

Revised Date: April 12, 2016

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 of the ERB Financing Program Guide 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. As of April 12, 2016, there is no longer a \$65 million ERB funding set-aside reserved for WWTP and WTP applicants.

Applications will continue to be accepted on a rolling basis, and reviewed and brought for Board actions on a first-received, first-ready basis. The application window for WWTP and WTP applicants will remain open until all ERB funds are reserved. It should be noted that ERB applications will be considered 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. Limits may be imposed on a per entity basis.

The total available budget in this Funding Round 1 for **electricity storage** 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.

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 system costs prior to October 20, 2014.

1.3 Scoring Criteria for Funding Round 1

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

1. Technology Efficiency/Economic Cost Effectiveness (Up to 20 points) – Using the Rutgers Center for Energy, Economics and Environmental Policy Distributed Energy Resource Cost Benefit model or another similar cost benefit model:
 - A. A project will receive 20 points for a cost-benefit ratio greater than 1.25.
 - B. A project will receive 10 points for a cost-benefit ratio between 1.0 and 1.25 (including 1.25).

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

2. Low Moderate Income Area Benefit (Up to 25 points) –
 - A. A project will receive 25 points if the HUD Low Moderate Income Area Benefit is greater than 51%
 - B. A project will receive 20 points if the HUD Low Moderate Income Area Benefit is between 35% and 50.99%
 - C. A project will receive 15 points if the HUD Low Moderate Income Area Benefit is between 20% and 34.99%
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 15 months from the estimated closing date.
- B. A project will receive 5 points if project completion is reasonably expected more than 15 months, but less than 20 months, from estimated closing date.

For purposes of this criterion, project completion will be measured by such factors as scope of the project (e.g. site control, status of design documents and permit applications and approvals); 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 (20 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 20 points.
- 6. Microgrid (5 points) – A project that includes more than one free-standing facility interconnection will be awarded 5 points.
- 7. Facility Energy Efficiency (5 points) – A project that meets or exceeds the general state program performance requirements of 15% energy efficiency or energy savings 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 technical and credit underwriting analysis, including performance and green infrastructure components.

As outlined in Section 4.3.2.7 of the ERB's Program Guide, all DER systems must be designed to provide energy to all designated critical loads during a seven-day grid outage, or as specified in a product sector funding guide, without a delivery of fuel to emergency generators. Guidance on this is 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 50 points or more to be considered eligible for project financing. Projects that do not score at least 50 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).

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. The amount of the funding gap (remaining after equity is applied, if applicable) to be provided in the form of a grant or forgivable loan will be determined per below and the balance will be provided through an amortizing loan. The terms of the financing are described below.
 - A. **Grant/Forgivable Loan.** The amount of the unmet funding need, after any applicable equity contribution, to be provided as a Grant/Forgivable Loan is determined based on applicant type:
 - i. For public and/or not-for-profit applicants:
 - a. A grant/forgivable loan (not to exceed \$25 million) for all Resilient Costs, as defined in the ERB Program Guide, plus
 - b. A grant/forgivable loan equal to 40% of the remaining eligible project costs.
 - ii. For for-profit businesses, project economics evaluated during the underwriting process and program criteria, which may include but not be limited to, ownership structure, project economic feasibility, rate of return, and other policy considerations, will determine amount of Grant/Forgivable Loan.
 - B. **Amortizing Loan Terms.** The Loan amount will be the unfinanced balance remaining after the Grant/Forgivable Loan amount from above and will be governed by the following terms:
 - i. Standard interest rates will be:
 - a. For public and/or not-for-profit applicants: 2% fixed interest rate.
 - b. For for-profit businesses: as low as 2%, fixed interest rate. Note that project specific interest rates will be determined based on project underwriting in conformance with HUD requirements for analyzing rate of return and ensuring that the owner/business is not unduly enriched.
 - ii. Collateral – None required.
 - iii. Up to 20-year term, based on useful life of majority of assets.

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- iv. Up to 2 years' principal and interest 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.
- v. Debt Service Coverage (DSC) Ratio: For for-profit businesses, the DSC ratio requirement 1:1.0 (including loan principal anticipated to be forgiven).

C. Equity Requirements

- i. No equity contribution for publicly-owned, publicly-controlled or non-profit applicants.
- ii. Equity contribution of at least 10% of total project costs for for-profit facilities or applicants, based on project underwriting in conformance with HUD requirements for analyzing rate or return and ensuring that the owner/business is not unduly enriched.

2. Disbursement – Disbursement will follow EDA's standard process and generally include:

- A. Submission of invoice with sufficient documentation of costs incurred or payments made.
 - B. Verification of expenses and cost reasonableness review, including site visits as necessary.
 - C. 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 that the critical facility was either directly or indirectly impacted by Superstorm Sandy or directly impacted (incurred physical damage) by one of the qualifying disasters listed below.

- **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.