its own acts or acts of its suppliers and Subcontractors, suffer or permit liens or encumbrances to attach to the Systems or the Sites.

**ARTICLE THREE. TERMINATION**

3.01 Termination Right of Installer.

Installer shall have the right to terminate this Agreement on Notice, which shall be effective five (5) Business Days after such Notice is given, in the event that NJNG has not directed Installer to install at least one System pursuant to the terms and conditions set forth herein, prior to [\_\_\_\_\_2010].

3.02 NJNG's Termination for Convenience.

NJNG may terminate this Agreement at any time upon forty-five (45) Days written notice to Installer, without further liability except as provided herein. If NJNG exercises its termination right under this Section 3.02, Installer shall be entitled to complete the installation of any System(s) that it is working on or for which it has procured an executed Lease as of the date of the termination set forth in the termination notice and receive payment therefore in accordance with the terms set forth in this Agreement.

3.03 Termination Rights of Both Parties for an Event of Default.

3.04 Uncured Defaults.

Upon the occurrence of an Event of Default, the non-defaulting Party may terminate this Agreement as set forth in Section 9.02.

**ARTICLE FOUR. COVENANTS**

4.01 Standard of Care.

Installer, in designing, engineering, procuring, constructing, installing, interconnecting, testing, and starting-up each System and otherwise performing its obligations pursuant to this Agreement, shall be responsible for complying with Good Utility Practices, NJNG's Contractor Guidelines (contained in Exhibit F), the REIP Program Guidebook technical requirements for solar installations and all other applicable requirements of the NJ REIP and SREC Registration Program, all applicable requirements of Law, the National Electrical Code and all other applicable local, state, and federal codes or practices, the Local Utility, PJM and other Governmental Authorities relating to the System, as well as relating to the performance of its obligations under this Agreement, whether imposed pursuant to existing Law or pursuant to changes enacted or implemented after the date hereof (collectively the "Standard of Care").

4.02 Metering.

All electric metering associated with each System, whether owned by Installer or a third party, shall be installed and tested by or on behalf of Installer in accordance with all applicable requirements of NERC, the Local Utility, PJM, Good Utility Practices, the REIP Program Guidebook and the Specifications.

4.03 Performance Testing.

With respect to each System, Installer shall cause a performance test, testing the net electrical output and overall operability of the System (a "Performance Test"), to be performed. Installer shall provide NJNG at least two (2) Business Days prior written notice of the date and time of the Performance Test so that NJNG and NJNG's engineer, if any, may, if NJNG so elects, be present at the Performance Test. A Performance Test will not be scheduled until Installer has determined that all of the other elements constituting Mechanical Completion have been achieved such that at the time of the Performance Test, NJNG shall have the opportunity to inspect the System to confirm Mechanical Completion pursuant to Paragraph 2.08 above. Such Performance Test shall be completed in accordance with the criteria and procedures set forth on Schedule 3 hereto. Installer shall bear all costs of any Performance Test. Upon completion of a Performance Test, Installer shall submit a certificate of the results thereof to NJNG for its approval or rejection. Within three (3) Business Days after receiving such certificate, NJNG shall notify Installer in writing whether it finds the results of the Performance Test to have satisfied the criteria and procedures set forth on Schedule 3 hereto. In the event that NJNG fails to provide the notice to Installer in the time required in the immediately preceding sentence, such failure shall be deemed to be an acceptance of the Performance Test results by NJNG. To the extent that a Performance Test is not completed to the satisfaction of NJNG, NJNG shall inform Installer in its notice specific details and bases for such conclusion based upon the criteria and procedures set forth on Schedule 3 hereto and Installer shall promptly take all corrective actions so that a Performance Test may be successfully completed, and Installer shall thereafter repeat the Performance Test.

4.04 Net Metering and Interconnection to Local Utility Distribution System.

Installer shall obtain all required agreements and approvals as may be required to interconnect each System to the Local Utility distribution system as may be required for net metering purposes.

4.05 Regulatory and Governmental Filings.

Consistent with Installer's obligations hereunder to install each System at its designated Site in accordance with this Agreement, Installer shall obtain and provide to NJNG all applications or other appropriate requests with the proper authorities for all Permits necessary to fulfill such obligations.

4.06 Access Rights.

Installer acknowledges that NJNG, its authorized agents, employees and inspectors shall have the right of ingress to and egress to each Site at any time on or prior to each System Acceptance Date upon reasonable Notice and for any purposes reasonably connected with this Agreement, including monitoring the construction and installation of a System. NJNG shall be responsible for all costs and bear all risks associated with all such visits to the Site pursuant to this Section 4.06. While at the Site, such Persons shall comply with all applicable Law and observe such safety precautions as may be reasonably required and communicated to such

representatives by Installer or Installer's representatives and shall not interfere with the construction, installation or operation of the System. Any such inspection shall in no way relieve Installer or any Subcontractor of its obligations to perform the work in accordance with this Agreement, nor will it impose any obligation or liability on NJNG or its representatives.

4.07 Reports.

Within one (1) Business Days after the close of each calendar week during the term of the Agreement, Installer shall provide to NJNG a weekly report substantially in the form of Exhibit E hereto (the "Weekly Status Report") tracking the installation status (and its consistency with the generic Work Schedule) for each System corresponding to a Site designated on Schedule 2 up through the System Acceptance Date for that System, including projected time to completion. NJNG and Installer shall also agree to regularly scheduled meetings between representatives of NJNG and Installer to review such weekly reports and discuss Installer's development, construction and installation progress with respect to the Systems.

4.08 Insurance.

Commencing on the Execution Date and continuing until the fourth (4<sup>th</sup>) anniversary of the termination or expiration of this Agreement (the "Insured Period"), Installer shall, at its sole cost and expense, procure and maintain, or cause to be procured and maintained, the following insurance coverages with an insurance company or companies rated at least "A-" by A.M. Best Company and be responsible for its Subcontractors maintaining the same.

(a) Workers' Compensation and Employers' Liability.

- (i) Workers' Compensation and basic employer's liability insurance for all employees in accordance with applicable state and federal labor codes, acts, Laws or statutes.
- (ii) Employers' Liability insurance with limits of at least \$1,000,000 for injury or death occurring as a result of each accident.

(b) Commercial General Liability.

Comprehensive or commercial general liability insurance written on an occurrence basis with a combined single limit of at least \$1,000,000 per occurrence, \$2,000,000 aggregate, including premises/operations, owner's protective, broad form property damage liability, explosion and collapse hazard coverage, blanket contractual liability encompassing the indemnity provisions of this Agreement, independent contractors, products and completed operations, and personal injury (and, if such insurance is obtained as part of Installer's general insurance policy for all its projects and assets, such policy, or policies, shall be written on a project-specific basis so that the limits set forth apply solely to the ownership, construction, use, operation and maintenance of Installer's interest in each System installation).

(c) Professional Liability

Professional liability insurance in the amount of at least \$1,000,000.

(d) Property

Property insurance with a single limit of at least \$50,000 per occurrence.

(e) Business Auto.

Comprehensive Automobile Liability insurance with bodily injury, death and property damage combined single limits of at least \$1,000,000 per occurrence for any auto covering vehicles owned, hired or non-owned.

(f) Excess Umbrella Liability Insurance.

Excess Umbrella Liability Insurance with a single limit of at least \$10,000,000 per occurrence and in the aggregate, in excess of the limits of insurance provided above.

(g) Additional Insurance Provisions.

(i) Installer shall provide NJNG with a certificate of insurance specifically evidencing the coverage required above, naming NJNG and its Affiliates as additional insureds on a broad form endorsement on all liability policies, except for its statutory workers' compensation, employer's liability and professional liability coverage. The following language must appear on the certificate of insurance:

“NJNG and its affiliates are named as additional insureds with respect to all liabilities arising out of or resulting from the named insured's work, operations, products, or services (including completed operations). Coverage B has not been endorsed off the commercial general liability policy.”

(ii) The certificate of insurance shall also provide for thirty (30) days prior written notice to NJNG in the event of cancellation or any material alteration of any policy, including, but not limited to a reduction in any of the limits of liability. The certificate of insurance shall be furnished to or be on file with NJNG prior to the Execution Date of this Agreement. On request, Installer shall furnish copies of the endorsements naming NJNG and its Affiliates as an additional insured.

(iii) Installer's insurance coverage shall be primary over any coverage available to NJNG under its own insurance program in the event of any suit, loss or claim with respect to the interest of NJNG and that any insurance maintained by NJNG is excess and not contributory insurance with the insurance required hereunder. The insurance coverage described above in this section shall not be deemed to limit Installer's liability under this Agreement.

(iv) All insurance coverage (with the exception of Professional Liability) required by this section shall be written and provided by “occurrence-based” policy forms rather than by “claims made” forms, when available.

- (v) Such insurance shall include a cross-liability or severability of insurance interest clause and provisions by which the insurer waives all rights of subrogation against NJNG.
  - (vi) Installer represents that its liability coverage is not subject to a self-insured retention (SIR) or deductible.
  - (vii) Reviews of such insurance may be conducted by NJNG on an annual basis.
  - (viii) Upon written request, Installer shall furnish NJNG evidence of insurance for its Subcontractors.
  - (ix) The insurance carrier or carriers and form of policy shall be subject to the reasonable approval by NJNG.
  - (x) Any failure by Installer to maintain such insurance or provide such certificate of insurance and/or copies of the endorsements to NJNG shall be considered a material breach of this Agreement. If Installer fails to maintain such insurance, NJNG shall have the right to withhold payment until proof of the required insurance coverage is provided in addition to any other rights and remedies NJNG may exercise under this Agreement.
- (h) With respect to each System, during the period from the Execution Date to the System Acceptance Date, Installer shall have the sole right to any insurance proceeds paid in connection with that System. From and after the System Acceptance Date until the expiration of the Insured Period, any such proceeds shall be paid to NJNG as a loss payee under the applicable insurance policy set forth above.

4.09 Further Assurances.

Each Party covenants that it shall act in good faith in its performance under this Agreement and agrees to perform any further acts and to execute and deliver such further documents which may be reasonably necessary to carry out the terms of this Agreement.

**ARTICLE FIVE. REPRESENTATIONS AND WARRANTIES**

Each Party represents and warrants to the other Party that the following representations are true and complete at and as of the Execution Date and as of the System Acceptance Date of each System:

- (a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
- (b) Except for the Permits necessary to construct, operate and maintain the Systems in the case of the Installer, it has all Permits necessary for it to perform its obligations under this Agreement;
- (c) The execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and

conditions in its governing documents, any contracts to which it is a party or any Law, rule, regulation, order or the like applicable to it;

- (d) This Agreement constitutes a legally valid and binding obligation enforceable against it in accordance with its terms, subject to any Equitable Defenses;
- (e) There is not pending, or to its knowledge, threatened against it or, in the case of Installer, any of its Affiliates, any legal proceedings that could materially adversely affect its ability to perform under this Agreement;
- (f) No Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement;
- (g) It is acting for its own account and its decision to enter into this Agreement is based upon its own judgment, not in reliance upon the advice or recommendations of the other Party and it is capable of assessing the merits of and understanding, and understands and accepts the terms, conditions and risks of this Agreement; and
- (h) It has entered into this Agreement in connection with the conduct of its business and it has the capacity or ability to make or take delivery of the Systems, which includes the right to own, convey, and accept the Systems as contemplated in this Agreement.

In addition, Installer represents and warrants to NJNG that the following representations are true and complete at and as of the Execution Date and as of the System Acceptance Date of each System:

- (i) Installer is a NJ state-licensed contractor listed in the NJ Clean Energy Program Trade Ally Database; and
- (j) All Work performed by Installer or its Subcontractors is in accordance with the REIP Program Guidebook technical requirements for solar installations and all other applicable requirements of the NJ REIP and SREC Registration Program.

## **ARTICLE SIX. SYSTEM TITLE TRANSFER**

### **6.01 System Acceptance.**

- (a) With respect to each System, the transfer of title to the System shall occur on the System Acceptance Date.
- (b) Installer warrants and guarantees that legal title to and ownership of the System and the Work shall be free and clear of any and all liens, claims, security interests or other encumbrances when title thereto passes to NJNG.

## **ARTICLE SEVEN. INDEMNIFICATION**

- (a) Installer agrees to indemnify, defend and hold harmless NJNG and its Affiliates and their respective officers, directors, agents, servants and employees with respect to all liabilities, suits, claims, damages, demands, penalties (including fines from the BPU or any other Governmental Authority), forfeitures and expenses (including the costs of

defense, settlement and reasonable attorney's fees) (collectively, "Claims") that relate to, occur from or arise out of Installer's performance or nonperformance of its obligations under this Agreement (including any Claims that arise from damages caused by the Systems to third party property), including, without limitation, Installer's negligence, and any performance or nonperformance that results in death or bodily injuries or threat thereof to any person, destruction or damage to any property, including NJNG's property or property owned by third-parties, contamination or adverse affects upon the environment, or any violation of local, state or federal law. Installer shall not be required to indemnify any party who is determined by final judgment to be solely at fault. Any and all expenses incurred by NJNG in investigating or defending any Claims subject to indemnification under this Agreement shall be refunded by Installer upon demand by NJNG. Installer shall promptly notify NJNG of any actual or potential damage and any potential or actual Claims involving services rendered pursuant to this Agreement, but in no case later than the end of the next Business Day. Notwithstanding the foregoing, Installer shall not be obligated to indemnify, defend or hold harmless NJNG for NJNG's gross negligence or willful misconduct.

- (b) Each Party shall defend, save harmless and indemnify the other Party from any and all loss, liability, damage, claim, cost, charge, demand or expense arising out of or in connection with any breach made by the other Party of its representations and warranties in Article Five.
- (c) The provisions of this Article Seven shall not be construed to relieve any insurer of its obligations to pay any insurance claims in accordance with the provisions of any valid insurance policy.
- (d) Except as otherwise provided this Article Seven, neither Party shall be liable to the other Party for indirect, punitive, special or exemplary damages incurred by such other Party or for consequential damages incurred by the other Party to the extent that consequential damages exceed the limits of insurance coverage obtained by such Party for such damages. For avoidance of doubt, amounts payable by an indemnified party to a third party claimant are actual damages of the indemnified party even if indirect, punitive, special or exemplary damages of the third-party claimant.
- (e) All indemnity rights shall survive the termination of this Agreement.

## **ARTICLE EIGHT. FORCE MAJEURE.**

### **8.01 No Default for Force Majeure.**

Neither Party shall be considered to be in default in the performance of any of its obligations set forth in this Agreement (except for obligations to pay money) when and to the extent failure of performance is caused by Force Majeure.

### **8.02 Requirements Applicable to the Claiming Party.**

If a Party, because of Force Majeure, is rendered wholly or partly unable to perform its obligations when due under this Agreement, that Party (the "Claiming Party"), shall be excused from whatever performance is affected by the Force Majeure to the extent so affected. In order to be excused from its performance obligations hereunder by reason of Force Majeure: (a) the Claiming Party, within 14 Days after the initial occurrence of the claimed Force Majeure, must

give the other Party Notice describing the particulars of the occurrence and (b) the Claiming Party must provide timely evidence reasonably sufficient to establish that the occurrence constitutes Force Majeure as defined in this Agreement.

The suspension of the Claiming Party's performance due to Force Majeure shall be of no greater scope and of no longer duration than is required by the Force Majeure. In addition, the Claiming Party shall use commercially reasonable efforts to remedy its inability to perform.

This Section shall not require the settlement of any strike, walkout, lockout or other labor dispute on terms which, in the sole judgment of the Claiming Party, are contrary to its interest. It is understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be at the sole discretion of the Claiming Party.

When the Claiming Party is able to resume performance of its obligations under this Agreement, the Claiming Party shall give the other Party prompt Notice to that effect.

8.03 Termination for Force Majeure.

Either Party may terminate this Agreement on Notice, which shall be effective five (5) Business Days after such Notice is provided, in the event of Force Majeure that wholly prohibits such Party's performance which extends for more than one hundred eighty (180) consecutive Days.

**ARTICLE NINE. EVENTS OF DEFAULT; REMEDIES.**

9.01 Events of Default.

An "Event of Default" shall mean, with respect to either Party, the occurrence of any of the following:

- (a) Any representation or warranty made by such Party herein is false or misleading in any material respect when made or when deemed made or repeated if the representation or warranty is continuing in nature, if: (A) such misrepresentation or breach of warranty is not remedied within ten (10) Business Days after Notice or (B) such inaccuracy is not capable of a cure, but the non-breaching Party's damages resulting from such inaccuracy can reasonably be ascertained and the payment of such damages is not made within fifteen (15) Business Days after a Notice of such damages is provided by the non-breaching Party to the breaching Party.
- (b) Except for an obligation to make payment when due, the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default or to the extent excused by a Force Majeure) if such failure is not remedied within sixty (60) Days after Notice of such failure (or such shorter period as may be specified below), which Notice sets forth in reasonable detail the nature of the failure; provided that, if such failure is not reasonably capable of being cured within the sixty (60) Day cure period specified above, the Party shall have such additional time (not exceeding an additional one hundred twenty (120) Days) as is reasonably necessary to cure such failure, so long as such Party promptly commences and diligently pursues such cure;

- (c) A Party fails to make when due any payment in a material amount (including not making when due any material portion of the payment) required under this Agreement and such failure is not cured within five (5) Business Days after Notice of such failure;
- (d) A Party becomes Bankrupt; or
- (e) A Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party.

#### 9.02 Remedies.

If an Event of Default shall have occurred, there will be no opportunity for cure except as specified in Section 9.01. The non-defaulting Party shall have the right:

- (a) To designate by Notice, a day, no earlier than twenty (20) calendar Days after the Notice is effective, for the early termination of this Agreement;
- (b) To immediately suspend performance under this Agreement;
- (c) To pursue all remedies available at law or in equity against the defaulting Party (including monetary damages), except to the extent that such remedies are limited by the terms of this Agreement; and
- (d) In addition to the other remedies available to NJNG pursuant to this Section 9.02, in the event of a Event of Default of Installer, NJNG may, at its option, upon termination of this Agreement by NJNG pursuant to Section 9.02(a), take possession of the Systems and any or all Work (whether at the Sites or otherwise); provided, however, NJNG shall be obligated to pay Installer, or at NJNG's discretion setoff from the amount of any damages owed by Installer to NJNG, for all Systems transferred and any Work procured or performed as of the date of termination. If NJNG makes such election, Installer shall assign and transfer to NJNG all of Installer's right, title in and interest to Installer's contracts with Subcontractors (including all of the warranties and guarantees (and all claims there under)) with respect to any part of the Systems. In the event of any termination of the Agreement by NJNG pursuant to Section 9.02(a), NJNG may, without prejudice to any other right or remedy it may have, at its option, finish the Work by whatever method NJNG may deem expedient. NJNG shall thereafter have the right to actual damages from Installer in the sum of (a) the costs to finish the Work and (b) the amounts of the Installation Services Prices previously paid by NJNG, that is in excess of the total Installation Services Prices.

#### 9.03 Duty to Mitigate.

Each Party agrees that it has a duty to mitigate damages and covenants that it will use reasonable efforts to minimize any damages it may incur as a result of the other Party's performance or non-performance of this Agreement.

**ARTICLE TEN.           LIMITATION OF LIABILITIES.**

EXCEPT AS SET FORTH HEREIN, THERE ARE NO WARRANTIES BY EITHER PARTY UNDER THIS AGREEMENT. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF.

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED, UNLESS THE PROVISION IN QUESTION PROVIDES THAT THE EXPRESS REMEDIES ARE IN ADDITION TO OTHER REMEDIES THAT MAY BE AVAILABLE.

IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO CONSEQUENTIAL DAMAGES TO THE EXTENT THAT CONSEQUENTIAL DAMAGES ARE LESS THAN OR EQUAL TO THE LIMITS OF INSURANCE COVERAGE OBTAINED BY THE OBLIGOR FOR SUCH DAMAGES AND DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED.

UNLESS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE FOR INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES OR FOR CONSEQUENTIAL DAMAGES INCURRED BY THE OTHER PARTY TO THE EXTENT THAT CONSEQUENTIAL DAMAGES EXCEED THE LIMITS OF INSURANCE COVERAGE OBTAINED BY SUCH PARTY FOR SUCH DAMAGES.

IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES SHALL BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE IS SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

IN NO CASE SHALL INSTALLER HAVE ANY LIABILITY TO NJNG FOR ANY FAILURE BY IT OR ANY OF ITS INVESTORS TO OBTAIN ANY OR ALL OF THE BENEFIT OF ANY INVESTMENT TAX CREDIT OR DEPRECIATION RELATING TO THE PROJECT.

**ARTICLE ELEVEN.   CONFIDENTIALITY; PUBLICITY**

11.01 Confidentiality.

Subject to the provisions of Paragraph 11.02 below and except as may be required by law, no press release, announcement or other publicity concerning this Agreement shall be issued without advance written approval to the form and substance thereof by NJNG and Installer. Each Party agrees to keep the terms of this Agreement and the other agreements contemplated hereby strictly confidential and to not use or disclose to any other Person any non-public documents or other information that relates directly or indirectly to this Agreement; provided that either Party

may disclose the terms of this Agreement to (a) any Affiliate, advisor, agent, representative, employee or Subcontractor or (b) any third party considering providing financing to, or merging with or acquiring all or substantially all of the assets of, either of the Parties hereto.

11.02 Publicity.

The Parties share a common desire to generate favorable publicity regarding the Systems and their association with them. The Parties agree that they may, from time-to-time, issue press releases regarding the Systems and that they shall cooperate with each other in connection with the issuance of such releases including without limitation by completing review of press releases proposed to be issued by the other Party within five (5) Business Days after submission by such other Party. NJNG and Installer shall cooperate to finalize the text of at least one press release from each Party or a joint press release relating to their entering into a definitive agreement to lease the Site and install the Systems. Each Party agrees that it shall not issue any press release regarding the Systems without the prior consent of the other, and each Party agrees not to unduly withhold or delay any such consent.

**ARTICLE TWELVE. MISCELLANEOUS**

12.01 Assignment.

Upon Notice to the other Party, this Agreement may be assigned by either Party at any time without the consent of the other Party (i) to an Affiliate, (ii) to any third party in connection with obtaining financing for the Systems or (iii) in connection with any merger, consolidation or sale of all or substantially all of the assets or equity interests of such Party. Any other assignment shall require the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. This Agreement shall be binding upon and inure to the benefit of NJNG, Installer and their respective successors and permitted assigns.

12.02 Severability.

If any provision of this Agreement shall be held void, voidable, invalid or inoperative, no other provision of this Agreement shall be affected as a result thereof, and, accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though such void, voidable, invalid or inoperative provision had not been contained herein so long as this Agreement as so modified continues to express, without material change, the original intentions of the Parties as to the subject matter of this Agreement and the deletion of such portion of the Agreement will not substantially impair the respective benefits or expectations of the Parties to this Agreement. To the extent that any provision is held void, voidable, invalid or inoperative, the Parties shall negotiate an equitable adjustment in the provisions of this Agreement with a view toward effecting the purpose of this Agreement, and the validity and enforceability of the remaining provisions, or portions or applications thereof, shall not be affected thereby.

12.03 Notices.

All notices permitted or required to be given under this Agreement (“Notices”), other than day-to-day routine communications, shall be in writing and shall be deemed duly given when and only when: (i) if sent by overnight or international courier service, confirmation of receipt by the recipient is confirmed by such service, or (ii) received by the recipient, if delivered by personal delivery or mail. Copies of all notices shall also be given by electronic mail or facsimile. All Notices shall be delivered or sent to the Parties at their respective addresses or

numbers shown below or to such other addresses or numbers as a Party may designate by prior Notice given in accordance with this provision to the other Party:

- (a) If to NJNG: NJNG  
1415 Wyckoff Road  
Wall, New Jersey 07019  
Attn:  
  
Phone: (732) 938-  
Fax: (732) 938-

- (b) If to Installer: [\_\_\_\_\_]

12.04 Designated Representatives of NJNG and Installer.

The individuals listed in Exhibit H (or their replacements as may be designated by NJNG or Installer, as the case may be, in writing to the other Party from time-to-time), shall be the designated representatives of NJNG and Installer, respectively (each a “Designated Representative”), with authority to authorize or approve any action to be performed hereunder by NJNG or Installer, as the case may be; provided, however, NJNG personnel and Installer personnel shall freely communicate with one another related to Installer’s performance of the Work hereunder.

12.05 Headings.

The headings herein have been inserted for convenience of reference only and shall not in any manner affect the construction, meaning or effect of anything herein contained nor govern the rights and liabilities of the Parties.

12.06 Duties and Remedies Not Limited.

The duties and obligations imposed by this Agreement and the rights and remedies available hereunder shall be in addition to and not in limitation of any duties, obligations, rights and remedies otherwise imposed or available at law or in equity to the Parties.

12.07 No Waiver of Rights.

Except as may be specifically agreed in writing, the failure by any Party to insist in any one or more instances upon the strict performance of any one or more of the provisions of this Agreement or to exercise any right herein contained or provided by law or equity, shall not be construed as, or constitute in any way, a waiver, modification or relinquishment of the performance of such provision or right(s), or of the right to subsequently demand such strict performance or exercise such right(s), and all such rights shall continue unchanged and remain in full force and effect.

12.08 Entire Agreement.

This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous written and oral agreements, proposals, negotiations, warranties, guarantees, understandings and representations pertaining to the subject matter hereof.

12.09 Amendments.

No amendments or modifications of this Agreement shall be valid unless evidenced in writing and signed by a duly authorized representative of the Party against which enforcement is sought.

12.10 No Third Party Rights.

This Agreement and all rights hereunder are intended for the sole benefit of the Parties, and shall not imply or create any rights on the part of, or obligations to, any other Person.

12.11 Joint Preparation.

The terms and conditions of this Agreement, including but not limited to those relating to allocations of, releases from, exclusions against and limitation of liability, have been freely and fairly negotiated. Each Party acknowledges that in executing this Agreement it relied solely on its own judgment, belief, and knowledge, and such advice as it may have received from its own counsel, and it has not been influenced by any representation or statements made by any other Party or its counsel. No provision in this Agreement is to be interpreted for or against either Party because that Party or its counsel drafted such provisions.

12.12 Counterparts and Facsimile/Electronic Signatures.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement. The counterparts of this Agreement and the schedules and exhibits hereto, may be executed and delivered by facsimile or other electronic signature by any of the Parties to any other Party and the receiving Party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the original had been received.

12.13 Attorneys' Fees.

If any action or proceeding is commenced by either Party to enforce their rights under this Agreement or to collect damages as a result of the breach of any of the provisions of this Agreement, the prevailing Party in such action or proceeding, including any bankruptcy, insolvency or appellate proceedings, shall be entitled to seek recovery of all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees and court, mediation and arbitration costs, in addition to any other relief awarded by the court, arbitrator or mediator.

12.14 Governing Law; Jurisdiction.

- (a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, EXCLUDING ANY CHOICE OF LAW PROVISIONS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANOTHER STATE.

- (b) In the event of any dispute arising under this Agreement, within ten (10) Days following the receipt of a written notice from either Party identifying such dispute, the Parties shall meet, negotiate and attempt, in good faith, to resolve the dispute quickly, informally and inexpensively. If the Parties are unable to resolve a dispute arising hereunder within thirty (30) Days of initiating such discussions, or within forty (40) Days after notice of the dispute, either Party may seek any and all remedies available to it at law or in equity.
- (c) Each Party hereto irrevocably submits to the jurisdiction of any New Jersey State or federal court in any dispute arising out of or relating to this Agreement, and hereby irrevocably agrees that all claims in respect of such dispute may be heard and determined in such New Jersey State or federal court. Each Party hereto hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such proceeding. The Parties further agree, to the extent permitted by law, that any final and unappealable judgment against any of them in any proceeding contemplated above shall be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of which shall be conclusive evidence of the fact and amount of such judgment.
- (d) While any dispute is pending, the Parties shall continue to perform their obligations under this Agreement notwithstanding such dispute (subject to the right to suspend pursuant to Section 9.02(b)).

12.15 Survival.

Any provision(s) of this Agreement that expressly or by implication come(s) into or remains in full force following the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement.

[Signatures Contained on the Next Page]

**IN WITNESS WHEREOF**, the Parties, intending to be legally bound hereby, have caused this Turnkey Residential Solar System Installation Agreement to be executed by their duly authorized officers as of the date first written above.

[ \_\_\_\_\_ ],  
a [ \_\_\_\_\_ ]

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

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

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

**NEW JERSEY NATURAL GAS COMPANY,**  
a New Jersey corporation

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

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

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

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EXHIBIT A

DEFINED TERMS

The following terms shall have the following meaning for purposes of this Agreement.

“AC” means alternating current.

“Affiliate” means, with respect to any Person, any other Person, who (a) such first Person directly or indirectly, in whole or in part, owns, is owned by or is in common ownership with, or (b) such first Person directly or indirectly controls, is controlled by or is under common control with.

“Bankrupt” means with respect to any entity, such entity: (a) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it that is not dismissed within sixty (60) Days; (b) makes an assignment or any general arrangement for the benefit of creditors; (c) otherwise becomes bankrupt or insolvent (however evidenced); (d) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (e) Is generally unable to pay its debts as they fall due.

“BPU” means New Jersey Board of Public Utilities.

“Business Day” means any Day except a Saturday, Sunday or federal or New Jersey state holiday.

“Capacity” means, with respect to any particular System, as of any time, the aggregate nameplate capacity rating of that System.

“Claims” has the meaning set forth in Article Seven.

“Claiming Party” has the meaning set forth in Section 8.02.

“Day” means a period of twenty-four (24) consecutive hours beginning at 00:00 hours EPT on any calendar Day and ending at 24:00 hours EPT on the same calendar Day.

“Design Warranty Period” has the meaning set forth in Section 2.04(b).

“Designated Representative” has the meaning set forth in Section 12.04.

“Emergency” means an event occurring at a Site, or any adjoining property, that (a) poses actual or imminent risk of (i) serious personal injury or (ii) material physical damage to the System and (b) requiring, in the good faith determination of the Installer or NJNG, immediate preventative or remedial action.

“Environmental Attributes” means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation from the System, and its displacement of conventional energy generation. Environmental Attributes include but are not limited to: (a) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx),

carbon monoxide (CO) and other pollutants; (b) any avoided emissions of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (c) the reporting rights to these avoided emissions, such as SRECs, but not including any Renewable Energy Incentives.

"Equitable Defense" means any bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally, and with regard to equitable remedies, the discretion of the court before which proceedings to obtain same may be pending.

"Event of Default" has the meaning set forth in Section 9.01.

"Final Completion" has the meaning set forth in Section 2.09.

