



Sussex County

Solar Project Update

July 27, 2016

Agenda

Introductions	Ron Tappan - <i>Acting County Administrator</i>
Overview Settlement Post Settlement	David A. Weinstein , Esq. - Archer & Greiner
Financials	Robert Maikis - <i>Sussex County Treasurer</i>
Project Updates	Chris Cutrona - <i>Owners Representative Jingoli & Son</i>
Completed Projects Closing	Ron Tappan



Morris County Improvement Authority –
Sussex County Renewable Energy Program
(The “Sussex Solar Project”)

**A Brief History and
Current Status**

Archer & Greiner P.C.
ATTORNEYS AT LAW



Background 2011

- February – Sussex County authorized Shared Services Agreement with MCIA to implement the Solar Program for local units in Sussex County
- July – Project RFP is submitted for review of Office of Comptroller
- July – Sussex County first reading of Guaranty Ordinance, Consent to MCIA Bonds & MCIA RFP for Project Developers
- August – MCIA Bond Issue and County Guaranty positive findings received from Local Finance Board
- August - Sussex County second reading of Guaranty Ordinance not to exceed \$50,000,000
- August – State Comptroller provides signoff on RFP for Project documents
- September – MCIA issues RFP for Sussex Project



Background 2011

- October – Sole response to RFP received from Sunlight General and Power Partners
- October – Sussex County adopts resolution authorizing MCIA to award Project to Sunlight
- December - License and Access Agreements executed with local units
- December – MCIA executes Power Purchase Agreement & Lease Agreement with Sunlight
- December – Sunlight and Power Partners enter into Engineering, Procurement & Construction Contract in the amount of \$26,403,700 for the Project



Background 2012

- May 2012 – Solar Renewable Energy Certificates (SREC) value drop to \$80 (price at inception of project was \$350)
- July 2012 – First of multiple liens filed against the project by subcontractors to Power Partners
- September 2012 – SREC Values drop to \$50 per certificate
- September 2012 - Power Partners files for arbitration against Sunlight
- December 2012 – Amendment & Consent No. 1 approved by Sussex County to transfer Project Funds to pay for Debt Service and extend completion date to September 15, 2013



Background 2013

- February – Power Partners files mechanics lien for \$12,542,000
- February – MCIA files for injunctive relief and judgment and order to show cause in mechanics lien filing
- March – New Jersey superior court discharges mechanics lien, limits scope of construction lien
- June – Notice of Claim is filed by Power Partners
- June – Power Partners commences civil action against MCIA in Federal Court
- October – Sussex County approves Amendment and Consent No. 2 extending project completion date to May 1, 2014
- December – Power Partners files complaint in New Jersey Superior Court to foreclose construction lien claim



Background 2014

- July - Power Partners files application with New Jersey Appellate Division regarding lien discharge, New Jersey Supreme Court grants cert. for appeal
- August – Arbitration award is granted to Power Partners (approximately \$60,000,000 award), providing Power Partners with relief on nearly all claims made, and Power Partners files with Federal District Court to confirm arbitration award
- August – Sussex County (along with Morris and Somerset) send notice of default to Sunlight General
- September – District Court enters consent order
- September – Sussex County files emergency notice with District Court to stay payment of \$920,000 in legal fees for Sunlight General, which payments are sourced from public funds (Bond funds for the Project), District Court denies request
- October – Federal Court orders mediation and “Terms of Settlement” is presented and approved by Sussex County



Settlement

- Sussex County on March 3, 2015 entered into a Settlement Agreement with Power Partners, the MCIA and Sunlight General, as well as Amendment and Consent No 3.
- The net result of the Settlement Agreement was to contain unknown costs and to provide the County with better control over the Project.



Settlement Overview

- Additional bonds were issued by the MCI A, and Guaranteed by Sussex County, to make a payment of \$12,838,862 to Power Partners.
- Additional 1603 Funds were applied for on the previously built site, and received in June 2016 in the amount of \$1,139,512, which reduced Sussex County's obligations.



Settlement Overview

- The County determined to move forward with construction of the Unbuilt Sites, Sunlight General was kept on (necessary to receive 1603 Grant Funds).
- Sunlight General entered into new Engineering, Procurement & Construction Contract with Vanguard for construction of Unbuilt Sites (which projects are currently under construction).



Settlement Overview

- County obtained the benefit of SREC sales from all Project sites, as well as the additional 1603 funds and any 1603 funds received from the Unbuilt Sites, as such funds received by Sunlight General will be used to make Basic Lease payments on the outstanding MCIA Bonds, which are Guaranteed by Sussex County. County controls the timing of sale of SREC.



