SIGNATURE PAGE
P-31-2022

To the Monmouth County Board of County Commissioners:

THE UNDERSIGNED HEREBY DECLARES THAT I (WE) HAVE CAREFULLY EXAMINED THE SPECIFICATIONS. I (WE) HEREBY CERTIFY PRICES QUOTED ARE IN ACCORDANCE WITH YOUR REQUIREMENTS.

Company Name: New Jersey Natural Gas Company
(PRINT)

Preparer's Name: Mark G. Kahrer
(PRINT)

Signature:

7/26/2022

Address: 1415 Wyckoff Rd.
Wall, NJ 07719

Telephone No.: (732)938-1214

Fax No.: (732) 938-2620

E-Mail Address: MKahrer@NJNG.com

*****(This should be the email where Contracts would be sent)*****

Contact Person: Justin Bates, JBates@NJNG.com, [redacted]

FEIN: [redacted]
(Federal Employee ID)

(Revised 2/2017)

222148329v6

Proposal Overview

Table 2 summarizes NJNG's three revenue-sharing proposals, including the relative risk of each one. A more detailed explanation follows.

Table 2: NJNG Proposal Summary to Monmouth County

Item	Proposal 1- RIN Revenue Sharing	Proposal 2- Gross Revenue Sharing	Proposal 3- Indexed Gas and RIN Revenue Sharing
Risk	High	Medium	Low
Lease Payment	$100 Per Year	$100 Per Year	$100,000 Per Year
Product Gas Payment	$0/MMBTU	Based on $3/MMBTU as required by the county for this analysis	75% of Tetco M2 with $2.00/MMBTU minimum payment
County's Share	25% of RIN Revenue	20% of Gross Revenue	10% of RIN Revenue
1st Year County Revenue*	$4,700,000	$4,100,000	$3,900,000
20 Year County Revenue*	$93,000,000	$82,000,000	$83,200,000
Minimum 20 Year County Revenue*	$2,000	$9,000,000	$46,000,000

* All revenue figures are based on an annual estimated product gas volume of nearly 747,000 MMBTUS/Year. The revenue figures are based on a $2.50 rin value over the 20 year term. RIN value is fully dependent on market behavior and at risk.

**Minimum 20 year county revenue only includes the lease payment in the event that rins lose their value completely

New Jersey Natural Gas

Table 3: Scenarios for County Revenue vs. RIN Volatility Outlook: 20-Year Totals

	Proposal 1- RIN Revenue Sharing	Proposal 2- Gross Revenue Sharing	Proposal 3- 75% Indexed Gas & RIN Revenue Sharing
SHARE PERCENTAGE	25%	20%	10%
RIN PRICE SCENARIO #1 $2.50: YEAR 1-20	$93,000,000	$82,000,000	$83,000,000
RIN PRICE SCENARIO #2 $2.50: YEAR 1-2 $2.00: YEAR 3-5 $1.00: YEAR 5-20	$48,000,000	$46,000,000	$65,000,000
RIN PRICE SCENARIO #3 $2.00: YEAR 1-2 $1.00: YEAR 3-5 $0.50: YEAR 5-10 $0.00: YEAR 10-20	$18,000,000	$22,000,000	$52,000,000

*The above revenue figures are rounded to the nearest million.

Table 3, above, depicts the 20-year payout to the County under varying RIN Price Scenarios. What is clearly evident is that NJNG's Proposal 3, in which revenues paid to the County will include (i) a percentage of gas prices with a minimum payment price, (ii) RIN sharing of 10% percent and (iii) a Lease Payment, provides a more stable and certain revenue stream for the County. The combined payments to the County ensure that there is a minimum payment to the County throughout the term of the contract so long as gas flows to the RNG Plant. Under a RIN Sharing or Gross Revenues Sharing payment, the County will be exposed to adverse market or legislative forces that may negatively affect RIN prices, and subsequently revenues could be severely and adversely impacted.