"Final Completion Date" has the meaning set forth in Section 2.09.

"Force Majeure" means any unforeseeable occurrence that: (a) in whole or in part: (i) delays a Party's performance under this Agreement; (ii) causes a Party to be unable to perform its obligations; or (iii) prevents a Party from complying with or satisfying the conditions of this Agreement; (b) cannot be avoided by and is not within the control of that Party; (c) the Party has been unable to overcome by the exercise of reasonable efforts and due diligence, and (d) is not due to the fault or negligence of the Party relying thereon as justification for such delay, nonperformance, or noncompliance, including an act of God, flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, terrorism, sabotage, strike or labor dispute, or actions or inactions of any Governmental Authority (except with respect to Installer's failure to obtain any Permit or comply with applicable Law); provided, however, the term Force Majeure does not include (i) economic hardship or lack of funds, (ii) changes in market conditions, (iii) equipment failures or acts or omissions of agents or Subcontractors, except to the extent such acts or omissions arise from an event of Force Majeure or (iv) any financial obligations of either Party whether arising under this Agreement or otherwise.

"General Warranty Period" has the meaning set forth in Section 2.04(a).

"Good Utility Practices" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry (in the case of the NJNG and Installer) and the solar power industry (in the case of Installer) during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be practices, methods, or acts generally accepted in the region.

"Governmental Authority" means any international, federal, state, local or municipal government, governmental department, commission, board, bureau, agency, or instrumentality, or any judicial, regulatory or administrative body, having jurisdiction as to the matter in question.

"Green Tag Reporting Rights" means the right of a purchaser of renewable energy to report ownership of accumulated "green tags" in compliance with applicable Law and include rights under

Section 1605(b) of the Energy Policy Act of 1992, and any present or future federal, state or local certification program or emissions trading program.

“Guaranteed Final Completion Date” with respect to a particular System has the meaning set forth in Schedule 5.

“Guaranteed System Acceptance Date” with respect to a particular System has the meaning set forth in Schedule 5.

“Hazardous Materials” means (a) hazardous substances, as defined by the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq.; (b) hazardous wastes, as defined in by the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; (c) petroleum and petroleum products; (d) any radioactive material, including, without limitation, any source, special nuclear or by-product material as defined in 42 U.S.C. Section 2011 et seq.; (e) asbestos in any form or conditions; (f) polychlorinated biphenyls; and (g) any other material, substance or waste to which liability or standards of conduct can be imposed under any Law related to protection, preservation or conservation of the environment and public or worker health and safety, including, but not limited to applicable New Jersey statutes, rules and regulation.

“Installation Manuals” means the manuals attached hereto as Exhibit D, as such manuals may be revised or supplemented from time to time in the ordinary course of business.

“Installation Services Price” has the meaning set forth in Section 2.03(a).

“Law” means any statute, law, treaty, convention, rule, regulation, ordinance, code, Permit, enactment, injunction, order, writ, decision, authorization, judgment, decree or other legal or regulatory determination or restriction issued, adopted, administered or implemented by a court or Governmental Authority, including any of the foregoing that are enacted, amended, or issued after the Execution Date; or any binding interpretation of the foregoing, concerning, (i) Installer, NJNG, Lessee, a System, a Site, the performance of any portion of the Work, and the operation of a System; (ii) safety and the prevention of injury to persons and damage to property on, about or adjacent to a Site; (iii) protection of human health or the environment and emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic, or hazardous substances or wastes into the environment; or (iv) any requirements or conditions on or with respect to the issuance, maintenance, or renewal of any Permit or any application there for.

“Lease” means a Solar Equipment Lease, substantially in the form of Exhibit G hereto.

“Lessee” means the real property owner with whom NJNG shall enter into a solar equipment lease to install the System on the Site.

“Local Utility” means the local electricity distribution company owning and/or controlling and maintaining the distribution system required for delivery of electricity to the Site.

“Mechanical Completion” means, with respect to a particular System, that each of the following has been achieved in accordance with the Standard or Care and the other requirements of this Agreement:

- (A) All equipment (including the PV Products) associated with the System have been installed in accordance with the Specifications;

- (B) All of the electrical works have been properly constructed, installed, insulated and protected where required for such operation, have been correctly adjusted, are mechanically, electrically and structurally sound as set forth in the Specifications and can be used safely in accordance with the Standard of Care and the terms of this Agreement;
- (C) Installer has completed the required connection of the System to the applicable residential electrical system at the Site including interconnection wiring, controls, meters, monitoring, computer peripherals, and safety systems;
- (D) Installer has cleaned, leak checked and point-to-point checked the System to verify that the System is ready for initial operation and testing and may be so operated and tested without damage thereto or to any other property and without injury to any person;
- (E) Successful completion and acceptance of the Performance Test.

“Mechanical Completion Date” means, with respect to a particular System, the date on which Mechanical Completion is achieved as set forth in Paragraph 2.08..

“NERC” means the North American Electric Reliability Corporation or a successor organization that is responsible for establishing reliability criteria and protocols.

“New Jersey’s Clean Energy Program” means that certain program administered by the New Jersey Office of Clean Energy, including, but not limited to, the REIP and SREC Registration Program.

“NJ Clean Energy Program Trade Ally Database” means that certain database of active renewable installers and vendors maintained by the BPU and available on the New Jersey Clean Energy Program website at <http://njcleanenergy.com/findavendor>

“NJR’s Contractor Guidelines” means those certain guidelines and requirements, including, but not limited to, the NJR Code of Conduct, contained in Exhibit F.

“NJNG’s Program” means NJNG’s program to install residential rooftop solar photovoltaic electric generating systems in NJNG’s Service Territory.

“Notice” has the meaning set forth in Section 12.03.

“Office of Clean Energy” means that certain office established by the BPU to administer New Jersey’s Clean Energy Program.

“Performance Test” has the meaning set forth in Section 4.03.

“Permit” means all waivers, franchises, variances, permits, authorizations, licenses or orders of or from any federal, state, provincial, county, municipal, regional, environmental or other governmental body having jurisdiction over NJNG or Installer and their respective obligations under this Agreement or over the System or a Site, as may be in effect from time to time.

“Person” means an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, or any Governmental Authority.

“PJM” means PJM Interconnection, LLC, or any successor organization thereto.

“Punchlist” has the meaning assigned to such term in Section 2.08

“Punchlist Item” means, with respect to any particular System, any item of uncompleted Work that (considered individually or in the aggregate) does not or will not adversely affect the performance of the System (or any portion thereof) or the ability of NJNG to operate the System (or any portion thereof) in the ordinary course of business in accordance with Good Utility Practices.

“PV Products” means the photovoltaic products designated on Schedule 4.

“REIP” means the New Jersey Renewable Energy Incentive Program under New Jersey’s Clean Energy Program.

“REIP Program Guidebook” means that certain guidebook providing technical requirements for solar installations pursuant to the REIP.

“Renewable Energy Incentives” means: (a) federal, state, or local tax credits associated with the construction, ownership, or production of electricity from the System (including credits under Sections 38 and 45K of the Internal Revenue Code of 1986, as amended); (b) any investment tax credits and any other tax credits associated with the System (including credits under Sections 38 and 48 of the Internal Revenue Code of 1986, as amended); (c) any state, federal or private cash payments or grants relating in any way to the System or the output thereof; (d) state, federal or private grants or other benefits related to the System or the output thereof, including but not limited to, SRECs, and (e) any other form of incentive that is not an Environmental Attribute that is available with respect to the System.

“Site(s)” means the roof(s) of the residential structure(s) designated on Schedule 2 (as such Schedule may be modified, supplemented or amended from time to time by mutual agreement of the Parties), individually or collectively, as the context requires.

“SREC” means Solar Renewable Energy Certificates as referred to under New Jersey’s Clean Energy Program and defined under the Solar Renewable Portfolio Standard, in effect as of the Effective Date, as set forth at N.J.A.C. 14:8-2.1 et seq., and promulgated pursuant to N.J. Stat. §48:3-49 et seq., that require all retail electricity suppliers in New Jersey to provide a minimum percentage of electricity from a system that employs solar radiation to produce energy that powers an electric generator.

“SREC Registration Program” means that certain program under New Jersey’s Clean Energy Program used to register the intent to install non-rebated solar projects in New Jersey.

“Specifications” has the meaning set forth in Section 2.01(a).

“Standard Express Limited Warranty” means the standard express limited warranty, substantially in the form of Exhibit C hereto.

“Standard of Care” has the meaning set forth in Section 4.01.

“Subcontractors” means any subcontractor, of any tier, or supplier of services to Installer or NJNG, as the case may be, or any subcontractor, of any tier.

“System(s)” has the meaning set forth in Section 2.01(a).

“System Acceptance” means, with respect to particular System, that each of the following has been achieved in accordance with the Standard or Care and the other requirements of this Agreement:

- (A) The System has achieved Mechanical Completion;

- (B) All of the electrical works and all other infrastructure necessary to achieve connection of the System to the applicable electricity transmission system are energized;
- (C) The System has been determined to operate in accordance with all Local Utility requirements.
- (E) The System operates as a single unit capable of generating electricity continuously at rated power;
- (F) The System has achieved commercial operation and is delivering energy as intended;
- (G) The System has successfully passed the NJ state inspection or quality assurance review under the REIP;
- (H) The Punchlist has been agreed upon pursuant to Section 4.03 and Installer has completed the Punchlist Items;
- (I) Installer has prepared and submitted all documents necessary to participate in any current or future governmental, utility company or other third party payments or incentives available to the NJNG and/or the Lessee in respect of the System or the sale of electric power generated there from, including New Jersey's Clean Energy Program, as required pursuant to Section 2.14;
- (I) Installer has assigned to NJNG all warranties provided by Subcontractors and equipment vendors in connection with the design and construction of the System;
- (J) All Permits required to be obtained pursuant to Section 2.01(g) shall have been obtained and final inspections pursuant to such Permits completed.
- (K) The System is free and clear of all liens and encumbrances, other than immaterial liens arising in the ordinary course of business;
- (M) Installer has delivered to NJNG all final design specifications for the System, final "as-built" plans and drawings, all shop drawings, all test reports and all other documentation as reasonably required by NJNG;
- (N) Installer has delivered to NJNG partial lien releases and waivers, and has discharged all liens with respect to the System to extent payment has been received by NJNG as permitted by and in accordance with the New Jersey Construction Lien Law;
- (O) Completion of all Work required under the terms of this Agreement, in accordance with the requirements of the Agreement; and
- (P) NJNG has issued a certificate to Installer certifying satisfaction of System Acceptance.

"System Acceptance Date" has the meaning set forth in Section 2.07.

"Total Installed Capacity" means the specific total installed capacity for each System based on Installer's design of each specific System.

“Watt” means the international SI unit of power equal to the power produced by a current of one ampere acting across a potential difference of one volt.

“Work” has the meaning set forth in Section 2.01(a).

“Work Schedule” means the schedule outlining the systematic construction of a System in accordance with the requirements of this Agreement, as set forth in Schedule 5.

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6. Severability. Each provision of this Agreement is intended to be severable. If any term or provision is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the remainder of the Agreement.

7. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY, EXCLUDING ANY CHOICE OF LAW PROVISIONS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANOTHER STATE. EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT

8. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(Signature page follows.)

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**IN WITNESS WHEREOF**, the Parties, intending to be legally bound hereby, have caused this BILL OF SALE AND ASSIGNMENT AND ASSUMPTION to be executed by their duly authorized officers as of the date first written above.

[ \_\_\_\_\_ ],  
a [ \_\_\_\_\_ ]

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

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

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

**NEW JERSEY NATURAL GAS COMPANY,**  
a New Jersey corporation

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

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

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

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**EXHIBIT A**

**TO BILL OF SALE AND ASSIGNMENT AGREEMENT**

SYSTEM DESCRIPTION

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EXHIBIT C

STANDARD EXPRESS LIMITED WARRANTY

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EXHIBIT D

INSTALLER'S INSTALLATION MANUALS

1. Installer intends to install all products in accordance with manufactures recommendations and instructions; and as directed by engineered drawings

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**EXHIBIT E**

**WEEKLY STATUS REPORT**

**(Project Name)**

**Weekly Status Report**

**For week ending MM/DD/YYYY**

Project Manager: (Name)

Milestones	Planned Dates	Actual Dates	Comments
(example – Kickoff meeting)	(MM/DD/YYYY)		
(example – Initial Prototype Review)	(MM/DD/YYYY)	(MM/DD/YYYY)	(Delayed due to xyz....)

**Accomplished this Week**

(Task)
(Task)
(Task)

**Accomplished this Week**

(Task)
(Task)
(Task)

**Issues / Risks Identified**

(Description)
(Description)

EXHIBIT F

NJR'S CONTRACTOR GUIDELINES

NJR CODE OF CONDUCT

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EXHIBIT G

FORM OF LEASE

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EXHIBIT H  
DESIGNATED REPRESENTATIVES

NJNG's Designated Representatives:

New Jersey Natural Gas Company  
1415 Wyckoff Road  
Wall, New Jersey 07019  
Phone: (732) 938-  
Fax: (732) 938-

Installer's Designated Representatives:

[\_\_\_\_\_]

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EXHIBIT I

PRE- AND POST-WORK SITE CHECKLISTS

[INSTALLER NAME]  
INSTALLER ADDRESS]  
[INSTALLER ADDRESS]  
[INSTALLER PHONE #]

<b>Date:</b>	
<b>Customer Name:</b>	
<b>Address:</b>	

**Pre-Construction Check List:**

Photos Taken of Site:	
-----------------------	--

Photograph and note any damage to siding,	
gutters, leaders, windows, roofing, vents, doors	
drive, walkways, vegetation and landscaping.	

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Installer Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Installers name printed: \_\_\_\_\_

Homeowners Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Homeowners name printed: \_\_\_\_\_

[INSTALLER NAME]  
[INSTALLER ADDRESS]  
[INSTALLER ADDRESS]  
[INSTALLER PHONE #]

<b>Date:</b>	
<b>Customer Name:</b>	
<b>Address:</b>	

**Post-Construction Check List:**

Photos taken of site:	
Site cleaned and debris removed:	
Homeowner instruction given:	

Photograph and note any damage to siding,	
gutters, leaders, windows, roofing, vents, doors	
drive, walkways, vegetation and landscaping.	

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Installer Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Installers name printed: \_\_\_\_\_

Homeowners Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Homeowners name printed: \_\_\_\_\_

SCHEDULE 1

TECHNICAL SPECIFICATIONS

The System shall include all of the following: Installer's equipment, and all of the generation equipment, including inverters, fuses, wiring, output breakers, protective and associated equipment, and other improvements reasonably necessary for the construction, operation, and maintenance of the System, electric metering devices and data processing equipment used to measure output from the System and transformers, and output breakers.

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SCHEDULE 2

SITE LIST  
To be developed from customer list

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SCHEDULE 3

PERFORMANCE TEST CRITERIA AND PROCEDURES

DRAFT

SCHEDULE 4

PV PRODUCTS

DRAFT

SCHEDULE 5

WORK SCHEDULE  
To be developed from customer list

DRAFT

Program Title:  
 Program Description: Aggregate Residential Programs

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**Inputs**

	Tier II Audits	HPES Tier III rebate	Solar DHW	Gas DHW	Gas Furnace	DHW Tankless	Boiler	QPower	Financing	Gas Programs	A/C SEER 16	A/C SEER 15	A/C 14.5 SEER	Residential Programs
Program Participants	8,500	3,000	75	325	12,500	1,500	1,500	75,000	2,250		3,750	2,250	1,500	112,150
Total MWh Saved by Program	0	2,430	0	0	0	0	0	0	0		3,038	1,620	1,005	8,093
Electricity Savings (Per Unit)														
Baseline Usage (MWh)	0.0	2,160.0	0	0	0	0	0	0	0		2,160	2,160	2,160	2,160
Efficiency Measure Usage (MWh)	0	1,350	0	0	0	0	0	0	0		1,350	1,440	1,490	1,408
Baseline Generation (kW)	0	0	0	0	0	0	0	0	0		0	0	0	0
Efficiency Measure Generation (KW)	0	0	0	0	0	0	0	0	0		0	0	0	0
Electricity Season Allocation Factors														
Summer Peak	0%	65%	0%	0%	0%	0%	0%	0%	0%		65%	65%	65%	65%
Summer Off-Peak	0%	35%	0%	0%	0%	0%	0%	0%	0%		35%	35%	35%	35%
Non-Summer Peak	0%	0%	0%	0%	0%	0%	0%	0%	0%		0%	0%	0%	0%
Non-Summer Off-Peak	0%	0%	0%	0%	0%	0%	0%	0%	0%		0%	0%	0%	0%
Total		100%									100%	100%	100%	
Total Natural Gas Savings Program (MMBtu)	72,973	90,900	864	853	219,675	5,757	27,270	170,438	0		0	0	0	418,292
Natural Gas Savings (Per Unit)														
Efficiency Measure Savings (MMBtu)	8.5	30.0	11.4	2.6	17	3.8	18	2	0		0	0	0	13
Natural Gas Season Allocation Factors														
Summer	12%	12%	50%	50%	12%	50%	12%	12%	0%		0%	0%	0%	
Winter	88%	88%	50%	50%	88%	50%	88%	88%	0%		0%	0%	0%	
Total	100%	100%	100%	100%	100%	100%	100%	100%						
Peak Coincidence Factor		70.0%						0.0%			70.0%	70.0%	70.0%	70%
Peak Load Reduction (kW Per Unit)	0	0.9	0	0	0	0	0	0	0		0.9	0.8	0.8	0.9
Tax Credits (Per Unit)	\$0	\$1,500	\$2,550	\$0	\$1,440	\$780	\$1,500	\$0	\$0		\$1,500	\$0	\$0	
Total Incentives Paid	\$ 8,500,000	\$ 15,000,000	\$240,000	\$73,125	\$ 15,000,000	\$ 1,950,000	\$ 2,250,000	\$ -	\$ 7,445,250	\$ 50,458,375	\$ 5,625,000	\$ 2,250,000	\$ 1,125,000	\$ 59,458,375
Incentives Paid (Per Unit)	\$1,000	\$5,000	\$3,200	\$225	\$1,200	\$1,300	\$1,500	\$0	\$3,309		\$1,500	\$1,000	\$750	\$ 1,665
Electricity Bill Reductions in First Year (Per Unit)	\$0	\$124	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$127	\$113	\$105	\$ 117
Natural Gas Bill Reduction in First Year (Per Unit)	\$120	\$423	\$161	\$37	\$245	\$54	\$254	\$32	\$0		\$0	\$0	\$0	\$ 185
Participant Costs (Per Unit)														
Incremental Capital Costs	\$1,800	\$5,924	\$7,500	\$300	\$1,600	\$1,700	\$2,300	\$0	\$3,309		\$2,000	\$1,500	\$1,000	\$ 2,411
Yearly Incremental Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	\$0
Other Program Costs														
Capital Costs	\$2,332,673	\$4,947,481	\$41,228	\$17,794	\$3,085,629	\$412,290	\$494,749	\$900,000	\$1,833,660	\$14,065,504	\$927,653	\$371,062	\$185,531	\$ 15,549,750
Utility Impact														
Revenue Gain from Increased Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	\$0	\$0	
Revenue Loss from Reduced Sales	\$ 11,612,755	\$ 20,026,809	\$ 82,794	\$ 81,285	\$ 34,928,119	\$ 551,959	\$ 4,350,299	1,957,737	0	\$73,591,758	\$4,934,128	\$2,631,535	\$ 1,632,526	\$ 82,789,948
Electricity Transmission and Distribution Costs	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15		\$15	\$15	\$15	\$ 15
Natural Gas Distribution Costs	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66		\$0.00	\$0.00	\$0.00	\$ 1.66
Distribution Gas/Electric Losses	0%	11%	1%	1%	1%	1%	1%	0	1%		11%	11%	11%	1% gas & 11% elec
Discount Rate	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%	6.74%		6.74%	6.74%	6.74%	6.74%

\* Please note that this data is available in electronic format with formulae and supporting documentation included.  
 Please contact New Jersey Natural Gas to request via email: [fkarras@njng.com](mailto:fkarras@njng.com)

**Outputs**

(\$ are 2010\$)		Tier II Audits	HPES Tier III rebate	Solar DHW	Gas DHW	Gas Furnace	DHW Tankless	Boiler	OPower	Financing	Gas Programs	A/C SEER 16	A/C SEER 15	A/C 14.5 SEER	Residential
Avoided Supply Costs		\$8,222,381	\$14,825,597	\$63,196	\$62,115	\$27,590,582	\$421,307.73	\$3,433,790	\$1,431,564	\$0	\$56,050,533	\$3,237,313	\$1,726,567	\$1,071,111	\$ 62,085,524
Avoided Supply Costs Per Measure		\$967.34	\$ 4,942	\$842.62	\$191	\$2,207.25	\$280.87	\$2,289.19	\$19.09	\$0.00	\$863.28	\$767.36	\$714.07	\$ 554	
Capacity Benefits		\$0.00	\$4,885,014.38	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,885,014	\$4,807,264	\$2,563,874	\$1,590,552	\$ 13,846,705
Electric and Natural Gas Avoided T&D Costs		\$1,434,535.36	\$2,301,738	\$10,395.97	\$10,202.76	\$4,314,343	\$69,306.47	\$537,522	\$249,338	\$0	\$8,927,381	\$451,986	\$241,059	\$149,546	\$ 9,769,972
Emission Savings		\$1,389,193	\$2,304,995	\$6,630	\$6,663	\$4,186,071	\$44,198.24	\$517,741	\$37,965	\$0	\$8,493,455	\$357,405	\$190,616	\$118,253	\$ 9,159,730
Reduced Emissions															
CO2 (Tons)		84,533	146,299	500	494	254475	3,335	31590	9872	0	531,097	27,816	14,835	9,203	582,952
Nox (Tons)		66	158	0	0	200	3	25	8	0	461	71	38	23	593
SO2 (Tons)		0	175	0	0	0	-	0	0	0	175	164	88	54	482
Hg (Lbs)		0.00	0	0.00	0.00	0.00	-	0.00	0.00	0.00	0	0	0	0	0
Participant Benefits		\$18,584,902	\$35,408,071	\$437,904	\$140,889	\$61,958,538	\$3,121,105	\$8,055,797	\$1,957,737	\$6,130,747	\$135,795,690	\$14,197,873	\$4,484,284	\$2,558,901	\$ 157,036,748
Participant Benefits Per Measure		\$2,186.46	\$11,802.69	\$5,838.72	\$433.51	\$4,956.68	\$2,080.74	\$5,370.53	\$26.10	\$2,724.78	\$3,786.10	\$1,993.02	\$1,705.93	\$ 1,400	
Utility Revenue Gained		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0	\$0.00	\$ -
Direct Utility Costs		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0	\$0.00	\$ -
Tax Credits		\$0.00	\$3,705,498.04	\$157,483.67	\$0.00	\$14,743,864.98	\$963,429	\$1,852,749.02	\$0.00	\$0.00	\$21,423,025	\$4,631,873	\$0	\$0.00	\$ 26,054,898
Incentive Payments		\$6,972,147	\$12,351,660	\$197,627	\$59,604	\$12,286,554	\$1,605,716	\$1,852,749	\$0	\$6,130,747	\$41,456,803	\$4,631,873	\$1,852,749	\$926,375	\$ 48,867,799
Participant Costs		\$12,549,863.85	\$14,634,247	\$463,187.26	\$79,471.97	\$16,382,072	\$2,099,782	\$2,840,882	\$0	\$6,130,746.51	\$55,180,253	\$6,175,830	\$2,779,124	\$1,235,166.01	\$ 65,370,372
Participant Costs Per Measure		\$1,476.45	\$4,878.08	\$6,175.83	\$244.53	\$1,310.57	\$1,400	\$1,893.92	\$0.00	\$2,724.78	\$1,646.89	\$1,235.17	\$823.44	\$ 583	
Other Program Costs		\$1,909,133	\$4,064,915.98	\$33,873	\$14,471	\$2,521,835	\$338,743	\$406,492.24	\$741,100	\$1,506,559.38	\$11,537,123	\$762,172	\$304,869	\$152,434.71	\$ 12,756,599
Other Program Costs Per Measure		\$224.60	\$1,354.97	\$451.65	\$44.53	\$201.75	\$226	\$270.99	\$9.88	\$669.58	\$203.25	\$135.50	\$101.62	\$ 114	
\$0															
		HPES Tier II rebate	HPES Tier III rebate	Solar DHW	Gas DHW	Gas Furnace	DHW Tankless	Boiler	OPower	Financing	Gas Programs	A/C SEER 16	A/C SEER 15	A/C 14.5 SEER	Residential
Participant Cost Test		\$6,035,038	\$20,773,824	(\$25,283)	\$61,417	\$45,576,466	\$1,021,322	\$5,214,915	\$1,957,737	\$0	\$80,615,437	\$8,022,043	\$1,705,161	\$1,323,735	\$91,666,376
Benefits-Cost Ratio		\$1	\$2	\$1	\$2	\$4	\$1	\$3	\$0	\$1	\$2	\$2	\$2	\$2	\$2
Program Administration Cost Test		(\$658,899)	\$3,294,036	(\$168,304)	(\$11,960)	\$12,782,193	(\$1,523,151)	\$1,174,549	\$690,464	(\$7,637,306)	\$7,941,622	\$2,650,533	\$2,132,823	\$1,582,853	\$14,307,831
Benefits-Cost Ratio		\$1	\$1	\$0	\$1	\$2	\$0	\$2	\$2	\$0	\$1	\$1	\$2	\$2	\$1
Ratepayer Impact Measure		(\$12,271,654)	(\$16,732,773)	(\$251,098)	(\$93,246)	(\$22,145,926)	(\$2,075,110)	(\$3,175,750)	(\$1,267,273)	(\$7,637,306)	(\$65,650,136)	(\$2,283,595)	(\$498,712)	(\$49,673)	(\$68,482,117)
Benefits-Cost Ratio		\$0	\$1	\$0	\$0	\$1	\$0	\$1	\$1	\$0	\$3	\$1	\$1	\$1	\$1
Total Resource Cost Test		(\$4,802,081)	\$7,018,685	(\$265,985)	(\$21,626)	\$27,744,883	(\$984,481)	\$2,576,687	\$939,802	(\$7,637,306)	\$24,568,578	\$6,190,434	\$1,447,508	\$1,423,608	\$33,630,128
Benefits-Cost Ratio		\$1	\$1	\$0	\$1	\$2	\$1	\$2	\$2	\$0	\$1	\$2	\$1	\$2	\$1
Societal Cost Test		(\$3,412,887)	\$9,323,679	(\$259,355)	(\$14,963)	\$31,930,954	(\$940,283)	\$3,094,428	\$977,767	(\$7,637,306)	\$33,062,034	\$6,547,840	\$1,638,124	\$1,541,861	\$42,789,858
Benefits-Cost Ratio		\$1	\$1	\$0	\$1	\$3	\$1	\$2	\$2	\$0	\$1	\$2	\$2	\$2	\$2

Notes:

Participant Cost Test = Participant Benefits - Participant Costs  
 Program Administration Cost Test = (Avoided Power Supply Costs + Capacity Benefits) - (Incentive Payments + Other Program Costs)  
 Ratepayer Impact Measure = (Avoided Power Supply Costs + Capacity Benefits + Utility Revenue Gained) - (Direct Utility Costs + Incentive Payments + Other Program Costs)  
 Total Resource Cost Test = (Avoided Power Supply Costs + Capacity Benefits + Avoided T&D Costs + Tax Credits) + (Participant Costs + Other Program Costs)  
 Societal Cost Test = (Avoided Power Supply Costs + Capacity Benefits + Avoided T&D Costs + Tax Credits + Emission Savings) - (Participant Costs + Other Program Costs)

Other Program Costs = Administration & Program Development; Sales, Call Centers, Marketing, & Website; Training; and Rebate Processing, Inspection, and Other Quality Control

\*\* Case 4 and Case 5 need to be linked up with fuel costs as necessary

\* Please note that this data is available in electronic format with formulae and supporting documentation included.  
 Please contact New Jersey Natural Gas to request via email: [fkarras@njng.com](mailto:fkarras@njng.com)

Program Title:  
Program Description: Commercial Programs  
Measure Life:

**Inputs**

	<u>Water Heating</u>	<u>Heating</u>	<u>Cooling</u>	<u>CHP</u>	<u>Commercial Programs</u>
Program Participants	30	90	15	7	142
Total MWh Saved by Program	0	0	0	58,254	58,254
Electricity Savings (Per Unit)					
Baseline Usage (KWh)	0.0	0	0		
Efficiency Measure Usage (KWh)	0	0	0	8,322,000	8,322,000
Baseline Generation (kW)	0	0	0		
Efficiency Measure Generation (KW)	0	0	0	1,000	1,000
Electricity Season Allocation Factors					
Summer Peak	0%	0%	0%	15%	15%
Summer Off-Peak	0%	0%	0%	20%	20%
Non-Summer Peak	0%	0%	0%	27%	27%
Non-Summer Off-Peak	0%	0%	0%	38%	38%
Total	0%	0%	0%	100%	100%
Total Natural Gas Savings Program (MMBtu)	854	6,681	-	-360,669	-353,133
Natural Gas Savings (Per Unit)					
Efficiency Measure Savings (MMBtu)	28.2	73.5	0.0	-51,014	
Natural Gas Season Allocation Factors					
Summer	50%	12%	0%	50%	
Winter	50%	88%	0%	50%	
Total	100%	100%	0%	100%	
Capacity Factor		0.0%		95.0%	
Peak Coincidence Factor		0.0%		98.0%	
Peak Load Reduction (kW Per Unit)		0		980	
Tax Credits (Per Unit)	\$0	\$0	\$0	\$0	
Total Incentives Paid	90,000	\$360,000	\$300,000	7,000,000	7,750,000
Incentives Paid (Per Unit)	\$3,000	\$4,000	\$20,000	\$1,000,000	
Electricity Bill Reductions in First Year (Per Unit)	\$0	\$0	\$0	\$1,012,510	\$1,012,510
Natural Gas Bill Reduction in First Year (Per Unit)	\$321	\$838	\$0	-\$719,297	-\$179,535
Participant Costs (Per Unit)					
Incremental Capital Costs	\$3,500	\$4,500	\$12,500	\$2,000,000	
Yearly Incremental Costs	\$0	\$0	\$0	\$0	
Other Program Costs					
Capital Costs	\$28,450	\$113,802	\$122,573	\$872,442	\$1,137,267
Utility Impact					
Revenue Gain from Increased Sales	\$0	\$0	\$0	\$0	
Revenue Loss from Reduced Sales	\$ 66,559	\$ 871,372	\$ -	96,626,538	97,564,469
Electricity Transmission and Distribution Costs	\$15	\$15	\$15	\$15	\$15
Natural Gas Distribution Costs	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66
Distribution Gas Losses	1%	1%	1%	0	1%
Discount Rate	6.74%	6.74%	6.74%	6.74%	6.74%

