



Agenda Date: 12/17/14
Agenda Item: 8C

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 EDISON INNOVATION)
GREEN GROWTH FUND – LOCUS ENERGY AWARD)
)
) DOCKET NO. EG12070655V

Parties of Record:

Sandy Zeglarski, New Jersey Economic Development Authority
Michael Herzig, CEO, Locus Energy, LLC

BY THE BOARD:

On August 15, 2012, the Board of Public Utilities ("Board") approved a loan from the Edison Innovation Green Growth Fund ("EIGGF") to Locus Energy, LLC, ("Locus Energy") in the requested amount of \$1,454,000 recommended by The Economic Development Authority ("EDA"), which serves as administrator of the EIGGF. EDA requests that the Board approve a second loan in the amount of \$546,000 loan under the EIGGF. The second loan will provide for growth capital needs associated with developing and marketing Locus Energy's monitoring and data analytics services for the renewable energy industry. EDA has reviewed the loan request and financial position of Locus and is recommending that the Board approve the second loan consistent with the EIGGF terms and funding limits. By this Order, the Board considers EDA's recommendation.

Board Staff has reviewed the underwriting analysis and recommendations for approval by the EDA. Based on that analysis, Board Staff recommends that the Board approve the loan.

BACKGROUND

Locus Energy was formed in 2007 as a provider of monitoring and data analytics services for the renewable energy industry. The Company offers a platform (comprised of hardware and software) that provides monitoring and data analytics for distributed generation systems in residential, commercial and utility applications. The platform integrates distributed energy sources into the electric grid and provides customized interfaces and analytics to owners, operators, Original Equipment Manufacturers, financiers, insurers and regulators in real-time. Locus Energy has received the following benefits from the State of New Jersey:

- EDA Business Employment Incentive Program Grant of \$365,200; closed May 2013
- EDA Edison Green Growth Fund Loan of \$1,454,000; closed December 2012

On May 21, 2014, the Board also authorized the subordination of the its first lien position on all assets up to the \$1.45 million, except for IP, to perfect its lien on IP and be pro rata pari passu with a third party lender. I/M/O Edison Innovation Green Growth Fund - Locus Energy's Request for Award Modification, BPU Dkt. No. EG12070655V (May 21, 2014). This allowed Locus Energy to fund its working capital growth through a factoring arrangement with a third party. Id. at 2.

Locus Energy now seeks a second loan of \$546,000 under the EIGGF to support additional growth capital needs. The terms of the EIGGF loan include a 2% fixed interest rate and 12-month payment moratorium with interest to be accrued and capitalized followed by a 4-year term and seven-year amortization. Half of the disbursed amount (\$273,000) may be converted to a performance grant if milestones are met during the first five years as agreed prior to closing. At closing, 20% of the loan will be advanced with the remainder paid upon the satisfaction of milestones.

The collateral proposed for the second loan is a third blanket lien on all business assets,¹ with consent to future additional senior indebtedness of up to 25% of the proposed \$546,000 loan, as well as, a pro rata lien on IP with the existing \$1,454,000 EIGFF loan and a \$1 million line of credit from a third-party lender.

DISCUSSION AND FINDINGS

The EIGGF offers loans up to \$2 million with a performance grant component to support technology companies with Class I renewable energy or energy efficiency products or systems that have achieved "proof of concept" and successful independent beta results, have begun generating commercial revenues, and will receive dollar-for-dollar match funding by time of loan closing. Pursuant the terms of the EIGGF, growth capital is intended to advance newly discovered energy efficient, renewable energy or supply chain products that will assist Class I renewable energy or energy efficient technologies in becoming competitive with traditional sources of electric generation.

EDA recommends Board approval for a \$546,000 loan from the EIGGF as proposed based upon the experienced management team with a proven ability to raise capital, satisfactory feedback from reference calls, strong customer traction, and sufficient cash flow during recent months to service the existing and proposed debts.

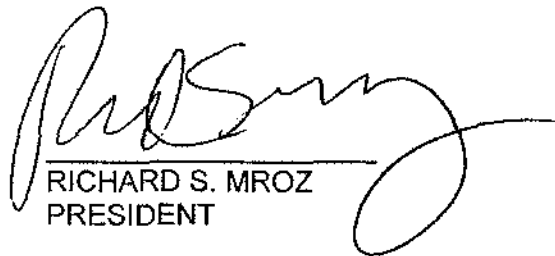
The Board **FINDS** that the requested loan is consistent with the terms of the EIGGF, eligibility requirements and does not exceed the \$2 million limit on the amount of total funds that any single company may receive. The Board **FURTHER FINDS** that Board Staff reviewed EDA's recommendation of the proposed loan and concurs with the EDA recommendation that a loan in the amount of \$546,000 be approved.

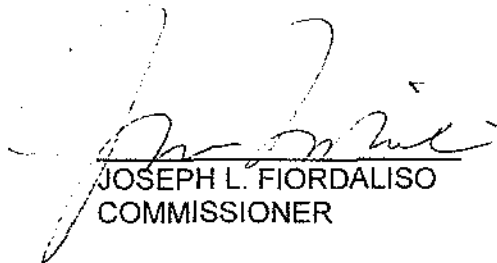
¹ The first lien position belongs to the third party lender and the second lien position belongs to the Board's initial \$1.45 million EIGGF loan.

The Board **HEREBY ACCEPTS** Board Staff's recommendation and **HEREBY APPROVES** the second EIGGF loan to Locus Energy in accordance with the relevant terms and conditions herein and the recommendation issued by EDA. The Board **ORDERS** that a commitment letter, consistent with the terms of this Order, be issued to Locus Energy by the Board's Office of Clean Energy Director in coordination with appropriate EDA staff. The Board **AUTHORIZES** the President of the Board to sign the Loan Funding Agreement, consistent with the terms of this Order and the Department of Treasury requirements. The Board also **AUTHORIZES** the President of the Board to review and approve matters within the scope of Section VII(B) of the Memorandum of Understanding between BPU and EDA, consistent with the terms of this Order, subject to Board review as necessary. The Board also **AUTHORIZES** the President of the Board to sign the necessary inter-creditor agreement, consistent with the terms of this Order.

DATED: 12/17/14

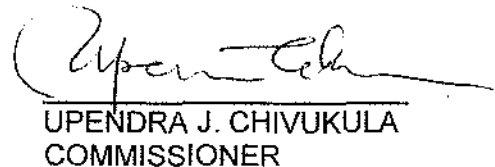
BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

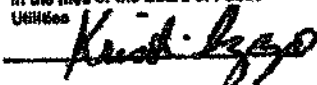

DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
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 THE EDISON INNOVATION GREEN GROWTH FUND –
LOCUS ENERGY AWARD

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SERVICE LIST

Michael Herzig
Chief Executive Officer
Locus Energy, LLC.
1375 Broadway
New York, NY 10018

Sandy Zeglarski
New Jersey Economic Development Authority
36 West State Street
Trenton, NJ 08625

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, NJ 08625-0003

T. David Wand, DAG
Department of Law & Public Safety
Division of Law
124 Halsey Street
Post Office Box 45029
Newark, NJ 07102-45029

Rachel Boylan, Esq.
Counsel's Office
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Elizabeth Ackerman, Acting Director
Division of Economic Development &
Energy Policy
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Marisa Slaten, Esq.
Assistant Director
Division of Economic Development &
Energy Policy
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Allison E. Mitchell
Office of Clean Energy
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350

Anne Marie McShea
Office of Clean Energy
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, NJ 08625-0350