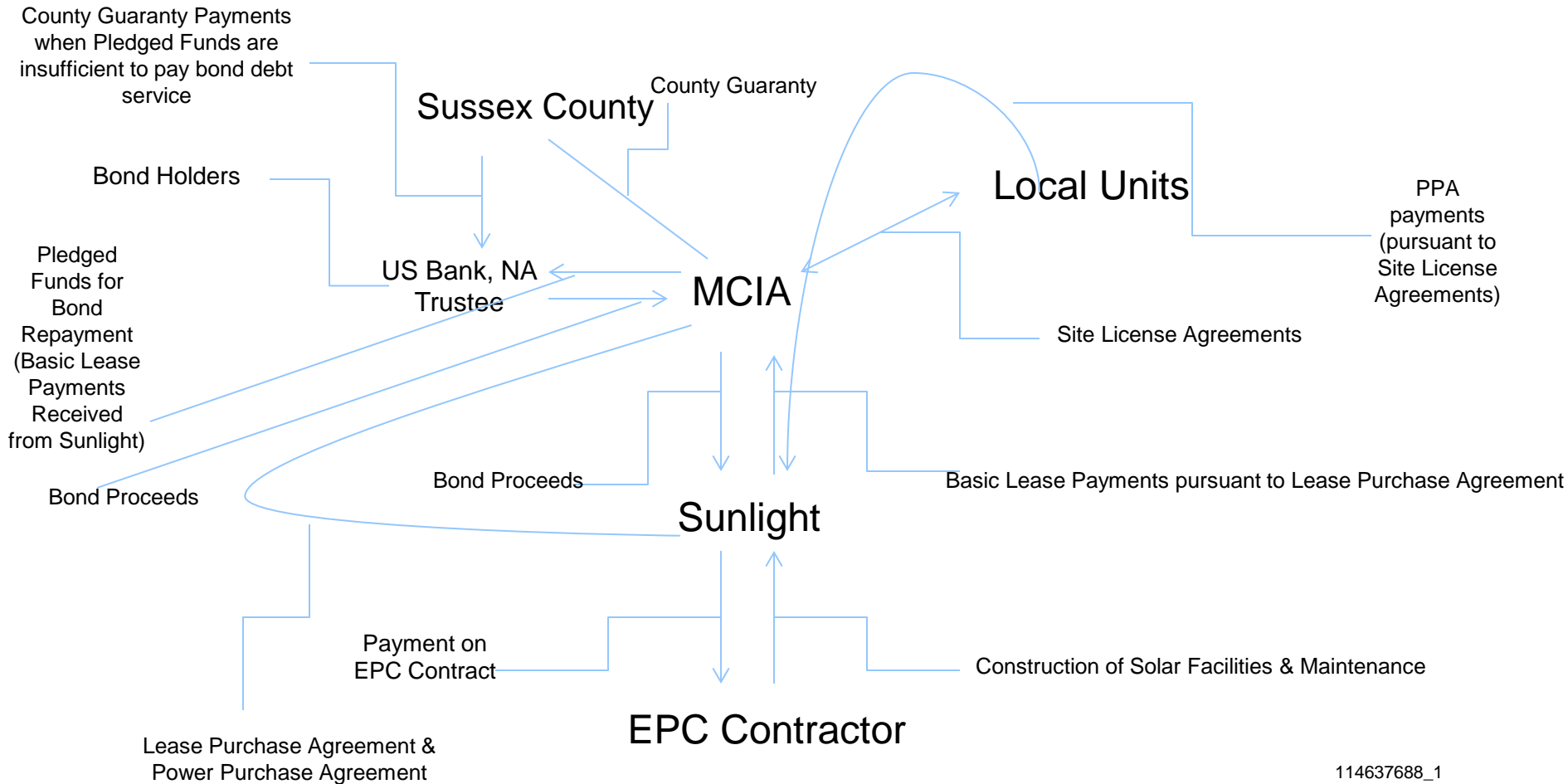
Settlement Overview

- Owner's Representative retained Joseph Jingoli & Sons, Inc. Owner's Representative acts under the EPC Contract with Vanguard with input from the County. Helps County keep an eye on the Project and understand current issues to help avoid construction issues, which arose which caused litigation.



Post Settlement

- Unbuilt projects are currently being constructed
- Alternative sites have been located for most Local Units, which are not continuing for various reasons
- SREC Prices have rebounded since Settlement, currently selling for approximately \$250 per certificate





Sussex County

Solar Project Update

Financial Review

Rob Maikis – County Treasurer

July 27, 2016

County of Sussex
Solar Program Receipts & Disbursements
Analysis of Funds Available
June 30, 2016