\* Please note that this data is available in electronic format with formulae and supporting documentation included.  
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**Outputs**

(\$ are 2010\$)	<u>Water Heating</u>	<u>Heating</u>	<u>Cooling</u>	<u>CHP</u>	<u>Commercial Programs</u>
Avoided Supply Costs	\$62,531	\$841,279	\$0	\$17,639,062	\$18,542,872
Avoided Supply Costs Per Measure	\$2,084.36	\$9,347.54	\$0	\$2,519,866	\$130,583.60
Capacity Benefits	\$0.00	\$0.00	\$0.00	\$11,700,031	\$11,700,031
Electric and Natural Gas Avoided T&D Costs	\$10,287	\$131,693	\$0.00	\$1,210,330	\$1,352,309
Emission Savings Reduced Emissions	\$6,560	\$126,847	\$0	\$2,312,480	\$2,445,887
CO2 (Tons)	495	7,740	-	293,477	301,711
Nox (Tons)	0	6	0	1,482	1,488
SO2 (Tons)	0	0	0	4,203	4,203
Hg (Lbs)	0.00	0.00	0.00		-
Participant Benefits	\$140,669	\$1,167,812	\$247,033	\$42,085,236	\$43,640,751
Participant Benefits Per Measure	\$4,688.97	\$12,975.69	\$16,468.88	\$6,012,176.6	\$307,329.23
Utility Revenue Gained	\$0.00	\$0.00	\$0.00	\$56,526,388	\$56,526,388
Direct Utility Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Tax Credits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Incentive Payments	\$74,110	\$296,440	\$247,033	\$5,515,216	\$6,132,799
Participant Costs	\$86,461.62	\$333,494.82	\$154,395.75	\$19,296,246	\$19,870,598
Participant Costs Per Measure	\$2,882.05	\$3,705.50	\$10,293.05	\$2,756,606.5	\$139,933.79
Other Program Costs	\$24,352	\$97,409	\$103,458	\$710,172.85	\$935,391.79
Other Program Costs Per Measure	\$811.73	\$1,082.33	\$6,897.18	\$101,453.26	\$6,587.27
	0.00	\$0.00	\$0.00	\$0	
<b>Participant Cost Test</b>	<b>Summary</b>	<b>Heating</b>	<b>Cooling</b>	<b>CHP</b>	<b>Summary</b>
	<b>\$54,207</b>	<b>\$834,318</b>	<b>\$92,637</b>	<b>\$22,788,990</b>	<b>\$23,770,153</b>
<b>Benefits-Cost Ratio</b>	<b>1.63</b>	<b>3.50</b>	<b>1.60</b>	<b>2.18</b>	<b>2.20</b>
<b>Program Administration Cost Test</b>	<b>(\$35,931)</b>	<b>\$447,429</b>	<b>(\$350,491)</b>	<b>\$23,113,704</b>	<b>\$23,174,712</b>
<b>Benefits-Cost Ratio</b>	<b>0.64</b>	<b>2.14</b>	<b>0.00</b>	<b>4.71</b>	<b>4.28</b>
<b>Ratepayer Impact Measure</b>	<b>(\$102,490)</b>	<b>(\$423,943)</b>	<b>(\$350,491)</b>	<b>(\$16,986,446)</b>	<b>(\$17,863,370)</b>
<b>Benefits-Cost Ratio</b>	<b>0.38</b>	<b>0.66</b>	<b>0.00</b>	<b>0.83</b>	<b>0.83</b>
<b>Total Resource Cost Test</b>	<b>(\$37,996)</b>	<b>\$542,067</b>	<b>(\$257,854)</b>	<b>\$10,543,005</b>	<b>\$10,789,222</b>
<b>Benefits-Cost Ratio</b>	<b>0.66</b>	<b>2.26</b>	<b>0.00</b>	<b>1.53</b>	<b>1.52</b>
<b>Societal Cost Test</b>	<b>(\$31,436)</b>	<b>\$668,914</b>	<b>(\$257,854)</b>	<b>\$12,855,485</b>	<b>\$13,235,109</b>
<b>Benefits-Cost Ratio</b>	<b>0.72</b>	<b>2.55</b>	<b>0.00</b>	<b>1.64</b>	<b>1.64</b>

Notes:

Participant Cost Test = Participant Benefits - Participant Costs

Program Administration Cost Test = (Avoided Power Supply Costs + Capacity Benefits) - (Incentive Payments + Other Program Costs)

Ratepayer Impact Measure = (Avoided Power Supply Costs + Capacity Benefits + Utility Revenue Gained) - (Direct Utility Costs + Incentive Payments + Other Program Costs)

Total Resource Cost Test = (Avoided Power Supply Costs + Capacity Benefits + Avoided T&D Costs + Tax Credits) + (Participant Costs + Other Program Costs)

Societal Cost Test = (Avoided Power Supply Costs + Capacity Benefits + Avoided T&D Costs + Tax Credits + Emission Savings) - (Participant Costs + Other Program Costs)

Other Program Costs = Administration & Program Development; Sales, Call Centers, Marketing, & Website; Training; and Rebate Processing, Inspection, and Other Quality Control

\*\* Case 4 and Case 5 need to be linked up with fuel costs as necessary

\* Please note that this data is available in electronic format with formulae and supporting documentation included.  
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Program Title:  
Program Description: AAEPP  
Measure Life: 20

		<b>Inputs</b>			
		<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Summary</b>
Program Participants		100	100	100	300
Total MWh Saved by Program		1,383	1,383	1,383	4,149
Electricity Savings (Per Unit)					
	Baseline Usage (kWh)				
	Efficiency Measure Usage (kWh)	13,830	13,830	13,830	13,830
	Baseline Generation (kW)				
	Efficiency Measure Generation (KW)				0
Electricity Season Allocation Factors					
	Summer Peak	3%	3%	3%	3%
	Summer Off-Peak	7%	7%	7%	7%
	Non-Summer Peak	31%	31%	31%	31%
	Non-Summer Off-Peak	59%	59%	59%	59%
	Total	100%	100%	100%	100%
Total Natural Gas Savings Program (MMBtu)		-4,767	-4,767	-4,767	-14,302
Natural Gas Savings (Per Unit)					
	Efficiency Measure Savings (MMBtu)	-47.2	-47.2	-47.2	-47.2
Natural Gas Season Allocation Factors					
	Summer	12%	12%	12%	12%
	Winter	88%	88%	88%	88%
	Total	100%	100%	100%	100%
Capacity Factor					0%
Peak Coincidence Factor					0%
Peak Load Reduction (kW Per Unit)		0.0	0.0	0.0	0
Tax Credits (Per Unit)					
Total Incentives Paid		500,000	\$500,000	\$500,000	1,500,000
Incentives Paid (Per Unit)		\$5,000	\$5,000	\$5,000	\$5,000
Electricity Bill Reductions in First Year (Per Unit)		\$1,660	\$1,660	\$1,729	\$1,683
Natural Gas Bill Reduction in First Year (Per Unit)		-\$652	-\$668	-\$676	-\$666
Participant Costs (Per Unit)					
	Incremental Capital Costs	\$5,000	\$5,000	\$5,000	\$5,000
	Yearly Incremental Costs				
Other Program Costs					
	Capital Costs	\$92,853	\$95,360	\$97,935	\$286,148
Utility Impact					
	Revenue Gain from Increased Sales	\$ 791,951	\$ 760,040	\$ 729,499	\$ 2,281,490
	Revenue Loss from Reduced Sales	\$ 2,298,677	\$ 2,234,258	\$ 2,322,697	\$ 6,855,631
Electricity Transmission and Distribution Costs		\$15	\$15	\$15	\$15
Natural Gas Distribution Costs		\$1.66	\$1.66	\$1.66	\$1.66
Electric T&D Losses		11%	11%	11%	11%
Discount Rate		6.74%	6.74%	6.74%	6.74%

\* Please note that this data is available in electronic format with formulae and supporting documentation included.  
Please contact New Jersey Natural Gas to request via email: [fkarras@njng.com](mailto:fkarras@njng.com)

<b>Outputs</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Summary</b>
Avoided Supply Costs	\$885,085	\$825,254	\$807,621	\$2,517,960
Avoided Supply Costs Per Measure	\$8,851	\$8,253	\$8,076	\$8,393
Capacity Benefits	\$0	\$0	\$0	\$0
Electric and Natural Gas Avoided T&D Costs	\$0	\$0	\$0	\$0
Emission Savings	\$115,079	\$124,450	\$133,684	\$373,214
Reduced Emissions				
CO2 (Tons)	11364	11364	11364	34,092
Nox (Tons)	39	39	39	116
SO2 (Tons)	100	100	100	299
Hg (Lbs)	0	0	0	0
Participant Benefits	\$1,945,575	\$1,885,356	\$1,831,711	\$5,662,643
Participant Benefits Per Measure	\$19,455.75	\$18,853.56	\$18,317.11	\$18,875
Utility Revenue Gained	\$ 791,951	\$ 760,040	\$ 729,499	\$2,281,490
Direct Utility Costs	\$0.00	\$0.00	\$0.00	\$0
Tax Credits	\$0.00	\$0.00	\$0.00	\$0
Incentive Payments	\$438,849	\$411,139	\$385,178	\$1,235,166
Participant Costs	\$438,849	\$411,139	\$385,178	\$1,235,166
Participant Costs Per Measure	\$4,388	\$4,111	\$3,852	\$4,117
Other Program Costs	\$81,497	\$78,412	\$75,445	\$235,354
Other Program Costs Per Measure	\$815	\$784	\$754	\$785

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Summary</b>
<b>Participant Cost Test</b>	<b>\$1,506,726</b>	<b>\$1,474,218</b>	<b>\$1,446,533</b>	<b>\$4,427,477</b>
<b>Benefits-Cost Ratio</b>	<b>4.43</b>	<b>4.59</b>	<b>4.76</b>	<b>4.58</b>
<b>Program Administration Cost Test</b>	<b>\$364,738</b>	<b>\$335,703</b>	<b>\$346,998</b>	<b>\$1,047,439</b>
<b>Benefits-Cost Ratio</b>	<b>1.70</b>	<b>1.69</b>	<b>1.75</b>	<b>1.71</b>
<b>Ratepayer Impact Measure</b>	<b>(\$1,141,987)</b>	<b>(\$1,138,515)</b>	<b>(\$1,246,200)</b>	<b>(\$3,526,702)</b>
<b>Benefits-Cost Ratio</b>	<b>0.59</b>	<b>0.58</b>	<b>0.55</b>	<b>0.58</b>
<b>Total Resource Cost Test</b>	<b>\$364,738</b>	<b>\$335,703</b>	<b>\$346,998</b>	<b>\$1,047,439</b>
<b>Benefits-Cost Ratio</b>	<b>1.70</b>	<b>1.69</b>	<b>1.75</b>	<b>1.71</b>
<b>Societal Cost Test</b>	<b>\$479,817</b>	<b>\$460,153</b>	<b>\$480,683</b>	<b>\$1,420,653</b>
<b>Benefits-Cost Ratio</b>	<b>1.92</b>	<b>1.94</b>	<b>2.04</b>	<b>1.97</b>

Notes:

Participant Cost Test = Participant Benefits - Participant Costs

Program Administration Cost Test = (Avoided Power Supply Costs + Capacity Benefits) - (Incentive Payments + Other Program Costs)

Ratepayer Impact Measure = (Avoided Power Supply Costs + Capacity Benefits + Utility Revenue Gained) - (Direct Utility Costs + Incentive Payments + Other Program Costs)

Total Resource Cost Test = (Avoided Power Supply Costs + Capacity Benefits + Avoided T&D Costs + Tax Credits) + (Participant Costs + Other Program Costs)

Societal Cost Test = (Avoided Power Supply Costs + Capacity Benefits + Avoided T&D Costs + Tax Credits + Emission Savings) - (Participant Costs + Other Program Costs)

Other Program Costs = Administration & Program Development; Sales, Call Centers, Marketing, & Website; Training; and Rebate Processing, Inspection, and Other Quality Control

\*\* Case 4 and Case 5 need to be linked up with fuel costs as necessary

\* Please note that this data is available in electronic format with formulae and supporting documentation included.  
Please contact New Jersey Natural Gas to request via email: [fkarras@njng.com](mailto:fkarras@njng.com)

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
 FOR APPROVAL OF REGIONAL GREENHOUSE GAS INITIATIVE PROGRAMS AND  
 ASSOCIATED COST RECOVERY MECHANISMS  
 PURSUANT TO N.J.S.A. 48:3-98.1

	<b>I. General Filing Requirements- RGGI</b>	<b>Location in NJNG's RGGI filing</b>
	The utility shall provide with all filings, information and data pertaining to the specific program proposed, as set forth in applicable sections of N.J.A.C. 14:1-5.11 and N.J.A.C. 14:1-5.12.	Exhibit P-1, Petition
I	a	Schedule NJNG-1 Comparative Balance Sheet Schedule NJNG-2 Comparative Income Statement Schedule NJNG-3 Balance Sheet (February 2010) Schedule NJNG-4 Statement of Revenue Schedule NJNG-5 Pro-Forma Income Statement Schedule NJNG-6 Payments to Affiliates Schedule NJNG-7 Notice of Filing to Municipalities Schedule NJNG-8 Proposed Tariff Modifications Schedule NJNG-9 Draft Public Notice Certification incorporated within Petition
I	b	Schedule NJNG-10 Accounting Entries Schedule DPY-1 Program Unit Costs and Projected Take Rates Schedule DPY-2 Net RGGI Investments by Year Schedule DPY-3 Cost of Capital Schedule DPY-4 Operations and Maintenance Costs Schedule DPY-5 Revenue Requirements Summary
I	c	Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-1 Program Unit Costs and Projected Take Rates Schedule DPY-2 Net RGGI Investments by Year Schedule DPY-3 Cost of Capital Schedule DPY-4 Operations and Maintenance Costs Schedule DPY-5 Revenue Requirements Summary Exhibit P-2, Direct Testimony of Thomas J. Massaro
I	d	Exhibit P-2, Direct Testimony of Thomas J. Massaro Exhibit P-3, direct Testimony of Daniel P. Yardley Not Applicable
I	e	For any small scale or pilot program, the utility shall only be subject to the requirements in this Section and Sections II, III, and IV. The utility shall, however, provide its estimate of costs and a list of data it intends to collect in a subsequent review of the benefits of the program. Information in Section V may be required for pilot and small programs if such programs are particularly large or complex. A "small scale" project is defined as one that would result in either a rate increase of less than a half of one percent of the average residential customer's bill or an additional annual total revenue requirement of less than \$5 million. A pilot program shall be no longer than three years, but can be extended under appropriate circumstances.
I	f	If the utility is filing for an increase in rates, charges etc., or for approval of a program which may increase rates/charges to ratepayers in the future, the utility shall include a draft public notice with the petition and proposed publication dates.

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<b>II. Program Description</b>	
II	<p>a</p> <p>The utility shall provide a detailed description of each proposed program for which the utility seeks approval of Program 2, Market Segment/Efficiency Targeted 3, Delivery Method 4, Estimated Program Participants 5, Link to Existing Programs 6, Existing Incentives 7, Proposed Incentives 8, Anticipated Job Creation 9, Budget Information 10, Marketing Approach 11, Contractor Role</p>
II	<p>b</p> <p>The utility shall provide a detailed explanation of the differences and similarities between each proposed program and existing and/or prior programs offered by the New Jersey Clean Energy Program, or the utility.</p>
II	<p>c</p> <p>The utility shall provide a description of how the proposed program will complement, and impact existing programs being offered by the utility and the New Jersey Clean Energy Program with all supporting documentation.</p>
II	<p>d</p> <p>The utility shall provide a detailed description of how the proposed program is consistent with and/or different from other utility programs or pilots in place or proposed with all supporting documentation.</p>
II	<p>e</p> <p>The utility shall provide a detailed description of how the proposed program comports with New Jersey State policy as reflected in reports, including the New Jersey Energy Master Plan, or, pending issuance of the final Energy Master Plan, the draft Energy Master Plan, and the greenhouse gas emissions reports to be issued by the New Jersey Department of Environmental Protection pursuant to N.J.S.A. 26:2C-42(b) and (c) and N.J.S.A. 26:2C-43 of the Global Warming Response Act, N.J.S.A. 26:2C-37 et seq.</p>
II	<p>f</p> <p>The utility shall provide the features and benefits for each proposed program including the following: i. the target market and customer eligibility if incentives are to be offered; ii. the program offering and customer incentives; iii. the quality control method including inspection; iv. program administration; and v. program delivery mechanisms.</p>
II	<p>g</p> <p>The utility shall provide the criteria upon which it chose the program.</p>
II	<p>h</p> <p>The utility shall provide the estimated program costs by the following categories: administrative (all utility costs), marketing/sales, training, rebates/incentives including inspections and quality control, program implementation (all contract costs) and evaluation and other.</p>
II	<p>i</p> <p>The utility shall provide the extent to which the utility intends to utilize employees, contractors or both to deliver the program and, to the extent applicable, the criteria the utility will use for contractor selection.</p>
II	<p>j</p> <p>In the event the program contemplates an agreement between the utility and its contractors and/or the utility and its ratepayers, copies of the proposed standard contract or agreement between the ratepayer and the utility, the contractor and the utility, and/or the contractor and the ratepayer shall be provided.</p>
II	<p>k</p> <p>The utility shall provide a detailed description of the process for resolving any customer complaints related to these programs.</p>
II	<p>l</p> <p>The utility shall describe the program goals including number of participants on an annual basis and the energy savings, renewable energy generation and resource savings, both projected annually and over the life of the measures.</p>
II	<p>m</p> <p>Marketing – The utility shall provide the following: a description of where and how the proposed program/project will be marketed or promoted throughout the demographic segments of the utility's customer base including an explanation of how prices and the service for each proposed program/project will be conveyed to customers.</p>

Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-4 REEP Schedule TJM-5 Access Schedule TJM-6 CEEP Schedule TJM-7 SEP Schedule NJNG-11 Office of Clean Energy Budget Information
Schedule TJM-1 NJCEP and NJNG Program Comparison
Exhibit P-2, Direct Testimony of Thomas J. Massaro
Schedule TJM-1 NJCEP and NJNG Program Comparison
Exhibit P-2, Direct Testimony of Thomas J. Massaro
Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-4 REEP Schedule TJM-5 Access Schedule TJM-6 CEEP Schedule TJM-7 SEP
Exhibit P-2, Direct Testimony of Thomas J. Massaro Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule NJNG-11 Office of Clean Energy Budget Information
Exhibit P-2, Direct Testimony of Thomas J. Massaro
Schedule NJNG-12 Proposed Lease Agreement Schedule NJNG-13 Proposed Contractor Agreement
Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-3 Complaint Resolution Flow Chart Schedule TJM-4 REEP Schedule TJM-5 Access Schedule TJM-6 CEEP Schedule TJM-7 SEP P-3, Direct Testimony of Daniel P. Yardley DPY-1 Program Unit Costs and Projected Take Rates
Exhibit P-2, Direct Testimony of Thomas J. Massaro Schedule TJM-2 Marketing Plan

Exhibit  
Schedule

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
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III	<p><b>III. Additional Filing Information</b></p> <p>The utility shall describe whether the proposed programs will generate incremental activity in the energy efficiency/ conservation/ renewable energy marketplace and what, if any, impact on competition may be created, including any impact on employment, economic development and the development of new business with all supporting documentation. This shall include a breakdown of the impact on the employment within this marketplace as follows: marketing/sales, training, program implementation, installation, equipment, manufacturing and evaluation and other applicable markets. With respect to the impact on competition the analysis should include the competition between utilities and other entities already currently delivering the service in the market or new markets that may be created.</p>	<p>Schedule TJM-4 REEP                  Schedule TJM-5 Access                  Schedule TJM-6 CEEP                  Schedule TJM-7 SEP                  P-2, Direct Testimony of Thomas J. Massaro                  NJNG-16 Job Creation</p>	<p>Exhibit P-2, Direct Testimony of Thomas J. Massaro</p>
III	<p>The utility shall provide a description of any known market barriers that may impact the program and address the potential impact on such known market barriers for each proposed program with all supporting documentation. This analysis shall include barriers across the various markets including residential (both single and multi-family), commercial and industrial (both privately owned and leased buildings), as well as between small, medium and large commercial and industrial markets. This should include both new development and retrofit or replacement upgrades across the market sectors.</p>	<p>Schedule TJM-4 REEP                  Schedule TJM-5 Access                  Schedule TJM-6 CEEP                  Schedule TJM-7 SEP</p>	<p>Schedule TJM-1 NICEP and NJNG Program Comparison</p>
III	<p>To the extent known, the utility shall identify whether there are similar programs available in the existing marketplace and provide supporting documentation if applicable. This shall include those programs that provide other societal benefits to other under-served markets. This should include an analysis of the services already provided in the market place, and the level of competition.</p>	<p>Exhibit P-2, Direct Testimony of Thomas J. Massaro                  Exhibit P-2, Direct Testimony of Thomas J. Massaro                  Exhibit P-3 Direct Testimony of Daniel P. Yardley</p>	<p>Not Applicable</p>
III	<p>The utility shall propose the method for treatment of Renewable Energy Certificates ("REC") including solar RECs or any other certificate developed by the Board of Public Utilities, including Greenhouse Gas Emissions Portfolio and Energy Efficiency Portfolio Standards including ownership, and use of the certificate revenue stream(s).</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley</p>	<p>Schedule DPY-5 Revenue Requirements Summary</p>
III	<p>The utility shall propose the method for treatment of any air emission credits and offsets, including Regional Greenhouse Gas Initiative carbon dioxide allowances and offsets including ownership, and use of the certificate revenue stream(s).</p>		
III	<p>The utility shall analyze the proposed quantity and expected prices for any REC, solar REC, air emission credits, offsets or allowances or other certificates to the extent possible.</p>		

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IV	a	<p><b>IV. Cost Recovery Mechanism</b></p> <p>The utility shall provide appropriate financial data for the proposed program, including estimated revenues, expenses and capitalized investments, for each of the first three years of operations and at the beginning and end of each year of said three-year period. The utility shall include pro forma income statements for the proposed program, for each of the first three years of operations, and actual or estimated balance sheets as at the beginning and end of each year of said three year period.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-1 Program Unit Costs and Projected Take Rates Schedule DPY-2 Net RGGI Investments by Year Schedule DPY-3 Cost of Capital Schedule DPY-4 Operations and Maintenance Costs Schedule DPY-5 Revenue Requirements Summary Schedule NJNG-5 Pro-Forma Income Statement</p>
IV	b	<p>The utility shall provide detailed spreadsheets of the accounting treatment of the cost recovery including describing how costs will be amortized, which accounts will be debited or credited each month, and how the costs will flow through the proposed method of recovery of program costs.</p>	<p>Schedule NJNG-10 Accounting Entries</p>
IV	c	<p>The utility shall provide a detailed explanation, with all supporting documentation, of the recovery mechanism it proposes to utilize for cost recovery of the proposed program, including proposed recovery through the Societal Benefits Charge, a separate clause established for these programs, base rate revenue requirements, government funding reimbursement, retail margin, and/or other.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-6 Energy Efficiency and Renewable Energy Tariff</p>
IV	d	<p>The utility's petition for approval, including proposed tariff sheets and other required information, shall be verified as to its accuracy and shall be accompanied by a certification of service demonstrating that the petition was served on the Department of the Public Advocate, Division of Rate Counsel simultaneous to its submission to the Board.</p>	<p>Exhibit P-1, Petition Schedule NJNG-8 Proposed Tariff Modifications</p>
IV	e	<p>The utility shall provide an annual rate impact summary by year for the proposed program, and an annual cumulative rate impact summary for all approved and proposed programs showing the impact of individual programs as well as the cumulative impact of all programs upon each customer class of implementing each program and all approved and proposed programs based upon a revenue requirement analysis that identifies all estimated program costs and revenues for each proposed program on an annual basis. The utility shall also provide an annual bill impact summary by year for each program, and an annual cumulative bill impact summary by year for all approved and proposed programs showing bill impacts on a typical customer for each class.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-7 Projected Bill Impacts by Class</p>
IV	f	<p>The utility shall provide, with supporting documentation, a detailed breakdown of the total costs for the proposed program, identified by cost segment (capitalized costs, operating expense, administrative expense, etc.). This shall also include a detailed analysis and breakdown and separation of the embedded and incremental costs that will be incurred to provide the services under the proposed program with all supporting documentation.</p>	<p>Exhibit P-3 Direct Testimony of Daniel P. Yardley Schedule DPY-5 Revenue Requirements Summary</p>
IV	g	<p>The utility shall provide a detailed revenue requirement analysis that clearly identifies all estimated program costs and revenues for the proposed program on an annual basis, including effects upon rate base and pro forma income calculations.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-5 Revenue Requirements Summary</p>
IV	h	<p>The utility shall provide, with supporting documentation: (i) a calculation of its current capital structure as well as its calculation of the capital structure approved by the Board in its most recent electric and/or gas base rate cases, and (ii) a statement as to its allowed overall rate of return approved by the Board in its most recent electric and/or gas base rate cases.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-3 Cost of Capital</p>
IV	i	<p>If the utility is seeking carrying costs for a proposed program, the filing shall include a description of the methodology, capital structure, and capital cost rates used by the utility.</p>	<p>Exhibit P-3, Direct Testimony of Daniel P. Yardley Schedule DPY-3 Cost of Capital</p>
IV	j	<p>A utility seeking incentives or rate mechanism that decouples utility revenues from sales, shall provide all supporting justification, and rationale for incentives, along with supporting documentation, assumptions and calculations.</p>	<p>Not Applicable</p>

IN THE MATTER OF THE PETITION OF NEW JERSEY NATURAL GAS COMPANY  
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<b>V. Cost Benefit Analysis</b>		
V	a	The utility shall provide a detailed analysis with supporting documentation of the net benefits associated with the proposed program, including, if appropriate, a comprehensive and detailed avoided cost savings study with supporting documentation. The value of the avoided environmental impacts and the environmental benefits and the value of any avoided or deferred energy infrastructure should be stated separately.
V	b	The utility shall calculate a cost/benefit analysis utilizing the Total Resource Cost ("TRC") test that assesses all program costs and benefits from a societal perspective. The utility may also provide any cost benefit analysis that it believes appropriate with supporting rationales and documentation.
V	c	The utility shall quantify all direct and indirect benefits as well as provide projected costs resulting from a proposed program that is subject to a cost/benefit test.
V	d	Renewable energy programs shall not be subject to a cost/benefit test but the utility must quantify all direct and indirect benefits resulting from such a proposed program as well as provide the projected costs. The utility must also demonstrate how such a proposed program will support energy and environmental statewide planning objectives, such as attainment of the Renewable Portfolio Standard and any emission requirements.
V	e	The utility must demonstrate for the proposed program that it results in a positive benefit/cost ratio, or, if the utility cannot make such a demonstration, it must provide the rationale for why the proposed program should be approved.
V	f	The level of energy and capacity savings utilized in these calculations shall be based upon the most recent protocols approved by the Board of Public Utilities to measure energy savings for the New Jersey Clean Energy Program. In the event no such protocols exist, or to the extent that a protocol does not exist for a filed program, the utility must submit a measurement protocol for the program or contemplated measure for approval by the Board.
V	g	The utility shall also quantify and deduct from the energy and capacity savings any free rider effects and the business as usual benefits from homeowners and businesses installing Energy Efficiency or Renewable Energy without the N.J.S.A. 48:3-98.1 benefits or incentives.

Schedule NJNG-14 Cost Benefit Analysis

Schedule NJNG-14 Cost Benefit Analysis

Schedule NJNG-14 Cost Benefit Analysis

Schedule NJNG-14 Cost Benefit Analysis  
 Schedule TJM-7 SEP

Schedule NJNG-14 Cost Benefit Analysis

Schedule NJNG-14 Cost Benefit Analysis

Schedule NJNG-14 Cost Benefit Analysis

**New Jersey Natural Gas  
Estimate of Jobs Created/Sustained**

**Note: These estimates do not include any multiplier effects or any impact on job retention at companies that participate in the program.**

	<b>Estimated # of Projects per year</b>	<b>Assumed avg # work days per project</b>	<b>Estimated Total Work Hours</b>	<b>FTEs based upon 1820 work hours</b>
<b>NJNG staff from E3</b>				22
<b>New NJNG staff</b>				19

**Residential**

Gas Furnace/Boiler	4,666	4	149,312	82
Domestic Hot Water Heater	500	1	4,000	2
Air conditioning	2,500	4	80,000	44
Solar Domestic Hot Water	25	5	1,000	1
Free seal-up associated with NJNG audits	2,500	1	20,000	11
Tier III associated with NJNG audits	1,000	2	16,000	9
HPES Projects served entirely by HPES contractor in NJNG territory	750	7	42,000	23
<b>Access</b>	100	4	3,200	2

**Commercial**

Gas Cooling	5	3	120	0
Gas Heating	30	5	1,200	1
Gas Water Heating	10	2	160	0
Combined Heat & Power <500KW	1	4080	42,432	23
Combined Heat & Power > 500 KW	1	8160	65,280	36

**Solar**

Residential Projects	500	6	24,000	13
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**Total Estimate of Jobs Created/Sustained** **288**

**NEW JERSEY NATURAL GAS COMPANY**

**DIRECT TESTIMONY AND EXHIBITS OF**

**THOMAS J. MASSARO**

**VICE PRESIDENT**

**MARKETING AND BUSINESS INTELLIGENCE**

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**NEW JERSEY NATURAL GAS COMPANY**  
**DIRECT TESTIMONY OF THOMAS J. MASSARO**  
**VICE PRESIDENT – MARKETING AND BUSINESS INTELLIGENCE**

7

**I. Introduction**

8 **Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS ADDRESS.**

9 A. My name is Thomas J. Massaro. I am Vice President-Marketing and Business  
10 Intelligence for New Jersey Natural Gas Company (“NJNG” or the “Company”). My  
11 business address is 1415 Wyckoff Road, Wall, NJ 07719.

12 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**  
13 **BACKGROUND.**

14 A. I attended Drexel University, receiving a Bachelor of Science degree in mechanical  
15 engineering in June 1989 at which time I joined NJNG as a Management Engineer.  
16 Since that time, I have held several positions in marketing, operations and customer  
17 service, including serving as Vice President of Corporate Strategy from June 2005 to  
18 September 2007 and Treasurer of NJNG. In my current position of Vice President of  
19 Marketing and Business Intelligence, which I have held since July 2007, I am  
20 responsible for all aspects of the marketing function at NJNG. That includes  
21 supervision of and direct involvement with the operations of The SAVEGREEN  
22 Project™ (“SAVEGREEN”) through which NJNG’s Economic Stimulus Energy-  
23 efficiency (“E3”) program operates.

