



Agenda Date: 10/28/09
Agenda Item: LSB

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/Board/

CLEAN ENERGY

IN THE MATTER OF THE CLEAN ENERGY
MANUFACTURING FUND SOLICITATION – AWARD
RECOMMENDATION

ORDER ON SECOND
SOLICITATION

DOCKET NO. EO08070470
& EO09100830

(SERVICE LIST ATTACHED)

BY THE BOARD:

This Order memorializes actions taken by the New Jersey Board of Public Utilities ("Board") at its October 28, 2009 Agenda Meeting in approving an award of \$3.3 million in assistance to Noveda Technologies, Inc. ("Noveda") pursuant to the second public competitive solicitation ("Solicitation") for the Edison Innovation Clean Energy Manufacturing Fund ("CEMF").

BACKGROUND

At its May 14, 2009 Agenda meeting, the Board voted to approve the second solicitation to be issued under the CEMF program ("Program"). On June 1, 2009 the Board's Office of Clean Energy ("OCE" or "Staff"), in collaboration with the New Jersey Economic Development Authority ("EDA") as administrator of the CEMF, issued the Solicitation for the Programs. The Solicitation offered financial assistance in the form of zero interest loans and grants to support Class I renewable energy or energy efficiency companies entering or expanding their manufacturing operations in New Jersey. Eligible applicants were companies that currently do, or within 36 months plan to, manufacture Class I renewable energy or energy efficiency systems, products or technologies in New Jersey.

The total funds that can be awarded under the Program include up to 50% of total project's budgeted costs, not to exceed \$3.3 million per project for each solicitation under the Program. This program requires a firm commitment of a 50% cash match of total project budgeted costs from other sources of funding for cost sharing, either from non-State grants, loans, or equity. The Program offers funding in the form of a grant for facility site assessment, procurement, and design, the amount of the grant not to exceed 10% of total CEMF funds requested by the applicant and capped at \$300,000 ("Tranche I"). The Program also offers a ten-year zero interest loan for site improvements, equipment purchases, and facility construction and operation ("Tranche II"). The amount of the loan is not to exceed \$3,000,000. At the closing of the grant, twenty percent (20%) of the Tranche I approved funds will be advanced for

upfront "seed money" with the remainder paid after work has been completed upon submission of invoices. Equal monthly repayments of the zero interest loan start in the fourth year after documentation closing on the loan for a seven-year term, with the Board taking a lien on assets subordinate to any existing senior debt.

The Board has established the budgetary levels for the energy efficiency and renewable energy programs, including the CEMF, in the New Jersey Clean Energy Program ("NJCEP") 2009 Programs and Budget Compliance Filings Order in Docket No. EO07030203, dated January 8, 2009 ("January 8, 2009 Order"). In its January 8, 2009 Order, the Board approved funding of \$23,928,000, comprised of new and carryover funds, to the CEMF, these funds to be held by the EDA to finance non-interest bearing loans and grants.

The Solicitation was open to applicants from June 1, 2009 to July, 15, 2009. EDA received thirty two (32) Initial Eligibility Intake Forms, of which twenty four (24) met the eligibility requirements and were requested to submit full applications by August 14, 2009. Of those 24 eligible applicants, seventeen (17) submitted full applications to EDA and from these 17 applications eight (8) were selected, based on a dual review process by the EDA for business viability and the BPU for technical criteria to be presented to the Clean Technology Evaluation Committee ("CTEC"). The CTEC is an inter-agency body responsible for the technical evaluations of the 8 proposals and the recommendation of any proposals it deems meritorious for underwriting analysis and due diligence to be conducted by the EDA.

On September 14, 2009, the CTEC met to review the applications of the 8 finalists. The CTEC scored applications based upon the Program's evaluation criteria set forth in the Solicitation and recommended five (5) applications for underwriting analysis and due diligence review by the EDA.

On October 15, 2009, EDA completed the underwriting review of Noveda's project since it provided all of the requested information necessary for EDA to complete its underwriting analysis. The applications of the remaining four entities recommended for further review by the CTEC are still undergoing EDA's underwriting review. Noveda provides energy monitoring services to lower the energy and maintenance costs in commercial buildings and its business model anticipates continued emphasis in energy efficiency and renewable energy. Noveda is seeking CEMF funds to establish a manufacturing facility for energy monitoring software and proprietary equipment. EDA notes that presently Noveda operates out of approximately 2,000 square feet of space and seeks to relocate to a new facility by the end of 2009 which would be within proximity to the current space in Branchburg, NJ. The new space is likely to be a 15,000 square foot leased facility and the renovations/fit out costs have been estimated and incorporated into the project budget. EDA also noted that an estimated 90% of Noveda's labor, hosting and manufacturing is developed through New Jersey based businesses. As of July 31, 2009 Noveda had 14 full time and 2 part time employees with plans to employ 66 by December 31, 2011 of which 5 are expected to be part time interns. EDA recommended that Noveda be awarded a Grant in the amount of \$300,000 and a Loan in the amount of \$3 million, both from the CEMF Program. It should be noted the facility expansion and the number of employees as cited above are Novenda's current estimates based on current market conditions and the facility's current and future operational capacities which may change over time.

