PSE&G Solar Loan Program
Residential Segment
Terms & Conditions Sheet
READ BEFORE COMPLETING APPLICATION

This Terms and Conditions Sheet is a non-exhaustive list of eligibility requirements and other helpful information about the PSE&G Solar Loan Program. PSE&G strongly recommends that you read it carefully before proceeding with any solar electric system installation (or "project") and before submitting a Program application. All applications are subject to the "Program Rules and Application Process" (the "Rules") which can be found at the PSE&G Solar Loan Program website at www.pseg.com/solarloan. Applicants must comply with the Rules and are subject to PSE&G's eligibility requirements, including, without limitation, satisfying PSE&G's credit review.

When submitting an application, the applicant will certify that the applicant and the solar electric system meet the eligibility requirements of the Rules. Once a project is accepted by PSE&G for a loan, the applicant will receive a commitment letter. The applicant will be required to acknowledge their intent to proceed with the project and to access the loan. As part of this acknowledgement, the applicant will be required to countersign a copy of the commitment letter and return it to PSE&G, along with a copy of these Terms and Conditions with the applicant's initials appearing on each page, signifying that the applicant has read and understands them.

Program Overview

1. PSE&G will lend money directly to residential customers in single family homes for the installation of solar photovoltaic equipment for the generation of electricity to be consumed at the homes.

2. Solar thermal energy systems are not eligible for this financing.
3. Term of the loan is 10 years
4. Interest rate is 6.5%
5. Borrowers will be required to sign a Loan Agreement, Promissory Note, Security Agreement and related documents at loan closing. Copies of these documents can be found at *www.pseg.com/solarloan*

6. Collateral security for the loan will be the project equipment and related project documents. This is fully described in Section 2.01 of the Security Agreement that can be found at the website referenced in item 5 above. Although PSE&G will be financing only a portion of the project cost (typically between 40% and 60%), by signing the Security Agreement, the Borrower will be pledging the entire solar electric system as collateral for the full 10 years of the loan.

Borrower's Initials: _____

7. The amount that can be borrowed is a function of the installed cost, the expected output of the solar electric system, the 10-year period and the interest rate. For example, for a residential system of 7 kW that costs $58,000, the PSE&G loan will cover about 42% of the project cost. This also assumes that the system is generating electricity 12% of the time during the year. The expected output from the system creates SRECs over the 10-year period, which is used to repay the loan.

8. The Borrower will provide the remainder of the funds required to complete the installation.

9. The loan can be paid back in Solar Renewable Energy Certificates (SRECs) created by operation of the project, or in cash.

10. PSE&G will have the right to purchase the SRECs that the system generates for the full 10-year period even if the loan is paid off early. The Loan Agreement contains a provision for PSE&G to exercise a "call option" which allows PSE&G to purchase the system's SRECs at a reduced price (see items 43 and 44 below).

11. At the end of the 10^{th} year, the owner will have all rights to the remaining 5 years of SREC qualification life.

12. Solar electric systems must be installed with the provision for a second electric meter which PSE&G will provide at the Borrower's expense. A typical residential electric meter will cost the Borrower about $260. However, the cost will depend on the nature of the actual installation.

13. PSE&G will provide the loan funds to the Borrower after the system is operating and has passed an inspection conducted by the NJ Office of Clean Energy.

14. The solar project must be eligible for "net metering". Net Metering is a metering option that credits customers with solar systems or other renewable generators for each kilowatt-hour produced over the course of a year. The customer is compensated by PSE&G at the end of the year for any remaining credits or excess power it will have provided to the grid.

15. The project must be installed within PSE&G's service territory at a customer location that receives (or will receive for new construction) electric distribution service from PSE&G.

16. The project cannot be affixed to the residence in such a way for it to be considered a fixture as defined under the Uniform Commercial Code. This means that the system must be easily removable and that it is not considered part of the house that could be mortgaged.