24 Presently, I serve on The Salvation Army's New Jersey State Advisory Board,  
25 the Board of Directors of PlanSmartNJ and I am a member of the American Gas  
26 Association (AGA) Communications and Marketing Committee. Recently, I have  
27 made presentations on behalf of NJNG on both the national and local levels,  
28 participating in Strategic and Visionary sessions of the American Gas Association.

1           Additionally, I have participated in roundtable discussions at the request of the state  
2           during the development of the Energy Master Plan.

3           **Q.    WHAT IS YOUR INVOLVEMENT WITH NJNG'S EXISTING ENERGY-**  
4           **EFFICIENCY PROGRAMS?**

5           A.    I am directly responsible for the Company's current energy-efficiency and  
6           conservation programs and related activities. Presently, these programs fall under  
7           SAVEGREEN, the initiative through which NJNG manages the E3 programs  
8           approved by the New Jersey Board of Public Utilities (the "Board" or "BPU") in  
9           Docket Nos. EO09010056 and GO09010057. SAVEGREEN provides rebates and  
10          incentives for customer participation in a variety of energy-efficiency programs  
11          designed to complement those administered by the BPU through New Jersey's Clean  
12          Energy Program ("NJCEP"). The Manager, Energy-Efficiency Program reports to me  
13          and he is responsible for running these programs and supervising the 21 employees  
14          currently supporting SAVEGREEN activities. In addition, I am directly involved with  
15          the Company's ongoing strategic assessment of opportunities to enhance energy  
16          efficiency and renewable energy opportunities for our customers and to promote the  
17          benefits of renewable energy.

18          **Q.    WHAT ARE YOUR RESPONSIBILITIES WITH RESPECT TO THIS**  
19          **FILING?**

20          A.    NJNG is proposing to enhance the SAVEGREEN suite of energy-efficiency and  
21          conservation programs and to also offer a renewable energy program as provided for  
22          under legislation supporting the Regional Greenhouse Gas Initiative ("RGGI"). In  
23          this testimony, I describe the corporate philosophy at both NJNG and New Jersey  
24          Resources ("NJR"), the parent company of NJNG, pertaining to energy efficiency,  
25          conservation, renewable energy and related environmental matters demonstrating the  
26          direct link between addressing customer interests and supporting current state and  
27          national policy initiatives. I then provide testimony on the programs that NJNG is  
28          proposing including program descriptions and the method of delivery. These new

1 programs will be offered for a term of three years and it is intended that the current  
2 E3/SAVEGREEN offers will transition into the RGGI programs upon Board  
3 approval.

4 **Q. IS NJNG SUBMITTING ADDITIONAL TESTIMONY IN SUPPORT OF ITS**  
5 **PETITION?**

6 **A.** Yes. The pre-filed testimony of Daniel P. Yardley, Principal, Yardley Associates  
7 (Exhibit P-3) is being submitted in support of this filing and explains the ratemaking  
8 aspects, including projected revenue requirements and customer bill impacts based on  
9 the proposed recovery of the program investments and related costs. NJNG's filing  
10 also includes the information sought by the BPU for RGGI filings pursuant to the  
11 Minimum Filing Requirements ("MFRs") established in a Board Order dated May 12,  
12 2008 in Docket No. EO08030164. Attached to and made a part of this filing is  
13 Schedule NJNG-15 that lists the MFRs and the location where the requested  
14 information is provided within the NJNG filing.

15 **II. NJNG's Commitment to the Environment**

16 **Q. PLEASE DESCRIBE NJNG'S OVERALL COMMITMENT TO THE**  
17 **ENVIRONMENT.**

18 **A.** NJNG and its parent company NJR have consistently been strong environmental  
19 advocates and promoted responsible environmental stewardship. Over the past several  
20 years, NJR recognized the increased environmental risks facing our society and  
21 significantly enhanced its environmental efforts as part of our Conserve to Preserve®  
22 ("CTP") strategy, which more directly aligns the interests of our customers, our  
23 company and our state. CTP focuses on the development of opportunities to improve  
24 NJNG and NJR's environmental profile, helps educate our customers on energy  
25 conservation, efficiency and renewable energy, thereby advancing New Jersey's  
26 environmental policy. Thus, CTP recognizes the need to protect our environment and  
27 use energy resources efficiently, considering both the present and future impact of

1 consumption decisions. Since its inception, CTP has helped NJNG customers reduce  
2 their gas usage by almost 104 million therms, saving them a total of \$135 million and  
3 preventing the release of over 625,000 tons of greenhouse gas emissions. That is  
4 equivalent to removing approximately 109,500 cars from New Jersey's roadways  
5 annually. The Company's focus on energy efficiency moves beyond education and  
6 programs directed toward reducing the use of natural gas through the dissemination of  
7 information and opportunities directed toward the electric sector also. Accordingly,  
8 customer savings are likely to be even greater than the estimates above. To further  
9 support those efforts, NJR established the Conserve to Preserve ("CTP") Foundation  
10 in September 2008. The CTP Foundation's directive is to advance energy efficiency,  
11 promote environmentally friendly programs and technologies and further encourage  
12 environmental stewardship. The Foundation will provide financial support to  
13 organizations, activities and programs that help to achieve this goal. To date,  
14 approximately \$860,000 has been provided through the CTP Foundation for green job  
15 training, the provision of conservation kits to low-income customers, research on the  
16 successful initiation of climate change programs and numerous sponsorships of  
17 environmentally oriented programs and organizations in the state. Under the umbrella  
18 of the corporate-wide CTP strategy, NJNG currently tracks GHG emissions,  
19 collecting data that will enable the Company to continue monitoring the impact of  
20 recent utility facility upgrades and fleet improvements. The Company has been active  
21 on both the state and federal policy level in activities advancing energy efficiency.  
22 Laurence M. Downes, NJR's Chairman and CEO, has served as a member of the  
23 Leadership Group of the National Action Plan for Energy Efficiency (NAPEE) since  
24 inception. Other NJNG employees have participated in NAPEE Task Forces and  
25 collaborative working groups. At the state level, NJNG has been an active participant  
26 in the NJCEP Energy-efficiency Committee, the NJCEP Marketing and  
27 Communications Committee, and several Sustainable Jersey™ Task Forces. NJNG  
28 also served on the Clean Energy Council.

1 **Q. DOES NJNG HAVE ANY PROGRAMS THROUGH WHICH ENERGY-**  
2 **EFFICIENCY AND CONSERVATION INFORMATION IS MADE**  
3 **AVAILABLE TO CUSTOMERS?**

4 A. Yes. In October 2006, the BPU approved a Conservation Incentive Program (“CIP”)  
5 for NJNG. Originally a three-year pilot that has recently been extended through  
6 September 30, 2013, CIP assists customers in adopting methods to conserve energy  
7 and reduce their natural gas costs while simultaneously preserving our environmental  
8 resources. As a result of this program that was developed collaboratively with BPU  
9 staff, the Department of the Public Advocate, Division of Rate Counsel (“Rate  
10 Counsel”), South Jersey Gas Company and NJNG, we have changed the way the  
11 Company does business and continue to do so. A core element of the CIP is the  
12 implementation of an innovative ratemaking mechanism that more directly aligns the  
13 interests of our customers with those of the Company and the clean energy policies of  
14 the state. This mechanism eliminates the fundamental disconnect in traditional utility  
15 ratemaking that rewards utilities for increased energy consumption but which  
16 represents an impediment to conservation and innovation. Instead of promoting the  
17 sale and use of additional burner tips to our customers, NJNG actively encourages  
18 customer conservation as one way to achieve the statewide goal of reducing energy  
19 usage 20 percent by 2020.

20 Also, after working collaboratively with BPU Staff and Rate Counsel, NJNG  
21 received approval in July 2009 to implement the previously noted E3 programs, a  
22 suite of energy-efficiency opportunities for customers that are currently being  
23 branded and offered through SAVEGREEN. Developed to complement and  
24 supplement existing NJCEP offerings, SAVEGREEN provides eligible customers  
25 with rebates above and complementary to those available through NJCEP, uses  
26 trained, BPI certified employees to conduct Home Performance with Energy Star  
27 (“HPES”) Audits and provides zero-percent financing opportunities for eligible  
28 customers performing energy efficiency and conservation work in their homes.

1 **III. Policy Overview**

2 **Q. ARE YOU FAMILIAR WITH LEGISLATION IN NEW JERSEY RELATED**  
3 **TO ENERGY EFFICIENCY AND CONSERVATION?**

4 A. Yes. Legislation, originally enacted in July 2007 and entitled The Global Warming  
5 Response Act<sup>1</sup> (the “GWRA”), positioned New Jersey as the third state in the country  
6 to mandate statewide reductions in greenhouse gas (“GHG”) emissions. That bill  
7 addressed the global reality of climate change and specifically found that New Jersey  
8 needed to reverse the environmental impacts from GHG in order to avoid potentially  
9 catastrophic impacts from temperature changes in the atmosphere. To accomplish  
10 that, a program was established with the aggressive goals of reducing by 2020 GHG  
11 emissions to the statewide level in 1990 and to 80 percent of the 2006 level by 2050.  
12 Furthermore, GWRA authorized the participation of New Jersey representatives in  
13 the Regional Greenhouse Gas Initiative (“RGGI”), a collaborative of ten New  
14 England and Northeast states working to coordinate efforts to reduce carbon  
15 emissions from power plants as one means of combating global warming. Several  
16 months later, additional legislation passed that, among other things, addressed the  
17 energy future of New Jersey, finding that energy-efficiency and conservation  
18 programs would serve a critical role in addressing the energy needs of this state and  
19 such a focus will provide significant benefits to the residents of New Jersey. Referred  
20 to as the RGGI Legislation<sup>2</sup>, this law delineates the crucial role that New Jersey  
21 energy companies will and should play in the statewide reduction of energy  
22 consumption through energy efficiency, renewable energy and conservation  
23 programs.

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<sup>1</sup> N.J.S.A. 26:2C-37 et seq.

<sup>2</sup> N.J.S.A. 26:2C-45

1 **Q. IS THERE A PARTICULAR SECTION OF THE RGGI LEGISLATION**  
2 **THAT SUPPORTS THE INVOLVEMENT OF ALL ENERGY UTILITIES IN**  
3 **PROMOTING A REDUCTION IN GREENHOUSE GASES?**

4 A. Yes. In addition to an overall focus on the implementation of cost-effective measures  
5 that will serve to reduce GHG emissions, Section 13 of the RGGI Legislation<sup>3</sup>  
6 establishes that an electric or natural gas company may “provide and invest in energy-  
7 efficiency and conservation programs in its service territory on a regulated basis<sup>4</sup>.”  
8 Additionally, the RGGI Legislation further permits investment by an energy utility in  
9 renewable energy resources or renewable energy programs on a regulated basis. The  
10 legislation also directs that cost recovery through utility rates is allowed after  
11 approval of a filing submitted to the BPU.

12 **Q. HAS THE BPU FURTHER CLARIFIED THE ROLE A UTILITY MAY PLAY**  
13 **IN PROGRAMS PERMITTED THROUGH THE RGGI LEGISLATION?**

14 A. Yes. On May 12, 2008, the BPU issued an Order in Docket No. EO08030164 (the  
15 “May 2008 Order”) that established the procedures to be followed for an energy  
16 utility seeking BPU approval for programs that meet the RGGI goals of reducing  
17 GHG emissions through energy efficiency, conservation and renewable energy.  
18 Additionally, in order to meet the time frames within the RGGI legislation, the BPU  
19 determined that certain information is to be provided with all RGGI filings for the  
20 approval of programs and associated cost recovery mechanisms. That information,  
21 designated as Minimum Filing Requirements (“MFRs”), includes financial  
22 information, details on the proposed energy-efficiency and renewable energy  
23 programs, discussion on the proposed cost recovery methodology, a cost-benefit  
24 analysis of proposed energy-efficiency programs and the method through which the  
25 proposed programs support and/or complement existing offers from the NJCEP and

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<sup>3</sup> N.J.S.A. 48:3-98.1

<sup>4</sup> N.J.S.A. 48:3-98.1(a)(1).

1 other utilities. Attached hereto as Schedule NJNG-15 is a chart listing the MFRs and  
2 indicating the section of this filing providing the information requested.

3 **Q. IN ADDITION TO THE RGGI LEGISLATION AND RELATED BPU**  
4 **ACTIONS, HAVE CLIMATE CHANGE CONCERNS BEEN ADDRESSED IN**  
5 **NEW JERSEY?**

6 A. Yes. After extensive work with various stakeholder groups, New Jersey's Energy  
7 Master Plan (the "EMP") was released in October 2008. Grounded in the statewide  
8 mandate to reduce GHG emissions, the EMP provides strategic goals, underlying  
9 policies and specific action items directed towards challenging future energy usage  
10 and generation in New Jersey. The EMP goals that are currently in place necessitate  
11 an increased reliance in New Jersey on the use of renewable energy resources for  
12 electric generation that does not increase or even contribute to GHG emissions. The  
13 EMP looks to reduce the amount of electricity generated from fossil-fuels and  
14 increase electric generation from sources such as wind, solar, and biomass. The EMP  
15 clearly relies on the direct and ongoing involvement of the electric and natural gas  
16 utilities to meet the goals set out in the plan which encompasses elements of both the  
17 GWRA and the RGGI legislation. With an express direction to ensure that New  
18 Jersey has an adequate and reliable supply of energy available, transported through a  
19 21<sup>st</sup> century infrastructure, the EMP found the utilities essential for obtaining and  
20 delivering the electricity and natural gas needed. Additionally, energy utilities have  
21 ready and continued access to all residents of the state, channels through which  
22 communication, information and education can be provided.

23 In addition to the programs offered through NJCEP that help customers obtain  
24 the benefits of energy efficiency, conservation and renewable energy, the New Jersey  
25 Economic Development Authority (EDA) provides grants and loans to commercial,  
26 industrial and institutional locations involved with projects that provide economic  
27 development and environmental benefits. Such projects include the installation of  
28 combined heat and power ("CHP") facilities, the purchase of fixed assets including  
29 real estate and equipment for an energy-efficiency project, support for clean energy

1 manufacturing in New Jersey and renewable energy projects that generate electricity.  
2 To complement the grant and loan offers, EDA also administers an incentive program  
3 for CHP projects.

4 **Q. PLEASE BRIEFLY DISCUSS CURRENT FEDERAL ACTIONS**  
5 **REGARDING CLIMATE CHANGE.**

6 A. Federal legislation addressing climate change has been a focus on a national basis as  
7 reflected through significant efforts in both the House of Representatives and the  
8 Senate to present comprehensive bills directed to the reduction of GHG. Enacted on  
9 February 17, 2009, the American Recovery and Reinvestment Act of 2009 (“ARRA”)  
10 identifies energy as a key driver in ongoing nationwide efforts to stimulate economic  
11 recovery in the United States. This bill allotted \$50 billion for energy-efficiency and  
12 renewable energy programs throughout the country and, importantly, allocated a  
13 portion of those funds directly to states that achieve additional efficiency  
14 improvements through the implementation of utility regulatory policies that support  
15 energy efficiency. Funding from those resources would be made available to those  
16 states in which the governor pro-actively pledged to support various measures,  
17 including utility rate decoupling and modernized building codes. ARRA also  
18 prioritized funding related to existing energy programs that are state-funded or  
19 supported through utility rates. Additionally, an Executive Order released in October  
20 2009 demonstrates the comprehensive efforts concerning climate change by  
21 mandating that all federal agencies provide the President by the end of 2009 with a  
22 plan for reducing emissions that includes concrete measures for meeting those goals  
23 by 2020. While the House passed the American Clean Energy and Security Act of  
24 2009 this past June, no comparable Senate bill has been approved. However, efforts  
25 continue at the federal level to strike a compromise for national legislation that  
26 addresses lowering the country’s carbon footprint through such measures as  
27 increasing energy efficiency, developing additional renewable energy resources and  
28 working to reduce GHG emissions.

1 **Q. IS THERE ADDITIONAL FEDERAL SUPPORT FOR INVESTMENT IN**  
2 **ENERGY-EFFICIENCY, RENEWABLE ENERGY AND CONSERVATION**  
3 **PROGRAMS?**

4 A. Yes. The federal government has extended a corporate investment tax credit (“ITC”)  
5 of 30 percent for investments in renewable power. Included in the eligible  
6 technologies are solar water heat systems, solar space heat, solar thermal electric and  
7 solar thermal process heat and photovoltaic (“PV”). The credit has been extended to  
8 business entities through year 2016. Additionally, there are federal tax credits  
9 available for the purchase of certain energy-efficient products by residential  
10 homeowners for installation in an existing home. The current benefit provides the  
11 opportunity for a tax credit of up to 30 percent of the associated costs of eligible  
12 products and systems.

13 **IV. Proposed Programs**

14 **Q. PLEASE DESCRIBE THE CRITERIA UPON WHICH THE RGGI**  
15 **PROGRAMS ARE BASED.**

16 A. NJNG is submitting this RGGI filing as an extension and expansion of the current E3  
17 programs provided through SAVEGREEN, which consists of initiatives that support  
18 and enhance current “whole-house” offerings from NJCEP. As noted above, a focus  
19 on energy, economic development and environmental issues permeates policy  
20 development, legislative actions and regulatory directives at both the state and federal  
21 level. To that end, the E3 programs meet many of those goals and NJNG is seeking  
22 approval to continue the benefits to customers, the job growth established and the  
23 reduction in GHG emissions that stem from SAVEGREEN. The Company also  
24 knows that high upfront costs for the installation of renewable energy equipment  
25 often deter customers, especially those in the middle-income range during these  
26 difficult economic times.

27 NJNG believes it is especially important to influence customers’ decision-  
28 making processes before or, at the latest, at the time they choose heating, cooling and

1 water heating equipment to reinforce the importance of investing in energy-efficient  
2 units. Since those decisions are only made on average every 15 to 20 years, based on  
3 the age of existing heating and cooling equipment, it is crucial to impact purchase  
4 decisions for as many customers as possible. If a customer is not inclined to make the  
5 necessary investment in high efficiency equipment or renewable resources at or  
6 before the time of purchase, that opportunity is lost for a significant time period,  
7 frustrating New Jersey's efforts at reducing GHG. Public awareness of energy-  
8 efficiency and renewable energy equipment has been expanding, which makes it even  
9 more important to capture those customers who are in the market for energy  
10 equipment or who would be interested in renewable energy but for the high upfront  
11 investment required.

12 Because of the experience gained in managing SAVEGREEN, NJNG is able  
13 to expeditiously implement the proposed RGGI programs as a continuation of  
14 existing offers in a manner that will continue to further the focus on whole-house  
15 energy efficiency measures. Additionally, an increased focus on installing high-  
16 efficiency equipment or relying on renewable energy to provide a portion of a home's  
17 electric needs encourages increased activity in the contractor market and ancillary  
18 services. Finally, the programs proposed, as with the current E3 offers, link directly  
19 with ongoing NJCEP programs without redundancy or inconsistency.

20 **Q. WHAT PROGRAMS ARE CURRENTLY INCLUDED IN SAVEGREEN?**

21 A. As a result of the E3 program filing, NJNG received approval to offer its customers,  
22 through SAVEGREEN, three programs that complement and enhance the current  
23 offerings from NJCEP. Through the HPES enhancements, the Company provides a  
24 zero percent financing option to eligible NJNG residential customers with natural gas  
25 heat (or converting to a natural gas heating system) who implement energy-efficiency  
26 measures beyond the initial \$1000 Tier II seal-up work and all Tier III  
27 recommendations. Pursuant to the terms of the Stipulation approved by the BPU,  
28 NJNG also agreed to take over from NJCEP the funding for NJNG customer  
29 incentives related to Tier II and III work after January 1, 2010.

1           In the second aspect of the current E3 program, NJNG provides an enhanced  
2 rebate of \$900 for qualified WARMAdvantage furnace and boiler purchases. To  
3 receive this enhanced rebate customers must also agree to participate in an HPES  
4 Audit that will be performed by NJNG at no cost to the customer following the  
5 installation of their WARMAdvantage qualified equipment. Any subsequent work  
6 stemming from the HPES Audit will be performed by HPES certified contractors  
7 through the existing NJCEP program channels. This program is also available to  
8 small commercial customers using residential sized equipment to encourage energy  
9 efficiency in that sector.

10           The third E3 program provides support to the current NJCEP Direct Install  
11 program by funding approved incentives through that program for 50 commercial  
12 customers within our service territory.

13 **Q.   WHAT IS NJNG PROPOSING THROUGH THIS FILING?**

14 **A.**   NJNG is proposing to continue offering much of what is presently included in  
15 SAVEGREEN for an additional three years while providing additional opportunities  
16 to underutilized and underserved marketplaces. These programs have been developed  
17 with consideration of various benefits to New Jersey, including the creation of jobs,  
18 the ability to encourage competition in the energy-efficiency, renewable energy and  
19 conservation markets, the provision of energy-efficiency benefits for customers  
20 facing financial challenges, meeting both short- and long-term positive environmental  
21 goals and, as with the currently approved E3 programs, coordination with and  
22 enhancement of existing NJCEP offers. It is anticipated that the E3 program offers  
23 through SAVEGREEN will transition into the RGGI program offers once approval  
24 for the RGGI programs is received. Accordingly, NJNG is proposing the following:  
25 the NJNG Residential Energy-Efficiency Program (“REEP”), the Access to  
26 Affordable Energy Pilot (“Access”), the NJNG Commercial Energy-Efficiency  
27 Program (“CEEP”) and the NJNG Solar Energy Program (“SEP”). Additionally, to  
28 encourage investments in commercial and industrial (“C&I”) customer projects that  
29 improve the environment and promote economic development with no risk or subsidy

1 from current utility customers, NJNG is proposing to implement a program entitled  
2 Fostering Environmental and Economic Development (“FEED”).

3 **Q. OVERALL, WHAT POTENTIAL BENEFITS AND COST SAVINGS RESULT**  
4 **FROM HAVING NJNG CONTINUE PROGRAMS SIMILAR TO THOSE**  
5 **CURRENTLY IN SAVEGREEN?**

6 A. NJNG is submitting this filing to continue its support for actions that reduce GHG.  
7 Having the experience gained from creating and operating the BPU-approved E3  
8 programs through SAVEGREEN provides NJNG the opportunity to, essentially,  
9 jumpstart the offers and new elements expeditiously. The groundwork is in place for  
10 operating energy-efficiency programs, resulting in a smooth transition to offering  
11 REEP, CEEP and Access. The delays and costs involved in ramping up to start an  
12 entirely new business unit, including hiring, advertising, training and setting up  
13 offices are essentially eliminated so that work on promoting the new offers can begin  
14 quickly and run smoothly. In addition to retaining the 22 new positions at NJNG that  
15 resulted from implementing the E3 programs, the Company anticipates that approval  
16 of the RGGI programs will also result in the establishment of another 15 – 20  
17 incremental positions within NJNG as the transition between E3 and RGGI evolves.  
18 Those numbers do not include the impact of job growth for contractors performing  
19 the energy-efficiency improvements, the solar installations, or the projects performed  
20 under FEED. NJNG has not included any impact to job growth from ancillary  
21 services such as suppliers, vendors and manufacturers.

22 **Q. WHAT IS THE RELATIONSHIP BETWEEN THE RGGI PROGRAMS**  
23 **BEING OFFERED AND FORMER OR CURRENT NJCEP OR UTILITY**  
24 **OFFERS?**

25 A. As noted throughout this testimony, NJNG has designed both the current E3 offers  
26 and the proposed RGGI opportunities to link directly with the focus of current NJCEP  
27 offers. Additionally, in Schedule TJM-1 submitted as part of this filing, NJNG has  
28 provided a chart demonstrating former, current and proposed programs in support of

1 energy efficiency, conservation and renewable energy. Finally, in light of the  
2 potential changes to NJCEP programs and funding levels, NJNG is proposing to  
3 increase its proposed incentive and funding levels to ensure the greatest level of  
4 customer participation. Therefore, if there is a decrease to or elimination of funding in  
5 the current or future NJCEP budgets in programs that align with NJNG's RGGI  
6 Programs, NJNG will automatically increase its incentive payments by a comparable  
7 amount.

8 **Residential Energy-Efficiency Program ("REEP")**

9 **Q. PLEASE DESCRIBE THE RESIDENTIAL ENERGY-EFFICIENCY**  
10 **PROGRAM.**

11 A. In order to encourage customers to install high-efficiency equipment and to also take  
12 advantage of the whole-house method of energy solutions through the HPES  
13 program, NJNG has developed REEP, a program through which enhanced rebates are  
14 available to residential customers participating in the NJCEP WARM and  
15 COOLAdvantage programs. To ensure that this program is directly aligned to the  
16 whole-house approach, customers must also participate in a free HPES Audit (the  
17 "Audit") that will be performed by NJNG at no cost to the customer. Through this  
18 program, NJNG will provide the enhanced rebates to eligible customers and conduct  
19 the required Audits after installation of WARM and COOLAdvantage qualified  
20 equipment. Following the Audit, NJNG will also offer discounted financing to eligible  
21 customers for Audit measures that are implemented through HPES. In the current E3  
22 program, NJNG has 9 employees trained and BPI Certified to conduct Audits with  
23 one supervisor. To date approximately 1500 Audits have been performed in our  
24 service territory. Through the RGGI filing, NJNG proposes, subject to any future  
25 changes to NJCEP, to provide an NJNG Audit to those customers seeking an  
26 independent Audit. NJNG will also provide the funding for HPES customer  
27 incentives for measures that are implemented based on Audit recommendations. (See  
28 Schedule TJM-4).

1 **Q. PLEASE DESCRIBE THE FINANCING OFFERS THAT NJNG WILL MAKE**  
2 **AVAILABLE FOR RESIDENTIAL CUSTOMERS THROUGH REEP.**

3 A. For customers pursuing energy-efficiency upgrades through HPES, NJNG will offer  
4 a financing option through a third-party provider under the terms established by that  
5 entity, consistent with the current practices in the E3 Program and NJCEP financing  
6 offers. The amount available for financing through this NJNG program will not  
7 exceed \$10,000 per home. Customers with income levels greater than 225 percent but  
8 less than 400 percent of the Federal Poverty Level will be able to apply for zero-  
9 percent financing with a repayment term up to 10 years and other residential  
10 customers can apply for financing at a discounted rate of 2.99 percent with a  
11 repayment term up to 10 years. Similar to the E3 authorization, the cost of buying  
12 down the financing to zero-percent and/or 2.99% will be treated as a program cost  
13 element. Only improvements implemented through the HPES program will be  
14 eligible for such financing so customers receiving an NJNG enhanced rebate for the  
15 purchase of equipment only through the WARM and COOLAdvantage programs will  
16 not be eligible.

17 **Q. HOW DOES REEP COMPLEMENT EXISTING NJCEP OFFERS?**

18 A. Consistent with current NJCEP and BPU-approved E3 Programs, customers will be  
19 able to receive the enhanced rebates and the financing offer as long as they take the  
20 steps that will continue the whole-house focus and move beyond merely installing  
21 high efficiency equipment. This approach encourages actions that will make the entire  
22 house energy-efficient. Without that, the benefits of high efficiency Heating,  
23 Ventilation, and Air Conditioning (“HVAC”) equipment may be significantly  
24 diminished. Additionally, as with the current E3 offer, commercial customers  
25 installing residential size HVAC equipment will be eligible for the enhanced rebate.  
26 NJNG will also target such customers for participation in the benefits of the NJCEP  
27 Direct Install program.

1 **Q. ARE THERE ANY OTHER PROGRAM ELEMENTS UNDER REEP?**

2 A. Yes. NJNG proposes to run a small OPOWER pilot program. OPOWER is a service  
3 provider that has worked with utilities nationwide to demonstrate that customers can  
4 and will change their consumption patterns when awareness is increased. A pilot  
5 program had been approved by the BPU as part of the 2010 NJCEP Compliance Plan  
6 but, based upon current budget constraints, it is not anticipated that NJCEP will run  
7 this pilot. NJNG is proposing to conduct the same size pilot of approximately 25,000  
8 customers through the RGGI programs. Customized letters describing the usage  
9 patterns for individual customers are provided six times a year providing analyses of  
10 energy usage, making suggestions that could reduce consumption levels and  
11 including information about energy saving and conservation measures similarly  
12 situated customers have taken. Additionally, participating customers will have access  
13 to on-line resources providing information, opportunities and potential savings. (See  
14 Schedule TJM-4).

15 **Access to Affordable Energy Pilot Program (“Access”)**

16 **Q. WHAT IS THE NJNG ACCESS TO AFFORDABLE ENERGY PILOT**  
17 **PROGRAM?**

18 A. The Access to Affordable Energy Pilot Program (“Access”) proposes to residential  
19 home owners who receive at least \$50 per month for electricity benefits from the  
20 state’s Universal Service Fund Program (“USF”) an opportunity to convert their  
21 existing electric heating system to a high-efficiency natural gas system. The USF is a  
22 statewide program that offers eligible customers financial assistance toward paying  
23 electric and natural gas bills. The funding for USF is collected from utility customers  
24 as an element of the Societal Benefits Charge (“SBC”). Very often these customers  
25 are unable to make the financial investment to upgrade their heating source to one  
26 that is more economical and that provides increased energy efficiency. Without those  
27 opportunities, such customers can’t reduce their energy consumption or receive the  
28 overall benefits provided through energy efficiency. By providing an opportunity for

1 these customers to convert to a lower cost, efficient and more environmentally  
2 friendly source of energy, the Access Program provides a two-fold benefit. Initially,  
3 eligible customers will receive high-efficiency natural gas heating equipment that  
4 may help decrease their overall energy burden. Secondly, with an overall decrease in  
5 energy costs, the amount eligible for subsidization through the USF should decrease.  
6 (See Schedule TJM-5).

7 **Q. HOW DOES ACCESS ALIGN WITH AND SUPPORT CURRENT NJCEP**  
8 **PROGRAMS?**

9 A. To ensure coordination with NJCEP, all participants in Access must agree to  
10 participate in the Comfort Partners program. That program provides weatherization  
11 upgrades to eligible homeowners and will provide heating and cooling equipment  
12 upgrades only for health and safety related situations or in those instances when it is  
13 deemed cost effective. However, the program currently does not allow for fuel  
14 switching or conversions so an electric customer may receive heating and cooling  
15 upgrades for equipment that is still less efficient and more costly. In line with the  
16 parameters of Comfort Partners, Access will only be available to homeowners and not  
17 to tenants. Participants will be able to maximize their energy savings from Comfort  
18 Partners through the long-term energy savings provided through energy-efficient  
19 equipment. While NJNG will concentrate outreach efforts to the all-electric  
20 communities in our service territory containing heating systems that have been in  
21 place for 20 or more years, Access benefits will be available to eligible customers in  
22 all areas served by NJNG.