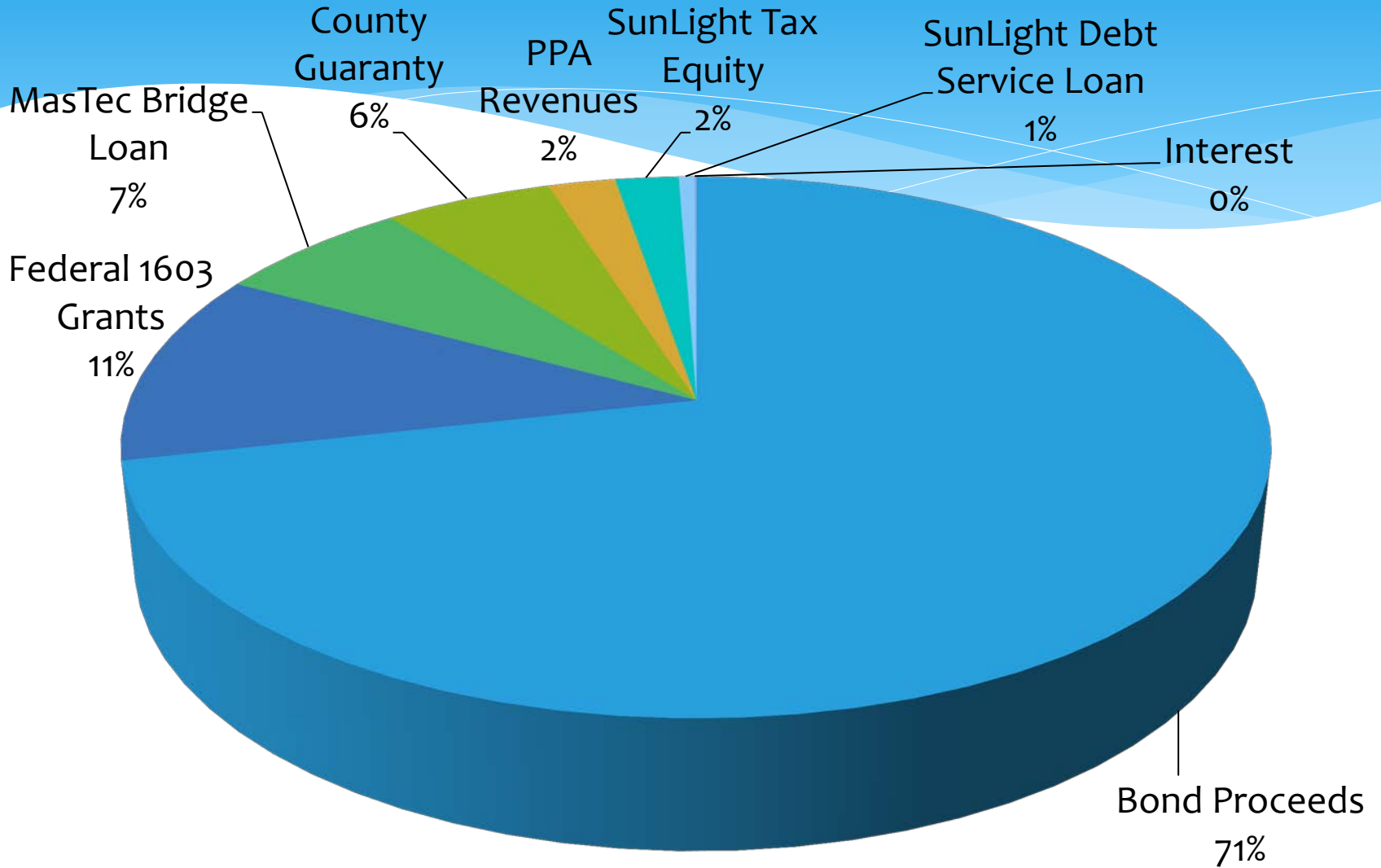
* Receipts and Disbursements

Note B-Net of Underwriter Fee	983,418.75
Serial Bonds-Net of Underwriter Fee	33,340,490.25
MasTec Bridge Loan	3,134,116.00
Federal 1603's	5,521,988.00
PPA Revenue	1,076,515.32
Trf from SLG-Debt Service	250,000.00
Trf from County-Guaranty	2,683,322.50
Trf from SLG-Tax Equity	1,010,281.71
Interest	<u>34,281.29</u>
Total Receipts	<u>48,034,413.82</u>
Disbursements:	
Bond Issuance Costs	-409,491.67
Administrative Expenses	-1,198,197.43
Debt Service Payments	-12,141,868.55
Project Expenses	-26,191,368.72
SLG Project Expenses-Net of Revenue	<u>-2,679,848.30</u>
Total Disbursements	<u>-42,620,774.67</u>
Balance of Funds Available	<u>5,413,639.15</u>

* Analysis of Funds Available

Trust Funds:	
Series 2011:	
Revenue Acct.	320,303.94
Aged Revenue Acct.	10,113.39
Project Acct.	2,489,664.92
Cost of Issuance Acct.	17,569.65
Admin. Expense Acct.	46.92
County Securities Acct.	192,468.37
Series 2015:	
Admin Expense Acct	547,232.09
Cost of Issuance Acct.	5,503.69
Project Acct.	70,047.60
Bridge Loan Acct	<u>1,760,487.58</u>
Total Trust Funds	<u>5,413,438.38</u>
SLG Accounts:	
Checking-1603's	100.00
Saving-1603's	<u>100.77</u>
Total SLG Accounts	<u>200.77</u>
Total Funds Available	<u>5,413,639.15</u>

