

### Compliance RECs

CT CLASS I CERTIFICATES				
▼ TERM	▼ BID	▼ OFFER	▼ LAST	▼ DATE
2004	\$37.00	\$42.00	\$38.00	09/23/04
2005	\$35.00	\$40.00	\$38.25	12/08/04
2006	\$35.00	\$45.00	\$36.50	05/19/04

Maine / CT CLASS II CERTIFICATES				
▼ TERM	▼ BID	▼ OFFER	▼ LAST	▼ DATE
2004	\$0.30	\$0.50	\$0.35	12/15/04
2005	\$0.50	\$0.75	\$0.70	08/31/04
2006	\$0.50	\$0.85	\$0.65	03/ -- /04

MA "NEW" CERTIFICATES				
▼ TERM	▼ BID	▼ OFFER	▼ LAST	▼ DATE
2004	\$45.00	\$51.40	\$49.25	10/20/04
2005	\$40.00	\$48.00	\$46.00	11/01/04
2006	\$35.00	\$45.00	\$39.50	11/01/04

TEXAS RECs				
▼ TERM	▼ BID	▼ OFFER	▼ LAST	▼ DATE
2003	\$13.00	\$15.00	\$14.25	12/03/04
2004	\$13.50	\$15.00	\$14.75	12/03/04

NJ CLASS I				
▼ TERM*	▼ BID	▼ OFFER	▼ LAST	▼ DATE
PY 05	\$6.50	\$7.00	\$7.00	12/21/04
PY 06	\$6.00	\$7.50	\$7.25	09/27/04
PY 07	\$6.00	--	\$7.25	09/27/04

NJ CLASS II				
▼ TERM*	▼ BID	▼ OFFER	▼ LAST	▼ DATE
PY 05	\$3.50	\$4.00	\$3.50	12/21/04
PY 06	\$4.15	\$4.25	\$4.35	03/ -- /04
PY 07	\$4.25	\$5.00	\$4.35	11/21/03

NJ SOLAR				
▼ TERM*	▼ BID	▼ OFFER	▼ LAST	▼ DATE
PY 05	\$125.00	\$200.00	\$175.00	07/--/04
PY 06	\$125.00	\$200.00	--	--
PY 07	\$125.00	\$200.00	--	--

\*Note: New Jersey's RPS rules are based on "reporting years" which run June 1 - May 31 and are referred to by the calendar year in which they end. However, the PJM energy markets are based on "planning years" (PY) which also run June 1 - May 31, but are referred to by the year in which they start, such that PY 04/05 runs from June 1, 2004 to May 31, 2005. **These reports will now follow the energy markets and use planning years.**

### Voluntary REC Offers

▼ PRODUCT	▼ GENERATION	▼ REGION	▼ TERM	▼ VOLUME (MWh)	▼ OFFER PRICE
New TRC	solar	WECC	2004 - 2005	100	\$50.00
New TRC	wind	OR/WA	2004-2005	50,000	\$4.00
New TRC	wind	CA	2004	20,000	\$1.50
Existing TRC	geothermal	WECC	2004 - 2005	40,000	\$1.75
Existing TRC	biomass	WECC	2004	40,000	\$1.50
New TRC	biomass	SERC	2004-2006	30,000	\$0.75

### Voluntary Market News

- ▶ The **US EPA Green Power Partnership** has posted a "**Top 25 List**" on its website, which lists green power purchases made by Green Power Partners. The first edition of the list debuted on the website in October 2004, and the list will be updated quarterly. The U.S. Air Force's Edwards Air Force base was topped ranked, in the first survey having used 138,000 MWh of green power. For more information on the Partnership, go to [www.epa.gov/greenpower/partners/top25.htm](http://www.epa.gov/greenpower/partners/top25.htm).
- ▶ The **World Resources Institute (WRI)** announced in December that the members of its **Green Power Market Development Group (GP-MDG)** have bought 62 MW of electricity from renewable energy sources over the past year. The 62 MW of green power represents purchases from more than 80 facilities in 18 states. It includes 39 MW of biomass and wind RECs (at prices believed to be in the \$0.50 - \$2 range), 21 MW of power from landfill gas, and 2 MW of wind and solar power. For more information on the GPMDG, go to [www.thegreenpowergroup.org](http://www.thegreenpowergroup.org).
- ▶ **EVENTS** - The **8th Annual Landfill Methane Outreach Program (LMOP) Conference & Project Expo** will be held in Baltimore MD on January 10-11. For more information go to [www.epa.gov/lmop/conf/8thconf.htm](http://www.epa.gov/lmop/conf/8thconf.htm). ▶ Infocast will host **Wind Power Finance & Investment** in San Diego on February 8-10. For more information go to [www.infocastinc.com/wind.html](http://www.infocastinc.com/wind.html).

