



Agenda Date: 8/15/12

Agenda Item: 8E

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

CLEAN ENERGY

IN THE MATTER OF THE EDISON INNOVATION  
GREEN GROWTH FUND SOLICITATION – AWARD  
RECOMMENDATION – Locus Energy, LLC.

)  
)  
)  
)

ORDER

DOCKET NO. EG12070655V

**Parties of Record:**

**Michael Herzig**, CEO Locus Energy  
**Stefanie Brand, Esq.**, Division of Rate Counsel

**BY THE BOARD:**

The Board's Office of Clean Energy ("OCE" or "Staff"), in collaboration with the New Jersey Economic Development Authority ("EDA") as administrator of the Edison Innovation Green Growth Fund ("EIGGF"), issued a Solicitation for the EIGGF Program. The Solicitation announced the availability of loans with a performance grant component to Class I Renewable or Energy Efficient clean technology companies that have achieved "proof of concept," successful independent beta results, and are seeking funding to grow and support their technology business.

The EIGGF will ultimately provide New Jersey consumers with greater access to energy efficiency and renewable energy products by developing emerging technologies in New Jersey. The funds may be used as growth capital to advance 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. To qualify, a company must be a developer/owner of protected proprietary technology, demonstrate a commitment to creating jobs in New Jersey, and satisfy other criteria.

Total funds that can be awarded under the EIGGF program cannot exceed \$2,000,000 per company. The interest rate is fixed at two percent (2%). There is a twelve-month moratorium with interest to be accrued and capitalized followed by a four-year term and seven-year amortization. In addition, fifty percent (50%) of the loan may be converted into a performance grant if milestones are satisfied during the first five years. At closing, up to twenty percent (20%) of the loan may be advanced, with the remainder paid upon completion of milestones.

On December 22, 2010, the Board approved and signed the "New Jersey Clean Energy Program 2011 Program Descriptions and Budgets" Order (Docket Nos. EO07030203 & EO10110865). Of the \$33 million approved for EDA programs for 2011, \$4.0 million was budgeted for the EIGGF program. The EIGGF Solicitation was launched on May 23, 2011, but the Board did not grant any EIGGF awards in 2011.

On December 14, 2011, the Board approved the New Jersey Clean Energy Program 2012 Program Descriptions and Budgets Order, Docket Nos. EO07030203 and EO11100631V. The Board approved approximately \$4 million in carryover funds for the EIGGF program in 2012. On March 1, 2012, EDA released another EIGGF Solicitation.

On June 7, 2011, Locus Energy, LLC. ("Locus Energy") submitted an EIGGF Intake Form. The Intake Form received a favorable OCE technical review.

On January 9, 2012, Locus Energy submitted a full EIGGF application to the EDA

On May 18, 2012, Locus Energy gave its oral presentation to the Clean Technology Advisory Committee ("CTAC") and was favorably reviewed. The advisory committee included various government agencies and private sector members with applicable industry experience, all of whom signed confidentiality agreements.

On July 26, 2012, after completing its underwriting review, the EDA submitted the attached report recommending that the Board approve \$1.454 million in EIGGF financial assistance to Locus Energy.

### **The Locus Energy Project**

- 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 currently monitors over 9,000 PV systems and over 120,000 distributed micro-inverters.
- Locus Energy currently has offices in New York and San Francisco with 29 total employees. Of note, the Company is seeking to open an office in New Jersey and has committed to relocate 12 employees from New York and create at least eight new jobs in the State within two years. Locus Energy was approved for a Business Employment Incentive Program grant by the NJEDA on July 12, 2012 to assist with the creation of the New Jersey office.
- Locus Energy has stated that its technology will provide numerous benefits to the New Jersey ratepayers. The capabilities of Locus Energy's platform include real-time performance monitoring, predictive modeling and netmetering. The Company stated that these features will enable more efficient grid integration and offer assistance to the entire "solar food chain" (manufacturers, financiers, insurers, installers, owners and operators) in mitigating risks and reducing costs. The platform should serve to: reduce the maintenance costs and increase the efficiency of solar installations via the predictive modeling and real-time monitoring data; increase access to capital to fund solar

installations by assisting underwriters (insurance and financial) perform due diligence via real-world performance metrics; assist in making solar more accessible by enabling leasing companies (that offer no-upfront costs to the end-users) the ability to monitor their systems remotely via net-metering.