Selecting an Equipment Provider

17. Applicants must select a solar equipment provider and must enter into an agreement with the equipment provider for purposes of designing, purchasing, and installing a solar electric system at the Applicant's residence. This agreement must be submitted with the Borrower's application.

18. PSE&G will not make recommendations regarding the equipment provider.

19. Homeowners may obtain a listing of all such providers from New Jersey's Clean Energy Program (NJCEP) website: *www.njcleanenergy.com/renewable-energy/programs/core-rebate-program/find-vendor/find-vendor*

20. Homeowners may wish to obtain multiple quotes and check references with the Better Business Bureau (*www.bbb.org*)..

Application Process

21. Loan Applicants must submit to a credit review. If the home on which the solar equipment is to be installed is owned by more than one individual, the loan application must be in the name of all owners. If more than one owner is involved, separate credit assessments will be conducted for each individual owner.

22. All Applicants must have an Experian FICO score of at least 720.

23. This minimum credit score must be maintained between approval and loan closing.

24. The PSE&G customer of record of the property on which the solar equipment is being installed, must be a customer in good standing with respect to payment of energy bills.

25. PSE&G must have a first priority security interest in the solar equipment.

26. Applicants will be asked to disclose the existence of any liens in the application process. PSE&G will conduct a lien search immediately prior to loan closing.

27. Applicants cannot have had any bankruptcy filing within the last three years.

28. Applications must be submitted on forms provided by PSE&G. These forms may require specific project information to be submitted electronically and/or entered on a web site.

29. An application fee is required. Applicants must pay $10.00 per installed kW. For an average residential system that is 7 kW, the application fee would be $70. Checks must be made payable to PSE&G.

30. PSE&G will retain the application fee for projects that are rejected for any reason other than that the residential program segment is fully-subscribed.

31. Incomplete applications will be given thirty days to rectify any missing or incomplete information before being returned by PSE&G.

32. Applications received after the residential program segment has been fully subscribed will be returned along with the application fee.

33. Applications must be mailed to PSE&G and will be reviewed in the order that they are received.

34. At its sole discretion and after reasonable notice to the Borrower, PSE&G may conduct inspections before, during and after the solar project is constructed.

Repayment of the Loan

35. The full amount of the loan and all interest is payable in periodic installments according to the schedule that will be established in the Promissory Note.

36. The loan and accrued interest can be repaid in SRECs created by operation of the project, or in cash.

37. If SRECs are used for repayment, the Borrower must establish and maintain an account with the NJCEP SREC Program Administrator and provide PSE&G access to the account. Alternatively, the Borrower can sign a release authorizing PSE&G to automatically aggregate the SRECS for the Borrower's SREC account.

    To establish an account with the NJCEP SREC program, go to the following website:
    http://www.njcleanenergy.com/renewable-energy/programs/solar-renewable-energy-certificates-srec/new-jersey-solar-renewable-energy

38. One SREC is created when 1,000 kWh of electricity is generated from your solar electric system. Only whole SRECs can be used to repay loans, meaning that a repayment of the loan occurs for every 1,000 kWh of electricity generated.

39. For repayment purposes, PSE&G will value the SRECs at the higher of $475 per SREC, or market value.

40. Market value will be established from the average monthly cumulative weighted price of SRECs as published on the NJCEP website bulletin board during the calendar month preceding the month of repayment of the outstanding balance of the Loan and accrued interest. This website can be found at:

    http://www.njcleanenergy.com/renewable-energy/programs/solar-renewable-energy-certificates-srec/pricing/pricing

41. All loan payments, whether in SRECs or cash, will be first applied to the payment of accrued interest, then to the repayment of principal of the loan.

42. At the end of each contract year, if there is a shortfall in the amount due from the Borrower to satisfy repayment obligations, the Borrower will be required to repay the difference in cash based on true-up requirements contained in the Loan Agreement. See Attachment 1 below for an explanation of the true-up requirements.

43. The Borrower may pay all or a portion of the outstanding amount of the loan and accrued interest at any time prior to the end of the loan term by paying cash and/or SRECs. Any prepayments will be applied to the actual loan balance. There is no prepayment penalty assessed to the Borrower for paying off the loan and accrued interest prior to the end of the loan term.