PROPOSAL #1 APPROACH – RIN REVENUE SHARING

NJNG's first proposal to the County is a RIN revenue sharing model. NJNG will share:

- 25% of the revenues from RIN sales
- $100/year lease payment

Proposal #1 to the County is a RIN revenue sharing model. NJNG will share 25% of the revenues from RIN sales with the County. The County will also receive a $100/year lease payment. This option could provide the county with a strong revenue stream if the RIN market remains elevated however given the volatility of this market also comes with significant downside for the County. There are no fixed or guaranteed revenues associated with this structure and revenues are directly related to the strength of the RIN market for the term of the Project.

Table 4: NJNG Proposal #1 Approach Summary to Monmouth County

Item	Proposal #1 – RIN Revenue Sharing
Risk	High
Lease Payment	$100 Per Year
Product Gas Payment	$0/MMBTU
County' Share	25% of RIN Revenue
1st Year County Revenue*	$4,700,000
20 Year County Revenue*	$93,000,000
Minimum 20 Year County Revenue*	$2,000

*All revenue figures are based on an annual estimated product gas volume of nearly 747,000 MMBTUS/YEAR. The revenue figures are based on a $2.50 rin value over the 20 year term. rin value is fully dependent on market behavior and at risk.

**Minimum 20 year county revenue only includes the lease payment in the event that rins lose their value completely

NJNG Proposal #1
RIN Revenue Sharing

ECONOMIC BENEFITS SUMMARY FORM

Vendor SHALL COMPLETE AND RETURN WITH PART B OF PROPOSAL

Vendor must complete this form without making any alterations to its format. Fill in values where appropriate and circle appropriate answers as indicated. Attach more information as necessary to fully explain the economic benefits of your proposal.

Vendor COMPANY NAME: New Jersey Natural Gas Company

LFG To RNG facility capacity proposed at initial installation: 3500 scfm

(in units of raw inlet LFG flow (scfm). Need not equal LFG available at installation)

Proposal Option #1

Description: Vendor 100% owns, permits, designs, builds, operates, maintains, negotiates with end users and RIN purchasers, etc. for the LFG to RNG facility, for 20 years utilizing excess LFG from the MCRC and operating on a leased portion of County land. Vendor acknowledges that Vendor will assume all costs, labor, and equipment to design, permit, construct, and operate Vendor's facility. In return, the Vendor shares a royalty with the County as follows:

Select one or multiple bullets:

- Vendor will pay County _______ percent of all gross revenue,
- Vendor will pay County ___25____ percent of all environmental attribute gross revenue, and/or
- Vendor will pay County _______ percent of _______________ or a flat rate of $_________ per month (optional).

If royalty is based on all gross revenue:

Vendor's estimated total gross revenue in the first full year of operation is estimated to be $______________ (Vendor shall attach basis for estimate). Vendor estimates their facility operation will begin on __________ (date). Vendors estimated total gross revenue for the 20 year operating term is $__________ (provide back up for this estimate).

If royalty is based only on RIN gross revenue:

Vendor's estimated gross revenue from RIN's only in the first full year of operation is estimated to be $4,700,000 (Vendor shall attach basis for estimate). Vendor estimates their facility operation will begin on 7/2/2025 (date). Vendor's estimated gross revenue from RIN's only for the 20 year operating term is $93,000,000 (provide back up for this estimate).

If royalty is based on other things besides gross revenue or RIN gross revenue:

Vendor's estimated ______ from ______ in the first full year of operation is estimated to be $______________ (Vendor shall attach basis for estimate). Vendor estimates their facility operation will begin on __________ (date). Vendor's estimated _________ from _________ for the 20 year operating term is $__________ (provide back up for this estimate).