- Locus Energy's anticipates that its technology will assist in reducing the cost and improving the efficiencies of photovoltaic (PV) systems. The Company currently provides monitoring services for more than 1,000 PV systems and 120,000 micro-inverters in New Jersey. In addition, more than 20% of its pipeline is for projects in State and its primary manufacturing partner is located in New Jersey.

Staff has reviewed the CTAC's comments on the Locus Energy project. Staff has also reviewed the underwriting analysis and due diligence review prepared by EDA which recommends \$1.454 million in EIGGF assistance for the Locus Energy project. Based on its review of the Locus Energy project and the documents identified above, Staff recommends the Board award \$1.454 million in EIGGF assistance to Locus Energy, for the project described herein.

### **DISCUSSION AND FINDING**

The EIGGF Program supports manufacturing of energy efficient and renewable energy products that will assist Class I renewable energy technologies in becoming competitive with traditional sources of electric generation. This support is consistent with the energy and environmental goals of the 2011 Energy Master Plan issued in December 2011. In addition, the Program will ultimately benefit New Jersey's ratepayers by providing long-term energy needs and solutions in an environmentally sound manner.

The Energy Master Plan calls for increasing the number of green jobs in New Jersey by encouraging expansion of current manufacturers and providing sufficient incentives for other manufacturers to locate in New Jersey; stimulating economic development in the New Jersey's renewable energy and energy efficiency sector through demand for goods and services by manufacturers; and increasing the volume of renewable energy and energy efficient products manufactured in New Jersey and sold to New Jersey consumers.

With assistance from the EIGGF program, Locus Energy expects to create 8 new jobs in New Jersey within two years. The economic development benefits projected by Locus Energy are consistent with the objectives of the EIGGF Program.

Upon consideration of the facts set forth above, the Board **FINDS** that the Solicitation for the EIGGF was issued to the public on May 23, 2011 and March 1, 2012. The Board **FURTHER FINDS** that the CTAC reviewed the application of Locus Energy consistent with the stated evaluation criteria set forth in the Solicitation and recommended Locus Energy for an award. The Board **FINDS** that EDA conducted an underwriting review of Locus Energy's application and recommended a Loan of \$1.454 million. The Board **FINDS** that an award of \$1.454 million to Locus Energy is appropriate and proper.

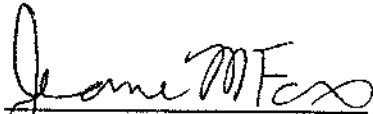
Now, therefore, the Board **HEREBY ACCEPTS** the CTAC Report and, based on Staff's recommendation, **HEREBY APPROVES** a Loan of \$1.454 million to Locus Energy in accordance with relevant terms and conditions herein and the recommendation issued by the EDA. The Board **ORDERS** that commitment letters, consistent with the terms of this Order, be issued to Locus Energy by the Board's OCE Director in coordination with appropriate EDA staff. The Board **AUTHORIZES** President Hanna to sign the Loan Funding Agreements, the form of

which was approved by the Board on March 12, 2009 in Docket No. EO08070470, and as revised from time-to-time, consistent with the terms of this Order and the Department of Treasury requirements. The Board also **AUTHORIZES** President Hanna to review and approve matters within the scope of Section VII(B) of the Memorandum of Understanding between BPU and EDA dated March 24, 2011, consistent with the terms of this Order, subject to Board review as necessary.


DATED: 8/15/12

BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

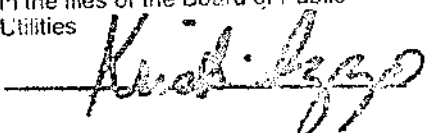
  
JEANNE M. FOX  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
NICHOLAS ASSELTA  
COMMISSIONER

  
MARYANNA HOLDEN  
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  


I/M/O the Edison Innovation Green Growth Fund (EIGGF) Solicitation – Award  
Recommendation – Locus Energy, LLC.

