

ERB Financing Program Guide

Date: October 14, 2014

ERB FUNDING ROUND 1: WATER AND WASTEWATER TREATMENT FACILITIES

A maximum of **\$65 million** may be committed to projects in this first ERB funding round, which will be open to wastewater treatment plant (WWTP) and water treatment plant (WTP) applicants that satisfy the threshold eligibility criteria in Section 4 as well as all requirements for funding set forth below. Capping this funding round at \$65 million is intended to ensure that sufficient funding is available for future funding rounds that may benefit other critical market sectors. Importantly, capping this initial funding round should not be taken to mean that additional ERB funds cannot be made available for WWTP and WTP applicants.

Applications will be accepted on a rolling basis, and reviewed and brought for Board actions on a first-received, first-ready basis. The application window will remain open until funds are allocated. Applications will not be accepted once the budget cap is reached, based on submittal of a complete application. However, as mentioned above, the ERB may modify this initial budget cap based on availability of funding, prioritization of other sectors, CDBG-DR funding limitations, or other factors.

1.1 Maximum Award

There is no maximum project award for this funding round except for a per project cap on electricity storage equipment; however, cost effectiveness, including the amount of CDBG-DR funds sought in relation to the benefit realized from the project, is a critical factor in scoring qualifying projects.

The total available budget in this Funding Round 1 for **electricity storage equipment** such as batteries to store onsite renewable electricity production is **\$5 million**, and each project will be limited to a cap of **\$500,000** for electricity storage equipment.

1.2 WWTP / WTP Ineligible Costs

The following costs are ineligible for the WWTP and WTP sector. See the ERB Program Guide for ineligible costs for all sectors.

1. All predevelopment costs prior to April 7, 2014, with the exception of any energy audit costs which are ineligible for reimbursement prior to October 20, 2014.
2. All equipment costs prior to October 20, 2014.

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1.3 Scoring Criteria for Funding Round 1

Scoring Criteria – Projects will be scored on a point system between 0 and 100 based on the following:

1. Technology Efficiency/Economic Cost Effectiveness (Up to 30 points) – Using the Rutgers Center for Energy, Economics and Environmental Policy Distributed Energy Resource Cost Benefit model:
 - a. A project will receive 30 points for a cost-benefit ratio greater than 3.0.
 - b. A project will receive 25 points for a cost-benefit ratio between 2.5 and 3.0 (including 3.0).
 - c. A project will receive 20 points for a cost-benefit ratio between 2.0 and 2.5 (including 2.5).
 - d. A project will receive 15 points for a cost-benefit ratio between 1.5 and 2.0 (including 2.0).
 - e. A project will receive 10 points for a cost-benefit ratio between 1.0 and 1.5 (including 1.5).

Projects with a Cost-Benefit Ratio less than 1.0 are not eligible for funding.

2. LMI National Objective (20 points) – A project that meets HUD’s Low Moderate Income (LMI) National Objective will receive 20 points. A project that does not meet this National Objective will receive 0 points.
3. Most Impacted Communities (Up to 15 points) – Projects at critical facilities that were directly or indirectly impacted by Superstorm Sandy or other qualifying disaster, as listed in Appendix A:
 - a. Will receive 15 points if the critical facility serves three or more of the municipalities listed in Appendix B.
 - b. Will receive 10 points if the critical facility serves one or two of the municipalities listed in Appendix B.
 - c. Will receive 0 points if the critical facility serves none of the municipalities listed in Appendix B.

The list of communities in Appendix B is based on FEMA data showing municipalities with the largest combined number of primary homes and rental units that sustained at least \$8,000 of physical damage (i.e., “major” damage) as a result of Superstorm Sandy. While facilities impacted by disasters other than Sandy are eligible for ERB funding, the additional emphasis on Sandy derived from this scoring factor is necessary to ensure compliance with regulations governing the use of CDBG-DR monies that fund the ERB,

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including the requirement regarding the overall percentage of CDBG-DR monies that must be expended within the nine most-impacted counties as determined by HUD.

4. Readiness To Proceed (Up to 10 points)
 - a. A project will receive 10 points if project completion is reasonably expected within one year from the estimated closing date.
 - b. A project will receive 5 points if project completion is reasonably expected more than one year, but less than two years, from estimated closing date.
 - c. A project will receive 0 points if project completion is reasonably expected to be more than two years from the estimated closing date.

