

design, with 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. Up to 33% of the loan amount disbursed may be converted to a performance grant if business and technology based milestones are met during the first 3 years as agreed to prior to closing.

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 Board also established budgetary levels for the CEMF in the NJCEP 2010 Programs and Budget Compliance Filings Order in Docket No. EO07030203, dated December 17, 2009 ("December 17, 2009 Order"). In its December 17, 2009 Order, the Board approved funding of \$43,160,651, comprised of new and carryover funds, to the CEMF.

In the revised 2010 Budget Order, Docket No. EO07030203 dated April 21, 2010, the EDA did not receive any additional funding for the CEMF for 2010, so that the final budget, before commitments, was \$27,160,651.

The Rolling Solicitation was open to applicants on November 1, 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 Advisory Committee ("CTAC"). The CTAC 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 August 27, 2010, the CTAC met to review the applications of the 4 finalists. The CTAC reviewed applications based upon the Program's evaluation criteria set forth in the Solicitation and recommended three (3) applications for underwriting analysis and due diligence review by the EDA.

The EDA on January 10, 2011 after completing their underwriting review, recommended approval of the \$1.1 million in CEMF financial assistance for Olson Motor & Control Co., Inc. which is now before the Board for consideration. The applications of the remaining two entities recommended for further review by the CTAC are still undergoing EDA's underwriting review.

The Olson Project

- Olson is a small family business. For twenty-five years Olson has been designing and manufacturing custom control system panels and related products. In 2005, Olson added a business track for designing, engineering and manufacturing RE/EE products, including a utility-scale solar combiner box solution and a metering and data collection unit for real time energy monitoring.
- The company is seeking a \$100,000 CEMF grant and \$1,000,000 CEMF loan. According to EDA's Project Summary, it will cost Olson \$2,200,000 to lease and fit out an existing commercial property located at 100 Old Camplain Road, Hillsborough Township, NJ to be its new headquarters and manufacturing facility. The project costs consist of:
 - Direct labor costs (\$952,200)
 - Purchasing of equipment and materials (\$599,000)
 - Consultants (\$227,800)
 - General and Admin costs (\$286,000)
 - Miscellaneous Expenses (\$135,000)
- The proposed product is a combiner box that acts as a hub directing energy to another component of the PV system. Thus, the total megawatts shown below represent the total energy handled by the combiner boxes rather than energy produced.
- Olson currently operates from a facility in Manville, NJ with nine full-time employees, and anticipated that the projects will allow them to add 19 new employees within two years and one additional employee in the third year for a total of 20 new jobs within three years. Olson also projects that the proposed financing will enable the company to increase its combiner box sales from 2,000 per year to a projected 9,500 units per year.
- The new property increases current space (from 4,000 sq ft to 7,500 sq ft and 20 foot ceilings vs. 12 foot ceilings), and has a loading dock to facilitate tractor trailers deliveries and pickups.

Staff has reviewed the CTAC Comments on the Olson project. Staff has also reviewed the underwriting review prepared by EDA which recommends \$1.1 million in CEMF assistance for the Olson project. Based on its review of the Olson project and the documents identified above, Staff recommends the Board award \$1.1 million in CEMF assistance to Olson Motor & Controls Co. Inc. for the project described herein.

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

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

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 Olson is a New Jersey-based company. In addition, the company has plans to expand its workforce and production capacity during years 2010 thru 2014. 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 rolling public competitive Solicitation for the CEMF was issued on November 1, 2009. The Board **FURTHER FINDS** that the CTAC reviewed applications from eligible applicants as consistent with the stated evaluation criteria set forth in the Solicitation and selected Olson to be recommended for an award. The Board **FINDS** that EDA conducted an underwriting review of Olson's application and recommended a Grant of \$100,000 and a Loan of \$1.0 million. The Board **FINDS** that an award of \$1.1 million to Olson is appropriate and a proper expenditure of ratepayers' funds.

Now, therefore, the Board **HEREBY ACCEPTS** the CTAC Report and based on Staff's recommendation **HEREBY APPROVES** a Grant of \$100,000 and Loan of \$1.0 million to Olson in accordance with relevant terms and conditions herein and the recommendation issued by the EDA. The Board **ORDERS** that commitment letters, consistent with the terms of this Order, be issued to Olson by the Board's OCE Director in coordination with appropriate EDA staff. The Board also **AUTHORIZES** President Solomon to sign the Grant and Loan Funding Agreements, 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.

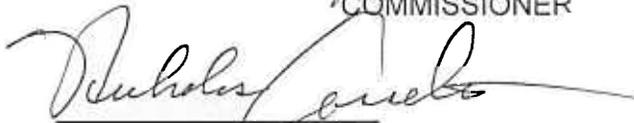
DATED: 1/19/11

BOARD OF PUBLIC UTILITIES
BY:


LEE A SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
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