Docket Numbers EG12070655V

SERVICE LIST

Kristi Izzo, Secretary  
Board of Public Utilities  
Office of the Secretary  
44 South Clinton Avenue  
9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350

Michael Winka  
Office of Clean Energy  
Board of Public Utilities  
44 South Clinton Avenue  
9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Ronald Jackson  
Office of Clean Energy  
Board of Public Utilities  
44 South Clinton Avenue  
9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

Benjamin S. Hunter  
Office of Clean Energy  
Board of Public Utilities  
44 South Clinton Avenue  
9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, NJ 08625-0350

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

Marisa Slaten, DAG  
Division of Law  
Dept. of Law & Public Safety  
124 Halsey Street  
P.O. Box 45029  
Newark, New Jersey 07102

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

Kathleen W. Coviello  
New Jersey Economic  
Development Authority  
36 West State Street  
Trenton, NJ 08625

Susan Mania  
New Jersey Economic  
Development Authority  
36 West State Street  
Trenton, NJ 08625

Stefanie Brand  
The Division of Rate Counsel  
31 Clinton St.  
P.O. Box 46005  
Newark, N.J. 07101

Sudi A. Solomon  
Deputy Attorney General  
Division of Law - Treasury  
Hughes Justice Complex  
25 Market Street, P.O. Box 106  
Trenton, N.J. 08625-0106

Paula Durand  
New Jersey Economic  
Development Authority  
675 US Hwy One  
North Brunswick, NJ 08902

Michael Herzig, CEO  
Locus Energy, LLC  
1375 Broadway Project Location:  
TBD  
Suite 1100  
New York, NY 10018

**NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
EDISON INNOVATION GREEN GROWTH FUND**

August 15, 2012

Re: Locus Energy, LLC  
1375 Broadway  
Suite 1100  
New York, NY 10018

Project Location: TBD

**PROGRAM and STRUCTURE**

New Jersey Board of Public Utilities (BPU) Office of Clean Energy and the New Jersey Economic Development Authority (EDA) as administrator of the Edison Innovation Green Growth Fund (“EIGGF”) is proposing the following assistance to Locus Energy, LLC (“LE” or the “Company”) for growth capital needs associated with developing and marketing its monitoring and data analytics services for the renewable energy industry.

Borrower:	Locus Energy, LLC
Amount Requested:	\$1,454,000
Interest Rate and Term:	Interest rate fixed at 2%. 12-month payment moratorium with interest to be accrued and capitalized followed by a 4-year term and 7-year amortization. 50% of the amount disbursed may be converted to a performance grant if milestones are met during the first five years as agreed prior to closing.
Collateral:	First blanket lien on all business assets. Negative pledge and springing lien on LE’s intellectual property. Consent to future additional senior indebtedness of up to 25% of the \$1,454,000 EIGGF funding commitment (this would result in BPU being in a subordinated position on the applicant’s assets).
Purpose:	The proceeds of the proposed loan will be used for general growth capital needs including research and development, hiring and training personnel, marketing and purchasing inventory.

Of note, 20% of the loan will be advanced at closing with remainder paid upon the satisfaction of milestones.

**DESCRIPTION OF COMPANY AND TECHNOLOGY**

LE 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, OEM’s, financiers, insurers and regulators in real-time. LE currently monitors over 9,000 PV systems and over 120,000 distributed micro-inverters. LE currently has offices in New York and San Francisco with 29 total employees. Of note, the Company is seeking to open an office in New Jersey and has committed to relocate 12 employees from New York and create at least eight new jobs in the State within two years. LE was approved for a BEIP grant by the NJEDA on July 12, 2012 to assist with the creation of the New Jersey office.

