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# NJ Association of Energy Engineers

## 2009 Energy Futures Forum (EFF).

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**NJEDA**

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## EDA – Who We Are

**State financing and economic development agency dedicated to offering:**

- Financing Assistance
- Access to Small Business Services
- Real Estate Development Assistance
- International Trade Services

*Mission: To strengthen New Jersey's economy by retaining and growing businesses through financial assistance, by renewing communities, and by promoting the State's strategic advantages to attract domestic and international businesses.*

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# EDA Resources

## Traditional Lending

*Loan Participations/Direct Loans  
Guarantees  
Bond Financing  
Statewide Loan Pool  
Preferred Lender Program  
New Jersey Business Growth Fund  
Fast Start for small business*

## Expansion/Relocation

*BEIP  
BRRAG*

## Real Estate Assistance

*Site Location Services  
Technical Assistance*

## Technology & Life Sciences

### Edison Innovation Fund:

*Edison Innovation R&D Fund Wraparound  
Edison Innovation Commercialization Fund  
Edison Innovation Growth Fund  
Technology Business Tax Certificate Transfer Program  
Venture Fund Investments  
Edison Innovation Clean Energy Manufacturing Fund*

## Urban & Site Solutions

*Urban Plus  
Sales Tax Exemption (UEZ)  
Local Development Financing Fund (LDFF)  
Urban Transit Hub Tax Credit Program  
Fund for Community Economic Development  
Brownfields Reimbursement*

## Small Business Services

## International Trade Services

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## New Jersey Energy Master Plan

- **Blueprint** for the State's Clean Energy Future, released October 2008, updated every 3 years
- **Spells** out how the State will meet our energy needs, spur the development of clean energy businesses, and control energy costs
- **Lists** a series of goals and related action items that will put the State on track to successfully meet the energy challenges facing it:
  - Reduce energy consumption by at least 20% by 2020
  - Reduce peak demand for electricity by 5,700 mW by 2020
  - Achieve 30% of the state's electricity needs from renewable sources by 2020
  - Develop a 21<sup>st</sup> century energy infrastructure
  - Invest in innovative clean energy technologies and businesses to stimulate the industry's growth in New Jersey

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## EDA Role in Energy Master Plan

- Develop a product portfolio of grants, loans and investments to provide assistance to businesses with projects that advance the goals of the state's Energy Master Plan.
- Expand the Edison Innovation Fund to invest in innovative clean energy technologies including both energy efficiency and renewable energy manufacturing businesses to stimulate the industry's growth in New Jersey.

### EDA Clean Energy Strategy for Energy Master Plan (Programs)

- **Lower demand** by encouraging the use of energy efficient technologies by the business community by creating incentives that complement others offered by sister state agencies.
- **Increase energy supply** through incentives for co-generative facilities and state-of-the-art electric generation, financing for renewable energy manufacturers, and investments in new renewable energy technologies.

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## Edison Innovation Clean Energy Manufacturing Fund (CEMF)

- Designed to support companies looking to site a Class I renewable energy or energy efficiency product manufacturing facility in New Jersey.
- New Jersey clean technology manufacturers can receive funding under two separate components: project assessment and design, and project construction and operation.
- In total, up to \$3.3 million in grants and interest-free loans available.
  - Up to \$300,000 for predevelopment
  - Up to \$3 million as a zero-interest, 10-year loan to support site improvements, equipment purchases, and facility construction and completion.
- Competitive solicitation process. *Next solicitation will begin **June 1, 2009.***

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## CEMF Program Benefits to New Jersey

- Increase the number of renewable energy and energy efficiency manufacturing jobs in New Jersey
- Stimulate economic development in the New Jersey renewable energy and energy efficiency sector through demand for goods and services by manufacturers
- Increase the volume of renewable energy and energy efficient products manufactured in state to New Jersey consumers

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## CEMF Program Eligibility

- Company must be a legally organized, for-profit entity and may include corporate joint ventures.
- Company must currently, or plan to within 36 months of Tranche II closing, manufacture products in NJ with no prototyping.
- Minimum 50% cash match of total project costs.
- Preference given to those projects that display a greater percentage of project activity in New Jersey (design, manufacture, processing, assembly).
- Projects subject to Prevailing Wage and Affirmative Action where applicable.
- Company does not have to be headquartered in NJ, but manufacturing project has to be located in NJ and within the service territory of a public utility whose customers pay Societal Benefits Charge.

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# CEMF Program Background

## 2 Program Components:

- Project Assessment and Design Grant (up to \$300,000)
- Project Construction and Operation Zero Interest Loan with Performance Grant (up to \$3 Million)

# CEMF Program Description

## *Project Assessment and Design Grant – Tranche I*

- Up to \$300,000 to assist with manufacturing site identification and procurement, design, and permits
- Minimum 50% cash match from other (non-state) funding sources
- Tranche I Funds Advancement: 20% available as upfront seed funds, Remainder paid after submission of invoices

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## CEMF Program Description

### ***Project Construction and Operation Zero Interest Loan with Performance Grant – Tranche II***

- Up to \$3 Million to support site improvements, equipment purchases, and facility construction and completion
- 10 Year, Zero Interest Loan
- Minimum 50% cash match from other (non-state) funding sources
- 1/3 of loan (up to \$1 Million) may convert to a performance grant if the business and technology milestones specific to each company are met during the first 3 years
- Repayments to begin at Start of 4<sup>th</sup> year for a 7 year term
- BPU takes subordinate lien on assets
- Next solicitation will begin June 1, 2009.