44. If loans are paid off early, PSE&G retains the right to purchase SRECs from the Borrower through a "call" option. The call option price is 75% of the current market value of SRECs as described in item 40.

System Maintenance

45. The Borrower must maintain the solar equipment in good operating condition and repair. Ordinary wear and tear is acceptable.

Insurance

46. The Borrower must maintain liability insurance on the project equipment under a homeowner's insurance policy in the amount of at least $300,000 per occurrence and $1,000,000 annual aggregate.

47. The Borrower must also maintain property insurance coverage under a homeowner's policy covering at a minimum the full replacement costs of the project, with a $500 per occurrence deductible.

48. PSE&G must be named as an additional insured and loss payee under such a policy.

49. The policy(s) must be issued by one or more nationally-known underwriters with an A.M. Best rating of "A-/VII" or better.

50. The Borrower shall provide PSE&G with Certificates of Insurance acceptable to it evidencing the policies, provisions and endorsements within ten (10) calendar days after they have been obtained, and, upon request of PSE&G, on an annual basis thereafter.

Loan Defaults

51. The loan may be in default if certain events occur, e.g., for failure to make payments due under the loan. These events are described in Section 11 of the Loan Agreement, which can be found on PSE&G's website at: *www.pseg.com/solarloan*

52. PSE&G considers removal of the solar equipment as a last option for a loan that goes into default. However, should all other remedies be exhausted, PSE&G has the right, after notice to the Borrower, to come onto the Borrower's property to remove the equipment and sell it.

53. If PSE&G removes the solar equipment, PSE&G will stabilize the section of the roof affected by the equipment removal to prevent leakage at the time of the removal. Within seven calendar days of equipment removal, PSE&G will restore the roof of the property in a workman like fashion to ensure that the stabilized area of the roof reflects the general condition of the portions of the roof not affected by the equipment removal.

Sale of the Home

54. As a general matter, the Borrower must repay the loan upon the sale of the home. The purchaser of the home may be permitted to assume the loan if the purchaser meets PSE&G's credit requirements and agrees to accept the terms and conditions of the Loan Agreement.

Attachment 1 – True-Up Requirements

Background

The Borrower in PSE&G's Solar Loan program is required to pay off the loan according to a pre-defined Loan Amortization Schedule, which is shown in Schedule F of the Loan Agreement. The scheduled loan payments are based on an estimate of the kWh that the solar electric system is projected to be generate. The actual kWh output of any solar project will vary with, for example, the amount of sunshine and the amount of clouds. PSE&G's Solar Loan Program includes an annual and biennial true-up process to prevent the need for a large payment being due at the end of the loan if a project does not produce the expected amount of kWh needed to generate SRECs to repay the loan. These true-ups are intended to periodically reconcile the Actual Loan Balance to the original Loan Amortization Schedule.

(i) Annual True-Up. Lender will perform a true-up at the end of every Contract Year ("Annual True-Up") by calculating the total payments made that Contract Year (Actual Payments) compared with ninety percent (90%) of the total payments due according to the Loan Amortization Schedule ("90% Amount"). Within sixty (60) calendar days from receipt of written notice from Lender, Borrower will pay PSE&G in cash an amount equal to the positive difference, if any, between the 90% Amount *minus* the Actual Payments. This amount will be deducted from the Actual Loan Balance; and

(ii) Biennial True-Up. In addition to performing the Annual True-Up for each Contract Year, PSE&G will also perform a biennial true-up, the first occurring at the end of the second Contract Year and then every two Contract Years thereafter. PSE&G will calculate the Actual Loan Balance at the end of the second Contract Year (after including any payment made under the Annual True-Up) and compare it with the Scheduled Loan Balance. Within sixty (60) calendar days from receipt of written notice from Lender, Borrower will pay in cash an amount equal to the positive difference, if any, between the Actual Loan Balance *minus* the Scheduled Loan Balance. This amount will then be deducted from the Actual Loan Balance.