1 **Commercial Energy-Efficiency Program (“CEEP”)**

2 **Q. IS NJNG PROPOSING A PROGRAM FOR COMMERCIAL CUSTOMERS?**

3 **A.** Yes. In an effort to influence and increase the number of commercial customers  
4 choosing to install high-efficiency equipment before or at the time existing systems  
5 are being replaced, NJNG will use the Commercial Energy-Efficiency Program  
6 (“CEEP”) to provide the funding to match the incentive currently provided by NJCEP  
7 through the SmartStart Building® Program. NJNG will double the amount currently  
8 available through NJCEP for the purchase and installation of various types of energy-  
9 efficient equipment. Specifically, the NJNG enhanced incentives will be applicable to  
10 absorption chillers, engine driven chillers, desiccant systems, and high efficiency  
11 water heaters, booster heaters, boilers and furnaces.

12 NJNG will also enhance the current NJCEP incentive that supports the  
13 installation of CHP projects, again by aligning with the current incentive structure  
14 within the Pay For Performance program (“P4P”). In coordination with the existing  
15 P4P format, participation will be eligible to commercial customers in structures with  
16 a peak demand over 200 kilowatts (“kW”) for any of the previous 12 months.  
17 Additionally, buildings identified within the NJCEP P4P guidelines as exceptions to  
18 the 200 kW threshold for participation will be treated similarly for participation in the  
19 NJNG CHP program. Therefore, hospitals, public colleges and universities, non-  
20 profits, affordable multi-family housing and local government entities not receiving  
21 funding through Energy-Efficiency and Conservation Block grants do not have to  
22 meet the 200 kW level of usage to be considered for NJNG CHP funding.

23 Currently, NJCEP is providing funding up to \$1 million in support of CHP  
24 projects. NJNG will also provide funding up to the same level.<sup>5</sup> The current format  
25 for P4P provides an opportunity for CHP incentives to customers participating in an  
26 Energy Reduction Plan that identifies a package of energy-efficiency measures

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<sup>5</sup> To the extent that the NJCEP incentive for CHP installations is decreased or eliminated, through any changes to the current or future budgets, NJNG will increase its incentive payment a comparable amount.

1 resulting in a reduction of energy consumption by 15 percent or more. Those  
2 incentives include covering the cost of the Energy Reduction Plan (feasibility study).  
3 To encourage customers who may have previously implemented energy-efficiency  
4 measures to still assess whether there are additional opportunities to increase  
5 efficiency, NJNG will provide funding up to \$100,000 for the Energy Reduction Plan  
6 even if the 15 percent level of energy savings is not demonstrated. In that way,  
7 additional energy reduction opportunities can be provided for those customers who  
8 have already taken advantage of some efficiency measures, further encouraging a  
9 comprehensive approach to implementing energy saving measures. (See Schedule  
10 TJM-6).

11 **Q. DOES CEEP COORDINATE WITH EXISTING NJCEP OFFERS FOR**  
12 **COMMERCIAL CUSTOMERS?**

13 **A.** Yes. From the outset, the incentive payments that will be provided to commercial  
14 customers through NJNG's CEEP offers will be calculated according to current  
15 NJCEP formulas. To maintain the link with existing programs, participation in the  
16 NJNG program requires involvement with NJCEP's SmartStart offers for the various  
17 types of energy-efficient equipment and the CHP systems. The parameters of the  
18 NJNG program will match those of the SmartStart participation requirements and,  
19 importantly, participating contractors must already have involvement with SmartStart.  
20 NJNG anticipates that the enhanced incentives being provided will not only increase  
21 the number of commercial entities involved in energy-efficiency upgrades but, as a  
22 result, will also increase the demand for work from eligible contractors, spurring both  
23 employment opportunities in New Jersey and a potential increase in the demand for  
24 the equipment covered through this program, benefitting the manufacturing and  
25 equipment supply sectors. NJNG also believes that helping New Jersey businesses  
26 trim operating costs may help retain these businesses and related jobs within the state.  
27 Finally, NJNG will coordinate payment of incentives through the NJCEP Commercial  
28 Market Manager to ensure that NJNG incentives are only provided after NJCEP  
29 incentives are approved for payment.

1 **Fostering Environmental and Economic Development (“FEED”)**

2 **Q. PLEASE DESCRIBE THE FEED PROGRAM FOR COMMERCIAL**  
3 **CUSTOMERS?**

4 A. Through a program that will have no risk to or subsidy from NJNG customers, the  
5 Company will offer capital and other benefits to new and existing commercial and  
6 industrial (“C&I”) customers interested in making energy-efficiency improvements or  
7 to support their economic development efforts. FEED provides C&I customers with  
8 access to investment capital through non-traditional customized negotiated  
9 agreements with NJNG. Additionally, FEED may offer incentive or discount rates  
10 similar to those in the NJNG Economic Development Tariff to encourage customer  
11 installation of energy-efficiency improvements or projects that encourage economic  
12 development. This partnership program between NJNG and the customer encourages  
13 the installation of energy-efficient equipment and business growth, and the expansion  
14 and retention of businesses in New Jersey by supporting projects that provide  
15 environmental or economic development benefits. NJNG has provided proposed  
16 Tariff Sheets for the FEED program that are included in Schedule NJNG-8.

17 **Q. WHAT TYPES OF PROJECTS WILL BE SUPPORTED THROUGH FEED?**

18 A. FEED provides interested customers the opportunity to develop customized projects,  
19 such as the installation of energy-efficient equipment, the expansion of an existing  
20 facility requiring a main extension or an investment in economic and/or  
21 environmentally friendly measures that will improve business operations or  
22 encourage a business to move into New Jersey. Agreements will be reached between  
23 NJNG and the interested entity through which the upfront funding will be provided  
24 by the Company with the principal and interest repaid by the customer over an agreed  
25 upon time period. As noted earlier, EDA currently provides various opportunities for  
26 C&I customers. As such, NJNG will work to inform eligible customers of those  
27 opportunities and will focus its efforts in promoting FEED for opportunities not

1 covered by existing EDA or NJCEP programs. There is no risk to customers from this  
2 program and no associated costs will be recovered through NJNG rates.

3 **Q. PLEASE DESCRIBE THE AGREEMENTS THAT WILL BE EXECUTED**  
4 **BETWEEN EACH CUSTOMER AND NJNG THROUGH FEED.**

5 **A.** NJNG will meet with interested C&I customers to discuss the anticipated projects and  
6 the assistance that can be provided from NJNG. The terms of the agreement will be  
7 negotiated on a case-by-case basis and the executed documents will then be submitted  
8 to the BPU for review in an expedited manner. Absent any action by the BPU to the  
9 contrary, the agreement shall take effect sixty days following the date on which the  
10 agreement was filed. If there is concern from the BPU about the terms of the above  
11 agreement, NJNG and the interested party will begin negotiations again and submit  
12 any agreement to the BPU for review. Once an agreement is effective, NJNG will  
13 provide funds or the agreed-upon rate terms to the eligible customer with that  
14 advance being repaid by the customer through a FEED charge on their bill that will  
15 include principal and an agreed-upon return for NJNG. Through this program,  
16 eligible customers will have the opportunity to make beneficial energy-efficiency and  
17 conservation investments without being burdened with excessive upfront costs and  
18 without any contribution from other NJNG customers.

19 **NJNG Renewable Energy Program**

20 **Q. IS NJNG PROPOSING A NEW PROGRAM THAT OFFERS RENEWABLE**  
21 **ENERGY BENEFITS TO CUSTOMERS?**

22 **A.** Yes. In addition to the energy-efficiency and conservation programs discussed above,  
23 NJNG is proposing the NJNG Residential Solar Energy Program (“SEP”), a new  
24 approach through which the installation of renewable energy products is encouraged  
25 and supported. This program has been designed to lessen the current financial barriers  
26 to investments in solar energy while encouraging customers to participate in HPES.  
27 Not only will the renewable energy products that are installed provide savings to the

1 homeowner participating in this program but the anticipated increase in solar  
2 installations will support and further the solar industry in the state, creating more jobs  
3 and working to reduce GHG in New Jersey. (See Schedule TJM-7).

4 **Q. CAN NJNG'S PROGRAM SUPPORT THE MANUFACTURING OF SOLAR**  
5 **EQUIPMENT IN NEW JERSEY?**

6 A. Yes. While NJNG will not require that the renewable energy equipment be  
7 manufactured in New Jersey, SEP will include a separate tier of pricing for  
8 installations using equipment that has received New Jersey's Renewable Energy  
9 Manufacturing Incentive (REMI) designation. No specific discount is proposed at this  
10 time pending further discussion with interested parties in this proceeding. However, it  
11 is the intention of NJNG to provide a discount consistent with the incremental  
12 incentive currently offered through NJCEP for REMI installations.

13 **Q. PLEASE DISCUSS THE ROLE OF A NATURAL GAS UTILITY IN**  
14 **PROMOTING THE USE OF SOLAR ENERGY TO GENERATE**  
15 **ELECTRICITY.**

16 A. Current legislation addressing GHG emissions along with the goals and action items  
17 contained in the EMP does not distinguish between electric and natural gas utilities in  
18 the support of energy efficiency and conservation. In fact, Section 13 of the RGGI  
19 legislation specifically notes that an electric public utility or a gas public utility may  
20 make investments in renewable energy, recovery for which can be requested through  
21 filings with the BPU. Addressing climate change is a statewide concern, necessitating  
22 the development and availability of coordinated and complementary programs with  
23 the end-use consumers and society as a whole being the beneficiaries. Further, the  
24 BPU has established precedent for natural gas utilities to support renewable energy as  
25 the Comprehensive Resource Analysis ("CRA") funding formula allocates  
26 approximately 31% of the NJCEP renewable energy budget to natural gas customers.  
27 Additionally, the EMP includes direction on approaching energy efficiency and

1 conservation from a whole-house approach and meeting that directive requires  
2 options for electricity, natural gas and renewable energy programs.

3 **Q. PLEASE DESCRIBE THE PROPOSED RENEWABLE ENERGY PROGRAM.**

4 **A.** Through SEP, NJNG will promote the utilization of renewable energy by offering  
5 customers the opportunity to have their property evaluated through a solar assessment  
6 to determine eligibility to participate in a program through which NJNG will install,  
7 own and operate photovoltaic (“PV”) equipment on the roofs of customers’ homes.  
8 That equipment will generate electricity to offset a portion of the homeowner’s  
9 monthly electric bill. In an effort to continue our promotion of the whole-house  
10 approach and the ongoing NJCEP offers, NJNG will include a solar assessment with  
11 any HPES Audit conducted by the Company or provide a stand-alone solar  
12 assessment as requested from customers who have already participated in an HPES  
13 Audit.

14 **Q. WHAT IS THE OWNERSHIP STRUCTURE FOR THE SEP?**

15 **A.** This program has been developed to provide homeowners with an opportunity to  
16 participate in the benefits of renewable energy in a way that eliminates the barrier  
17 created from the high up-front costs associated with investments in PV equipment.  
18 Specifically, NJNG will own the PV system and execute a lease agreement with the  
19 homeowner for an established period of time. The Company will provide installation  
20 of the PV equipment and maintain the system during the term of the lease. The  
21 product installed will be subject to all applicable warranties available from the  
22 manufacturer and installation/maintenance work will be provided at no cost to the  
23 homeowner.

24 **Q. WHAT IS THE LEGAL ARRANGEMENT BETWEEN NJNG AND THE**  
25 **CUSTOMER?**

26 **A.** Participants in the SEP will execute a lease agreement with NJNG that establishes the  
27 monthly price per kilowatt (kW) hour to be paid to NJNG over an initial term of 15  
28 years. For a 3 kW system, using Building Integrated PV products, the lease payment

1 will be approximately \$9.67 per kW installed, or \$29/month. Using the Building  
2 Applied PV technology, the lease payments will be approximately \$8.17 per kW  
3 installed per month, or \$49 per month, for a typical 6 kW system. The actual lease  
4 charges will be directly related to the size of the PV system that is installed on the  
5 house. At the conclusion of the lease term, the PV system can be purchased from  
6 NJNG at the fair market value or the lease arrangement can continue on a year-to-  
7 year basis. The system will remain with the residence and the lease includes terms  
8 related to assignment, sale or transfer of the property. A copy of the proposed lease  
9 and easement agreement are attached as Schedule NJNG-12.

10 **Q. PLEASE DESCRIBE THE COSTS TO NJNG FOR THE PV EQUIPMENT**  
11 **THAT IS TO BE INSTALLED.**

12 **A.** Anticipating an installed cost of approximately \$5,500 – 6,000 per kW, NJNG has  
13 calculated the associated revenue requirement and return based on that value. If the  
14 Company is able to lower that price through further negotiations with the  
15 manufacturer, it is proposed that the total dollars associated with the SEP be increased  
16 by the same percentage that the cost per installation is decreased. In that way, NJNG  
17 will be able to offer the benefits of renewable energy to a greater number of  
18 customers while encouraging manufacturers and distributors to lower the up-front  
19 costs associated with installing renewable energy for all participants.

20 **Q. PLEASE EXPLAIN THE TYPE OF PV EQUIPMENT THAT WILL BE**  
21 **AVAILABLE AND THE INSTALLATION PROCESS.**

22 **A.** The PV equipment will be installed by an NJNG-approved contractor using either  
23 Building Applied PV equipment (“BAPV”) or Building Integrated PV equipment  
24 (“BIPV”). BAPV systems use conventional crystalline silicon technology consisting  
25 of rigid PV panels that are mounted above existing roof systems. All roofs on which  
26 these materials are to be installed must be deemed suitable for such installation by  
27 NJNG during the required solar assessment and cannot consist of roofing material  
28 that is has been in place for more than 5 years. The installation of a BIPV system

1 involves integrated PV roofing materials that become part of the roof and are not  
2 mounted onto an existing roof. For these systems also, NJNG must determine that  
3 both the location and condition of the existing roof are suitable for application of a  
4 BIPV system. In either instance, NJNG will not pay for the installation of traditional  
5 roofing material in areas not impacted by the PV equipment.

6 **Q. WILL THE PV SYSTEM BE LINKED TO THE CUSTOMER'S EXISTING**  
7 **ELECTRIC METER?**

8 **A.** Yes. A new revenue grade solar renewable energy certificate ("SREC") electric meter  
9 will be provided in the installation process specifically for monitoring and verifying  
10 the electricity generated from the PV system. Additionally, even though the systems  
11 will be sized to generate less electricity than the customer will use over the course of  
12 twelve months, a net meter must be installed to send surplus power back into the  
13 electric utility's system for those instances when excess electricity is generated. All  
14 customers will continue to maintain accounts with their local electric company for  
15 electric distribution charges and for the provision of electricity above and beyond that  
16 generated from the installed PV equipment. Customers will make a flat monthly lease  
17 payment to NJNG regardless of the amount of electricity generated by the PV system.  
18 In fact, customers will be entitled to any net-metering benefits that may be available  
19 at those times the PV system generates more electricity than the home uses. All  
20 existing state and federal net-metering regulations will be applicable for these  
21 installations.

22 **Q. HOW WILL THE GENERATION OF SOLAR RENEWABLE ENERGY**  
23 **CREDITS BENEFIT NJNG'S CUSTOMERS?**

24 **A.** Pursuant to current Board policy, PV installations generate SRECs as a means of  
25 encouraging further investment in renewable energy and to support the state's efforts  
26 at reducing GHG emissions. The SRECs created from the solar energy installations in  
27 this program will be owned by NJNG and sold through the current SREC auction.  
28 The proceeds will be used to offset the revenue requirements associated with this

1 program overall. This issue is addressed in the testimony of Daniel P. Yardley,  
2 Exhibit P-3, filed in this case.

3 **Q. HOW DOES THE SEP SUPPORT THE STATE'S ENERGY AND**  
4 **ENVIRONMENTAL GOALS?**

5 **A.** NJNG's SEP will have positive impacts on a much broader base than just the  
6 individual homeowners participating in a project. These installations will provide  
7 opportunities to lower statewide GHG emissions levels, improve air quality, enhance  
8 job creation efforts and lower the cost per installed kW. While encouraging solar  
9 industry growth, the SEP provides a range of benefits for society as a whole. Finally,  
10 NJNG's proposed program will support the transition from an incentive/rebate based  
11 program to one that is market driven, based on SRECs, and will increase the  
12 provision of capital investment in New Jersey renewable energy, bolstering both  
13 manufacturing and installation employment.

14 **V. Marketing Proposal**

15 **Q. PLEASE DESCRIBE THE MARKETING EFFORTS THAT NJNG WILL**  
16 **EMPLOY FOR THE PROGRAMS PROPOSED IN THIS FILING.**

17 **A.** As discussed earlier, NJNG has employed a variety of channels to educate customers  
18 on the benefits of energy efficiency, including work through the CIP communication  
19 channels, community outreach and the promotion of the E3 programs within  
20 SAVEGREEN. To continue the education of customers on energy efficiency and  
21 renewable energy benefits and foster participation in the RGGI programs, NJNG will  
22 utilize an approach similar to our current efforts. The actual marketing materials  
23 cannot be completed until closer to actual launch dates when the elements of each  
24 program have been resolved, but the Company will continue the multi-channel focus  
25 for informing customers and will also target certain programs to specific sectors. For  
26 example, Access is most appropriately addressed to all-electric communities within  
27 the service territory in which income eligible families reside but we will also work

1 with Community Action Program agencies within our service territory to identify  
2 potential participants. Additionally, SEP participants will be homeowners with roofs  
3 of a certain age so the bulk of the marketing will be directed to areas of our territory  
4 with developments built within a specific time frame. More information is provided  
5 in Schedule TJM-2, attached to and made a part of this testimony.

6 **VI. Use of Employees and Contractors**

7 **Q. WILL THE PROGRAM BENEFITS BE DELIVERED THROUGH NJNG**  
8 **EMPLOYEES AND OUTSIDE CONTRACTORS?**

9 A. Yes. As with the E3 programs that are offered through NJNG's SAVEGREEN  
10 Project, the RGGI Program will address employment through two different  
11 approaches. Initially, NJNG will continue the use of current employees for outreach,  
12 scheduling, promotion, audits and oversight of energy-efficiency programs. In  
13 addition to retaining the 22 positions that were added at the beginning of E3, NJNG  
14 anticipates increasing the number of employees through the establishment of 15 – 20  
15 new positions that will be necessary to bring these expanded and new opportunities to  
16 the marketplace.

17 NJNG employees will not be doing installation or weatherization work.  
18 Instead, for work that is already on a whole-house track, NJNG will promote its offers  
19 to BPI Certified and SmartStart Buildings authorized contractors who will provide the  
20 necessary work in our service territory. Similarly, SEP will enhance opportunities for  
21 solar manufacturers and installers. NJNG will also provide information on the  
22 elements of REEP to all heating and cooling contractors in our service territory to  
23 ensure that the whole-house approach will be emphasized to support the installation  
24 of higher efficiency equipment and workforce retention. As mentioned in the  
25 Marketing Overview (Schedule TJM-2), there will be various approaches to  
26 promoting the four RGGI Programs that target customers and contractors alike to  
27 ensure the greatest exposure possible.

1 **VII. Market Barriers**

2 **Q. HOW DO THE NJNG RGGI PROGRAMS ADDRESS MARKET BARRIERS**  
3 **TO ENERGY EFFICIENCY AND RENEWABLE ENERGY?**

4 A. Despite the increasing focus from both the national and state level on increasing  
5 energy efficiency and the use of renewable energy, market barriers continue to  
6 impede progress toward reducing GHG emissions and addressing climate change. It is  
7 NJNG's position that the E3 programs discussed above, the corporate concentration  
8 on CTP and the internal culture changes resulting from the implementation of CIP  
9 must continue but that additional opportunities must be made available to customers  
10 if any of the state goals are to be met. Through these RGGI programs, NJNG is able  
11 to address several ongoing market barriers.

12 It is crucial that the residents of New Jersey be aware not only of the potential  
13 impacts from climate change but that they are also made aware of available  
14 opportunities for saving energy. Through the marketing efforts incorporated within  
15 this filing, ongoing in the E3 programs and included already in NJNG CTP activities,  
16 the Company provides an active channel for promoting not only the benefits of  
17 energy efficiency but also the sources through which various programs can be  
18 accessed. This work, in conjunction with the promotional efforts of NJCEP, serves to  
19 broaden customers' awareness of viable approaches toward saving energy and, as a  
20 result, potentially saving on energy costs. And, by working closely with certified and  
21 authorized contractors, NJNG further encourages those entities to also promote and  
22 make available energy-efficient solutions.

23 By making additional financial incentives available for the installation of high  
24 efficiency heating, cooling and water heating equipment, NJNG promotes the  
25 statewide programs and, simultaneously, expands the base of customers able to make  
26 the necessary efficiency changes. The availability of additional incentives helps  
27 overcome the financial barriers that deter many customers, especially low-income  
28 families or small businesses, from taking that extra step of purchasing and installing  
29 high efficiency equipment. At the same time, encouraging customers to also install

1 weatherization and insulation measures increases the impact of high efficiency  
2 equipment, furthering the whole-house approach. Finally, the solar portion of the  
3 NJNG RGGI programs helps overcome the high upfront costs of installing PV  
4 equipment to generate electricity. By covering the costs associated with purchasing,  
5 installing and operating the solar panels, NJNG is making renewable energy available  
6 to a broader group of customers reducing GHG emissions as one aspect of meeting  
7 both state and national climate change goals.

8 **VII. Resolution of Customer Complaints**

9 **Q. PLEASE DESCRIBE THE PROCESS NJNG INTENDS TO EMPLOY TO**  
10 **RESOLVE ANY POTENTIAL CUSTOMER COMPLAINTS.**

11 **A.** NJNG will promptly address any customer complaints related to the programs  
12 through existing customer relations procedures within the Company. Most customer  
13 calls will come directly into the Energy-Efficiency Department since that phone  
14 number will be on all correspondence and promotional materials. Any calls about the  
15 RGGI programs that come into the NJNG Call Center will be transferred to the  
16 Energy-Efficiency employees for initial resolution. In all instances, NJNG will  
17 initially make every effort to resolve a complaint informally. For concerns that cannot  
18 be resolved within the Department, the matter will be moved to the NJNG Consumer  
19 Advocate for further investigation and resolution. Only if those measures fail would a  
20 complaint be resolved through the BPU's Division of Customer Assistance. Attached  
21 as Schedule TJM-3 is a flow-chart depicting the process that will be employed by  
22 NJNG.

23 For disputes between NJNG and a contractor or supplier, resolution will be in  
24 accordance with the relevant contract provisions in place at that time.

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**VIII. Impact on Smart Growth**

**Q. HAS NJNG IDENTIFIED ANY IMPACTS ON OR BENEFITS TO SMART GROWTH?**

A. NJNG has not identified any impacts on or benefits to Smart Growth from the implementation of the proposed programs but will address this in a manner consistent with NJCEP.

**IX. Proposal for Addressing Program Modifications**

**Q. PLEASE EXPLAIN THE APPROACH NJNG IS PROPOSING FOR MAKING MODIFICATIONS TO EITHER THE RGGI PROGRAM AS A WHOLE OR TO ANY SPECIFIC CUSTOMER OFFER.**

A. During the course of the discussions leading to resolution of the NJNG E3 program, the Parties agreed upon the approach to be used for a shift in funding between specific programs and in case any modifications or changes were to be made to any program elements. NJNG is proposing to incorporate those agreed-upon methods for the REEP, OPOWER, CEEP and SEP programs proposed herein. As such, funding may be transferred between individual programs in order to address customer and market demand. The Company will submit to the Parties a written description of the proposed transfers, the rationale behind the proposal and schedules demonstrating the impact any transfers may have on aggregate costs and benefit analysis relevant to the changes. If there is any objection within 45 days from a Party, Board approval will be required. Additionally, Board approval will be required if the proposed transfers 1) increase or decrease any individual program’s budget by more than 20 percent or 2) involve more than 10 percent of the total RGGI budget.

Based on market response, NJNG may also propose to modify programs but no such modification shall take place without Board approval being received. A proposal for changes to programs is to be provided to the Parties with a description, rationale and impact on costs and benefits. The Parties have 45 days in which to

1 review that proposal and, if no objection is received, the matter shall be presented to  
2 the Board for its review and approval.

3 **Q. HOW DOES NJNG PROPOSE ADDRESSING POTENTIAL CHANGES TO**  
4 **THE 2010 NJCEP BUDGET AND FUTURE BUDGETS?**

5 **A.** As noted earlier, NJNG has proposed that flexibility be provided to address changes  
6 in the current and future NJCEP budgets. Insomuch as incentive and rebate levels  
7 from NJCEP are decreased, or no longer available at all, NJNG will automatically be  
8 able to increase its level of rebate and incentive payments by a corresponding amount.  
9 This will ensure the greatest level of customer participation. In the event that NJNG  
10 determines the need to modify funding levels between the four programs in order to  
11 meet customer demand, the Company will follow the modification procedures  
12 proposed above.

13

14 **X. Coordination with Other Funding Sources**

15 **Q. HOW WILL THE FUNDING FOR RGGI PROGRAMS INTERFACE WITH**  
16 **THE FEDERALLY FUNDED ARRA PROGRAM?**

17 **A.** As agreed to in the E3 settlement and subject to any restrictions set forth in the  
18 ARRA and other applicable law, NJNG will utilize any funds or credits received that  
19 are directly related to the RGGI programs to offset the respective program costs. If  
20 funding or credits from the ARRA or any subsequent state or federal action becomes  
21 available to NJNG through the State of New Jersey, a County or Municipality for  
22 project reimbursement, those funds or credits directly applicable to work related to a  
23 RGGI project will be used to benefit customers by offsetting the costs for which  
24 recovery is sought, to the extent permitted by law.

25 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

26 **A.** Yes, it does.