Receipts



1603 Grants

- * Federal grants to solar project developers under the American Recovery & Reinvestment Act of 2009 (ARRA), in lieu of federal Investment Tax Credit (ITC).
- * Awards up to 30% of solar projects total eligible costs.
- * Safe Harbor provision – cash grant eligibility expired December 31, 2011, unless 5% or more of total project costs were incurred.
- * Cash grant approval expires unless projects are constructed, placed in service and producing power by December 31, 2016.

1603 Grants

Continued

- * SunLight General received **\$4,382,476** for the completed projects placed in service.
 - * 2013: \$3,789,048
 - * 2014: \$ 593,428
- * An additional award of **\$1,139,512** was received in 2016 bringing the total for all completed projects to **\$5,521,988**. This amount was used to offset a portion of the Bridge Loan repayment to Power Partners MasTec.
- * Projects underway but not yet placed in service have a net award value estimated at just over **\$3.8M**.

PPA Revenues

- * Power Purchase Agreement (PPA) revenues are derived from the sale of electricity produced by solar panels to the involved local units.
- * SunLight General has entered into PPAs with the local units and is responsible for the monthly invoicing.
- * PPA Price = \$0.0935/kWh at commencement; 3% annual escalation on commencement anniversary date. PPAs run for a 15-year term.
- * Local units make payment directly to US Bank, the Trustee for the solar project.
- * From 2013 through May 2016, **\$1,076,515.32** in PPA revenues have been realized.
- * PPA revenues are dedicated towards debt service.

Tax Equity

- * Under the federal Tax Code, renewable energy projects benefit from favorable depreciation rules in order to attract investment.
- * If developer of renewable energy projects lacks tax liability large enough to use the depreciation, the benefit can be sold to a third-party, i.e., “tax equity investor”.
- * SunLight General realized tax equity investment proceeds of **\$1,010,281.71**, which were paid to the Trustee accounts.

SRECs

- * Solar Renewable Energy Certificates (SRECs) are earned when 1,000 kWh (1 MW) of electricity have been generated by a solar project.
- * Generation is reported to the Pennsylvania-New Jersey-Maryland Energy Information Service's Generation Attribute Tracking System (PJM-EIS GATS).
- * SunLight General is responsible for reporting to PJM-EIS GATS and having the actual SRECs created or “minted”.
- * Once minted, SRECs can then be traded and contracted; typical purchasers are utilities.