LE has stated that its technology will provide numerous benefits to the New Jersey ratepayers. The capabilities of LE's platform include real-time performance monitoring, predictive modeling and net-metering. The Company stated that these features will enable more efficient grid integration and offer assistance to the entire "solar food chain" (manufacturers, financiers, insurers, installers, owners and operators) in mitigating risks and reducing costs. The platform should serve to: reduce the maintenance costs and increase the efficiency of solar installations via the predictive modeling and real-time monitoring data; increase access to capital to fund solar installations by assisting underwriters (insurance and financial) perform due diligence via real-world performance metrics; assist in making solar more accessible by enabling leasing companies (that offer no-upfront costs to the end-users) the ability to monitor their systems remotely via net-metering. As a result, LE's technology should assist the State in meeting its Energy Master Plan renewable energy goal of 22.5% by 2021 by reducing the cost and improving the efficiencies of PV systems. Of note, the Company currently provides monitoring services for more than 1,000 PV systems and 120,000 micro-inverters in New Jersey. In addition, more than 20% of its pipeline is for projects in State and its primary manufacturing partner is located in New Jersey.

## **MANAGEMENT TEAM**

Staff believes that LE's management team is well-rounded with significant industry experience, deep domain expertise and proven success as entrepreneurs.

Michael Herzig, Founder and CEO (31%) – Mr. Herzig's primary responsibilities include managing corporate development and company strategy. Prior to founding LE, Mr. Herzig was a Partner and Co-Founder of a financial services IT consulting firm (MPI Professionals) that grew from two employees to 100 under his leadership. In addition, MPI was sold to CGI and Mr. Herzig was actively involved in structuring the transaction. Prior to MPI, he co-founded UConnections.com (a college-focused internet company) and served as a Consultant at Accenture. Mr. Herzig holds a Bachelor of Arts from Cornell University.

Shawn Kerrigan, CTO (5%) – Mr. Kerrigan currently heads technology and new product development for Locus Energy. His prior experience includes more than four years as a consultant with McKinsey & Company where he focused on energy and materials industries. During his tenure, he worked on growth strategies, operations transformations and merger planning and integration. Prior to McKinsey & Company, Mr. Kerrigan served as a Senior Investment Associate with Bridgewater Associates, a leading global-macro quantitative hedge fund. He holds a PhD in Engineering from Stanford University.

## **BOARD OF DIRECTORS and ADVISORY COMMITTEE**

LE has an active Board of Directors and Advisory Committee that are comprised of the following members:

### **Board of Directors**

Michael Herzig (31%) – See Above.

Jay Levy (7.5% ownership through Zelkova Ventures) – Mr. Levy is a co-founder and principal of Zelkova Ventures, a New York based venture capital firm focused on investing in early stage software-

as-a-service, internet media and green tech companies. His prior experience includes forming several technology companies and serving at Morgan Stanley. Mr. Levy holds a BA degree from Rutgers University.

Stephen Schweich (4% ownership) – Mr. Schweich is currently a Managing Director at Mooreland Partners where he focuses on cross border transactions for emerging technology companies. His prior experience includes serving as a Research Analyst at Alex Brown & Sons and a Managing Director at Robertson Stephens and Company where he headed its European operations. Mr. Schweich holds a BA from Amherst College and an MBA from Harvard Business School.

Ajit Virk (3% ownership through Lilyvale Limited) – Mr. Virk currently heads a private investment firm (Lilyvale Limited) based in Prague that he founded. His prior experience includes serving at the World Bank Group's International Finance Corporation where he worked on numerous international mergers and acquisitions. In addition, Mr. Virk seed-funded and served as Chairman of HealthScribe, Inc., a US-based healthcare services start-up and offshore BPO (Business Process Outsourcing) pioneer. During his tenure, HealthScribe raised over \$30 million in venture capital funding and was successfully sold to Soros Private Equity. Mr. Virk holds degrees from Harvard University and St. Stephen's College.

Of note, the remaining 54.5% of ownership in the Company is owned by various funds and individuals, all of which have less than a 10% ownership stake.

## **RECOMMENDATION**

Approval is recommended for a \$1,454,000 loan from the Edison Innovation Green Growth Fund as proposed based upon the experienced management team, proven ability to raise capital, strong customer traction, satisfactory feedback from the reference calls and the fact that LE's solution should assist in greater demand for PV installations in New Jersey.