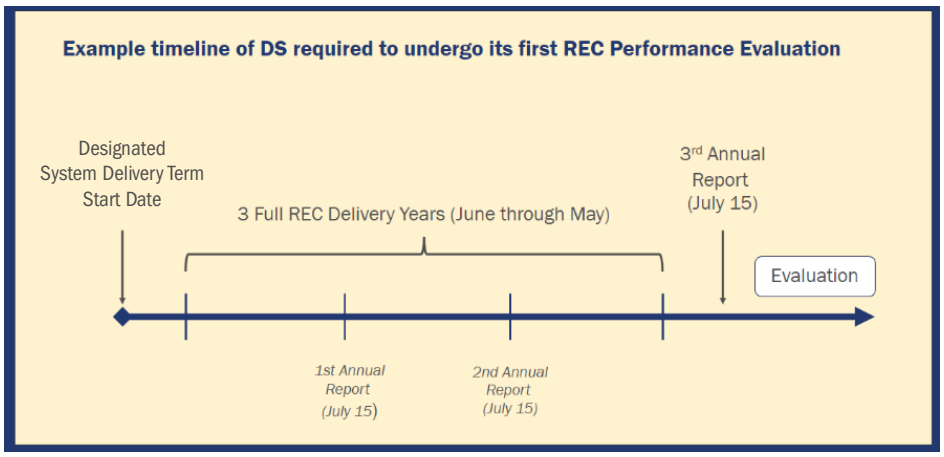
REC PERFORMANCE EVALUATION
2019 REC DELIVERY CONTRACT

Contract payment terms vary based on the REC Delivery Contract (see Section 8 of the Program Guidebook for additional details on invoicing and payment schedules). A REC Performance Evaluation, which is performed by the Program Administrator in consultation with the Contracting Utility, can result in a possible Drawdown on an Approved Vendor's Performance Assurance (or collateral). This REC Performance Evaluation helps ensure that RECs will be delivered over the full term of the contract. The REC Performance Evaluation occurs three full delivery years after the start of a system's Delivery Term. The Delivery Term starts the first day of the month following the date of first REC delivery.



Overview

- Each year in July, Approved Vendors will review REC Deliveries for all systems under a given REC Contract during the Annual Report process. The Annual Report is required to be submitted in July, with time for curing in the following months, ultimately all issues or discrepancies must be cured by October.
- The Program Administrator completes the REC Performance Evaluation using finalized Annual Report data and forwards results to the IPA and Contracting Utility for further action including acting on any required Drawdowns on performance assurance/collateral.
- REC Performance Evaluations will commence in the fall, after Annual Report cures are complete, and must be completed by November 15.
- Calculations are performed on a portfolio basis for all Designated Systems within the REC Contract, across all Product Orders. If an Approved Vendor has multiple REC Contracts, there will be multiple REC Performance Evaluations completed.
- The evaluation compares a three-year average of REC values for each Designated System under a contract to an expected value for REC delivery in the most recent Delivery Year. The expected REC delivery value comes from the Delivery Schedule in the Schedule B.
    - A REC "Surplus" occurs when the average delivery value for RECs exceeds the expected REC value.
    - A REC "Deficit" occurs when the average delivery value for RECs is lower than the expected REC value.
- There are two exceptions to the general procedure:

1. The expected REC delivery value for a Designated System from the prior year is used in lieu of the actual delivery value in the three-year average where (a) a Deficit had been calculated for the prior year, and (b) this Deficit was zeroed-out by either Surplus RECs or a Drawdown.

2. The Designated System is a Community Solar project undergoing its first performance evaluation – in this case a two-year average may be used in lieu of the three-year average if it returns better results for the Approved Vendor.

Outcome

3. After determining the REC Surplus or Deficit for each Designated System under a contract, a Drawdown on Performance Assurance/collateral (if required) will be calculated.
    - If the Drawdown amount is less than $5,000, no Drawdown on Performance Assurance/collateral will take place. Instead, the Program Administrator will track the Drawdown amount and it will be added to the Drawdown amount for the next year.
    - If the Drawdown is $5,000 or more, the Contracting Utility will notify the Approved Vendor of the Drawdown amount. The Contracting Utility will then draw upon the Approved Vendor's Performance Assurance/collateral in the amount of the Drawdown.

Example Calculation

1. Calculate a Three-year Rolling Average of REC Deliveries using Annual Reports.

Designated System ID	Class (DG or CS)	DY 1 RECs Delivered	DY 2 RECs Delivered	DY 3 RECS Delivered	Rolling 3-yr Avg (DY REC Performance) [Round Down]
1	DG	100	105	97	100
2	DG	103	107	100	103
3	DG	90	103	99	93
4	DG	105	109	102	105
5	CS	2,420	2,420	2,270	2,345*
6	CS	2,300	2,390	2,000	2,230

*Here the two year average is used

2. To calculate the REC Surplus or Shortfall for each Designated System, subtract the delivery year Expected REC Quantity from the Three-year Rolling Average.

Designated System ID	Class (DG or CS)	Rolling 3-yr Avg (DY REC Performance)	DY Expected REC Quantity	REC Surplus	REC Shortfall
1	DG	100	100	0	
2	DG	103	100	3	
3	DG	93	100		(7)
4	DG	105	100	5	
5	CS	2,345	2,300	45	
6	CS	2,230	2,300		(70)
			Totals	53	(77)

- REC Expected Quantities are available in the Schedule B to Exhibit A associated with the Designated System.
- Evaluations are performed only after the system has delivered RECs for three complete delivery years. This means that for many Designed Systems, the fourth year in the Schedule B will be used for the Evaluation.
- See Exhibit G: Surplus RECs and Drawdown Payments.

3. Assign REC Surplus to Designated Systems with Shortfalls.

Designated System ID	Class (DG or CS)	REC Price	REC Shortfall	REC Surplus Assigned	Net REC Shortfall	Drawdown Payment [REC Price * Net RECs]
1	DG					
2	DG					
3	DG	$70	(7)	7	0	($0)
4	DG					
5	CS					
6	CS	$80	(70)	46	(24)	($1,920)
		Totals	(77)	53*	(24)	($1,920)

*If the REC Surplus had been greater than the REC Shortfall, there would have been a net Surplus to carry forward to next year.

- REC Surplus = Current REC Surplus + Previous Year's Surplus
- (In this hypothetical, there is no Previous Year's Surplus)
- REC Surplus = 51
- Surplus assigned in order of the lowest REC Price

Keep In Mind

- RECs must be delivered to Contracting Utility by the end of the last day of the delivery year (May 31) to be applied to that Delivery Year. RECs delivered after this date will count toward the following year's REC Deliveries.
- Late delivery of RECs may result in a lower REC delivery total for a year, and result in a Drawdown on the Performance Assurance.

Community Solar Considerations

- For projects on the 2019 REC Delivery Contract, the REC Performance Evaluation will use the Schedule B issued after the fourth Quarterly Report (or the final Schedule B issued during the first year of Energization if there was no Schedule B issued after the fourth Quarterly Report).

Resources

See *Exhibit G: Surplus RECs and Drawdown Payments Example* of the 2019 REC Delivery Contract [Posted: 28 January 2019]