For purposes of this criterion, project completion will be measured by such factors as scope of the project; status of permitting; if applicable, availability of other funding to complete the project; and reasonableness of proposed project timeline. Importantly, this factor is not measured from the date of application submission, but rather from the date of closing.

5. Criticality (10 points) – A facility that is identified as a state level asset in the Office of Homeland Security and Preparedness State Asset database will be awarded 10 points.
6. Microgrid (10 points) – A project that includes more than one free-standing facility interconnection will be awarded 10 points.
7. Facility Energy Efficiency (5 points) – A project that meets or exceeds the performance requirements of Pay for Performance of the Societal Benefits Charge (SBC) Credit program, or project is participating in the Energy Savings Improvement Program (ESIP), will receive 5 points.

In addition to the above scoring criteria, funding determinations also will be based, in part, on the results of a comprehensive credit underwriting analysis.

Finally, all DER system designs, as outlined in Section 4.3.2.7 of the ERB's Program Guide, should be consistent, to the extent possible, with the guidance set forth in NJDEP Auxiliary Power Guidance and Best Practices for Wastewater and Drinking Water Systems (see <http://www.nj.gov/dep/watersupply/pdf/guidance-ap.pdf>).

Scoring Results – Projects must score a minimum of 55 points or more to be considered eligible for project financing. Projects that do not score at least 55 points pursuant to these criteria will be deemed ineligible for funding (and may not be resubmitted in the case of future funding rounds open to WWTP and WTP facilities, unless either the circumstances of the project or the parameters of the program change).

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1.4 Financial Product Terms for ERB Funding Round 1

The financial product terms for this ERB Funding Round 1 are as follows:

1. Funding – ERB will provide 100% of unmet funding needs for an eligible project, after equity contribution applicable to for-profit owned projects, (i.e., the ERB may finance the entire funding gap, after applicable equity contribution is satisfied.) The amount of unmet need will be established through the federally required duplication of benefits/unmet need analysis. In funding up to the entire unmet need of an eligible project, 40% of the funding gap (remaining after equity is applied, if applicable) will be provided in the form of an incentive and 60% through an amortizing loan. The terms of the incentive and loan financing are described below.

- a. Incentive

1. Grant – 20% of unmet funding need, after any applicable equity contribution, will be provided as a grant
2. Loan – 20% of unmet funding need, after any applicable equity contribution, will be provided as a loan with principal forgiveness based on performance standards as follows. Principal forgiveness will be provided in equal percentages over five years (4% each year) based on proof of successful operation of equipment and evidence of minimum required performance.
 - a. Performance will be measured through a method of measurement and verification (M&V) to support the claim of achieving minimum run hours and production capacity. M&V requirements may be documented through a real-time remote performance reporting system.
 - b. If a project does not meet the required performance level at the end of any year, the forgivable portion of that year's loan principal will not be forgiven. In the following year, if the performance level is returned to the required level, then the forgivable portion of the current and previous year's principal will be forgiven. However, if the performance level is not attained for two consecutive years or more, and the applicant subsequently meets a required performance level in a year within the five-year principal forgiveness period, only the previous and the current year's forgivable portion of principal will be forgiven. Circumstances of force majeure that cause a project to fail to meet required performance will not affect that year's principal forgiveness.

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- b. Amortizing and Forgivable Loan Terms. Any balance on the loan, including the portions to be forgiven until forgiven, will be governed by the following terms:
1. 2%, fixed interest rate for applicants with bond rating of BBB- or higher at the time of approval; 3% fixed interest rate for applicants with bond rating lower than BBB- or which are not rated at the time of approval.
 2. Collateral – None required.
 3. Up to 20-year term, based on useful life of majority of assets.
 4. Up to 2 years' principal moratorium starting from closing, according to the following:
 - a. Moratorium duration will be the length of the construction period, but will not exceed 2 years, but can be extended as set forth in c. below.
 - b. Moratorium is included in loan term, not in addition.
 - c. Up to two, six-month extensions of the moratorium may be provided based on evidence of significant progress toward project completion, and where delay was unavoidable or unforeseeable. In no event will the moratorium, as extended, exceed three years.
 5. Interest charged during the construction period will be based on disbursements of loan capital and will not accrue on undisbursed funds.
 6. Debt Service Coverage (DSC) Ratio: The DSC ratio requirement is as follows:
 - a. No DSC ratio requirement for entities with bond ratings of BBB- or better; or
 - b. DSC ratio requirement of 1:1.0 (including loan principal anticipated to be forgiven) for entities with lower rating or that are unrated.
 7. Equity Requirements
 - a. No equity contribution for publicly-owned, publicly-controlled or non-profit facilities.
 - b. Equity contribution of at least 10% of total project costs for for-profit facilities.
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2. Disbursement – Grant funding for projects will be disbursed before loan capital. Disbursement will be based on the following milestones, with presentation of evidence of cost incurred and site visit to verify:
 - a. Purchase and delivery of equipment in amount of cost of equipment, delivery and feasibility study, if applicable,
 - b. Up to 3 construction milestones based on development schedule specific to each project construction schedule, and
 - c. Completion of equipment commissioning/testing with passing results.
 - d. All disbursements to CDBG-DR-funded projects will be subject to meeting all applicable HUD requirements.