Proposal Option #2

Vendor and County partner on all aspects of the project (i.e.: ownership, capital costs, permitting, design, construction, operation, maintenance, finding vehicle fleets to purchase the RNG, RIN sales/revenue, etc.) for 20 years. If this proposal option is selected by Vendor, provide the following with your proposal:

Vendor's split of this partnership is: ____% for County and ____% for Vendor.
Vendor estimates their facility operation will begin on __________ (date).
Vendor's estimated Capital Cost (that both parties will split) is $______________ (provide back up for this estimate).
Vendor's estimated 1st year O&M cost (that both parties will split) is $___________ (provide back up for this estimate).
Vendor's estimated 1st year gross revenue (that both parties will split) is $__________ (provide back up for this estimate).
Vendor's 20-year operating term gross revenue (that both parties will split) is $___________ (provide back up for this estimate).

Vendor shall attach draft terms and conditions for this partnership.

Proposal Option #3

Other Alternative. Vendors may provide alternate payment provisions modifying the metrics in Option #2 above. Attach details on the alternative and describe if payments will escalate annually or quarterly and the basis for the escalation.

All Proposal Options

Explanation of other service or benefits the Vendor offers the County: (attach additional pages if necessary):

Value of other services or benefits the Vendor offers the County: $

Vendor acknowledges that production from Vendor's facility is secondary to the operation of the MCRC, including without limitation regulatory compliance. Collecting LFG to meet environmental regulations and/or otherwise in connection with the operation of the MCRC will take precedence over collecting LFG for commercial use if the two conflic

Vendor's Signature ______________________ Date 07/26/2022

NJNG Proposal #2
Gross Revenue Sharing

ECONOMIC BENEFITS SUMMARY FORM

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Vendor COMPANY NAME: New Jersey Natural Gas Company

LFG To RNG facility capacity proposed at initial installation: 3500 scfm

(in units of raw inlet LFG flow (scfm). Need not equal LFG available at installation)

Proposal Option #1

Description: Vendor 100% owns, permits, designs, builds, operates, maintains, negotiates with end users and RIN purchasers, etc. for the LFG to RNG facility, for 20 years utilizing excess LFG from the MCRC and operating on a leased portion of County land. Vendor acknowledges that Vendor will assume all costs, labor, and equipment to design, permit, construct, and operate Vendor's facility. In return, the Vendor shares a royalty with the County as follows:

Select one or multiple bullets:

- Vendor will pay County ___20____ percent of all gross revenue,
- Vendor will pay County _______ percent of all environmental attribute gross revenue, and/or
- Vendor will pay County _______ percent of _______________ or a flat rate of $_________ per month (optional).

If royalty is based on all gross revenue:

Vendor's estimated total gross revenue in the first full year of operation is estimated to be $4,100,000 (Vendor shall attach basis for estimate). Vendor estimates their facility operation will begin on 7/2/2025 (date). Vendors estimated total gross revenue for the 20 year operating term is $82,000,000 (provide back up for this estimate).

If royalty is based only on RIN gross revenue:

Vendor's estimated gross revenue from RIN's only in the first full year of operation is estimated to be $________ (Vendor shall attach basis for estimate). Vendor estimates their facility operation will begin on _______ (date). Vendor's estimated gross revenue from RIN's only for the 20 year operating term is $ _______ (provide back up for this estimate).

If royalty is based on other things besides gross revenue or RIN gross revenue:

Vendor's estimated ______ from ______ in the first full year of operation is estimated to be $______________ (Vendor shall attach basis for estimate). Vendor estimates their facility operation will begin on __________ (date). Vendor's estimated _________ from _________ for the 20 year operating term is $__________ (provide back up for this estimate).

Proposal Option #2

Vendor and County partner on all aspects of the project (i.e.: ownership, capital costs, permitting, design, construction, operation, maintenance, finding vehicle fleets to purchase the RNG, RIN sales/revenue, etc.) for 20 years. If this proposal option is selected by Vendor, provide the following with your proposal:

Vendor's split of this partnership is: ____% for County and ____% for Vendor.
Vendor estimates their facility operation will begin on __________ (date).
Vendor's estimated Capital Cost (that both parties will split) is $______________ (provide back up for this estimate).
Vendor's estimated 1st year O&M cost (that both parties will split) is $___________ (provide back up for this estimate).
Vendor's estimated 1st year gross revenue (that both parties will split) is $___________ (provide back up for this estimate).
Vendor's 20-year operating term gross revenue (that both parties will split) is $___________ (provide back up for this estimate).