Turn to Page 2 for our 2004 Market Summary ▶ ▶ ▶



Approved Brokers  
of Green-e Certified  
Renewable Energy  
Credits

**New Markets. New Solutions.**

New York - 914.323.0255 • San Francisco - 415.955.0561

[www.evomarkets.com](http://www.evomarkets.com)

**evolution**  
MARKETS L L C

## 2004 REC Market Summary

2004 saw a number of significant developments in the renewable energy markets. Here is a summary:

▶ **PJM:** After approximately two years under interim rules, **New Jersey** finalized its RPS program, which includes a solar REC requirement. **Maryland** established an RPS program which will take effect in 2006, although the rules are still being finalized. **Pennsylvania** also announced that it would implement an RPS, which takes effect in 2007. However, due to a "cost recovery" provision, most of the larger utilities do not have to comply until 2009 or 2010.

▶ **NEPOOL:** 2004 was the first compliance year under **Connecticut's** new RPS. Although the rules have yet to be officially finalized, a substantial amount of volume has traded for 2004, 2005 and 2006. A considerable amount of this volume is from wood burning facilities that underwent or plan to undergo retrofits in order to achieve the NOx emission limits set by the RPS. Vintage 2004 RECs for **Massachusetts** compliance are in extremely short supply, which has resulted in prices very close to the \$51.40 Alternative Compliance Payment. Vintage 2005 RECs began trading in the fourth quarter of 2004, and a small volume of vintage 2006 RECs have also traded. In 2004, RECs from a number of landfill gas-to-energy facilities in **New York** were sold to meet demand for Massachusetts and Connecticut RECs. RECs from facilities that qualify under these two states' RPS programs -- but are located outside of NEPOOL -- can be used for compliance if the energy is delivered to NEPOOL.

▶ **New York:** New York passed an RPS in September. The program goes into effect Jan 1, 2006. Unlike other states where the load-serving entities are required to purchase RECs, New York's program will be based on "central procurement". A state agency, the New York State Energy Research and Development Authority (NYSERDA), will procure all the RECs necessary to achieve the RPS target, and then assess charges on a system-wide basis. ▶ In December, New York's Public Service Commission voted to accelerate procurement under the RPS so that developers can take advantage of the Production Tax Credit (PTC) before the end of 2005 when the PTC may expire. Originally, NYSERDA was scheduled to begin procurement in mid-to-late 2005 so that projects would begin to produce electricity in 2006. However, this could result in many projects not receiving the PTC, and therefore missing an opportunity to lower development costs. Under the accelerated procurement process, NYSERDA will seek an initial round of bids by January 2005.

▶ **Texas:** In Texas, the market was extremely illiquid for the first several months of the year, in part due to expectations that the Public Utility Commission of Texas (PUCT) would reduce the Capacity Conversion Factor (CCF, used for calculating the holding requirement for RECs) from 35% to 27%. In August, the PUCT announced that the original holding requirement would stand, which spurred demand somewhat.

▶ **Regulatory:** September saw the extension of the **wind production tax credit** through 2005. The 1.8 cent/kWh credit (adjusted annually for inflation) is critical to the financing of new wind power installations. Most industry participants agree that this will result in a record increase in wind capacity in 2005, with some predicting installations to exceed 2,500 MW. The previous high for new wind power capacity installations in one year was 1,696 MW in 2001. (Source: AWEA).

In October, the Senate passed H.R. 4520, the American Jobs Creation Act of 2004. Among other provisions the bill **reinstates, as well as expands the scope of, the Section 45 production tax credit.** The PTC, which originally only covered wind, "closed-loop" biomass and poultry waste, now also covers "open-loop" biomass (including agricultural livestock waste nutrients), geothermal energy, solar energy, small irrigation power, landfill gas and municipal solid waste (MSW). Open-loop biomass facilities (other than those using agricultural livestock waste nutrients) are eligible for the credit if they are placed in service prior to January 1, 2006. The PTC is for 1.8 cents/kWh and extends for 10 years, commencing on the date the facility is placed in service. However, for open-loop biomass, small irrigation power, landfill gas and MSW, the PTC only extends for 5 years, is reduced by half to 0.9 cents/kWh, and starts on the date the facility is placed in service. For facilities placed in service prior to January 1, 2005, the credit period commences on January 1, 2005.

Evolution Markets wishes you all the best in 2005!



Approved Brokers  
of Green-e Certified  
Renewable Energy  
Credits

**New Markets. New Solutions.**

New York - 914.323.0255 • San Francisco - 415.955.0561

[www.evomarkets.com](http://www.evomarkets.com)

  
**evolution**  
MARKETS LLC