



Agenda Date: 10/13/11
Agenda Item: 8B

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE CLEAN ENERGY)
MANUFACTURING FUND (CEMF) SOLICITATION –) ORDER
AWARD RECOMMENDATION – FLUITEC WIND) DOCKET NO. EG10020126 &
) EG11090554V

Parties of Record:

Frank Magnotti, President and CEO, Fluitec International, LLC
Stefanie Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD:

On November 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 a Solicitation for the CEMF Program. 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, 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 a budget level of \$43,160,651 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"). On December 22, 2010, the Board approved and signed the "New Jersey Clean Energy Program 2011 Program Descriptions and Budgets" Order (Docket Nos. EO07030203 & EO10110865). Of the \$33 million approved for EDA programs for 2011, \$11 million was budgeted for the CEMF program.

On May 13, 2011, Fluitec International, LLC ("Fluitem") submitted a CEMF Intake Form and received a favorable OCE technical review. In response to concerns raised by OCE, Fluitem represented that although its products have a wide range of applications, the requirements of the wind industry, and in particular the offshore wind industry, are so specialized that Fluitem would dedicate a subsidiary to developing a wind product line.

On July 26, 2011, the CTAC met to review the Fluitem application. The CTAC reviewed Fluitem's application based upon the Program's evaluation criteria set forth in the Solicitation and recommended the application for underwriting analysis and due diligence review by the EDA.

On September 22, 2011, the EDA, after completing their underwriting analysis and due diligence review, recommended an award of \$3.3 million in CEMF financial assistance to "Fluitem Wind or Nominee," which is now before the Board for consideration.¹

The Fluitem Wind Project

- Fluitem, NV ("FNV") was formed in 1996 as a provider of technology to maximize the life and performance of industrial fluids such as lubricants and process oils for rotating equipment, power transmission and industrial manufacturing plants. FNV is currently headquartered in Belgium with offices in the US and China.
- Fluitem is a wholly-owned subsidiary of FNV and represents the US operations.
 - FNV, who will be providing a corporate guarantee, has been operating since 1996 and is currently generating revenue.
 - FNV has completed several rounds of equity funding, most recently raising \$13.3 million in 2011, with \$5.8 million funded to date.
- Fluitem has stated its intention of establishing a wholly-owned subsidiary focused on the wind farm sector, referred to as Fluitem Wind. Fluitem Wind will have an experienced management team and the CEO has previously taken a New Jersey start-up company public.

¹ "Fluitem Wind" is the name by which the EDA and the CTAC refer to the subsidiary that Fluitem is in the process of developing to manufacture its wind-specific technologies. The final name of the subsidiary is subject to change.

- Fluitec is intending to establish a manufacturing facility in Jersey City that will make a remote fluid monitoring system designed for the wind farm sector. The site will include fluid testing, sub-assembly manufacturing, assembly and integration, remote monitoring and quality control testing operations. Management stated that the system will reduce the cost of operating wind farms by 1.3% for onshore turbines and 7.5% for offshore turbines. In addition, each unit will reduce oil consumption by at least 5% per year. Fluitec Wind expects to create eleven new jobs within two years and seventeen jobs within five years.
- Fluitec Wind seeks \$3.3 million in CEMF funding for inventory, equipment and machinery, building renovation, and planning needed to support a \$3.3 million investment from the private sector. The project costs consist of:
 - Inventory (\$650,000)
 - Renovation of existing building (\$1,200,000)
 - Purchasing of equipment and machinery (\$4,150,000),
 - Planning, for which funding would be provided under Tranche 1 (\$600,000)

Staff has reviewed the CTAC's comments on the Fluitec project. Staff has also reviewed the underwriting analysis and due diligence review prepared by EDA which recommends \$3.3 million in CEMF assistance for the Fluitec project. Based on its review of the Fluitec project and the documents identified above, Staff recommends the Board award \$3.3 million in CEMF assistance to Fluitec, for the project described herein, provided that a subsidiary or division dedicated to wind technologies is established in New Jersey and all CEMF monies fund activities related to these renewable energy technologies.

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 draft Energy Master Plan issued in June 2011², 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 22.5% of New Jersey's electricity needs to be supplied through renewable sources by 2020 and, specifically, for supporting the development of offshore wind. 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 EDA reports that Fluitec intends to establish a manufacturing plant in Jersey City, New Jersey. The site will include fluid testing, sub-assembly manufacturing, assembly and integration, remote monitoring and quality control testing operations. With assistance from the CEMF program it expects to create eleven new jobs in New Jersey within two years and seventeen jobs within five years. The economic development benefits projected by Fluitec are consistent with the objectives of

² The EMP is available at <http://www.nj.gov/emp/docs>.

the CEMF Program.

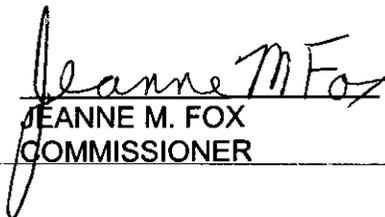
Upon consideration of the facts set forth above, the Board **FINDS** that the Solicitation for the CEMF was issued to the public on November 1, 2009. The Board **FURTHER FINDS** that the CTAC reviewed the application of Fluitec as consistent with the stated evaluation criteria set forth in the Solicitation and recommended Fluitec's planned subsidiary, Fluitec Wind, for an award. The Board **FINDS** that EDA conducted an underwriting review of Fluitec'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 Fluitec is appropriate and a proper expenditure of ratepayers' funds, provided that Fluitec establishes a subsidiary or division focused on wind technology and that all CEMF monies are utilized to support wind technologies. As a condition of the award and prior to executing the Grant and Loan Funding Agreements, Fluitec must certify that it will establish "Fluitem Wind" or similar entity in New Jersey and that all CEMF monies will be used to support wind technologies, consistent with the terms and conditions of CEMF.

Now, therefore, the Board **HEREBY ACCEPTS** the CTAC Report and, based on Staff's recommendation, **HEREBY APPROVES** a Grant of \$300,000 and Loan of \$3.0 million to Fluitec 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 Fluitec by the Board's OCE Director in coordination with appropriate EDA staff. Subject to receipt of a properly authorized certification from Fluitec, 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, consistent with the terms of this Order and the Department of Treasury requirements.

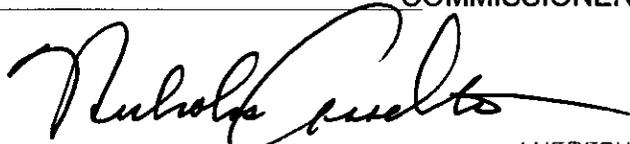
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BOARD OF PUBLIC UTILITIES
BY:

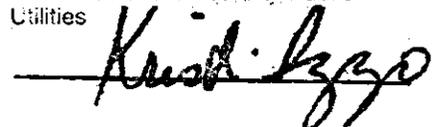

LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

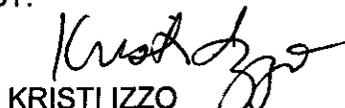

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

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



ATTEST:


KRISTI IZZO
SECRETARY

I/M/O the I/M/O the Clean Energy Manufacturing Fund (CEMF) Solicitation – Award
Recommendation – Fluitec Wind

Docket Numbers EG10020126 & EG11090554V

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