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APPENDIX A

ELIGIBLE DISASTERS

To be eligible for funding under the Energy Resilience Bank, according to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288), as amended by the Disaster Relief Act of 1974 (P.L. 93-288), projects must demonstrate a tie to one of the listed weather events below or have incurred physical damage from one of the listed storms.

- **Declaration No. 1954** – Severe Winter Storm and Snowstorm (Incident Period: December 26, 2010 to December 27, 2010). Impacted counties: Passaic, Bergen, Morris, Essex, Hudson, Union, Somerset, Middlesex, Mercer, Monmouth, Ocean, Burlington, Atlantic, Cumberland, Cape May.
- **Declaration No. 4021** – Hurricane Irene (Incident Period: August 27, 2011 to September 5, 2011). Impacted counties: all twenty one counties.
- **Declaration No. 4033** – Severe Storms and Flooding (Incident Period: August 13, 2011 to August 15, 2011). Impacted counties: Gloucester, Salem, Cumberland.
- **Declaration No. 4039** – Remnants of Tropical Storm Lee (Incident Period: September 28, 2011 to October 6, 2011). Impacted counties: Passaic, Sussex, Warren, Hunterdon, Mercer.
- **Declaration No. 4048** – Severe Storm (Incident Period: October 29, 2011). Impacted counties: Middlesex, Somerset, Hunterdon, Union, Morris, Warren, Essex, Bergen, Passaic, Sussex, Cape May.
- **Declaration No. 4070** – Severe Storms and Straight-Line Winds (Incident Period: June 30, 2012). Impacted counties: Salem, Cumberland, Atlantic.
- **Declaration No. 4086** – Hurricane Sandy (Incident Period: October 26, 2012 to November 8, 2012). Impacted counties: all 21 counties.

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APPENDIX B

LIST OF IMPACTED MUNICIPALITIES*

Asbury Park	Atlantic City	Atlantic Highlands	Avalon	Avon-by-the-Sea
Barnegat	Bass River	Bay Head	Bayonne	Beach Haven
Belleville	Belmar	Berkeley	Bradley Beach	Brick
Brielle	Brigantine	Camden	Carteret	Downe Township
Eagleswood	East Brunswick	Egg Harbor	Elizabeth	Hackensack
Harrison	Harvey Cedars	Highlands	Hoboken	Jersey City
Keansburg	Kearny	Keyport	Lacey	Lake Como
Lavallette	Linden	Little Egg Harbor	Little Ferry	Little Silver
Long Beach	Long Branch	Longport	Lyndhurst	Manasquan
Mantoloking	Margate	Middle Township	Middletown	Monmouth Beach
Moonachie	Mullica Township	Neptune	Newark	North Bergen
North Wildwood	Ocean City	Ocean Gate	Oceanport	Old Bridge
Penns Grove	Perth Amboy	Pleasantville	Point Pleasant Beach	Point Pleasant Borough
Rahway	Ridgefield Park	Rumson	Sayreville	Sea Bright
Sea Isle City	Seaside Heights	Seaside Park	Secaucus	Ship Bottom
Somers Point	South Amboy	South River	South Toms River	Spring Lake
Stafford	Surf City	Toms River	Tuckerton	Union Beach
Ventnor	Wallington	Weehawken	West Wildwood	Wildwood
Woodbridge				

* This list of communities is based on FEMA data showing municipalities with the largest combined number of primary homes and rental units that sustained at least \$8,000 of physical damage (i.e., "major" damage) as a result of Superstorm Sandy.