New Jersey Natural Gas  
Comparative Program Chart

Residential Energy Efficiency Program (REEP) (full description available as TJM-4)																			
<b>Feature</b>	<b>NJCEP Treatment-2010</b>																		
<b>Rebates for high efficiency equipment (outside of the HPES Program)</b>	<p>Existing New Jersey Clean Energy Program (“NJCEP”) WARMAD Advantage and COOL Advantage equipment rebates</p> <table border="1"> <thead> <tr> <th>Equipment</th> <th>Rebate</th> </tr> </thead> <tbody> <tr> <td>Furnace</td> <td>\$300- 400</td> </tr> <tr> <td>Boiler</td> <td>\$300</td> </tr> <tr> <td>Water Heater, Tier I Energy Factor <math>\geq .62</math></td> <td>\$25</td> </tr> <tr> <td>Water Heater Tier II Energy Factor <math>\geq .82</math></td> <td>\$300</td> </tr> <tr> <td>Solar Domestic Hot water</td> <td>\$1,200</td> </tr> <tr> <td><math>\geq</math> SEER 16 and EER 13</td> <td>\$600</td> </tr> <tr> <td><math>\geq</math> SEER 15 and EER 12.5</td> <td>\$400</td> </tr> <tr> <td><math>\geq</math> SEER 14.5 and EER 12</td> <td>\$300</td> </tr> </tbody> </table>	Equipment	Rebate	Furnace	\$300- 400	Boiler	\$300	Water Heater, Tier I Energy Factor $\geq .62$	\$25	Water Heater Tier II Energy Factor $\geq .82$	\$300	Solar Domestic Hot water	\$1,200	$\geq$ SEER 16 and EER 13	\$600	$\geq$ SEER 15 and EER 12.5	\$400	$\geq$ SEER 14.5 and EER 12	\$300
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<b>Requirements to receive rebates for high efficiency equipment (outside of the HPES Program)</b>	<ul style="list-style-type: none"> <li>Application submitted to NJCEP includes documentation regarding the equipment purchased including manufacturer, model number, and serial number for equipment.</li> </ul>																		
<b>Role of HVAC Contractors- Enhanced Rebates</b>	<ul style="list-style-type: none"> <li>Any HVAC contractor can participate in WARMAD Advantage and COOL Advantage. No additional program certifications required.</li> </ul>																		
<b>Role of HVAC Contractors- HPES</b>	<ul style="list-style-type: none"> <li>Opportunity to perform Tier I audits and implement HPES measures.</li> </ul>																		
	<b>NJNG Programs</b>																		
	<p><b>Existing E3 (SAVEGREEN™ Project)</b> Incremental \$900 rebate for Furnaces and boilers that meet the NJCEP WARMAD Advantage rebate criteria</p> <p><b>Proposed Incremental Rebate within RGGI filing</b></p> <table border="1"> <thead> <tr> <th>Equipment</th> <th>Rebate</th> </tr> </thead> <tbody> <tr> <td>Furnace</td> <td>\$900</td> </tr> <tr> <td>Boiler</td> <td>\$900</td> </tr> <tr> <td>Water Heater, Tier I Energy Factor <math>\geq .67</math></td> <td>\$200</td> </tr> <tr> <td>Water Heater Tier II Energy Factor <math>\geq .82</math></td> <td>\$1,000</td> </tr> <tr> <td>Solar Domestic Hot water</td> <td>\$2,000</td> </tr> <tr> <td><math>\geq</math>SEER 16 and EER 13</td> <td>\$900</td> </tr> <tr> <td><math>\geq</math>SEER 15 and EER 12.5</td> <td>\$600</td> </tr> <tr> <td><math>\geq</math> SEER 14.5 and EER 12</td> <td>\$450</td> </tr> </tbody> </table>	Equipment	Rebate	Furnace	\$900	Boiler	\$900	Water Heater, Tier I Energy Factor $\geq .67$	\$200	Water Heater Tier II Energy Factor $\geq .82$	\$1,000	Solar Domestic Hot water	\$2,000	$\geq$ SEER 16 and EER 13	\$900	$\geq$ SEER 15 and EER 12.5	\$600	$\geq$ SEER 14.5 and EER 12	\$450
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<b>Requirements to receive rebates for high efficiency equipment (outside of the HPES Program)</b>	<ul style="list-style-type: none"> <li>Application submitted to NJNG. Form modeled after WARMAD Advantage requirements.</li> <li>Must accept an HPES Audit performed at no cost to customer by NJNG to receive the incremental rebate.</li> </ul>																		
<b>Role of HVAC Contractors- Enhanced Rebates</b>	<ul style="list-style-type: none"> <li>Any HVAC contractor can participate in the NJNG Enhanced Rebate program. No additional program certifications required.</li> </ul>																		
<b>Role of HVAC Contractors- HPES</b>	<ul style="list-style-type: none"> <li>Opportunity to perform HPES audits and implement HPES measures.</li> </ul>																		

**New Jersey Natural Gas  
Comparative Program Chart**

<b>Residential Energy Efficiency Program (REEP) (full description available as TJM-4)</b>	
<b>Feature</b>	<b>NJCEP Treatment-2010</b>
<b>Performance of Tier I HPES Audit</b>	<p>Performed only by HPES contractors-must have BPI certification.</p>
<b>Payment of HPES contractor incentives</b>	<p>Paid by NJCEP. Structure for such incentives may be revised as a result of the March 18 Office of Clean Energy (OCE) Straw Proposal on the 2010 budget.</p>
<b>Payment of HPES customer incentives</b>	<p>Currently paid by NJCEP. However, there is an open NJNG request to pay the customer incentives referenced within the March 18 OCE Straw Proposal on the 2010 budget.</p>
<b>Ability to access up to \$1,000 of seal-up measures</b>	<p>Currently provided as HPES Tier II. However, this incentive may be revised as a result of the March 18 OCE Straw Proposal on the 2010 budget.</p>
<b>Quality Control</b>	<p>For WARMAdvantage and COOLAdvantage, NJCEP reviews documentation for all applications and performs quality control for a random sample of submission. For HPES, NJCEP reviews documentation for all applications and performs quality control on the first 10 projects for each contractor and for a random sample thereafter.</p>
	<b>NJNG Programs</b>
	<p>Can be performed by either an HPES contractor or NJNG audit staff who are subject to the same BPI training as an HPES contractor.</p>
	<p>No incremental contractor incentives are proposed. Assumed that under any structure for contractor incentives on HPES work, NJCEP would continue to pay and process such incentives.</p>
	<p>Proposal for NJNG to pay the HPES customer incentives for our participating customers.</p>
	<p>If eliminated as HPES Tier II, only customers who entered the REEP program as a result of an enhanced NJNG rebate and NJNG audit would be able to access the free \$1,000 of seal-up. NJNG will pay the contractor directly for such seal-up work.</p>
	<p>For HPES and WARMAdvantage, there is no need for additional field quality control work since all NJNG programs are integrated with NJCEP. Incremental quality control work is provided through the review of NJNG Enhanced Rebate application and random field inspection of free seal-up offered under NJNG's program. NJNG will perform the quality control for the seal-up work.</p>

**New Jersey Natural Gas  
Comparative Program Chart**

<b>Residential Energy Efficiency Program (REEP) (full description available as TJM-4)</b>		
<b>Feature</b>	<b>NJCEP Treatment-2010</b>	<b>NJNG Programs</b>
<b>Availability of financing for HPES projects</b>	Customers with an estimated heating savings of at least 5%, but less than 25% must choose between the cash rebate or a 5.99% interest loan. Customers with an estimated heating savings of 25% or greater can combine the cash rebate and a 0% interest loan. Certain other credit restrictions from the lender apply. Only available for HPES work.	<p><b><u>Existing E3 (SAVEGREEN Project)</u></b> All NJNG customers who meet the credit criteria regardless of the expected energy savings can access the 0% interest loan. Only available for HPES work.</p> <p><b><u>Proposed within this filing</u></b> Customers with an income level between 225% and 400% of the Federal Poverty level who meet the credit requirements of the third-party lender may qualify for a 0% interest loan. Customers with income above that level who meet the credit requirements of the third-party lender may qualify for a 2.99% interest loan. Only available for HPES work. Availability is not tied to expected energy savings.</p>
<b>Special provisions for Income Qualified Customers</b>	Income Qualified Households are eligible for the greater incentives. Customers with an estimated heating savings of at least 5%, but less than 25% can take both a 50% cash rebate and a 0% interest loan. Customers with an estimated heating savings of 25% or greater can take both a 75% cash rebate and a 0% interest loan. However, this 75% NJCEP incentive may be revised as a result of the March 18 OCE Straw Proposal on the 2010 budget.	<p>NJNG will pay the Income Qualified customer incentive at the level in effect for these customers under NJCEP. Income qualified households will be eligible to apply for the 0% interest rate on their loan.</p>

**New Jersey Natural Gas  
Comparative Program Chart**

<b>Access to Affordable Energy Pilot Program (full description available as TJM-5)</b>		
<b>Feature</b>	<b>NJCEP Treatment-2010</b>	<b>NJNG Programs</b>
<b>Free energy efficiency upgrades</b>	Through the NJCEP Comfort Partners Program, qualified customers can receive direct installation of cost-effective energy efficiency measures in the home including: efficient lighting products; hot water conservation measures; replacement of inefficient refrigerators; thermostats; insulation upgrades (attic, wall, etc.); blower-door guided air sealing; duct sealing and repair; heating/cooling equipment maintenance and other measures.  Not permitted under Comfort Partners.	Eligible customers will receive a free conversion to a high-efficiency natural gas heating system under this program and would be referred to Comfort Partners for free installation of other energy-efficiency measures after the equipment change.
<b>Ability to convert to a lower cost heating fuel source</b>		Main focus of the program; however, it is proposed to be available only to customers who are converting from electricity as their primary heating source and receiving at least \$50 per month in electric Universal Service Fund Benefits.
<b>Income levels for participation</b>	Currently, customers must have an income at or below 225% of the Federal Poverty Level guidelines.	Will be consistent with Comfort Partners since all participants in the NJNG program will be referred to Comfort Partners for additional energy-efficiency measures.
<b>Role of Contractors</b>	A pool of 6 pre-selected Heating, Ventilation and Air-conditioning (“HVAC”) contractors performs the Comfort Partners audits and installation work according to specified contract terms.	Any HVAC contractor who performs natural gas conversions will be eligible to participate.
<b>Quality Control Provisions</b>	A minimum random sample of 15% of Comfort Partners projects are subject to a quality control review.	NJNG will provide the quality control for at least 15% of the Access projects.
<b>Customer education element</b>	Comprehensive, personalized energy education and counseling.	All participants in the NJNG program will be referred to Comfort Partners for additional measures and the education and counseling offered.

**New Jersey Natural Gas  
Comparative Program Chart**

<b>Commercial Energy-Efficiency Program (CEEP) (full description available as TJM-6)</b>				
<b>Feature</b>	<b>NJCEP Treatment-2010</b>		<b>NJNG Programs</b>	
	<b>Qualifying Equipment</b>	<b>Current NJCEP Equipment Rebate</b>	<b>Qualifying Equipment</b>	<b>Proposed Enhanced NJNG Rebate</b>
<b>Rebates for high efficiency equipment</b>	<b>Gas Cooling</b>		<b>Gas Cooling</b>	
	Gas absorption chillers	\$185 -\$450 per ton	Gas absorption chillers	\$185 -\$450 per ton
	Dessiccant Systems	Up to \$1.00 per cfm	Dessiccant Systems	Up to \$1.00 per cfm
	Gas Engine Driven Chillers	Calculated through Customer Measure Path	Gas Engine Driven Chillers	Calculated through Customer Measure Path
	<b>Gas Heating</b>		<b>Gas Heating</b>	
	Gas-fired boilers $\geq 300$ - 1500 MBH	\$1.75 per MBH	Gas-fired boilers $\geq 300$ - 1500 MBH	\$1.75 per MBH
	Gas-fired boilers $\geq 1500$ - $\leq 4000$ MBH	\$1.00 per MBH	Gas-fired boilers $\geq 1500$ - $\leq 4000$ MBH	\$1.00 per MBH
	Gas-fired boilers $>$ 4000 MBH	Calculated through Customer Measure Path	Gas-fired boilers $>$ 4000 MBH	Calculated through Customer Measure Path
	<b>Natural Gas Water Heating</b>		<b>Natural Gas Water Heating</b>	
	Gas-fired water heaters $>$ 50 gallons	\$1.00- \$2.00 per MBH	Gas-fired water heaters $>$ 50 gallons	\$1.00- \$2.00 per MBH
	Gas-fired booster water heaters	\$17- \$35 per MBH	Gas-fired booster water heaters	\$17- \$35 per MBH

**New Jersey Natural Gas  
Comparative Program Chart**

<b>Commercial Energy-Efficiency Program (CEEP) (full description available as TJM-6)</b>	
<b>Feature</b>	<b>NJCEP Treatment-2010</b>
<b>Incentives for small commercial customers</b>	<p>Smart Start also offers a number of rebates for which smaller commercial customers, who have essentially the same usage characteristics as a residential customer, can apply.</p> <p>CHP projects are eligible for incentives up to \$1,000,000 as part of the NJCEP Pay for Performance (P4P) program. Structure for such incentives may be revised as a result of the March 18 OCE straw Proposal on the 2010 budget</p>
<b>Combined Heat &amp; Power (CHP) Incentives</b>	<p>For commercial customers installing residential sized HVAC equipment, NJNG will offer the enhanced rebates available under REEP. However, there will not be an audit requirement since these customers will not be eligible to participate in HPES.</p> <p>NJNG will offer an incremental incentive for CHP to match the current NJCEP incentive up to \$1 million. Those customers with a peak demand over 200 kW for any of the preceding 12 months (or those denoted as exceptions in the NJCEP program) can take advantage of this incentive and will be required to participate in the NJCEP Pay for Performance (P4P) program. NJNG Proposes to also cover the NJCEP portion of CHP incentives should that program be changed for the 2010 Budget or in the future.</p>
<b>Role of Contractors</b>	Any HVAC contractor qualified to perform commercial installations can participate.
<b>Payment of customer incentives</b>	Smart Start incentives paid by NJCEP. Smart Start incentives paid by NJCEP and the enhanced rebates would be paid by NJNG.
<b>Quality Control</b>	Since the program is integrated with either NJCEP Smart Start or NJCEP P4P and quality control is performed for those programs, no incremental quality control is necessary.

**New Jersey Natural Gas  
Comparative Program Chart**

<b>NJNG Solar Energy Program (full description available as TJM-7)</b>	
<b>Feature</b>	<b>NJNG Programs</b>
<b>Ownership of the system</b>	<p><b>NJCEP Treatment-2010</b> Generally owned by the customer.</p> <p><b>NJNG Programs</b> Will be owned by NJNG for the life of the lease with options for customers at the end of the initial lease term.</p>
<b>Incentive for customers</b>	<p>Rebates for systems that vary according to size, whether energy efficiency measures were performed and how much capacity has been added by the program in the aggregate. Also eligible for on-going revenue from the value of the Solar Renewable Energy Certificates (SRECs). Customer also gets the benefit from reduced energy bills as a result of net metering.</p> <p>Customer will pay a monthly fee pursuant to lease terms for the system but not have any upfront costs and will retain the benefits of reduced energy bills as a result of net metering. Customer will not be entitled to the SREC revenue since that will be used to reduce overall program costs along with the lease payments and the Investment Tax Credit benefits. NJNG will not apply for the NJCEP rebate.</p>
<b>Assessment for eligibility</b>	<p>Generally performed by a solar contractor</p> <p>Performed by NJNG staff to determine whether premise is a viable location.</p>
<b>Role of Contractors</b>	<p>Installation performed by any qualified solar installer.</p> <p>Installation will be performed by a specified pool of contractors under the direct supervision of NJNG according to specific contract terms.</p>
<b>Quality Control</b>	<p>Performed by NJCEP. Level varies depending upon the installer. Contractors who are not accepted in the Quality Assurance program have 100% of their projects inspected.</p> <p>Will be performed by NJNG on all installations.</p>
<b>Tie to energy efficiency programs</b>	<p>Currently, customers who participate in at least the Tier II level of the HPES program are eligible for an enhanced incentive. However this enhanced incentive may be eliminated as a result of the March 18 OCE Straw Proposal on the 2010 budget.</p> <p>Participation requires that an HPES Audit, by either NJNG or a contractor, be completed and that the basic seal-up work be performed.</p>

**New Jersey Natural Gas  
Comparative Program Chart**

<b>NJNG Solar Energy Program (full description available as TJM-7)</b>		
<b>Feature</b>	<b>NJCEP Treatment-2010</b>	<b>NJNG Programs</b>
<b>Support for Renewable Manufacturing Incentive Designated Products</b>	Available for up to 500 kW of a solar project, incremental rebates for panels start at \$0.25 per watt and rebates for racking systems and inverters start at \$0.15 per watt.	Propose that SEP include a separate tier of pricing for installations using equipment that has received REMI designation. No specific discount is proposed at this time pending further discussion with interested parties in this proceeding. However, NJNG believes the discount should be consistent with the incremental incentive currently offered through NJCEP for REMI installations

## MARKETING OVERVIEW

**This document provides the approach that New Jersey Natural Gas (NJNG) intends to use in marketing the various RGGI programs. Please note that any final marketing plans and associated materials to be used to promote these offers are contingent on the agreements reached in resolving this proceeding and can not be developed prior to that time.**

### **Residential Energy Efficiency Program (REEP)**

In order to encourage customers to take advantage of available weatherization measures when also making an equipment purchase, NJNG will promote REEP to all residential and eligible small commercial customers through a variety of communication channels. Homes constructed 18 or more years ago will be a primary target since those homeowners will be at or are close to the decision point about new heating and cooling equipment. The program will be marketed in a manner that encourages a change to high-efficiency equipment linked with the implementation of weatherization improvements.

REEP is designed to encourage customers to take a more comprehensive look at energy efficiency throughout their residence, utilizing the “whole-house” method promoted in New Jersey’s Clean Energy Program (NJCEP). NJNG will market this program through the promotion of the voluntary Home Performance with Energy Star (HPES) Audit to homeowners with residences that were built 18 or more years ago. NJNG will conduct various outbound campaigns targeted to homes that have been connected to NJNG’s distribution system for at least 18 years and will work cooperatively with various entities, including NJCEP partner communities and local contractors, to coordinate with other grass roots efforts. The marketing materials will promote the enhanced NJNG rebates to stimulate the purchase and installation of high-efficiency equipment and will also promote the available NJCEP and NJNG financial incentives available for qualified customers performing whole house energy-efficiency and conversion measures recommended through the Audit.

Through information gained from the BPU-approved Conservation Incentive Program and NJNG’s Economic Stimulus Energy Efficiency Program (“E3”) marketed as The SAVEGREEN™ Project, NJNG has been successful in developing a large database of customers interested in improving the energy efficiency of their homes and who may have the means to pay for improvements. Therefore, additional outreach will be directed toward the following groups:

- Customers who have tried NJNG’s Conserve to Preserve® Dashboard
- E-tip subscribers
- Heating, Ventilation and Air Conditioning (HVAC) contractors
- Equipment suppliers
- Realtors
- Municipalities
- Community Groups

As noted above, promotion will also occur through traditional utility communication channels, including the *njliving times* (NJNG’s monthly newsletter that is provided to both residential and

commercial customers), NJNG's website, *njng.com*, on-hold messages in the Call Center, bill inserts, community outreach events, etc.

Finally, NJNG will market the program through direct mail to NJNG non-heat customers and residents whose homes are located on or near existing natural gas mains. NJNG will also promote this offer to all employees and other stakeholders, including coordination with NJCEP to ensure that NJNG customers who have received NJCEP equipment rebates are taking advantage of the HPES audit, associated energy-efficiency opportunities and enhanced equipment rebates available through NJNG.

### **Access to Affordable Energy Pilot Program ("Access")**

Through the Access program, NJNG will offer assistance to customers who would benefit from converting from electric heat to natural gas. Although the Company will target low income customers with homes in senior communities having equipment that has been in place for 20 or more years, eligible customers from any area served by NJNG will be allowed to participate. Participants will be recipients of electric benefits of at least \$50/month through the Universal Service Fund (USF)

Working with our Marketing Department, NJNG will provide details on Access when promoting the benefits of converting to natural gas to the targeted senior communities. Information and program guidelines about Access will be made available for qualifying households. The Company will also develop and present educational materials about energy efficiency and the benefits and savings associated with the use of natural gas.

The Access program will also be marketed to those organizations serving the needs of low income households through ongoing programs in the NJNG Customer & Community Relations Department including:

- Energy Forums
- Gift of Warmth Fund information
- Speaker's Bureaus
- Customer Forums
- Special Senior Services
- AARP Volunteer Income Tax Assistance efforts.

Additionally, through our numerous community outreach initiatives, NJNG will provide information to those charitable and social service agencies within our service territory that work with and provide assistance and information to households receiving USF benefits.

### **Commercial Energy Efficiency Program (CEEP)**

CEEP rebates and incentives will be made available to commercial customers currently served by contractors other than the approved Direct Install contractors and/or, those commercial customers who are not eligible to participate in NJCEP's Direct Install program. Such customers may have a

peak electric demand in one of the preceding 12 months that exceeds the 200 kW maximum, or are choosing to only replace an individual piece of equipment.

Because NJNG does not have access to the customers' electric usage information, the Company will promote this program through local business groups and organizations, commercial editions of *njliving times*, and bill inserts directed to commercial customers, as well as through other direct outreach efforts to this customer group. NJNG will continue to utilize our Conserve to Preserve Business Online service to reach current commercial customers and continue to increase enrollment.

Additionally, NJNG will work with NJCEP's Commercial Market Manager to promote this program through various channels including:

- Contractors eligible to perform installations under criteria for SmartStart Buildings® Program
- Local business organizations
- Chambers of Commerce
- UEZ Managers
- Contractor Equipment Suppliers

Informational seminars, direct mail and commercial outreach programs are other avenues that will be utilized to reach commercial customers.

### **Fostering Environmental and Economic Development (FEED)**

NJNG will work with New Jersey's Economic Development Authority to determine suitable commercial customers for this program. Also, the Company's Marketing Department regularly communicates with our commercial customer base and can assess those amenable to the environmental and economic development projects that are the focus of FEED.

### **Solar Energy Program (SEP)**

SEP provides an opportunity for residential homeowners to obtain the benefits of renewable energy without addressing the high upfront costs associated with such an investment. This program is designed to encourage the installation of solar energy by decreasing the financial obstacles associated with its installation and maintenance of photovoltaic (PV) panels. Targeted customers will be those identified as having suitable locations for the installation of PV equipment. If the location is suited for PV equipment, the customer will then be offered the opportunity to participate in NJNG's SEP. Participation requires the completion of an HPES Tier I Audit and completion of the seal-up measures associated with the current NJCEP Tier II program requirements.

To help identify eligible customers, NJNG will provide an optional solar assessment that will be conducted during the course of an HPES Audit or independently for those customers who have previously completed an HPES Audit. Promotion of SEP will also rely on NJNG's database of customers who have already participated in an HPES Audit through the Company's SAVEGREEN project. Finally, the Company will contact respondents to a renewable energy survey conducted on the SAVEGREEN web-site.

NJNG will develop various outbound campaigns to homes with locations suitable for PV installation. The Company will also continue to build its database of interested solar prospects and develop a communications strategy that engages these prospective customers. Prospective outbound campaigns will be developed to raise the visibility of renewable energy, and motivate participation by reinforcing the investment advantages of installing PV panels. Direct outreach to customers will include:

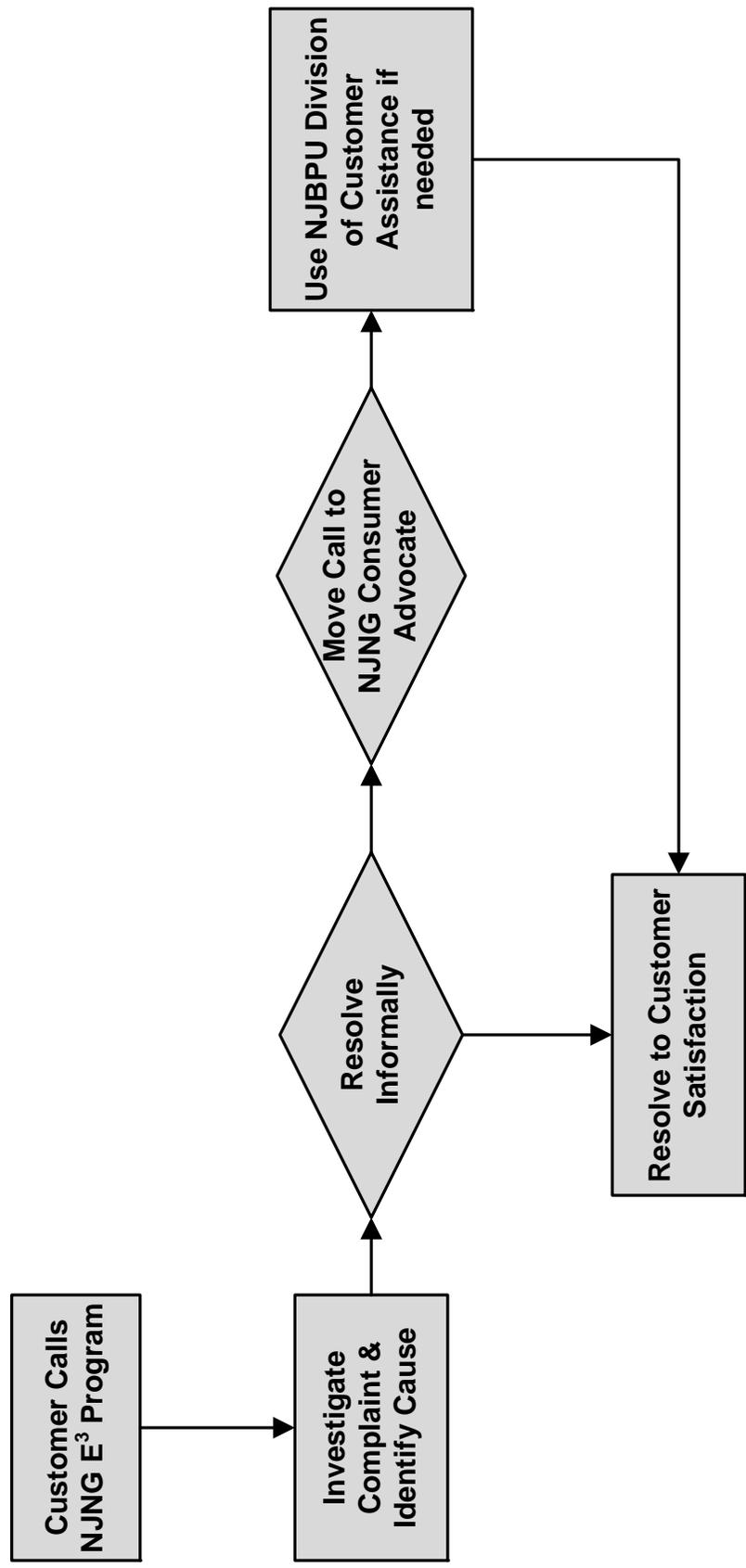
- Bill inserts
- E-tips
- Community events
- *njliving times*
- *www.njng.com*

In addition to the communication channels mentioned above, NJNG will leverage renewable energy programs offered through NJCEP and promote this program through such events and resources as:

- Solar manufacturers, contractors and installers
- Town meetings
- Municipal outreach
- Home renovation contractors
- Big-box stores

Communications will highlight the fact that the SEP incentives will reduce the traditionally high out-of-pocket costs associated with a renewable energy installation while allowing customers to obtain the associated benefits.

### Complaint Resolution Diagram



## NJNG Residential Energy Efficiency Programs (REEP)

<b>Description of the Program</b>			
<p><b><u>Enhanced Rebates</u></b></p> <p>To encourage residential customers to move to high-efficiency units when they are making decisions about equipment replacement and to persuade them to also take advantage of the “whole house” approach embodied in New Jersey’s Clean Energy Program (NJCEP) Home Performance with Energy Star (HPES) program, NJNG will offer enhanced rebates on the purchase and installation of various types of heating, ventilation and air-conditioning (“HVAC”) equipment. The REEP program is intended to capture multiple points of potential energy-efficiency opportunities in the house.</p>			
<p><b><u>HPES Audit</u></b></p> <p>Customers eligible for the current NJCEP WARM and COOLAdvantage rebates will also be entitled to the NJNG enhanced rebate shown below, provided that an HPES Audit is completed. NJNG Audit Staff will perform the HPES Audit at no cost to the customer.</p>			
<p><b><u>Energy Efficiency Opportunities Beyond Equipment Replacement</u></b></p> <p>When the HPES Audit is complete, customers can work with approved HPES contractors to implement the other energy-efficiency opportunities identified by the Audit in order to access available incentives. HPES incentives will be available for all work beyond the initial equipment replacement.</p>			
<p><b><u>Proposed Equipment Rebate Structure with NJCEP and NJNG Offers</u></b></p>			
Qualifying Equipment	Current NJCEP Equipment Rebate <sup>1</sup>	NJNG Enhanced Rebate	Total Rebate if NJNG audit performed
Gas Furnace	\$300	\$900	\$1,200
Gas Furnace with ECM	\$400	\$900	\$1,300
Gas Boiler	\$300	\$1,200	\$1,500
Domestic Hot Water Heater .67 <sup>2</sup>	\$25	\$200	\$225
Domestic Hot Water Heater .82	\$300	\$1,000	\$1,300
A/C >= SEER 16 And EER 13	\$600	\$900	\$1,500
A/C >= SEER 15 And EER 12.5	\$400	\$600	\$1,000
A/C >= SEER 14.5	\$300	\$450	\$750

<sup>1</sup> During the course of this proceeding, NJNG reserves the right to modify this proposal upon changes to the NJCEP offers with no impact on the 180-day review period.

<sup>2</sup> This minimum efficiency is higher than the current requirement of an Energy Factor of .62 because the Company assumed that this enhanced rebate would not be in effect until after September 2010 and the ENERGY STAR minimum efficiency will be increased to .67 as of September 1, 2010.

**NJNG Residential Energy Efficiency Programs (REEP)**

and EER 12			
Solar Domestic Hot Water	\$1,200	\$2000	\$3,200

Important notes related to rebate levels:

- The total rebate levels above are generally designed to target paying down the entire cost of installing high-efficiency equipment instead of standard equipment.
- Should NJCEP minimum efficiency levels change during the term of this program, NJNG will not provide rebates for any equipment that does not meet minimum NJCEP efficiency standards and shall notify parties of any required changes.
- Customers who had an HPES audit but did not replace eligible HVAC equipment within the 3 years immediately preceding the date of the New Jersey Board of Public Utilities Order approving this program will be eligible for the NJNG enhanced rebate without an additional audit.

**Financing Opportunities**

Residential customers implementing upgrades through HPES will be eligible to seek discounted financing through NJNG as follows:

- If household income is between 225% and 400% of Federal Poverty Level guidelines, customer will be eligible for 0% financing.
- If household income is higher than 400% of Federal Poverty Level guidelines, customer will be eligible for the discounted rate of 2.99%.

NJNG will contract with a third party to provide this financing for eligible customers consistent with the current procedures in NJNG’s Economic Stimulus Energy-Efficiency (“E3”) Program. The maximum amount available for financing at these rates is \$10,000. Consistent with current E3 terms, customers can take advantage of both the HPES rebates and the financing incentives.

Note: Customers who received an NJNG enhanced rebate through the WARM/COOLAdvantage programs will not be eligible for financing that equipment.

**Seal-Up Work Following an HPES Audit**

NJNG will also offer up to \$1,000 worth of free air sealing for customers who received the Enhanced NJNG WARM/COOLAdvantage rebate to encourage customers toward whole house improvements. Quality control will be assumed by NJNG for these seal-up projects that are not part of the implementation of additional energy saving recommendations.

**HPES Customer Rebates**

NJNG will provide HPES customer rebates at the levels being offered by NJCEP and currently estimated at \$5,000. This approach will ensure that there is adequate funding available to meet the current NJCEP target levels and will allow NJNG to monitor the

## **NJNG Residential Energy Efficiency Programs (REEP)**

number of customers who implement further energy-efficiency improvements after an audit.

### **Eligibility**

This program is available primarily for residential customers, but NJNG will also offer the enhanced rebate to any small commercial customer installing residential-size HVAC equipment. Boilers must be less than 300 MBH and gas water heaters will be less than or equal to 50 gallons to qualify. Air-Conditioning units must be less than 5 tons to qualify. There would not be an audit requirement for these commercial customers but they would be targeted to participate in the NJCEP Direct Install program for other measures.

### **Independent Audits**

Based on recent experience promoting HPES, NJNG has found that certain customers prefer scheduling an HPES Audit from an entity other than an HPES contractor. Since the NJCEP program no longer offers an independent audit option, NJNG proposes to perform an HPES Audit upon customer request. In those instances, NJNG will charge the standard HPES Audit price (currently \$125). Consistent with prevailing NJCEP policy, customers who then have the specified level of work completed will be refunded the audit fee. Any funds generated from the audit that are not refunded to customers (i.e. the customer did not implement the recommendations) would be used to offset the overall RGGI program costs. If NJCEP develops an independent audit option within the HPES program before the Board makes a final decision in this proceeding, NJNG reserves the right to reconsider this aspect of REEP and transfer any funds allocated for such audits to another RGGI program without the need for Board approval.

### **OPOWER pilot**

NJNG will contract with OPOWER to conduct a 3-year pilot program to test their service as both an energy-efficiency program that influences customer behavior and as a means to leverage customer participation in other energy-efficiency and conservation programs. As part of this pilot, approximately 25,000 residential customers will receive 6 customized letters per year that provide relevant information on their energy usage. In addition to receiving these letters, participating customers will have access to on-line resources that address potential energy saving options and provide information on actions taken by other similarly situated customers. Through the use of control groups, this program has been shown to be successful in reducing customer energy usage cost-effectively by the transfer of information alone and also in increasing customer participation rates in companion energy-efficiency programs. OPOWER will maintain a control group of NJNG customers to allow result verification within our service territory.

### **Market Segment/Efficiency Targeted**

**Segment I** Residential and certain small commercial customers with HVAC equipment needing immediate or imminent replacement. The program will promote the installation of high efficiency equipment and the installation of other energy-efficiency measures by creating awareness of opportunities identified through the HPES Audit.

## **NJNG Residential Energy Efficiency Programs (REEP)**

**Segment II** Residential homeowners who do not need to immediately replace their HVAC equipment will be targeted since it is mandatory to participate in the HPES Audit at the outset. The program will target the installation of high-efficiency HVAC equipment and the installation of whole house energy conservation measures (weatherization improvements to the building).

**Delivery Method and Contractor Role**

**Segment I Roles and Responsibilities** (Customers needing immediate or imminent equipment replacement before participating in an audit).