The two scenarios discussed below illustrate the dollar impacts of these true-ups.

Original Projection

For these scenarios, we will use a residential installation of 7 kW. The PSE&G loan amount for this 7 kW project is $27,674. The Loan Amortization Schedule from Exhibit F in the Loan Agreement will provide the scheduled loan balance and the scheduled loan payments from the sale of SRECs that are used in the annual and biennial true-ups.

Scenario 1

In scenario 1, assume the project under-performed by generating 2 less SRECs than expected in Year 3 and over-performed by generating 1 additional SREC in year 4. This scenario might occur in a year with heavy clouds followed by a year with more sunshine than usual. The effect on the PSE&G Loan is as follows:

- In Year 3, an annual true-up shows that only 6 of the estimated 8 SRECs were actually generated. The Scheduled Payments for the year totaled $3,800, but the Actual Payments were only $2,850 due to the system under-performance. The Annual True-Up payment due to PSE&G is 90% of $3,800 (or $3,420) minus $2,850, which is $570. The $570 true-up payment reduces the Actual Loan Balance.
- In Year 4, the annual and biennial true-up results are:
    - Annual True-Up: Since the system over-performed that year by generating 1 extra SREC, the Scheduled Payments of $3,800 is less than the Actual Payments of $4,275, and so no annual true-up payment is due.
    - Biennial True-Up: At the end of Year 4, the Actual Loan Balance is $19,184, and the Scheduled Loan Balance is $19,208, so no biennial true-up payment is due.

Scenario 1 of 7kW Solar Project – Annual and Biennial True-up

Scenario #1	Performance in SRECs	Scheduled Payments	Actual Payments	90% Amnt	**Annual True-up Payment**	Scheduled Balance	Actual Balance	**Biennial True-up Payment**	**Pmt Total**
Year 3	-2	$3,800	$2,850	$3,420	$570	n/a	n/a	n/a	n/a
Year 4	+1	$3,800	$4,275	n/a	$0.00	$19,208	$19,184	$0.00	$0.00

Scenario 2

In scenario 2, assume the project under-performed by one SREC in both Year 3 and Year 4. This scenario might occur if a system was not repaired by the Borrower during the two year period. The affect on the PSE&G Loan is as follows (and also shown on the graphs below):

- In Year 3, the annual true-up shows that only 7 of the estimated 8 SRECs were actually generated. The Scheduled Payments for the year totaled $3,800, but the Actual Payments totaled $3,325 due to the system under-performance. The annual true-up payment due to PSE&G is 90% of $3,800 (or $3,420) minus $3,325, which is $95. The $95 true-up payment reduces the Actual Loan Balance.

- In Year 4, the annual and biennial true-up results are:
    - Annual True-Up: In Year 4, the system again generated one less SREC than was expected. As in the prior year, the annual true-up payment due is $95.
    - Biennial True-Up: At the end of Year 4, the Scheduled Loan Balance is $19,208, and the Actual Loan Balance is $20,120, due to system under-performance in the last two years. The biennial true-up payment due to PSE&G is $20,120, minus $95 for the Annual True-Up, minus $19,208, which is $817.
    - The total payment due to PSE&G is the sum of the Annual True-Up ($95) and the Biennial True-Up ($817), for a grand total of $912.

Scenario 2 of 7kW Solar Project – Annual and Biennial True-up

Scenario #2	Performance in SRECs	Scheduled Payments	Actual Payments	90% Amnt	**Annual True-up Payment**	Scheduled Balance	Actual Balance	**Biennial True-up Payment**	**Pmt Total**
Year 3	-1	$3,800	$3,325	$3,420	$95	n/a	n/a	n/a	n/a
Year 4	-1	$3,800	$3,325	$3,420	$95	$19,208	$20,120	$817	$912

Summary

The two scenarios illustrate that a reduction in kWh output may result in payments being due from the Borrower. The amount of the payment due is directly related to the solar electric system performance as compared with the original projections.