SRECs

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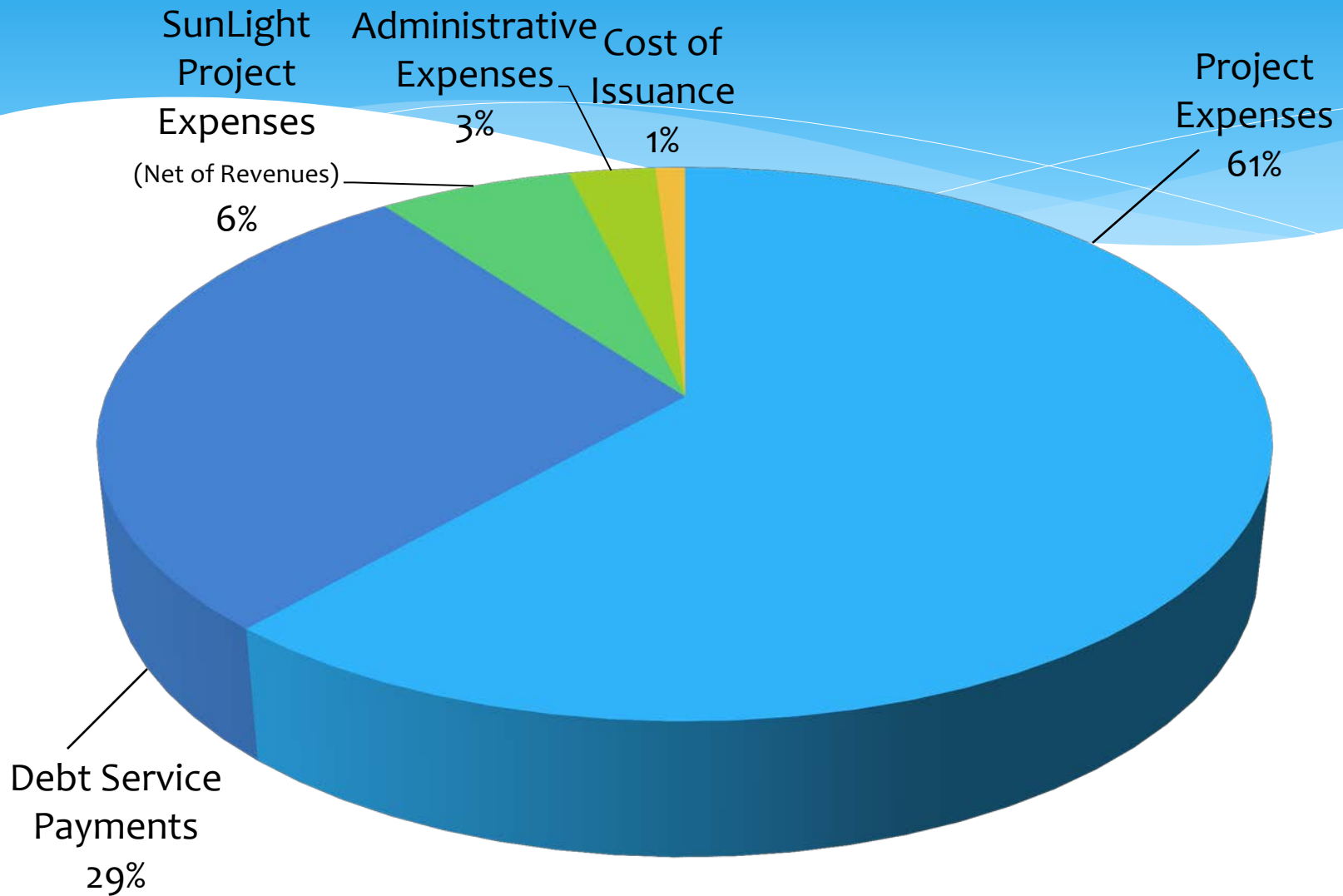
- * Sussex solar SRECs have been sold since 2013, trading at a **low** of \$130 (9/4/13) and at a **high** of \$291 (1/28/16).
- * Net SREC proceeds realized by SunLight General through June 2016, after paying \$7,649 in broker fees, total **\$2,303,626.50**.
- * SunLight incurs expenses, monthly, seasonally and annually, which get netted against the SREC proceeds.
- * The current, typical monthly expenses total \$27,244.13, consisting of:
 - * Operations & Maintenance, \$4,218.75
 - * Asset Management, \$8,359.38
