



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

CLEAN ENERGY

IN THE MATTER OF COMPREHENSIVE ENERGY)
EFFICIENCY AND RENEWABLE ENERGY RESOURCE) ORDER
ANALYSIS FOR THE YEARS 2009 - 2012: REVISED)
2012 PROGRAMS LARGE SCALE COMBINED HEAT)
AND POWER/FUEL CELL GRANT PROGRAM)
AWARDEE APPROVAL) DOCKET NOS. EO07030203
and EO11100631V

Parties of Record:

Sandy Zeglarski, New Jersey Economic Development Authority
Anthony Gambino, Verizon Sourcing LLC

BY THE BOARD:

In this Order, the Board considers a potential awardee under the Large Scale Combined Heat and Power/ Fuel Cell Grant Program ("LSCHP-FC"). The New Jersey Economic Development Authority ("NJEDA" or "EDA") and the Board established the LSCHP-FC, which was approved by the Board on April 11, 2012. Under the first solicitation, the NJEDA began accepting program applications on April 25, 2012, and required applicants to submit a completed application by June 25, 2012. In total, six companies were approved for grants under the first solicitation. On January 17, 2013, the Board released a second solicitation for applicants. The NJEDA began accepting program applications on a rolling, open basis beginning January 17, 2013, under a second solicitation.

Verizon Sourcing LLC (Verizon), the wholly-owned procurement subsidiary of Verizon Communications Inc., submitted a completed application under the second solicitation on May 13, 2013, requesting a \$3 million grant. Verizon proposed to construct a 2 MW Combined Heat and Power (CHP) facility in Basking Ridge, N.J. The facility will utilize CHP to produce domestic hot water and heating/cooling. The total cost of the project was \$15,318,200.

On or about November 12, 2013, Board staff determined that the project met all technical requirements. In addition, the Board's Office of the Economist has determined that the project is financially feasible. Therefore, Board staff recommends that the Board approve the Verizon project as discussed below.

BACKGROUND AND PROCEDURAL HISTORY

By Order dated December 20, 2011, Docket Nos. EO07030203 and EO11100631V, the Board approved programs and budgets for the 2012 New Jersey Clean Energy Program year, including the LSHP-FC program which was to be administered with the assistance of the EDA. The program description for the LSCHP-FC broadly explained that the "program will offer assistance to support large sized CHP projects including stand-alone qualified fuel cells." It also stated that this "program will be designed to assist those implementing a CHP or combined cooling heat and power or fuel cell project with an electric generating capacity of greater than one megawatt serving a commercial, institutional, or industrial electricity customer in New Jersey." In approving the program concept, the Board directed the Office of Clean Energy to work with the NJEDA to develop a detailed program description and solicitation for the LSCHP-FC. Consistent with the December 20, 2011, Budget Order, EDA coordinated with Board Staff and stakeholders to develop a detailed LSCHP-FC program description and solicitation. The Board subsequently approved the LSCHP-FC on April 11, 2012. The approved program included a technical and financial review process.

Upon the Board's approval, the NJEDA released the second Solicitation on January 17, 2013, and began accepting program applications on an open, rolling basis. Effective July 1, 2013, however, the Board decided to eliminate the financial review requirement for new CHP applications. In the Matter of Clean Energy Programs and Budgets for the Fiscal Year 2014, Docket EO13050376 (June 21, 2013) (transitioning LSCHP-FC program administration from NJEDA to TRC and approving the TRC compliance filing). Applications that were filed prior to July 1, 2013, would still have to go through a technical and financial review.¹ Ibid. A financial and technical review was required of Verizon because it was filed prior to July 1, 2013.

Using the scoring criteria set forth in the second Solicitation, Verizon's project passed the technical review phase on November 12, 2013, and proceeded to the financial review phase. The goal of the financial review is to determine that the applicant has the financial ability to successfully complete the CHP project. The Office of the Economist conducted the financial review.

As a regulated entity, the Office of the Economist has reviewed major financing requests filed by Verizon New Jersey, a wholly-owned subsidiary of Verizon Communications Inc., and has participated in numerous regulatory cases involving retail rates, rate of return, alternative regulation plans, and Verizon investment in network infrastructure such as Opportunity New Jersey. The Office of the Economist also has tracked financial performance and major corporate events of Verizon New Jersey and Verizon Communications Inc. over many years. For Verizon's CHP application, the Board Office of the Economist reviewed Verizon's financial documentation that was submitted as part of the application, as well as publicly available financial data and reports to determine whether the company had the fiscal integrity required to complete the project. The Office of the Economist found no likely fiscal impediments to the project and recommended that the project receive the requested \$3 million award.

A description of the Verizon project is attached to this order, and is incorporated by reference.

¹ In In the Matter of Clean Energy Programs and Budgets for the Fiscal Year 2014: Revised FY14 Programs and True Up Budget, Docket EO13050376 (December 18, 2013), and for the reasons set forth therein, the Board eliminated the financial review requirement for any remaining LSCHP-FC applications that were filed prior to July 1, 2013.