Board Staff and the Division of Law have reviewed the CTEC Report, with its recommendation that 5 applicants receive further review and that the EDA proceed with an underwriting review of Noveda. The CTEC Report contains a competitive assessment of the projects. For each applicant, a completed underwriting review and recommendation from EDA is a necessary component of the Board's review. Thus Staff recommends that the Board accept the CTEC

Report, contingent for each applicant upon the EDA's subsequent underwriting process and recommendation.

Board Staff and the Division of Law have also reviewed the EDA's recommendation that Noveda be awarded funding in the amount of \$3.3 million. As noted above, Noveda is the only applicant for which the EDA has completed its underwriting review at this time. On the basis of the CTEC Report and the EDA's subsequent underwriting review and recommendation, Staff further recommends that the Board approve a \$300,000 Grant and \$3.0 million Loan from the CEMF to Noveda, consistent with EDA's recommendation

DISCUSSION AND FINDING

The CEMF Program supports manufacturing of energy efficient and renewable energy products that will assist Class I renewable energy technologies in becoming competitive with traditional sources of electric generation. This support is consistent with the energy and environmental goals of the Energy Master Plan¹ issued in October 2008, the Regional Greenhouse Gas Initiative ("RGGI"), P.L. 2007, c.340, and the Global Warming Response Act, P.L. 2007, c.112, ("GWRA"). The Energy Master Plan calls for 30% of New Jersey's electricity needs to be supplied through renewable sources by 2020 and for 20% reduction of projected electricity and heating consumption by 2020. Other expected benefits of the Program include increasing the number of green jobs in New Jersey by encouraging expansion of current manufacturers and providing sufficient incentives for other manufacturers to locate in New Jersey; stimulating economic development in the New Jersey's renewable energy and energy efficiency sector through demand for goods and services by manufacturers; and increasing the volume of renewable energy and energy efficient products manufactured in New Jersey and sold to New Jersey consumers. Finally, the Program will ultimately benefit New Jersey's ratepayers by providing long-term energy needs and solutions in an environmentally sound manner.

With reference to the stimulation of economic development in New Jersey, the Board notes that Noveda is a New Jersey-based company and that many of the components in its products are manufactured in New Jersey. In addition, the company has plans to significantly expand its workforce in 2010 and 2011 and to relocate and expand its facilities to a location proximate to its current space in Branchburg, NJ. These additional benefits are in line with the goals and purposes of the CEMF Program.

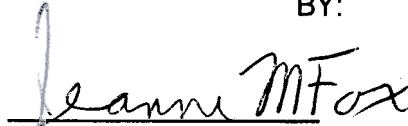
Upon consideration of the facts set forth above, the Board **FINDS** that the second public competitive Solicitation for the CEMF was issued on June 1, 2009. The Board **FURTHER FINDS** that the CTEC reviewed applications from eligible applicants as consistent with the stated evaluation criteria set forth in the Solicitation and selected Noveda as one of the entities to be recommended for an award. The Board **FINDS** that EDA conducted an underwriting review of Noveda's application and recommended a Grant of \$300,000 and a Loan of \$3.0 million. The Board **FINDS** that an award of \$3.3 million to Noveda is appropriate and a proper expenditure of ratepayers' funds.

¹ The EMP is available at <http://www.nj.gov/emp/docs>.

Now, therefore, the Board **HEREBY ACCEPTS** the CTEC Report and **HEREBY APPROVES** a Grant of \$300,000 and Loan of \$3.0 million to Noveda in accordance with relevant terms and conditions herein and the recommendation issued by the EDA. The Board **ORDERS** that a commitment letter, consistent with the terms of this Order, be issued to Noveda by the Board's OCE Director in coordination with appropriate EDA staff. The Board also **AUTHORIZES** President Fox to sign the Grant and Loan Funding Agreement, the form of which was previously approved by the Board on March 12, 2009 in Docket No. EO08070470, as consistent with the terms of this Order and the Department of Treasury requirements,.

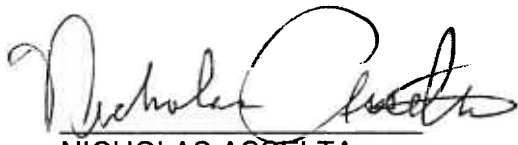
DATED: 11/23/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities

