

Electric Standard Offer Program

Procedure No. 360-3

Partial Curtailment or Termination of Standard Offer Agreement by Seller

1. Purpose:

To clarify PSE&Gs' procedure when the Seller is unable to continue delivery of part or all of the energy savings for a Host Facility and proposes to either adjust or terminate their Standard Offer Agreement.

2. Description:

In cases where the Seller is liable for Replacement Capacity Costs and is no longer able to deliver part or all of energy savings for a Host Facility, the Seller if they so choose can pay "Additional Replacement Capacity Costs". The Additional Replacement Capacity Cost will equal the payment amount that would be due if the amount of energy savings specified by the Seller were not delivered for two years. Replacement Capacity Costs incurred prior to receipt of Additional Replacement Capacity Costs payment will still be due by the Seller.

Once payment of Additional Replacement Capacity Costs are received, payment and purchase obligations for the Seller and PSE&G will be adjusted.

Under Standard Offer No. 1, the option to pay Additional Replacement Capacity Costs is applicable to all "Sellers". Under Standard Offer No. 2, the option to pay Additional Replacement Capacity Costs is identified as applying to "...third party Seller (i.e., ESCO)". It is PSE&G's position that the option to pay Additional Replacement Capacity Costs applies to both third party Sellers (ESCOs) and to Sellers who are Customers.

3. Seller Responsibilities:

The Seller will notify PSEG in writing that it can not reestablish delivery of part or all of a Host Facility's committed energy savings. The notice should include a detailed description of the cause of the decrease in the delivery of energy savings. The Seller must specify how much they propose to decrease the delivery of energy savings by. PSE&G will determine the Additional Replacement Capacity Costs that will be due based on the proposed adjustment amount.

The Seller will pay Additional Replacement Capacity Costs as determined by PSE&G.

The Seller will pay any outstanding fees or costs that have been incurred prior to payment of Additional Replacement Capacity Costs. This includes Replacement Capacity Costs incurred up to receipt of the Additional Replacement Capacity Costs payment.

4. PSE&G Responsibilities:

PSE&G will review the Seller's written request to either adjust or terminate a Host Facility's agreement to deliver energy savings. PSE&G will calculate what the Additional Replacement Capacity Costs are that the Seller must pay in order to adjust or terminate the agreement to deliver energy savings.

PSE&G will calculate and submit to the Seller, all Replacement Capacity Costs incurred up to the date of receipt of the Additional Replacement Capacity Cost payment.

PSE&G will submit to the Seller, all other costs that are owed by the Seller to PSE&G up to the date of receipt of the Additional Replacement Capacity Cost payment.

PSE&G will adjust the payment and purchase obligation as defined in the original Agreement once Additional Replacement Capacity Cost payment has been received.

Additional Replacement Capacity Costs will be calculated based on the Seller's proposed decrease in delivery of energy savings for the Host Facility. For example:

Replacement Capacity Cost Calculation

- A Host Facility's commitment is 100 kW Summer Prime Average Demand Reduction for a given year. The Host Facility achieves 60 kW Summer Prime Average Demand Reduction. The Performance Factor is calculated to be .60 for the Host Facility that results in the Seller being liable for Replacement Capacity Costs. The years Replacement Capacity Costs are calculated to be:

$$\text{Replacement Capacity Costs} = (.8 - .6) \times 100 \text{ kW} \times \text{PJM Rate}$$

Additional Replacement Capacity Costs

- The Seller notifies PSE&G that they are no longer able to achieve 100 kW of Host Facility's Summer Prime Average Demand Reduction. The Seller proposes adjusting the Host Facility's commitment by 25 kW and paying the Additional Replacement Capacity Costs to avoid being liable for future Replacement Capacity Costs.
- PSE&G calculates the Additional Replacement Capacity Costs based on 25 kW.

$$25 \text{ kW} \times \text{PJM Rate for 1}^{\text{st}} \text{ year} = \text{Replacement Capacity Cost}$$

$$25 \text{ kW} \times \text{PJM Rate for 2}^{\text{nd}} \text{ year} = \text{Replacement Capacity Cost}$$

$$\text{Additional Replacement Capacity Costs} =$$

$$(\text{Replacement Capacity Cost Year 1} + \text{Replacement Capacity Cost Year 2})$$

Project Commitment is adjusted:

- Once PSE&G receives the Additional Replacement Capacity Cost payment the Host Facility's commitment will be adjusted to 75 kW Summer Prime Average Demand Reduction.

5. Standard Offer Agreement Reference:

Section 3.05 *Replacement Capacity Costs* in the Standard Offer No. 1 and No. 2 Agreements were used to develop this procedure. In Standard Offer No. 1, the last paragraph in the section states that:

“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 according. 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.”

In Standard Offer No. 2, the last paragraph in the section states that:

“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 according. 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.”

Approved By:

Date:

Thirza Jacobus
Manager – Demand Side Management