DISCUSSION AND FINDINGS

Upon consideration of the facts set forth above, and in the attached project description, the Board **FINDS** that the LSCHP-FC second Solicitation began on January 17, 2013, and continues on an open, rolling basis. The Board **FURTHER FINDS** that Verizon submitted its application and Board staff determined that it was complete under the stated evaluation criteria set forth in the Solicitation. The Board **FURTHER FINDS** that Board staff conducted financial review of the application and recommended it be approved in the amounts set forth above and for the purposes set forth in the project description.

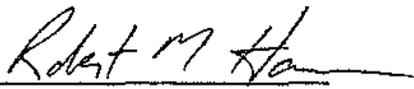
Now, therefore, the Board **HEREBY ACCEPTS** Staff's recommendation and **HEREBY APPROVES** the award in the amount of \$3,000,000 in accordance with the conditions herein.

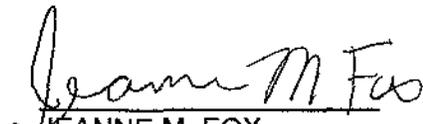
The Board **ORDERS** that commitment letters and grant agreements, consistent with the terms of this Order, be issued to Verizon. The Board **AUTHORIZES** the President of the Board to approve non-material amendments to the grant agreement and sign the agreement, consistent with the terms of this Order and the Department of Treasury requirements. The Board also **AUTHORIZES** the President to review and approve matters within the scope of Section VII(B) of the Memorandum of Understanding between BPU and EDA dated March 24, 2011, consistent with the terms of this Order, subject to Board review as necessary.

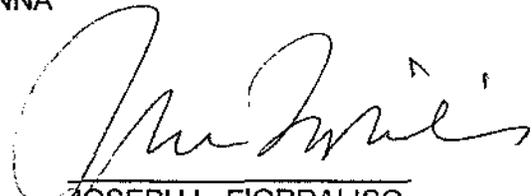
The effective date of this Order is December 30, 2013.

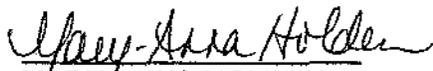
DATED: 12/18/13

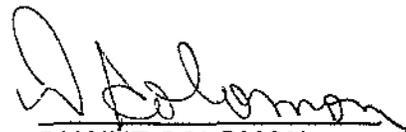
BOARD OF PUBLIC UTILITIES
BY:


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PRESIDENT


JEANNE M. FOX
COMMISSIONER

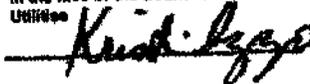

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER


DIANNE SOLOMON
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


IN THE MATTER OF COMPREHENSIVE ENERGY EFFICIENCY AND RENEWABLE
ENERGY RESOURCE ANALYSIS FOR THE YEARS 2009 -2012: REVISED 2012
PROGRAMS -- LARGE SCALE CHP / FUEL CELL GRANT PROGRAM AWARDEES
APPROVAL

DOCKET NOS. EO07030203 and EO11100631V

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I/M/O the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the
Years 2009-2012: Revised 2012 Programs – Large Scale Combined Heat and
Power (CHP) / Fuel Cell Grant Program Awardee Approval

Docket No. EO07030203 and EO11100631V

December 6, 2013

Project Description

Verizon Sourcing LLC (Verizon) is planning to install five (5) 400kw ClearEdge Power PureCell Phosphoric acid fuel cells (PAFC) to generate 2MW of electricity. The units will utilize CHP to produce domestic hot water and heating/cooling of the facility.

Verizon is in negotiations with ClearEdge Power to provide a turnkey installation that will include a ten (10) year maintenance plan for the units. The proposed operation has a June 2013 start and a December 2013 finish dates.

The project has the following key project milestones:

Engineering Design – June 2013

Measurement and Verification – June 2013

Utility Coordination and Review – July 2013

Permitting (environmental and construction) – July 2013

Fuel Cells delivered to Project Site – October 2013

Installation - November - 2013

Setup and Commissioning - December 2013

The five (5) unit system will generate 2 MW of the 3MW to 8MW facility load. The electrical output will be delivered by a direct bus connection into facility's electrical distribution system. The cells will be connected on the facility side of the electric meter and Verizon will consume 100% of all of the electrical output.

Verizon Operational Centre located at One Verizon Way, Basking Ridge, NJ in Somerset County. The building is a 1.4M square foot facility that sits on 140 acres. The building has four floors that has a capacity for 4,000 employees.

The five (5) units will consume Natural Gas provided by PSE&G and annually generate 16,644 MWhr/year.

Total Grant Incentive Requested is \$3,000,000 three million dollars, below are the anticipated dates of drawdown:

1) At time company makes non-refundable deposit on equipment (up to 30% of amount awarded)- June 2013

2) Upon equipment delivery (up to 70% of amount awarded, but not to exceed 90% of total amount awarded when combined with the prior disbursement) - October 2013

3) Upon system installation (remainder awarded) - December 2013

A \$3,000,000 three million dollars Incentive is 19.5% as a Share of Total of the \$15,318,200 total turnkey Project cost. This project has an Estimated Rate of Return, IRR of (6%).