

<p style="text-align:center"><b><u>Electric Standard Offer Program</u></b> <b>Procedure No. 360-4</b> <b>Large Industrial and Commercial Project Commitment</b></p>
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**1. Purpose:**

To clarify PSE&G's procedure for determining the Seller's Project commitment to deliver energy savings for Standard Offer Large Industrial and Commercial (Large I&C) Projects.

**2. Description:**

The Seller's commitment to deliver energy savings to PSE&G is determined on the project level. The Project commitment is used to calculate the Project's level of performance. The Project performance level will determine if Replacement Capacity Costs are due. Section 3.05 "Replacement Capacity Costs" of the Standard Offer Agreement, contains further information regarding the specific criteria used to assess whether Replacement Capacity Costs are due and how they are calculated.

Large I&C Standard Offer No. 1 Project commitments are based on the Seller's proposed Summer Prime Period Average Demand Reduction as submitted in the Project Proposal. Projects that have an addendum to the Agreement in the form of a Final Implementation Project Letter (FIPL) will have a Project commitment that is based on energy savings as reported on the FIPL. The energy savings reported on the FIPL represent the audited/verified Summer Prime Period Average Demand Reduction for all Host Facilities that make up the Project. Section 14.08 "Entire Agreement" describes what constitutes the Agreement and how its provisions may be modified, added to, or revised.

Standard Offer No. 2, Large I&C Project commitments are based on the Seller's proposed Summer Prime Period Average Demand Reduction as submitted in the Project Proposal. The Seller's Standard Offer No. 2 Project commitment can be determined by referring to the Project Acceptance Letter (PAL). The security payment amount listed on the PAL divided by the PJM Capacity Deficiency Rate yields the Summer Prime Average Demand Reduction for the Project.

There are two instances when the Seller's Project commitment may change.

- a) After the first full Summer Prime Period, the Seller may propose to renominate the Project commitment upward. This condition is explained in the Agreement under Section 3.03 "Renomination by Seller".
- b) The second instance is when the Seller has incurred Replacement Capacity Costs and has consequently proposed to PSE&G that they would like to pay Additional Replacement Capacity Costs to have their commitment adjusted downward. This is explained in the Agreement under Section 3.05 "Replacement Capacity Costs".

**3. Seller Responsibilities:**

The Seller is responsible for maintaining the contractual committed level of energy savings for each of its Projects. Project performance that is below the contractual committed level may result in the Seller being liable for Replacement Capacity Costs as determined by PSE&G.

If the Seller proposes to either renominate the Project commitment upward or pay Additional Replacement Capacity Costs and adjust it downwards, a written proposal to do so should be submitted to PSE&G with necessary supporting documentation.

#### **4. PSE&G Responsibilities:**

PSE&G will determine the Seller's Large I&C Project commitment as describe above.

The Seller's Project commitment will be used to assess the level of performance for the Project. In the event that the Project performance is below the contractual committed level, PSE&G will determine and submit to the Seller the Replacement Capacity Costs that are due.

PSE&G will review any requests made by the Seller to either renominate upward or pay Additional Replacement Capacity Costs to adjust the Project commitment downward. PSE&G will inform the Seller if the proposal is acceptable or if additional information will be required.

#### **5. Standard Offer Agreement Reference:**

Article III Purchase Price And Payment Conditions

Section 3.01 *Obligations to Sell and Purchase:*

"The delivery of Energy Savings by the Seller to PSE&G shall be in accordance with the Planned Energy Savings by Period and Year as set forth in Section 1, Form 1A of Appendix A".

Section 3.03 *Renomination by Seller:* (renominate upward)

Within thirty (30) days following Seller's receipt of notice of PSE&G's approval of the Energy Savings achieved during the first Summer Prime Period following the Date of Commercial Operation of Host Facility (ies), Seller, upon written notice to PSE&G (date of such notice establishing the "Renomination Date"), shall have the right to renominate upward the Summer Prime Period kWh of Planned Energy Savings"...

Note: There is a slight variation in the wording from Standard Offer No. 1 & No 2. The section above was taken from Standard Offer No. 2.

Section 3.05 *Replacement Capacity Costs:* (Additional Replacement Capacity costs)

"If Seller is a third party Seller (i.e., ESCO), and if subsequent to the Date of Commercial Operation: (1) a Host Facility partially curtails operations or if there is a full or partial breach or termination of any agreement between Seller and a Host and the Seller is not responsible for such breach or termination, and (2) as a result of that event Seller becomes liable for Replacement Capacity Costs, and (3) Seller notifies PSE&G that it cannot reestablish delivery of Energy Savings, which will not be delivered as a result of such event, PSE&G shall relieve Seller of its obligation to provide Energy Savings Equal to the amount of Energy Savings for which Replacement Capacity Costs will be due, upon payment by the Seller to PSE&G of Additional Replacement Capacity Costs equal to the amount that would be due if the deficiency were to continue for two (2) Calendar Years. Upon such payment the obligations of the parties with respect to delivery and acceptance of Energy Savings under this Agreement shall be adjusted accordingly. Such payment shall be in addition to any Replacement Capacity Costs incurred prior to the date on which payment is made of additional Replacement Capacity Costs to PSE&G."

Article XIV Miscellaneous

Section 14.08 *Entire Agreement:*

"This Agreement constitutes the entire Agreement between the parties with respect to the matters contained herein and all prior agreements, negotiations, either written or oral with respect thereto are superseded hereby. All additions, amendments or modifications hereof shall be in writing and duly executed by both parties hereto."

**Approved By:**

**Date:**

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Thirza Jacobus  
Manager – Demand Side Management