- Any HVAC contractor can install the WARM/COOLAdvantage qualified equipment. The work may be subject to WARM/COOLAdvantage quality control processes.
- NJNG will perform the HPES Audits at no cost to the customer and process NJNG enhanced rebates.
- Rebates can be assigned to a contractor at customer's request.
- HPES contractors must be used to implement any seal-up and advanced energy-efficiency improvements stemming from HPES Audit recommendations. Since this work is integrated into the HPES program, it may be subject to HPES quality control processes.
- NJNG will offer up to \$1,000 of free air sealing for customers who receive the enhanced rebate and will assume quality control responsibility for such work.

**Segment II Roles and Responsibilities** (Customers starting with an HPES audit).

- HPES audits must be performed by approved HPES contractors or by NJNG staff.
- Installation work must be performed by HPES contractors that meet NJCEP criteria. Currently, Building Performance Institute (BPI) certification is required.
- NJNG to offer the discounted financing as noted above.
- Consistent with NJCEP treatment of HPES rebates, a customer can assign the rebate to the contractor.
- To expedite contractor and customer cash flow, customers participating in the financing program can assign the rebate to NJNG. That way there is less delay and the contractor receives the full value of the rebate and the financing upon issuance of NJCEP Work Completion certificate.
- Since this work is integrated into the HPES program, the work may be subject to HPES quality control processes.

## NJNG Residential Energy Efficiency Programs (REEP)

<b>Estimated Program Participants and Annual Savings</b>		
<b>Rebate</b>	<b>Estimated Annual Participants</b>	<b>Estimated Annual Savings</b>
Gas Furnace/Boiler	Year 1: 5,000 Year 2 and 3: 4,000	699,000 therms
Domestic Hot Water Heater	500	21,000 therms
Air conditioning	2,500	1,877,500 kWh
Solar Domestic Hot Water	25	2,850 therms
Audits performed by NJNG	5,500 audits tied to enhanced rebates with 500 independent audits	0 <sup>3</sup>
\$1000 of Seal-up work	2,500	210.000 therms
Additional energy saving measures from HPES Audit	1,000	302,000 therms 810,000 kWh
Closed financing projects	750	0
<b>TOTAL</b>		
<b>Link to existing NJCEP and federal programs</b>		
<ul style="list-style-type: none"> <li>• NJCEP WARMAdvantage</li> <li>• NJCEP COOLAdvantage</li> <li>• NJCEP HPES</li> <li>• Federal Tax Credits</li> </ul>		
<b>Estimated avoided air emissions</b>		
8,350 tons of CO <sub>2</sub> and 8.32 tons of NO <sub>x</sub> annually (based upon estimated annual savings as noted above).		
<b>Anticipated Jobs Created/Sustained</b>		
Refer to Schedule NJNG-16.		
<b>Budget information</b>		
Refer to Schedule NJNG-11 for categorization of costs.		
<b>Marketing Approach</b>		
Refer to Schedule TJM-2.		
<b>Cost Recovery/ Rate design</b>		
Refer to Schedule DPY-5 for information related to cumulative program costs and the proposed cost recovery schedule. These costs are to be collected through Rider "F" applicable to all jurisdictional throughput. (See Schedule NJNG-8).		

<sup>3</sup> Although NJNG is not attributing savings to the Audit work, there may be instances where homeowners do implement Audit recommendations that result in savings the Company is not able to track.

## NJNG Access to Affordable Energy Pilot Program (Access)

<b>Description of the Program</b>
<p><b><u>Conversions</u></b> NJNG is proposing Access<sup>1</sup> as a pilot program through which NJNG provides funding for a conversion to natural gas heating equipment for any customer who currently receives more than \$50 in monthly electric Universal Service Fund (USF) benefits and has electricity as their primary heating source. This program addresses the significant barrier low-income customers face in reducing their heating costs and the on-going burden that all ratepayers share in providing USF benefits.</p> <p><b><u>Link to NJCEP Comfort Partners</u></b> The NJCEP Comfort Partners program provides low income/income eligible customers a resource for reducing their overall energy burden but currently does not allow those customers to switch heating sources when weatherization upgrades are performed. To promote long-term energy savings for Comfort Partners' customers and to reduce future demands within the USF program, NJNG will provide funding for the conversion to a more affordable high-efficiency natural gas heating system. This conversion work will be performed prior to a customer's participation in the NJCEP Comfort Partners program, which will be a requirement to maximize energy savings. Consistent with current Comfort Partners' policy, a customer must own the home in which the equipment will be replaced.</p>
<b>Market Segment/Efficiency Targeted</b>
<p><b><u>Segment</u></b> Customers who heat with electricity and receive more than \$50 a month in electric USF benefits will be the target group. Outreach will be focused on all-electric senior communities with heating systems that were installed more than 20 years ago. However, customers from any area served by NJNG can participate.</p>
<b>Delivery Method and Contractor Role</b>
<p><b><u>Roles and Responsibilities</u></b> NJNG will conduct outreach to the target communities noted above and to charitable and social service organizations active in our service territory. Interested customers will be advised to contact NJNG for more information. NJNG will assign a marketing consultant to assist with the conversion process. Customers will be advised to obtain and provide to NJNG an estimate from a contractor currently serving the HVAC conversion market. If the estimate for the conversion totals \$4,000 or less, the customer will be allowed to use that contractor without securing further estimates. If the estimate is greater than \$4,000, the customer will be required to get at least one additional estimate. The maximum amount NJNG will provide for a conversion under this program is \$7,000. NJNG will conduct quality control assessments on random Access projects to ensure compliance with NJCEP standards.</p>

<sup>1</sup> During the course of this proceeding, NJNG reserves the right to modify this proposal upon changes to the NJCEP offers with no impact on the 180-day review period.

**NJNG Access to Affordable Energy Pilot Program (Access)**

<b>Payment to Contractor</b>	
Contractors will be paid directly by NJNG after submission of proof of required documentation, including successful quality control assessment. Customers will be advised of the obligation to participate in NJCEP Comfort Partners and placed in the scheduling queue after the equipment installation.	
<b>Estimated Program Participants and Annual Savings</b>	
<b>Participants</b>	<b>Estimated Annual Savings</b>
100 customers per year	1,383,000 kWh
<b>Link to existing programs</b>	
NJCEP Comfort Partners Universal Service Fund Program	
<b>Estimated avoided air emissions</b>	
1,1051 tons of CO <sub>2</sub> and 1.94 tons of NO <sub>x</sub> annually (based upon estimated annual savings as noted above).	
<b>Anticipated Jobs Created/Sustained</b>	
Refer to Schedule NJNG-16.	
<b>Budget information</b>	
Refer to Schedule NJNG-11 for categorization of costs.	
<b>Marketing Approach</b>	
Refer to Schedule TJM-2.	
<b>Cost Recovery/ Rate design</b>	
Refer to Schedule DPY-5 for information related to cumulative program costs and the proposed cost recovery schedule. These costs are to be collected through Rider "F" applicable to all jurisdictional throughput. (See Schedule NJNG-8).	

## NJNG Commercial Energy Efficiency Programs

<b>Description of the Program</b>			
<b>Enhanced Rebates<sup>1</sup></b>			
In order to encourage commercial customers making equipment replacement decisions toward energy efficient purchases, NJNG will provide enhanced rebates for natural gas equipment in the SmartStart Buildings® Program as follows:			
Qualifying Equipment	Current NJCEP Equipment Rebate	NJNG Enhanced Rebate	Total Rebate
<b>Gas Cooling</b>			
Gas absorption chillers	\$185 -\$450 per ton	\$185 -\$450 per ton	\$370-\$900 per ton
Dessicant Systems	Up to \$1.00 per cfm	Up to \$1.00 per cfm	
Gas Engine Driven Chillers	Calculated through Customer Measure Path	Match	Double existing NJCEP rebate
<b>Gas Heating</b>			
Gas-fired boilers ≥300 -1500 MBH	\$1.75 per MBH	\$1.75 per MBH	\$3.50 per MBH
Gas-fired boilers ≥1500-≤4000 MBH	\$1.00 per MBH	\$1.00 per MBH	\$2.00 per MBH
Gas-fired boilers > 4000 MBH	Calculated through Customer Measure Path	Match	Double existing NJCEP rebate
<b>Natural Gas Water Heating</b>			
Gas-fired water heaters > 50 gallons	\$1.00- \$2.00 per MBH	\$1.00- \$2.00 per MBH	\$2.00-\$4.00 per MBH
Gas-fired booster water heaters	\$17- \$35 per MBH	\$17- \$35 per MBH	\$34-\$70 per MBH
Note: Due to the characteristics of NJNG's service territory, there are many commercial customers who have equipment identical to that used for residential customers. This would include 1) gas fired boilers < 300 MBH, 2) gas furnaces, 3) gas water heaters ≤50 gallons, 4) tankless water heaters and 5) air-conditioning units smaller than 5 tons. NJNG will provide enhanced rebates consistent with the residential incentive schedule (see Schedule TJM-4) for this equipment used to serve these commercial customers.			
NJNG will also offer an incremental incentive for Combined Heat and Power (CHP) to match the current NJCEP incentive up to \$1 million. NJNG proposes to also cover the NJCEP portion of CHP incentives should that program be changed for the 2010 budget or in the future. Those customers with a peak demand over 200 kW for any of the preceding twelve months (or those customers denoted as exceptions to that requirement in the NJCEP program) can take advantage of this incentive and will be required to participate in the NJCEP Pay for Performance program.			

<sup>1</sup> During the course of this proceeding, NJNG reserves the right to modify this proposal upon changes to the NJCEP offers with no impact on the 180-day review period.

## NJNG Commercial Energy Efficiency Programs

<b>Market Segment/Efficiency Targeted</b>		
These programs are targeted for commercial customers not using approved NJCEP Direct Install contractors or with usage above the Direct Install targets.		
<b>Delivery Method and Contractor Role</b>		
Any contractor eligible to perform installations under the current NJCEP SmartStart criteria can participate. There is no change to the relationship between the contractor and customer, except that the customer can assign of the NJNG rebate to the contractor.		
To streamline administration, NJNG will coordinate with the NJCEP Commercial Market Manager and only issue NJNG incentives after notification that NJCEP incentives are approved. NJNG will promote the program to contractors, commercial customers, and municipalities.		
<b>Estimated Program Participants and Annual Savings</b>		
<b>Rebate</b>	<b>Estimated Participants</b>	<b>Estimated Annual Savings Per Unit</b>
Gas Cooling	5 per year	Those assumed in NJCEP Analysis
Gas Heating	30 per year	23,250 therms
Gas Water Heating	10 per year	2,820 therms
Combined Heat & Power	7 over 3 year period	8,322,000 kWhr
<b>TOTAL</b>	142	
<b>Link to existing programs</b>		
<ul style="list-style-type: none"> <li>• NJCEP SmartStart program</li> <li>• NJCEP Pay for Performance</li> </ul>		
<b>Estimated avoided air emissions</b>		
46,500 tons of CO <sub>2</sub> and 38.25 tons of NO <sub>x</sub> annually (based upon estimated annual savings as noted above)		
<b>Anticipated Jobs Created/Sustained</b>		
Refer to Schedule NJNG-16.		
<b>Budget information</b>		
Refer to Schedule NJNG-11 for categorization of costs.		
<b>Marketing Approach</b>		
Refer to Schedule TJM-2		
<b>Cost Recovery/ Rate design</b>		
Refer to Schedule DPY-5 for information related to cumulative program costs and the proposed cost recovery schedule. These costs are to be collected through Rider "F" applicable to all jurisdictional throughput. (See Schedule NJNG-8)		

## **NJNG Solar Energy Program**

### **Description of the Program**

#### **NJNG Audit and Installation of PV Solar Equipment<sup>1</sup>**

The NJNG Solar Energy Program (SEP) provides a two-prong approach to encouraging the installation of solar energy products. First, NJNG will provide an opportunity for residential home-owners to receive a Solar Assessment either during an HPES Audit or as an NJNG stand-alone Solar Assessment provided at no charge to customer by NJNG Staff. The NJNG Solar Assessment will be conducted upon request from customers who have previously had an HPES Audit.

Second, NJNG will provide eligible customers the opportunity to have photovoltaic (“PV”) Solar equipment installed on their home. To be eligible, customers must have completed a full HPES Audit showing that the home meets the existing New Jersey’s Clean Energy Program (NJCEP) guidelines for participation in the SREC Only solar program. Additionally, the homeowner must have completed the seal-up measures in effect at the time of the Audit.

#### **Terms of the PV Installation Program**

NJNG will install, own and operate solar PV equipment on the roof of customer homes after the execution of a Lease Agreement with NJNG. (A draft copy is provided with the filing as Schedule NJNG-12). The lease will have a term of 15 years with customer payments based upon the size of and type of the PV system actually installed. NJNG will be using both Building Applied Photovoltaic (BAPV) products and Building Integrated Photovoltaic (BIPV) materials. In exchange for having NJNG install and own BIPV Solar equipment, a customer will pay a monthly fee of approximately \$9.67/kW installed or \$29/month for a typical 3 kW system. That size system generally produces annual electricity estimated at 3,450 kWh or approximately 40% of the average annual consumption for a New Jersey residential electricity customer.

In exchange for having NJNG install and own BAPV Solar equipment, a customer will pay a monthly fee of approximately \$8.16/kW installed or \$49/month for a typical 6 kW system. That size system generally produces annual electricity estimated at 6,510 kWh or approximately 80% of the average annual consumption for a New Jersey residential electricity customer. All systems installed will be in compliance with current New Jersey net-metering regulations. At the end of the lease term, the system can be purchased from NJNG at the fair market value or the lease may continue on a year-to-year basis under terms to be determined at that time.

NJNG proposes that SEP include a separate tier of pricing for installations using equipment that has received New Jersey’s Renewable Energy Manufacturing Incentive (REMI) designation. No specific discount is proposed at this time pending further discussion with interested parties in this proceeding. However, it is the intention of NJNG to provide a discount consistent with the incremental incentive currently offered through NJCEP for REMI installations.

#### **Equipment and Installation Process**

Equipment installed will be provided by a manufacturer from an NJNG-approved list and the products available will include both BAPV and BIPV equipment. NJNG will select qualified local contractors to install the equipment on customer homes. Contractors will be required to follow all rules for the safe and effective installation of solar equipment,

<sup>1</sup> During the course of this proceeding, NJNG reserves the right to modify this proposal upon changes to the NJCEP offers with no impact on the 180-day review period.

## NJNG Solar Energy Program

<p>consistent with current NJCEP guidelines and approved practices as well as all applicable NJ laws pertaining to the installation, operation and wages at that time.</p> <ul style="list-style-type: none"> <li>• BAPV systems will consist of conventional crystalline silicon technology using rigid PV panels to be mounted above existing roof surfaces. NJNG will install systems on roofs deemed to be suitable for the Lease Term. In no case will NJNG install BAPV systems on roof material older than 5 years.</li> <li>• BIPV systems will consist of system developments where PV solar material is integrated directly into the roofing material. NJNG will install integrated PV roofing material. In the BIPV installation, NJNG will pay for, own, operate, warranty, insure and maintain the BIPV equipment and substrate. NJNG will install BIPV roofing/solar systems on roofs deemed suitable, depending on the site specific conditions identified at the time of the Solar Assessment.</li> </ul>
<p><b>Market Segment/Efficiency Targeted</b></p>
<p>Customers identified as having applicable locations for the installation of PV equipment based on the results of the Solar Assessment will be offered the opportunity for program participation.</p>
<p><b>Delivery Method and Contractor Role</b></p>
<p>NJNG or approved designees will perform all Solar Assessments. NJNG will select the most appropriate contractors available to install approved systems.</p>
<p><b>Estimated Program Participants and Annual Savings</b></p>
<p>Systems will be sized depending on conditions on the site; however, it is expected that systems averaging 6kW in size will produce approximately 6,510 kWh per year, systems averaging 3kW in size will produce approximately 3,450 kWh per year and total annual savings could be approximately 2,743,900 kWh per year.</p>
<p><b>Link to existing programs</b></p>
<ul style="list-style-type: none"> <li>• NJCEP HPES</li> <li>• NJCEP Solar Renewable Energy Certificate (SREC) Registration Program (SRP)</li> </ul>
<p><b>Estimated avoided air emissions</b></p>
<p>2085.42 tons of CO<sub>2</sub> and 3.84 tons of NO<sub>x</sub> annually (based upon estimated annual savings as noted above)</p>
<p><b>Anticipated Jobs Created/Sustained</b></p>
<p>Refer to Schedule NJNG-16.</p>
<p><b>Budget information</b></p>
<p>Refer to Schedule NJNG-11 for categorization of costs.</p>
<p><b>Marketing Approach</b></p>
<p>Refer to Schedule TJM-2.</p>
<p><b>Cost Recovery/ Rate design</b></p>
<p>Refer to Schedule DPY-5 for information related to cumulative program costs and the proposed cost recovery schedule. These costs are to be collected through Rider “F” applicable to all jurisdictional throughput. (See Schedule NJNG-8).</p>

**NEW JERSEY NATURAL GAS COMPANY**

**DIRECT TESTIMONY AND EXHIBITS OF**

**DANIEL P. YARDLEY**

**PRINCIPAL, YARDLEY & ASSOCIATES**

**NEW JERSEY NATURAL GAS COMPANY**

**PREPARED DIRECT TESTIMONY OF  
DANIEL P. YARDLEY**

1 ***I. INTRODUCTION***

2 **Q. Please state your name, affiliation and business address.**

3 A. My name is Daniel P. Yardley. I am Principal, Yardley & Associates and my  
4 business address is 2409 Providence Hills Drive, Matthews, North Carolina 28105.

5 **Q. On whose behalf are you testifying?**

6 A. I am testifying on behalf of New Jersey Natural Gas Company (“NJNG” or the  
7 “Company”).

8 **Q. Please summarize your professional and educational background.**

9 A. I have been employed as a consultant to the natural gas industry for the past 20 years.  
10 During this period, I have directed or participated in numerous consulting  
11 assignments on behalf of local distribution companies (“LDCs”). A number of these  
12 assignments involved the development of gas distribution company cost allocation,  
13 pricing, service unbundling, revenue decoupling and other tariff analyses. In addition  
14 to this work, I have performed interstate pipeline cost of service and rate design  
15 analyses, gas supply planning analyses, and financial evaluation analyses. I received  
16 a Bachelor of Science Degree in Electrical Engineering from the Massachusetts  
17 Institute of Technology in 1988.

1 **Q. Have you previously testified before the New Jersey Board of Public Utilities?**

2 A. Yes. Over the last ten years, I have testified before the New Jersey Board of Public  
3 Utilities (the "BPU") on rate and regulatory matters including rate unbundling, cost  
4 allocation, rate design, revenue decoupling and tariff design. My testimony in  
5 various proceedings has been presented on behalf of NJNG as well as Elizabethtown  
6 Gas and South Jersey Gas Company. I have also testified in proceedings before the  
7 Florida Public Service Commission, the Massachusetts Department of Public  
8 Utilities, the New Hampshire Public Utilities Commission, the Rhode Island Public  
9 Utilities Commission, the Tennessee Regulatory Authority, the Wisconsin Public  
10 Service Commission and the Federal Energy Regulatory Commission on matters  
11 pertaining to cost of service, cost allocation, rate design and capacity planning. A  
12 summary of my previous expert testimony is provided as Attachment A to my  
13 prepared direct testimony.

14 **Q. What is the purpose of your testimony in this proceeding?**

15 A. My testimony supports NJNG's request to implement certain energy efficiency and  
16 renewable energy programs. In particular, I provide estimates of the annual revenue  
17 requirements associated with the program investments described in the pre-filed  
18 testimony of Thomas J. Massaro, Exhibit P-2, submitted in support of NJNG's  
19 proposals. In addition, I will detail the Company's proposed cost recovery  
20 mechanism and present estimated bill impacts.

1 The Company's filing is made pursuant to legislation enacted in January 2008,  
2 entitled the Regional Greenhouse Gas Initiative Act<sup>1</sup> ("RGGI Legislation"). Through  
3 the RGGI Legislation as well as previous legislation entitled the Global Warming  
4 Response Act<sup>2</sup>, enacted in July 2007, New Jersey further recognized the need to  
5 address greenhouse gas ("GHG") emissions and global warming concerns. These  
6 laws provide for investment in energy efficiency and renewable energy on a regulated  
7 basis by New Jersey energy utilities as a means of increasing the efficient use of  
8 available resources and reducing GHG emissions. Subsequently, the BPU established  
9 Minimum Filing Requirements ("MFRs"), information that must be provided within a  
10 utility filing seeking approval for such investments and the associated cost recovery  
11 mechanism<sup>3</sup>.

12 The Company's filing represents a request for regulated recovery of energy efficiency  
13 and renewable investments as provided for under the RGGI Legislation. The  
14 proposed RGGI programs are an extension and expansion of existing offers available  
15 through NJNG's current Economic Stimulus Energy Efficiency ("E3") program  
16 activities that are currently referred to internally at NJNG and promoted to customers  
17 as The SAVEGREEN™ Project. My testimony supports a number of the MFRs for  
18 RGGI programs established by the BPU.

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<sup>1</sup> N.J.S.A. 49:3-98.1

<sup>2</sup> N.J.S.A. 26:2C-45

<sup>3</sup> B.P.U. Docket No. EO08030164, Order issued May 12, 2008.

1 **Q. Are you supporting any schedules that accompany your testimony?**

2 A. Yes. I am sponsoring the following seven schedules, which will be explained later in  
3 my testimony:

4 Schedule DPY-1: Program Unit Costs and Projected Participation Rates

5 Schedule DPY-2: Net RGGI Investments by Year

6 Schedule DPY-3: Cost of Capital

7 Schedule DPY-4: Operations and Maintenance Costs

8 Schedule DPY-5: Revenue Requirements Summary

9 Schedule DPY-6: Energy Efficiency and Renewable Energy Tariff

10 Schedule DPY-7: Projected Bill Impacts by Class.

11 ***II. PROGRAM REVENUE REQUIREMENTS***

12 **Q. What are the components included in the revenue requirements that are**  
13 **associated with the RGGI programs proposed by the Company?**

14 A. Mr. Massaro in Exhibit P-2 describes four programs that comprise the Company's  
15 proposal: the Residential Energy Efficiency Program ("REEP") including the  
16 OPower Program ("OPower"), the Commercial Energy Efficiency Program  
17 ("CEEP"), the Access to Affordable Energy Pilot Program ("Access"), and the Solar  
18 Energy Program ("SEP"). The investments associated with these programs ("RGGI  
19 Investments") result in rate base and expense-related revenue requirements. These  
20 include Operations and Maintenance ("O&M") expense, amortization expense, return  
21 on investments and income taxes.

1 An additional program presented by Mr. Massaro, Fostering Environmental and  
2 Economic Development (“FEED”), has no impact on the proposed revenue  
3 requirement or cost recovery mechanism. Therefore, the FEED program is not  
4 addressed in my testimony.

5 **Q. Please describe the factors that most strongly influence the level of revenue**  
6 **requirements associated with the proposed programs.**

7 A. The per unit costs of the individual program measures and the number of participants  
8 have the most significance in determining the revenue requirements associated with  
9 the RGGI Investments. In addition, the length of time over which the investments are  
10 amortized and the incremental O&M costs necessary to implement the RGGI  
11 programs influence total revenue requirements, but to a lesser degree.

12 **Q. Have you prepared a summary of unit investment costs and the associated**  
13 **number of participants you are relying upon in your calculations?**

14 A. Yes. Schedule DPY-1 provides a list of measures included within each of the four  
15 programs as well as the anticipated participation rates for each of the three years  
16 encompassed by this RGGI proposal. The gross investments by year are also  
17 provided in this schedule.

18 **Q. Please describe the Company’s proposal to amortize the RGGI Investments.**

19 A. NJNG is proposing to amortize the investments over a ten-year period. Specifically,  
20 the investments will be amortized monthly for a period of 120 months beginning  
21 when the facilities are installed or rebates are paid. The investments will be grouped

1 for amortization purposes by install date rather than by asset class as is normally  
2 recorded per books for the Company's traditional utility plant investments.

3 The ten-year amortization period is consistent with the proposed recovery period,  
4 which I will describe later. Therefore, the investments will be fully amortized at the  
5 end of the recovery period. For tax purposes, the RGGI Investments will be  
6 recognized as an expense as allowed for all rebate payments to customers. SEP  
7 investments, which are not rebates, are amortized over a five-year period for tax  
8 purposes. The timing difference between book and tax amortization periods for all  
9 RGGI Investments is properly recognized in the calculated revenue requirements  
10 through deferred tax reductions to the rate base associated with the proposed RGGI  
11 Investments.

12 **Q. What is NJNG's projected net investment in the new RGGI programs over the**  
13 **amortization period?**

14 A. Net investments take into consideration the gross investment as well as accumulated  
15 amortization and the deferred tax benefits associated with applicable accelerated  
16 depreciation. The net investment by program by year is provided in Schedule DPY-2  
17 through 2022, when the last of the investments would be fully amortized. This  
18 schedule indicates that the Company's net investment peaks at the end of year three at  
19 \$58.1 million and then declines gradually through 2022. Due to the amortization of  
20 the initial investments as well as the deferred tax benefits associated with the solar  
21 investments, the peak investment is only 56.9 percent of the total gross investments  
22 indicated in Schedule DPY-1.

1 **Q. How are return on investment and income taxes calculated?**

2 A. Consistent with the provisions of the RGGI Legislation, the Company is proposing to  
3 include a regulated rate of return on its net investment as part of the proposed revenue  
4 requirements. The rate of return and associated income tax rates are provided in  
5 Schedule DPY-3 and reflect the rates authorized by the BPU in the Company's most  
6 recent base rate case, Docket No. GR07110889.

7 **Q. What are the estimated O&M and Administrative costs?**

8 A. NJNG prepared estimates of the anticipated labor and non-labor costs associated with  
9 administering the programs. These projections reflect the Company's experience  
10 administering the existing E3 programs approved by the BPU and the incremental  
11 jobs that will be created under this proposal. A summary of projected O&M and  
12 administrative costs is provided in Schedule DPY-4. The costs included on this  
13 schedule represent the direct labor and associated personnel overhead costs, such as  
14 benefits and office space. None of the Company's general administrative overhead  
15 costs are included in revenue requirements for these programs.

16 **Q. Will the solar investments generate Federal investment tax credits?**

17 A. Yes. Current Federal law provides for a 30% investment tax credit ("ITC")  
18 associated with investment in renewable energy including solar. The ITCs will be  
19 realized for tax purposes in the investment year, but will be amortized for book  
20 purposes over ten years as allowed for accounting purposes. When this method of  
21 accounting for ITCs is utilized, Federal tax law requires that a 15% permanent  
22 reduction to the tax basis of the asset be taken. Therefore, a portion of the book

1           amortization of ITCs is not recognized for income tax purposes necessitating an  
2           adjustment to income tax expense in the revenue requirements associated with the  
3           solar program.

4   **Q.    Are there any revenue offsets to revenue requirements associated with the RGGI**  
5   **Investments?**

6   A.    Yes. The solar program leads to two sources of revenues that reduce revenue  
7           requirements. The first of these is the monthly lease payment that each participant  
8           will pay to NJNG. The second source of revenue is the sale of Solar Renewable  
9           Energy Certificates (“SRECs”). SREC auctions were established as a means of  
10          promoting solar investment by valuing the clean energy benefits of solar. Electricity  
11          suppliers are required to invest in solar to satisfy the State’s renewable portfolio  
12          standards. These suppliers may purchase SRECs to satisfy their individual  
13          requirements within the standards. The State has established a solar alternate  
14          compliance payment (“SACP”) price that suppliers must pay if they fall short of the  
15          renewable portfolio standard. The SACP represents a market cap on the value of  
16          SRECs and is \$675 per MWh in 2011. The SACP declines each year through 2016  
17          when it is \$594 per MWh. The legislature recently extended the SACP for an  
18          additional five years through 2021 and required the BPU to establish SACP prices  
19          through that period.

20   **Q.    How will SREC revenues be received and accounted for by NJNG?**

21   A.    All solar installations will follow the necessary protocols to be certified by the State  
22          to generate SRECs that can be traded or sold at auction. This includes the installation

1 of required metering equipment as well as undergoing a mandatory inspection  
2 process. Once the requisite certificate is received from the State, SRECs will begin  
3 accruing to the benefit of NJNG's customers. NJNG will seek to maximize the value  
4 of the SRECs by participating directly in the SREC auction process or by trading  
5 SRECs with third-parties. The combination of customer lease payments and SREC  
6 revenues are projected to offset the revenue requirements of the SEP over the 15-year  
7 customer lease term.

8 **Q. Have you prepared a summary of net revenue requirements associated with the**  
9 **RGGI Investments?**

10 A. Yes. Schedule DPY-5 presents a summary of the projected revenue requirements for  
11 each program by year through 2027. The actual revenue requirements will depend on  
12 the total level of participation by customers. However, Schedule DPY-5 is presented  
13 on the basis of the maximum investment levels that the Company is requesting for  
14 approval.

15 ***III. COST RECOVERY MECHANISM***

16 **Q. Please describe the requirements established through the RGGI Legislation**  
17 **regarding recovery of utility investments in energy efficiency and renewable**  
18 **resources.**

19 A. The RGGI Act allows natural gas and electric utilities to recover the costs of energy  
20 efficiency and renewable energy programs through rates on a regulated basis. In  
21 order to be eligible for such rate treatment, the investments may be on the utility side  
22 or customer side of the meter so long as the investments are in the utility's service

1 area. Energy efficiency and renewable energy investments may be placed in utility  
2 rate base or recovered through a separate ratemaking mechanism. The costs eligible  
3 for recovery include the costs of developing and implementing the programs as well  
4 as a return on invested capital.

5 **Q. Is there an existing NJNG tariff related to recovery of energy efficiency**  
6 **investments?**

7 A. Rider F to the Company's existing tariff provides for the recovery of energy  
8 efficiency investments as established in Docket No. GO09010057. The E3  
9 investments are presently recovered through Rider F. Upon approval of the RGGI  
10 Programs by the BPU, the Company is proposing to continue utilizing that rider to  
11 recover all program costs associated with the RGGI Investments given the similarity  
12 between the two programs. Although NJNG is proposing to continue utilization of  
13 Rider F for energy efficiency and renewable energy investment costs, the tracking of  
14 E3 investments and costs shall be maintained separate from the RGGI Investments  
15 and costs.

16 **Q. Please describe the new RGGI costs that will be eligible for recovery through the**  
17 **modified Rider F.**

18 A. Cost recovery would include direct program cost investments including  
19 administrative expense, amortization of the program investments and a return on the  
20 net capital invested in the program. The SEP costs included in Rider F are projected  
21 to be offset by the associated revenues over the 15 year customer lease term.