 - * Warehousing, \$676.00
 - * Owner's Representative, \$13,990.00

SRECs

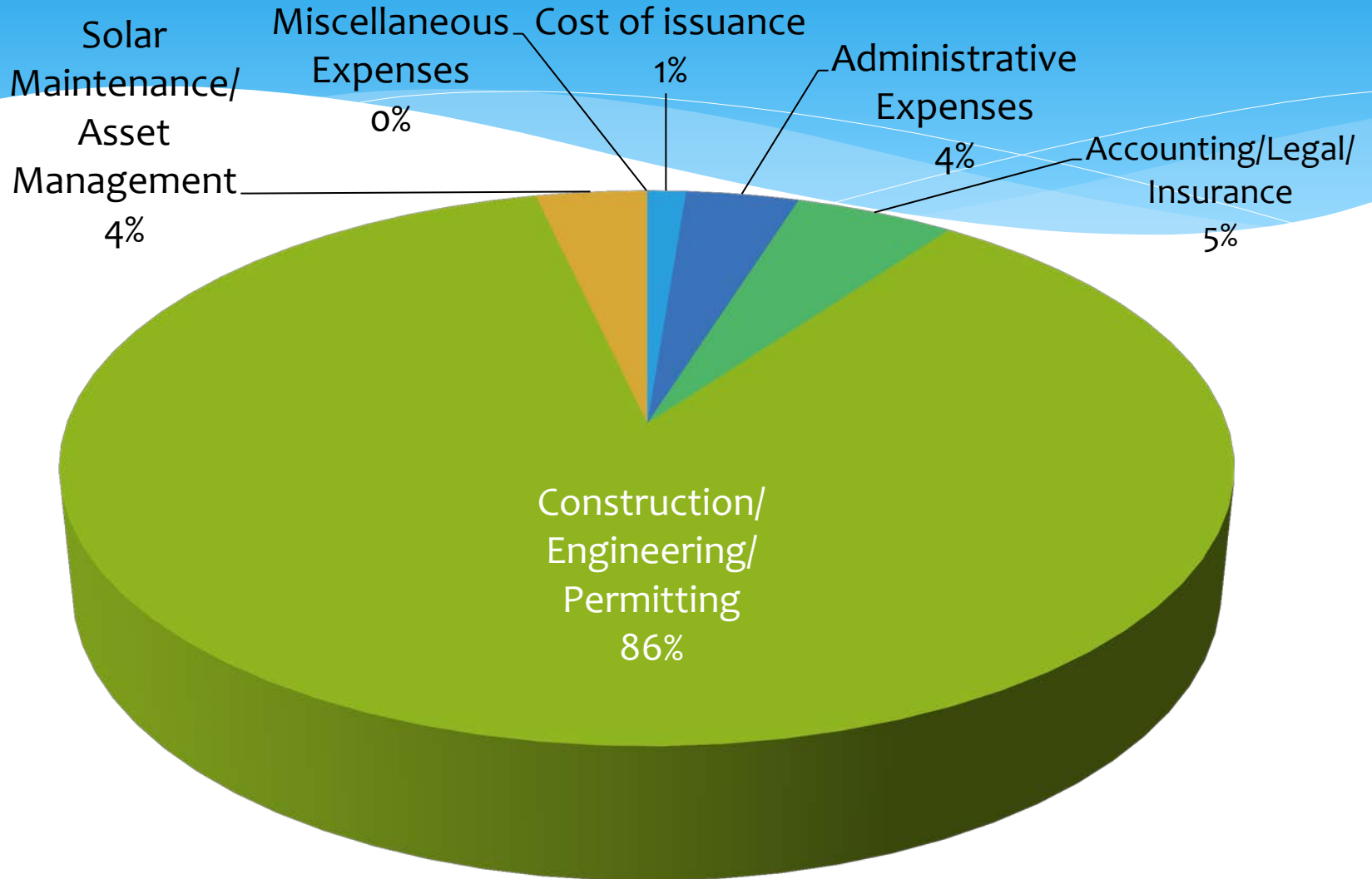
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- * The current, typical seasonal expenses are for landscaping at the four ground-mounted solar sites (Frankford Elementary, SCCC, Newton Wastewater Treatment Plant, County Wheatsworth Road facility), billed monthly at \$1,057.77 during the seasonal period, usually April through October.
- * The current, typical annual expenses are for insurance, \$17,254.74, and accounting (not currently known, \$22,000 estimated).

