Attachment 14

Levelized Net OREC Cost Calculation

Nominal LNOC for a project *p* is $PVANC_p$ divided by $PVAQ_p^n$, where PVANC is the Present Value of Annual Net Cost, discounted at the nominal discount rate, *NDR*, and $PVAQ_p^n$ is the Present Value of Annual OREC Quantity, discounted at the nominal discount rate. Annual Net Cost and Annual OREC Quantity are discounted to 2024 from the first OREC contract delivery year, *yf*, to the last delivery year, *yl*.

$$LNOC_p^n = PVANC_p \div PVAQ_p^n$$

$$PVANC_p = \sum_{y=yf}^{yl} \left(OP_{y,p} - ER_{y,p} - CR_{y,p} - RR_{y,p}\right) \div (1 + NDR)^{(y-2024)}$$

$$PVAQ_p^n = \sum_{y=yf}^{yl} OQ_{y,p} \div (1 + NDR)^{(y-2024)}$$

Real LNOC for a project *p* is $PVANC_p$ divided by $PVAQ_p^r$, where $PVAQ_p^r$ is the Present Value of Annual OREC Quantity, discounted at the real discount rate, *RDR*.

$$LNOC_p^r = PVANC_p \div PVAQ_p^r$$

$$PVAQ_p^r = \sum_{y=yf}^{yl} OQ_{y,p} \div (1 + RDR)^{(y-2024)}$$

$$RDR = (1 + NDR) \div (1 + InflationRate) - 1$$

$OQ_{y,p}$ is the total OREC quantity (MWh) for project p in calendar year *y*:

$$OQ_{y,p} = \sum_{m=1}^{12} MOQ_{m,y,p}$$

$MOQ_{m,y,p}$ is the monthly OREC quantity (MWh) for project *p* in month *m* of calendar year *y*:

$$MOQ_{m,y,p} = \sum_{d=1}^{DIM_{m,y}} \sum_{h=1}^{24} HOQ_{h,d,m,y,p}$$

$HOQ_{h,d,m,y,p}$ is the hourly OREC quantity (MWh) for hour *h* of day *d* of month *m* of calendar year *y* for project *p*, and $DIM_{m,y}$ is the number of days in month m of calendar year *y*.

$OP_{y,p}$ is the OREC Payment amount for project *p* in calendar year *y*:

$$OP_{y,p} = \sum_{m=1}^{12} MOQ_{m,y,p} \times OBP_{m,y,p}$$

$OBP_{m,y,p}$ is the OREC bid price of the energy year applicable to month *m* of calendar year *y* for project *p*. It may be adjusted for transmission system upgrade cost sharing if appropriate.

$ER_{y,p}$ is the annual market energy revenue for project *p* in calendar year *y*.

$HEP_{h,d,m,y,l}$ is the hourly market energy price ($/MWh) in hour *h* of day *d* of month *m* in calendar year *y* at location *l*, where location *l* is determined by the project interconnection point.

$$ER_{y.p} = \sum_{m=1}^{12} \sum_{d=1}^{DIM_{m,y}} \sum_{h=1}^{24} HOQ_{h,d,m,y,p} \times HEP_{h,d,m,y,l}$$

$CR_{y,p}$ is the annual market capacity revenue for project *p* in calendar year *y*.

$$CR_{y,p} = \sum_{m=1}^{12} UCAP_{m,y,p} \times DIM_{m,y} \times PC_{m,y.l}$$

$UCAP_{m,y,p}$ is the amount of project *p* UCAP recognized by PJM for month *m* of calendar year *y* (MW).

$PC_{m,y,l}$ is the PJM capacity price applicable to the project location *l* for month *m* of calendar year *y* ($/MW-day).

$RR_{y,p}$ is the annual market REC revenue (avoided cost) for project *p* in calendar year *y*.

RP_y is the New Jersey Class I REC price ($/MWh) for calendar year *y*.

$$RR_{y,p} = RP_y \times OQ_{y,p}$$

To compare portfolios of projects with roughly the same total nominal capacity, first the present value measures $PVANC_p$, $PVAQ_p^n$, and $PVAQ_p^r$ are summed for the *np* included projects. Then, portfolio nominal and real LNOC, and are calculated for each portfolio in the same manner as for individual projects:

$$PLNOC^n = \sum_{p=1}^{np} PVANC_p \div \sum_{p=1}^{np} PVAQ_p^n$$

$$PLNOC^r = \sum_{p=1}^{np} PVANC_p \div \sum_{p=1}^{np} PVAQ_p^r$$