1 **Q. Over what period of time are the program investments recovered?**

2 A. The Company is proposing to amortize the program investments over ten years. Ten  
3 years appropriately balances potential bill impacts with the desire to pay down the  
4 investments in a reasonable timeframe.

5 **Q. Have you prepared revised tariff language reflecting changes to Rider F?**

6 A. A redlined copy of Rider F showing all required changes to accommodate the RGGI  
7 Investments is provided as Schedule DPY-6.

8 **Q. Is recovery of the Company's proposed investments consistent with the**  
9 **requirements of the RGGI Legislation?**

10 A. Yes. The Company's cost recovery proposal complies with the requirements of the  
11 RGGI Legislation. The program costs satisfy the eligibility requirements and the  
12 proposed ratemaking mechanism, including a return on net invested capital, is  
13 consistent with the ratemaking options provided for in Section 13 of the RGGI  
14 Legislation.

15 **Q. Please describe the periodic filing and review process you recommend related to**  
16 **ongoing RGGI investments recovered through Rider F.**

17 A. The proposed program includes a three-year investment period. The Company is  
18 proposing that the BPU adopt an annual filing process to review and approve  
19 recovery of program investments. On or before June 1st of each year, the Company  
20 will file a request to modify the rate applicable under Rider F including all supporting  
21 information and workpapers. The proposed effective date of the annual change

1 would be the following October 1<sup>st</sup> which affords the BPU and interested parties  
2 reasonable time to review the Company's application and conduct discovery as  
3 needed. This schedule will coordinate with the Company's current filings made on or  
4 around June 1st of each year to be effective as of October 1st. The proposed approach  
5 lessens the number of rate changes experienced by customers during any 12-month  
6 period.

7 **Q. When will recovery of RGGI costs begin under Rider F?**

8 A. The E3 program costs associated with the existing Rider F were recovered on a  
9 projected basis beginning on August 1, 2009. Reconciliation of actual program costs  
10 to projections occurs for each program year. The initial E3 recovery period was  
11 through October 1, 2010. The Company will be making a subsequent filing on or  
12 before June 1, 2010 to establish the rate to be effective October 1, 2010. The  
13 Company is recommending that the Rider F Tariff rate that is effective upon approval  
14 of the new RGGI Programs remain unchanged. The Company will begin accruing  
15 costs when the RGGI Program is approved and will include any costs incurred in the  
16 reconciliation that is provided in the subsequent annual filing. In addition, projected  
17 costs will be reflected in the rate to be effective the following October 1st.

18 **VI. CUSTOMER IMPACTS**

19 **Q. Have you prepared a forecast of future bill impacts associated with the**  
20 **Company's proposal?**

21 A. Yes. Schedule DPY-7 presents annual bill impacts, assuming full participation at the  
22 proposed investment caps, for each year based on the projected net revenue

1 requirements presented in Schedule DPY-5. The bill impacts are provided separately  
2 for various NJNG customer classes. For residential heating customers, the bill  
3 impacts average \$8.14 per year over fifteen years.

4 **Q. Does this conclude your testimony?**

5 A. Yes, it does.

**Prior Testimony of  
Daniel P. Yardley**

Jurisdiction	Sponsor	Year	Topics	Docket
Florida	Peoples Gas System	2008	Cost Allocation and Rate Design	Docket No. 080318-GU
	Northern Distributor Group	1992	Cost of Service and Cost Allocation	RP92-1
Federal Energy Regulatory Commission	Northern Distributor Group	1995	Cost of Service and Rate Design	RP95-185
	Atlanta Gas Light, et al.	2001	Storage Cost Allocation	RP01-245
	Bay State Gas and Northern Utilities	2002	Rate Design	RP02-13
	Northern Utilities	2005	Jurisdictional Gas Cost Allocation	DG05-080
New Hampshire	Bay State Gas	1998	Capacity Assignment	D.T.E. 98-32
	Bay State Gas	2001	Contract Approval	D.T.E. 00-99
Massachusetts	Bay State Gas	2006	Declining Use Rate Adjustment	D.T.E. 06-77
	Bay State Gas	2007	Declining Use Rate Adjustment	D.P.U. 07-89
	Bay State Gas	2009	Revenue Decoupling	D.P.U. 09-30
	New Jersey Natural Gas	1999	Rate Unbundling	Docket No. GO99030123
	Elizabethtown Gas, et al.	1999	Customer Account Services	Docket No. EX99090676
New Jersey	Elizabethtown Gas	2002	Cost Allocation and Rate Design	Docket No. GR02040245
	South Jersey Gas Company	2003	Cost Allocation and Rate Design	Docket No. GR03080683
	South Jersey Gas Company	2004	Capacity Charge	Docket No. GR04060400
	New Jersey Natural Gas	2005	Revenue Decoupling	Docket No. GR0512020
	South Jersey Gas Company	2005	Revenue Decoupling	Docket No. GR0512019
	South Jersey Gas Company	2007	Annual Decoupling Adjustment	Docket No. GR07060354
	New Jersey Natural Gas	2007	Cost Allocation and Rate Design	Docket No. GR07110889
	South Jersey Gas Company	2008	Annual Decoupling Adjustment	Docket No. GR08050367
	Elizabethtown Gas	2009	Revenue Decoupling, Cost Allocation and Rate Design	Docket No. GR09030195
	South Jersey Gas Company	2009	Annual Decoupling Adjustment	Docket No. GR09060340
	South Jersey Gas Company	2009	Cost Allocation and Rate Design	Docket No. GR10010035
	Providence Gas Company	1996	Cost Allocation and Rate Design	Docket No. 2076
	Chattanooga Gas Company	2009	Revenue Decoupling, Cost Allocation and Rate Design	Docket No. 09-00183
	Wisconsin Power and Light	2001	Cost Allocation and Rate Design	Docket No. 6680-UR-111

New Jersey Natural Gas  
RGGI Program

Program Unit Costs and Projected Participation Rates

	Participation Rates			Unit Cost	Gross Investments (\$000)			
	Year 1	Year 2	Year 3		Year 1	Year 2	Year 3	Total
<b>Residential</b>								
Gas Furnace	3,500	4,500	4,500	\$ 900	\$ 3,150	\$ 4,050	\$ 4,050	\$ 11,250
Gas Boiler	500	500	500	1,200	600	600	600	1,800
Hot Water	75	125	125	200	15	25	25	65
Tankless Hot Water	500	500	500	1,000	500	500	500	1,500
Solar Hot Water	25	25	25	2,000	50	50	50	150
SEER 16 EER 13 Air Cond.	1,250	1,250	1,250	900	1,125	1,125	1,125	3,375
SEER 15 EER 12.5 Air Cond.	750	750	750	600	450	450	450	1,350
SEER 14.5 EER 12 Air Cond.	500	500	500	450	225	225	225	675
Tier II Seal-Up	2,500	3,000	3,000	1,000	2,500	3,000	3,000	8,500
Tier III Rebate	1,000	1,000	1,000	5,000	5,000	5,000	5,000	15,000
Financing	750	750	750	3,309	2,482	2,482	2,482	7,445
								<b>\$ 51,110</b>
<b>Commercial</b>								
Cooling	5	5	5	\$ 10,000	\$ 50	\$ 50	\$ 50	\$ 150
Heating	30	30	30	2,000	60	60	60	180
Water Heating	10	10	10	1,500	15	15	15	45
Combined Heat and Power	1	2	4	1,000,000	1,000	2,000	4,000	7,000
								<b>\$ 7,375</b>
<b>Access to Affordable Energy</b>								
Low Income Conversion	100	100	100	\$ 5,000	\$ 500	\$ 500	\$ 500	\$ 1,500
<b>Solar</b>								
Building Applied Solar	333	333	334	\$ 33,000	\$ 10,989	\$ 10,989	\$ 11,022	\$ 33,000
Building Integrated Solar	167	167	166	18,000	3,006	3,006	2,988	9,000
								<b>\$ 42,000</b>
<b>TOTAL ALL PROGRAMS</b>					<b>\$ 31,717</b>	<b>\$ 34,127</b>	<b>\$ 36,142</b>	<b>\$ 101,985</b>

New Jersey Natural Gas  
RGGI Program

Net RGGI Investments  
(\$000)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b><u>Residential Efficiency Net Investment</u></b>												
Gross Investment	\$ 16,097	\$ 33,604	\$ 51,110	\$ 51,110	\$ 51,110	\$ 51,110	\$ 51,110	\$ 51,110	\$ 51,110	\$ 51,110	\$ 35,014	\$ 17,507
Accumulated Amortization	(1,610)	(4,970)	(10,081)	(15,192)	(20,303)	(25,414)	(30,525)	(35,636)	(40,747)	(45,858)	(33,263)	(17,507)
Deferred Taxes	(5,952)	(11,764)	(16,856)	(14,757)	(12,657)	(10,557)	(8,457)	(6,357)	(4,258)	(2,158)	(719)	0
<b>Total</b>	<b>\$ 8,535</b>	<b>\$ 16,870</b>	<b>\$ 24,173</b>	<b>\$ 21,162</b>	<b>\$ 18,150</b>	<b>\$ 15,139</b>	<b>\$ 12,128</b>	<b>\$ 9,117</b>	<b>\$ 6,105</b>	<b>\$ 3,094</b>	<b>\$ 1,031</b>	<b>\$ 0</b>
<b><u>Commercial Efficiency Net Investment</u></b>												
Gross Investment	\$ 1,125	\$ 3,250	\$ 7,375	\$ 7,375	\$ 7,375	\$ 7,375	\$ 7,375	\$ 7,375	\$ 7,375	\$ 7,375	\$ 6,250	\$ 4,125
Accumulated Amortization	(113)	(438)	(1,175)	(1,913)	(2,650)	(3,388)	(4,125)	(4,863)	(5,600)	(6,338)	(5,838)	(4,125)
Deferred Taxes	(416)	(1,155)	(2,547)	(2,244)	(1,941)	(1,638)	(1,335)	(1,032)	(729)	(426)	(169)	-
<b>Total</b>	<b>\$ 597</b>	<b>\$ 1,657</b>	<b>\$ 3,653</b>	<b>\$ 3,218</b>	<b>\$ 2,784</b>	<b>\$ 2,349</b>	<b>\$ 1,915</b>	<b>\$ 1,480</b>	<b>\$ 1,046</b>	<b>\$ 611</b>	<b>\$ 243</b>	<b>\$ -</b>
<b><u>Access to Affordable Energy Net Investment</u></b>												
Gross Investment	\$ 500	\$ 1,000	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,000	\$ 500
Accumulated Amortization	(50)	(150)	(300)	(450)	(600)	(750)	(900)	(1,050)	(1,200)	(1,350)	(950)	(500)
Deferred Taxes	(185)	(349)	(493)	(431)	(370)	(308)	(247)	(185)	(123)	(62)	(21)	-
<b>Total</b>	<b>\$ 265</b>	<b>\$ 501</b>	<b>\$ 707</b>	<b>\$ 619</b>	<b>\$ 530</b>	<b>\$ 442</b>	<b>\$ 353</b>	<b>\$ 265</b>	<b>\$ 177</b>	<b>\$ 88</b>	<b>\$ 29</b>	<b>\$ -</b>
<b><u>Solar Net Investment</u></b>												
Gross Investment	\$ 13,995	\$ 27,990	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 28,005	\$ 14,010
Accumulated Amortization	(1,400)	(4,199)	(8,399)	(12,599)	(16,799)	(20,999)	(25,199)	(29,399)	(33,599)	(37,799)	(26,604)	(14,010)
Deferred Taxes	(489)	(2,053)	(4,067)	(5,667)	(6,266)	(6,207)	(5,586)	(4,401)	(2,934)	(1,467)	(489)	0
<b>Total</b>	<b>\$ 12,107</b>	<b>\$ 21,739</b>	<b>\$ 29,535</b>	<b>\$ 23,735</b>	<b>\$ 18,936</b>	<b>\$ 14,794</b>	<b>\$ 11,216</b>	<b>\$ 8,201</b>	<b>\$ 5,468</b>	<b>\$ 2,734</b>	<b>\$ 912</b>	<b>\$ 0</b>
<b>TOTAL NET INVESTMENT</b>	<b>\$ 21,504</b>	<b>\$ 40,766</b>	<b>\$ 58,067</b>	<b>\$ 48,733</b>	<b>\$ 40,400</b>	<b>\$ 32,725</b>	<b>\$ 25,612</b>	<b>\$ 19,063</b>	<b>\$ 12,796</b>	<b>\$ 6,528</b>	<b>\$ 2,216</b>	<b>\$ 0</b>

New Jersey Natural Gas  
RGGI Program

Cost of Capital

<u>Component</u>	<u>Amount</u>	<u>Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>	<u>Combined Tax Rate</u>	<u>Pre-Tax Cost of Capital</u>
Long-Term Debt	\$ 411,344	41.6%	5.44%	2.26%		2.26%
Short-Term Debt	66,000	6.7%	2.90%	0.19%		0.19%
Customer Deposits	4,447	0.5%	4.79%	0.02%		0.02%
Common Equity	<u>506,332</u>	<u>51.2%</u>	10.30%	<u>5.28%</u>	41.08%	<u>8.96%</u>
<b>Total</b>	<b>\$ 988,123</b>	<b>100.0%</b>		<b>7.76%</b>		<b>11.44%</b>

New Jersey Natural Gas  
RGGI Program

Summary of Operations and Maintenance Costs  
(\$000)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Residential Efficiency O&amp;M</b>												
Equipment O&M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Labor	3,364	3,455	3,548	335	-	-	-	-	-	-	-	-
Non-Labor	1,281	1,316	1,351	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 4,645</b>	<b>\$ 4,770</b>	<b>\$ 4,899</b>	<b>\$ 335</b>	<b>\$ -</b>							
<b>Commercial Efficiency O&amp;M</b>												
Equipment O&M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Labor	369	379	389	-	-	-	-	-	-	-	-	-
Non-Labor	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 369</b>	<b>\$ 379</b>	<b>\$ 389</b>	<b>\$ -</b>								
<b>Access to Affordable Energy O&amp;M</b>												
Equipment O&M	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Labor	93	95	98	-	-	-	-	-	-	-	-	-
Non-Labor	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 93</b>	<b>\$ 95</b>	<b>\$ 98</b>	<b>\$ -</b>								
<b>Solar O&amp;M</b>												
Equipment O&M	\$ 110	\$ 220	\$ 330	\$ 330	\$ 330	\$ 405	\$ 405	\$ 405	\$ 405	\$ 405	\$ 405	\$ 405
Labor	1,696	1,741	1,788	470	1,118	1,211	1,251	1,281	1,311	1,331	1,339	1,421
Non-Labor	1,000	500	500	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,806</b>	<b>\$ 2,461</b>	<b>\$ 2,618</b>	<b>\$ 800</b>	<b>\$ 4,448</b>	<b>\$ 5,266</b>	<b>\$ 5,301</b>	<b>\$ 5,331</b>	<b>\$ 5,336</b>	<b>\$ 5,540</b>	<b>\$ 5,544</b>	<b>\$ 5,547</b>
<b>TOTAL O&amp;M</b>	<b>\$ 7,912</b>	<b>\$ 7,706</b>	<b>\$ 8,005</b>	<b>\$ 1,136</b>	<b>\$ 4,448</b>	<b>\$ 5,266</b>	<b>\$ 5,301</b>	<b>\$ 5,331</b>	<b>\$ 5,336</b>	<b>\$ 5,540</b>	<b>\$ 5,544</b>	<b>\$ 5,547</b>

New Jersey Natural Gas  
RGGI Program  
Summary of Revenue Requirements  
(\$000)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Residential Efficiency Revenue Requirements</b>																	
O&M Expense	\$ 4,645	\$ 4,770	\$ 4,899	\$ 335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	1,610	3,360	5,111	5,111	5,111	5,111	5,111	5,111	5,111	5,111	3,501	1,751	-	-	-	-	-
Income Taxes	157	468	755	834	723	613	502	391	280	169	76	19	0	0	0	0	0
Return	331	985	1,592	1,758	1,525	1,291	1,058	824	590	357	160	40	0	0	0	0	0
<b>Total</b>	<b>\$ 6,743</b>	<b>\$ 9,584</b>	<b>\$ 12,357</b>	<b>\$ 8,039</b>	<b>\$ 7,359</b>	<b>\$ 7,015</b>	<b>\$ 6,670</b>	<b>\$ 6,326</b>	<b>\$ 5,982</b>	<b>\$ 5,637</b>	<b>\$ 3,737</b>	<b>\$ 1,810</b>	<b>\$ 0</b>				
<b>Commercial Efficiency Revenue Requirements</b>																	
O&M Expense	\$ 369	\$ 379	\$ 389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	113	325	738	738	738	738	738	738	738	738	625	413	-	-	-	-	-
Income Taxes	11	41	98	126	110	94	78	62	46	30	16	4	-	-	-	-	-
Return	23	87	206	267	233	199	165	132	98	64	33	9	-	-	-	-	-
<b>Total</b>	<b>\$ 516</b>	<b>\$ 833</b>	<b>\$ 1,430</b>	<b>\$ 1,130</b>	<b>\$ 1,081</b>	<b>\$ 1,031</b>	<b>\$ 981</b>	<b>\$ 932</b>	<b>\$ 882</b>	<b>\$ 832</b>	<b>\$ 674</b>	<b>\$ 426</b>	<b>\$ -</b>				
<b>Access to Affordable Energy Revenue Requirements</b>																	
O&M Expense	\$ 93	\$ 95	\$ 98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	50	100	150	150	150	150	150	150	150	150	100	50	-	-	-	-	-
Income Taxes	5	14	22	24	21	18	15	11	8	5	2	1	-	-	-	-	-
Return	10	30	47	51	45	38	31	24	17	10	5	1	-	-	-	-	-
<b>Total</b>	<b>\$ 158</b>	<b>\$ 239</b>	<b>\$ 317</b>	<b>\$ 226</b>	<b>\$ 216</b>	<b>\$ 206</b>	<b>\$ 195</b>	<b>\$ 185</b>	<b>\$ 175</b>	<b>\$ 165</b>	<b>\$ 107</b>	<b>\$ 52</b>	<b>\$ -</b>				

New Jersey Natural Gas  
RGGI Program  
Summary of Revenue Requirements  
(\$000)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Solar Revenue Requirements</b>																	
O&M Expense	\$ 2,806	\$ 2,461	\$ 2,618	\$ 800	\$ 448	\$ 526	\$ 530	\$ 533	\$ 536	\$ 540	\$ 544	\$ 547	\$ 551	\$ 555	\$ 559	\$ 428	\$ 298
Amortization	1,400	2,799	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	2,801	1,401	-	-	-	-	-
ITC Amortization	(713)	(1,425)	(2,139)	(2,139)	(2,139)	(2,139)	(2,139)	(2,139)	(2,139)	(2,139)	(1,426)	(713)	-	-	-	-	-
Income Taxes	223	623	944	980	785	621	479	357	252	151	67	17	0	0	0	0	0
ITC Recapture	146	293	439	439	439	439	439	439	439	439	293	147	-	-	-	-	-
Return	470	1,313	1,989	2,066	1,655	1,308	1,009	753	530	318	141	35	0	0	0	0	0
<b>Total</b>	<b>\$ 4,331</b>	<b>\$ 6,063</b>	<b>\$ 8,051</b>	<b>\$ 6,348</b>	<b>\$ 5,389</b>	<b>\$ 4,956</b>	<b>\$ 4,518</b>	<b>\$ 4,144</b>	<b>\$ 3,819</b>	<b>\$ 3,510</b>	<b>\$ 2,419</b>	<b>\$ 1,434</b>	<b>\$ 551</b>	<b>\$ 555</b>	<b>\$ 559</b>	<b>\$ 428</b>	<b>\$ 298</b>
<b>Revenue Offsets</b>																	
Solar Retail Revenues	\$ (254)	\$ (508)	\$ (762)	\$ (762)	\$ (762)	\$ (762)	\$ (762)	\$ (762)	\$ (762)	\$ (762)	\$ (762)	\$ (762)	\$ (762)	\$ (762)	\$ (762)	\$ (508)	\$ (254)
Solar SREC Revenues	(1,667)	(2,896)	(4,382)	(4,558)	(4,406)	(4,263)	(3,806)	(3,398)	(3,034)	(2,709)	(2,418)	(2,159)	(1,928)	(1,721)	(1,537)	(918)	(412)
<b>Total</b>	<b>\$ (1,921)</b>	<b>\$ (3,404)</b>	<b>\$ (5,144)</b>	<b>\$ (5,320)</b>	<b>\$ (5,168)</b>	<b>\$ (5,025)</b>	<b>\$ (4,568)</b>	<b>\$ (4,160)</b>	<b>\$ (3,796)</b>	<b>\$ (3,471)</b>	<b>\$ (3,180)</b>	<b>\$ (2,921)</b>	<b>\$ (2,690)</b>	<b>\$ (2,483)</b>	<b>\$ (2,299)</b>	<b>\$ (1,426)</b>	<b>\$ (666)</b>
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 9,827</b>	<b>\$ 13,316</b>	<b>\$ 17,012</b>	<b>\$ 10,422</b>	<b>\$ 8,877</b>	<b>\$ 8,182</b>	<b>\$ 7,797</b>	<b>\$ 7,427</b>	<b>\$ 7,062</b>	<b>\$ 6,673</b>	<b>\$ 3,757</b>	<b>\$ 800</b>	<b>\$ (2,139)</b>	<b>\$ (1,928)</b>	<b>\$ (1,739)</b>	<b>\$ (998)</b>	<b>\$ (366)</b>

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

First Revised Sheet No. 172  
Superseding Original Sheet No. 172

RIDER "F"

ENERGY EFFICIENCY AND RENEWABLE ENERGY - EERE

AVAILABILITY

Applicable to the following service classifications:

RS	Residential Service	ED	Economic Development
DGR	Distributed Generation Residential	FC	Firm Cogeneration
GSS	General Service - Small	NGV	Natural Gas Vehicle
GSL	General Service - Large	IS	Interruptible Service
FT	Firm Transportation	IGS	Incremental Gas Service
DGC	Distributed Generation Commercial		

The Energy Efficiency and Renewable Energy ("EERE") rate is for recovering authorized expenditures related to the energy efficiency and renewable energy programs as approved in BPU Docket Nos. GO09010057 and GR1003.

DETERMINATION OF THE EERE

The Company shall file an annual request with the Board for implementation of an EERE charge, which shall be applicable to customers on all service classifications to which Rider "F" applies. The EERE recovery year is intended to run from October 1<sup>st</sup> to September 30<sup>th</sup> of each year.

**I. Determination of the RateEE**

The EERE rate shall be derived in the following manner:

- (1) An estimate shall be made of the total annual cost related to the EE-programs. This rider will include only expenses for energy efficiency and renewable energy programs approved by the Board in BPU Docket Nos. GO09010057 and GR1003, unless modified further by Board Order.
- (2) An estimate shall be made of the total annual volume of prospective jurisdictional sales of gas (in therms) to NJNG's sales and transportation customers.
- (3) The prospective EE-costs (per paragraph (1)) shall be adjusted upward or downward to the extent of the amount of any prior under-recovery or over-recovery of EE to determine the total EE-costs to be recovered and then shall be divided by the estimated total volume of prospective sales (per paragraph (2)), to determine the per unit EE-cost recovery rate.

Date of Issue: ~~July 22, 2009~~ March 29, 2010  
Issued by: Mark R. Sperduto, Vice President  
~~201009~~

Wall, NJ 07719

Effective for service rendered on  
and after ~~October~~ August 1,

NEW JERSEY NATURAL GAS COMPANY

BPU No. 8 - Gas

~~Second First~~ Revised Sheet No. 173  
Superseding ~~First Revised Original~~ Sheet No. 173

RIDER "F"

ENERGY EFFICIENCY AND RENEWABLE ENERGY - EERE

II. Tracking the Operation of the EERE

The Company shall calculate carrying costs on the average monthly balances of under-or over-recovery of deferred ~~EE~~ costs based upon the Company's monthly commercial paper rate. The carrying cost calculation shall be based on the net of tax beginning and end average monthly balance. The carrying costs shall accrue on a monthly basis and shall be rolled into the ~~EE~~ balance at the end of each EERE recovery year.

In accordance with P.L., 1997 c. 162, the charges applicable under this Rider include provision for the New Jersey Sales and Use Tax ("SUT"), and when billed to customers exempt from this tax, as set forth in Rider "B", shall be reduced by the amount of such tax included therein.

The EERE factor shall be credited/collected on a per therm basis within the Delivery Charge for all service classifications to which Rider "F" applies. The EERE factor is as set forth below:

\$0.0127

Date of Issue: ~~July 22, 2009~~ March 29, 2010  
Issued by: Mark R. Sperduto, Vice President  
~~201009~~  
Wall, NJ 07719

Effective for service rendered on  
and after ~~October~~ August 1,

New Jersey Natural Gas  
RGGI Program  
Projected Bill Impacts

15-Year  
Average

Year 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027

**Revenue Requirement Summary**

Residential Energy Efficiency	\$ 6,743	\$ 9,584	\$ 12,357	\$ 8,039	\$ 7,359	\$ 7,015	\$ 6,670	\$ 6,326	\$ 5,982	\$ 5,637	\$ 3,737	\$ 1,810	\$ 0	\$ 0	\$ 0	\$ 0
Commercial Energy Efficiency	516	833	1,430	1,130	1,081	1,031	981	932	882	832	674	426	-	-	-	-
Access to Affordable Energy	158	239	317	226	216	206	195	185	175	165	107	52	-	-	-	-
Solar	2,410	2,660	2,907	1,027	221	(69)	(51)	(16)	23	39	(761)	(1,488)	(2,139)	(1,928)	(998)	(368)
<b>Total</b>	<b>\$ 9,827</b>	<b>\$ 13,316</b>	<b>\$ 17,012</b>	<b>\$ 10,422</b>	<b>\$ 8,877</b>	<b>\$ 8,182</b>	<b>\$ 7,797</b>	<b>\$ 7,427</b>	<b>\$ 7,062</b>	<b>\$ 6,673</b>	<b>\$ 3,757</b>	<b>\$ 800</b>	<b>\$ (2,139)</b>	<b>\$ (1,928)</b>	<b>\$ (998)</b>	<b>\$ (368)</b>

**Throughput**

679,000 M Therms

**Per Therm Rate Impact**

Residential Energy Efficiency	\$ 0.0089	\$ 0.0141	\$ 0.0182	\$ 0.0118	\$ 0.0108	\$ 0.0103	\$ 0.0098	\$ 0.0093	\$ 0.0088	\$ 0.0083	\$ 0.0055	\$ 0.0027	\$ 0.0000	\$ 0.0000	\$ 0.0000	\$ 0.0000
Commercial Energy Efficiency	0.0008	0.0012	0.0021	0.0017	0.0016	0.0015	0.0014	0.0013	0.0012	0.0012	0.0010	0.0006	-	-	-	-
Access to Affordable Energy	0.0002	0.0004	0.0005	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0002	0.0002	0.0001	-	-	-	-
Solar	0.0035	0.0039	0.0043	0.0015	0.0003	(0.0001)	(0.0001)	(0.0000)	0.0000	0.0001	(0.0011)	(0.0022)	(0.0031)	(0.0028)	(0.0015)	(0.0005)
<b>Total</b>	<b>\$ 0.0145</b>	<b>\$ 0.0196</b>	<b>\$ 0.0251</b>	<b>\$ 0.0153</b>	<b>\$ 0.0131</b>	<b>\$ 0.0121</b>	<b>\$ 0.0115</b>	<b>\$ 0.0109</b>	<b>\$ 0.0104</b>	<b>\$ 0.0098</b>	<b>\$ 0.0055</b>	<b>\$ 0.0012</b>	<b>\$ (0.0031)</b>	<b>\$ (0.0028)</b>	<b>\$ (0.0015)</b>	<b>\$ (0.0005)</b>

**Typical Annual Bill Impacts**

<i>Residential/Non-Heat</i>	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
Annual Therms	\$ 2.89	\$ 3.92	\$ 5.01	\$ 3.07	\$ 2.61	\$ 2.41	\$ 2.30	\$ 2.19	\$ 2.08	\$ 1.97	\$ 1.11	\$ 0.24	\$ (0.63)	\$ (0.57)	\$ (0.29)	\$ (0.11)
Typical Annual Bill Impact	\$ 14.47	\$ 19.61	\$ 25.05	\$ 15.35	\$ 13.07	\$ 12.05	\$ 11.48	\$ 10.94	\$ 10.40	\$ 9.83	\$ 5.53	\$ 1.18	\$ (3.15)	\$ (2.84)	\$ (1.47)	\$ (0.54)
<i>Residential Heat</i>	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Annual Therms	\$ 17.37	\$ 23.53	\$ 30.07	\$ 18.42	\$ 15.69	\$ 14.46	\$ 13.78	\$ 13.13	\$ 12.48	\$ 11.79	\$ 6.64	\$ 1.41	\$ (3.78)	\$ (3.41)	\$ (1.76)	\$ (0.65)
Typical Annual Bill Impact	\$ 217.09	\$ 294.16	\$ 375.81	\$ 230.25	\$ 196.10	\$ 180.76	\$ 172.24	\$ 164.07	\$ 156.00	\$ 147.43	\$ 83.00	\$ 17.68	\$ (47.24)	\$ (42.59)	\$ (22.05)	\$ (8.14)
<i>General Service Small</i>	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Annual Therms	\$ 217.09	\$ 294.16	\$ 375.81	\$ 230.25	\$ 196.10	\$ 180.76	\$ 172.24	\$ 164.07	\$ 156.00	\$ 147.43	\$ 83.00	\$ 17.68	\$ (47.24)	\$ (42.59)	\$ (22.05)	\$ (8.14)
Typical Annual Bill Impact	\$ 1,633.15	\$ 2,177.12	\$ 2,801.19	\$ 1,753.15	\$ 1,470.75	\$ 1,347.75	\$ 1,281.75	\$ 1,221.75	\$ 1,161.75	\$ 1,096.75	\$ 616.75	\$ 126.75	\$ (316.75)	\$ (286.75)	\$ (146.75)	\$ (56.75)
<b>Total</b>	<b>\$ 1,633.15</b>	<b>\$ 2,177.12</b>	<b>\$ 2,801.19</b>	<b>\$ 1,753.15</b>	<b>\$ 1,470.75</b>	<b>\$ 1,347.75</b>	<b>\$ 1,281.75</b>	<b>\$ 1,221.75</b>	<b>\$ 1,161.75</b>	<b>\$ 1,096.75</b>	<b>\$ 616.75</b>	<b>\$ 126.75</b>	<b>\$ (316.75)</b>	<b>\$ (286.75)</b>	<b>\$ (146.75)</b>	<b>\$ (56.75)</b>