Disbursements

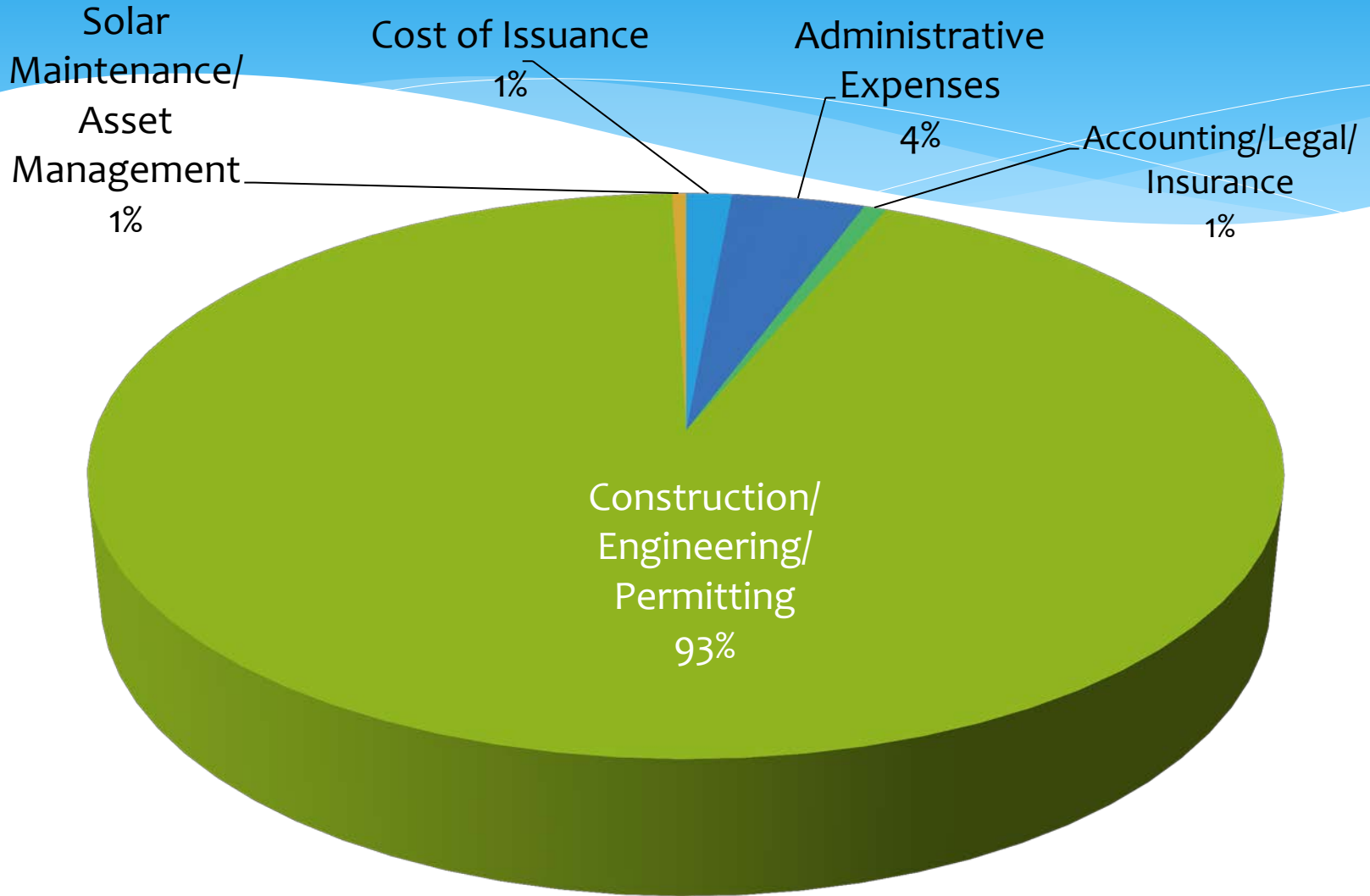


Total Project Expenses



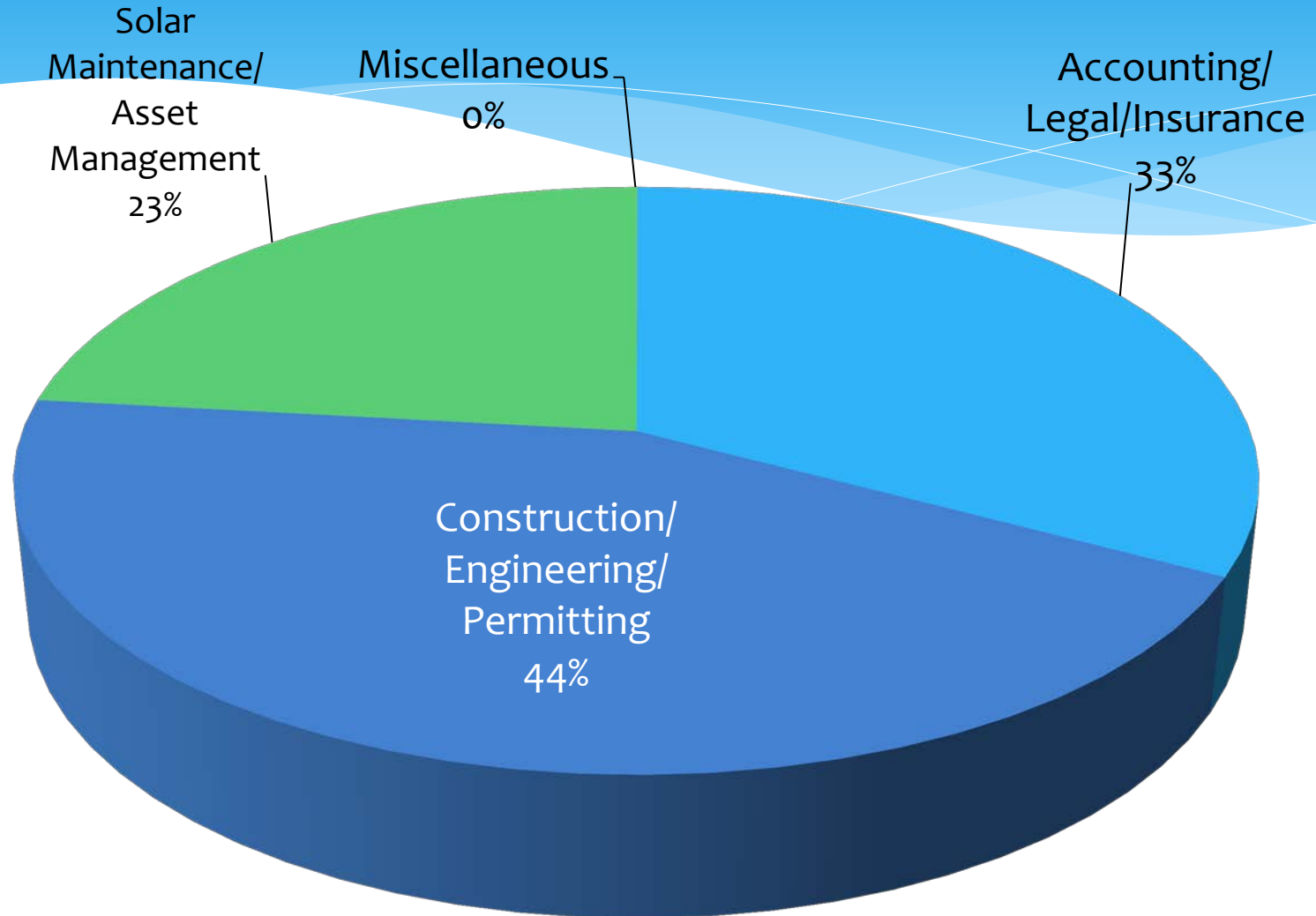
Sussex Solar Project Expenses

(from Trustee, US Bank Accounts)