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## Bond Financing

*The EDA can issue tax-free conduit bonds, the proceeds of which are used to provide long-term, low-interest loans*

### ■ Eligibility:

- Tax-exempt bonds are available to manufacturers and nonprofits and for certain exempt facilities.
- \$20 million capital expenditure limit for manufacturers (3 years back and 3 years forward)

### ■ Uses:

- Fixed assets, working capital, and refinancing for non-profits
- Fixed assets (land/buildings and new equipment) for manufacturers

### ■ Amount:

- \$500,000 with no dollar limit on tax-exempt bonds for nonprofits
- \$500,000 to \$10,000,000 on tax-exempt bonds for manufacturers

### ■ Interest Rates:

- The purchaser sets the interest rate, terms and other financial conditions

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## Regional Greenhouse Gas Initiative (RGGI)

- *Program Mission:* To advance the goals of the State’s Energy Master Plan by reducing greenhouse gas emissions in New Jersey, creating “green collar” jobs, stimulating NJ’s economy and establishing New Jersey as the home to the nation’s most vibrant clean energy industry.
- EDA working closely with BPU and DEP to develop suite of products to support RGGI initiative.
- Millions of dollars will be allocated to New Jersey to capitalize the **“Global Warming Solutions Fund”**
  - Revenues in the Fund will be distributed between EDA (60 percent), BPU (20 percent) and DEP (20 percent) to support low-carbon-intensity solutions.

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# Regional Greenhouse Gas Initiative (RGGI)

## Program Description

- Initiative by states in Northeastern US regions to reduce greenhouse gas emission
- “Cap and trade program” – states sell emissions allowances through auctions and invest proceeds in support of a clean energy economy
- EDA to receive 60% of NJ auction proceeds
  - Proceeds to finance a broad variety of projects that support the goals of the State’s EMP
  - 1<sup>st</sup> auction held Dec '08, March '09, June '09, December '09
  - EDA forecasting upwards of \$36MM in 2009 RGGI proceeds

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## Clean Energy Capital Investment Loan/Grant

The Clean Energy Capital Investment Loan/Grant provides financial support in the form of grants and 0% loans

- To support commercial, institutional and industrial entity end-use energy efficiency projects
- Combined heat and power (CHP or cogen) production facilities
- New state-of-the-art efficient electric generation facilities

*\* Subject to gubernatorial approval, anticipated on 5/27/09.*

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## N.J.A.C 7:27D-2.2 Requirements

- REDUCTION IN GREEN HOUSE GAS EMISSIONS – MAXIMUM 50 POINTS
- OTHER ENVIRONMENTAL BENEFITS – MAXIMUM 30 POINTS
- ECONOMIC DEVELOPMENT BENEFITS – MAXIMUM 20 POINTS

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## Clean Energy Solutions Capital Investment Loan/Grant

USES	ELIGIBILITY	MAX/LIMITS	TERMS/ CONDITIONS	FEES
<p>Fixed Assets (real estate or equipment)</p>	<p>NJ-based Commercial, Institutional or Industrial entity which meets N.J.A.C. 7:27D-2.2 regulatory requirements</p> <p>\$1MM minimum total project cost</p> <p>Business should create or maintain jobs in New Jersey</p>	<p>Total EDA RGGI funding cannot exceed \$5MM per applicant including related entities (25% ownership).</p> <p>Loan/Grant amount is based on EDA scoring criteria. Scoring levels determine percentage of loan which range from a 100% loan up to a 80% grant/20% loan.</p> <p>Maximum grant awarded, based on scoring criteria, to be lesser of 80% of amount requested or \$2.5MM, whichever is lower, with remainder as interest free loan.</p> <p>Commercial building with energy efficiency project will be limited to a maximum grant amount of 20%.</p> <p>Aggregate State Public funding cannot exceed 50% of the project Cost.</p> <p>Equity requirement (Minimum 10%) including federal and other non-New Jersey State funding.</p>	<p>Minimum of 50% of project costs must be covered by project sponsor(s) -includes Federal funding (can be debt or equity)</p> <p>Loan Interest Rate = 0%</p> <p>Up to 10 year term, amortization up to 20 years based on need</p> <p>Personal guarantees required for any person or entity with 10% or more ownership in project if DSCR is less than 1.2:1 (based on adjusted year end financials). The Authority may consider the assignment of other public grant funding in lieu of personal guarantees, provided the other public grants are no less than 120% of the loan amount and aggregate state funding does not exceed 50% of the project cost.</p>	<p><b>Division of Taxation Tax Clearance Certificate</b></p> <p>\$75 for standard processing;</p> <p>Application Processing Fee: \$200 for expedited processing (response within 3 business days)</p>

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## Your Role with the EDA

### **CEMF**

(Clean Energy Manufacturing Fund)

Class I Renewable Manufacturers

The engineer may be involved in the design, development and the manufacturing process.

### **CES CI**

(Clean Energy Solutions Capital Investment)

Any kind of commercial, industrial or institutional entity that is “going green”

The engineer will validate energy efficiency of the project.

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## CleanTech Projects



- **Princeton Power Systems** of Princeton is working on patented electrical power conversion technology. The company received funding from the EDA, BPU and CST to grow its business.



- **Treadstone Technologies** of Princeton is a Sarnoff spinout focused on fuel cell technology. The company has received EDA and CST funding.