

Funding Clean Energy Projects Requires Structure, Guidance and Leadership

BY BENJAMIN S. PARVEY II, CEO, BLUE SKY POWER, LLC.

Solar. Stimulus Funds. Clean Renewable Energy Bonds. Energy Audits. Wind Turbines. Energy Efficiency Block Grants. Power Purchase Agreements. Community Power. Clean Energy Zones.

The drum beat for renewable energy and green projects grows louder each day. New incentives, new grant programs and new regulations are adopted by the State and Federal governments to advance clean energy projects at an unprecedented rate. Mayors, council members, administrators and their professionals are inundated daily by vendors touting clean energy solutions and proposing projects. Undertaking a clean energy project can generate real savings in municipal budgets from day one of operation. Knowing that, the task at hand is to cut through the noise, understand your options and make informed decisions.

So how do you get organized and undertake a clean energy project? The best place to start is to understand your municipality's energy usage and how you might be able to be more energy efficient. The amount of renewable energy you produce on-site will be of greater value if your facilities are more efficient. Conduct an energy audit using the BPU's Local Government Energy Audit Program, which will survey the municipality's properties & facilities and identify energy saving measures. Up to 100% of the energy audit can be reimbursed if the identified projects are undertaken. Now that you know the municipality's energy usage and how to save energy, the next step is to determine if you can maximize incentives to produce clean renewable energy on-site, which can significantly reduce your electric bills.

When undertaking a clean energy project, you will want to discuss the municipality's goals and objectives with a clean energy consultant and your engineer or architect. The clean energy consultant and engineers will produce an economic & engineering feasibility report, identifying systems to produce various types of clean energy at available sites and providing potential finance structures to maximize economic benefits inherent in clean energy projects.

With an understanding of potential clean energy projects and how to finance them, the mayor and council will need to decide which systems and finance structure will achieve their goals and then work with the solicitor to take necessary authorizing action.

The Clean Energy Consultant & Project Manager will then form a working group and create a Project Timeline and Project Development and Management Plan detailing the deliverables required from each party and organize the clean energy project in a manner that will efficiently use the time of all parties to ensure successful completion of the project. One of the working group members, likely the

consulting engineers, will formulate bid specifications so you can issue an RFP or competitive bid depending on the financing structure selected. Leadership is essential to keep clean energy projects moving forward. There are many parties involved in bringing clean energy projects to fruition, so the Clean Energy Consultant & Project Manager will have to coordinate with the municipal administration, engineers, architects, solicitors, utilities, Board of Public Utilities, U.S. Dept. of Energy, U.S. Treasury, DEP if necessary, power purchase agreement providers, lenders, underwriters, installers and manufacturers to maintain consistent communication and timely implementation of the project. As the systems are installed, it is essential to manage the system installation to ensure proper operation, as well as compliance with local land use ordinances, state and federal statutes, regulations and requirements. Once operational, the system must be maintained and monitored for electric output and resulting Renewable Energy Certificates.

For a process that will take many months, that is a brief overview of the steps required to undertake a clean energy project from concept to installation. The essential part of any successful capital project is financing. Some of the available financing options for clean energy capital projects include:

Continued on next page



Ben Parvey is CEO of Blue Sky Power LLC. Blue Sky provides project consultancy and development services, finance structuring, regulatory compliance and project management. As a public finance attorney, Ben assisted governmental entities with financing over \$4 billion of capital projects. He served as Chairman of the Camden County Environmental Commission. Ben is a graduate of Rutgers University School of Law-Camden.

- Clean Renewable Energy Bonds (CREBs)—\$2.4 billion Stimulus allocation for principal only tax credit bonds, which can be issued for wind, solar, geothermal, biomass, landfill gas & hydro energy projects.
- Qualified Energy Conservation Bonds (QECBs)—\$3.2 billion Stimulus allocation for principal only tax credit bonds which can be issued for “qualified” purposes such as: reducing energy consumption in public buildings by at least 20%; implementing green community programs; rural development involving production of electricity from renewable energy resources; CREBs projects
- Power Purchase Agreements (PPAs)—public private partnership, whereby a private entity realizes 30% Federal Renewable Energy Investment Tax Credit and accelerated depreciation and passes energy savings on to municipality. No upfront capital cost required and allows budget planning by locking in energy rate over a 15 year period;
- US Department of Energy’s Energy Efficiency Block Grants—\$3.2 billion program provides formula grants for projects that reduce total energy use and improve energy efficiency. Municipalities with populations over 35,000. Deadline for applying is June 25, 2009.
- Traditional tax-exempt bond financing.
- PSE&G’s Solar Loan Program and new Solar 4 All Program—Solar Loan Program provides 40-60% of capital cost as a loan to be repaid by Renewable Energy Certificates (RECs). Solar 4 All program is subject to BPU approval and could generate 120 megawatts of solar installations at various facilities including schools and municipal buildings.
- Energy Savings Improvement Program—municipality can enter into energy savings services contract, issue energy savings obligations or enter into lease purchase agreements for energy saving equipment, including renewable energy facilities.
- Long Term REC Purchase Agreements.—JCP&L and AC Electric have both been authorized by BPU to conduct auctions for Long Term REC Purchase Agreements. Securing REC revenue through such agreements assists in obtaining financing.

There are many different financing options currently available for clean energy projects and new incentives developed regularly. Many clean energy developers, installers and providers are presenting single source solutions to municipalities without taking into account that responsible leaders should review all viable options. Making informed decisions will allow you to save your municipality a significant amount of money on energy. Given a proper structure, strategy and guidance you can realize your vision and see your clean energy projects come to fruition. ■



Parks • Bridges • Roads & Streets • Streetscapes
 Environmental • Planning • Permitting • Landscape Architecture

You Have Goals - We Have Solutions



CONSULTING ENGINEERS
 Planners * Landscape Architects
 Environmental Scientists * Surveyors

CORPORATE HEADQUARTERS:
 Eleven Tindall Road, Middletown, NJ 07748
 732.671.6400 f: 732.671.7365

www.tandmassociates.com

REGIONAL OFFICES:
 Moorestown, Toms River and Clifton