SunLight General Direct Project Expenses

(from Chase Bank accounts)



Homestead Funds/ Self-Financed Bonds for Solar

- * The County sold the Homestead nursing home in November 2012. The total cash received from the sale was \$7,414,500, which was deposited into the Current Fund's Sussex Bank account. The funds were reserved and are listed on the balance sheet in the account titled "Reserve for Sale of County Assets".
- * In 2015, and pursuant to the solar settlement, the County undertook the self-financing of \$6,750,000 in additional solar bonds, "County Guaranteed Revenue Bonds, Series 2015". The County used \$6,750,000 *cash* on deposit in the Current Fund's Sussex Bank account to purchase the bonds. The transaction was recorded as an investment ("Investments-MCIA Serial Bonds") and is listed on the balance sheet under "Cash and Cash Equivalents".

Homestead Funds/ Self-Financed Bonds for Solar

Continued

- * The funds in the Reserve for County Assets have remained untouched since 2012. The principal and interest are paid over to the Trustee, who in turn pays it right back to the County. The repaid principal gets applied as a credit against the investment, while the interest gets credited to the anticipated revenue account.

Sussex County Solar Project



Hardyston Middle School

870.59 kW

95% complete



Sparta Middle School

484.11 kW
35% Complete



Sussex County Vo-Tech - GROUND

826.43 kw

75% Complete



Sussex County Vo-Tech - Roof

76.56 kw
55% Complete

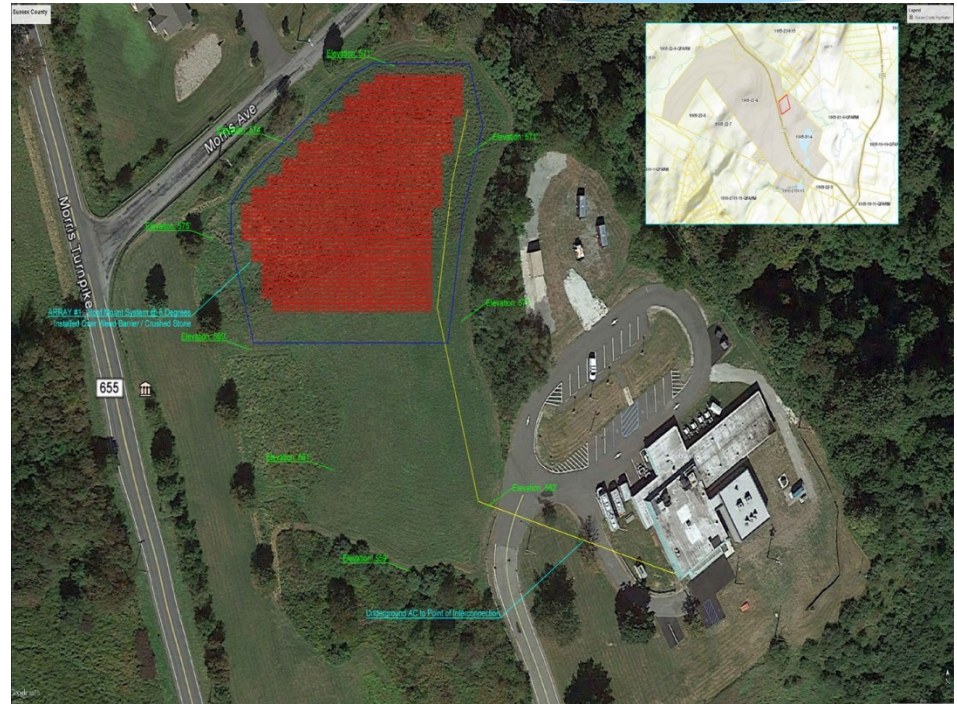


Kittatinny Regional High School

397.65 kw
40% Complete



OEM Center Capacity – TDB Currently in Engineering



Sussex County Library Capacity – TBD Currently In engineering





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Completed Projects and Closing

Ron Tappan – Acting County Administrator

July 27, 2016

Byram Lakes Elementary School Completed

524.09 kw



Frankford Township School Completed

306.24 kw



Kittatinny High School Completed

303.05 kw



Newton Merriam Ave School Completed

292.22 kw



Newton Waste Water Treatment Plant Completed

66.99 kw



08/01/2013 08:48

Sussex County Community College Completed

1104.36 kw



Wheatsworth Facility Completed

92.51 kw



Other Completed Sites

Fredon Township Civic Center – 33.93 kw

Newton DPW Complex – 39.33 kw

Franklin Elementary School – 219.17 kw

High Point High School – 264.77 kw

Newton High School – 127.60 kw



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