Vendor shall attach draft terms and conditions for this partnership.

Proposal Option #3

Other Alternative. Vendors may provide alternate payment provisions modifying the metrics in Option #2 above. Attach details on the alternative and describe if payments will escalate annually or quarterly and the basis for the escalation.

All Proposal Options

Explanation of other service or benefits the Vendor offers the County: (attach additional pages if necessary):

Value of other services or benefits the Vendor offers the County: $

Vendor acknowledges that production from Vendor's facility is secondary to the operation of the MCRC, including without limitation regulatory compliance. Collecting LFG to meet environmental regulations and/or otherwise in connection with the operation of the MCRC will take precedence over collecting LFG for commercial use if the two conflic

Vendor's Signature ________________________________ Date 07/26/2022

PROJECT FINANCING

NJNG will be responsible for financing and backstopping the Project.

NJR and its subsidiaries generally rely on cash flows generated from operating activities and the utilization of committed credit facilities to provide liquidity to meet working capital and short-term debt financing requirements. NJNG also r elies on the issuance of commercial paper for short-term funding. NJR and NJNG periodically access the capital markets to fund long-life assets through the issuance of long-term debt securities.

As of September 30, 2021, NJR had a revolving credit facility totaling $500 million, with $270.3 million available under the facility.

NJNG's commercial paper is sold through several commercial banks under an issuing and paying agency agreement and is supported by the $250 million NJNG Credit Facility. As of September 30, 2021, the unused amount available under the NJNG Credit Facility, including amounts allocated to the backstop under the commercial paper program and the issuance of letters of credit, was $91.1 million.

NJNG does not believe this Project qualifies for any tax credits today. Federal RINs will be registered, audited and sold for as long as they are the most economical option. NJNG has contracted with Marvel Power Group to assist in brokering the offtake on NJNG's behalf. NJNG has also contracted with Weaver to provide the RIN certification and auditing.

VENDOR ASSUMPTIONS

As seen in Part A – Technical Proposal, NJNG estimates the Plant will require 3,050 kW of power or 26,718 MWh a year. The electricity is being modeled at $130/MWh for an estimated yearly cost of about $3,500,000.

In this proposal, the sale of RNG into the NJNG network is assumed to be $3.00/MMBTU for the life of the Project.

- Gross Revenue Share: 20%
- 1st Year Gross Revenue Estimate: $4,100,000
- 20 Year Gross Revenue Estimate: $82,000,000
- Estimated RIN Value: $2.50/RIN
- Minimum 20 Year Revenue: $9,000,000
- RIN Broker Fee: 15%

ADDITIONAL COUNTY BENEFITS

Throughout this proposal, NJNG has outlined a number of cost-sharing options and revenue streams which would be available to the County if NJNG is selected as the successful bidder. Each option contains additional benefits to County residents which arise from NJNG being a regulated entity who already counts Monmouth County residents as its customers. Moreover, NJNG believes that, as energy markets evolve at the Federal, State and local levels throughout the term of the Project, there will be other alternatives and opportunities that NJNG is best situated to identify, to assist the County in evaluating, and to implement.

NJNG Proposal #3
Indexed Gas and RIN Revenue
Sharing

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Select one or multiple bullets:

- Vendor will pay County _______ percent of all gross revenue,
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- Vendor will pay County ___75____ percent of TETCO M2 Physical Monthly Index with a guaranteed payment of $2.00/MMBtu or a flat rate of $_________ per month (optional).

If royalty is based on all gross revenue:

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If royalty is based on other things besides gross revenue or RIN gross revenue:

Vendor's estimated revenue from product gas and RIN sales in the first full year of operation is estimated to be $3,900,000 (Vendor shall attach basis for estimate). Vendor estimates their facility operation will begin on 7/2/2025 (date). Vendor's estimated revenue from product gas and RIN sales for the 20 year operating term is $83,200,00 (provide back up for this estimate).

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