

ADAMS AND REESE LLP

August 17, 2022

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VIA HAND DELIVERY

Mr. Brandon Frey, Executive Secretary
Louisiana Public Service Commission
602 North Fifth Street, 12th Floor
Baton Rouge, LA 70821

LA Public Service Commission

Attorneys at Law

Alabama
Colorado
Florida
Georgia
Louisiana
Mississippi
North Carolina
South Carolina
Tennessee
Texas
Washington, DC

Katelin Varnado

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E-Fax: 225.336.5147

katelin.varnado@arlaw.com

Re: Docket No.: _____
Verdant Microgrid, LLC and Ingevity Corporation, *Ex Parte*
In Re: Petition for Declaration of Non-jurisdictional Status and
Expedited Consideration

Dear Secretary Frey:

You will find enclosed an original and two (2) copies of the *Petition for Declaration of Non-jurisdictional Status and Request for Expedited Consideration* being filed on behalf of Verdant Microgrid, LLC ("Verdant") and Ingevity Corporation ("Ingevity"). Please file the original and necessary copies into the record and have processed for future handling as may be appropriate. I also enclose another copy and ask that you file stamp same indicating your receipt and return it to our courier.

We are filing herewith, executed copies of the notarized Verifications of the authorized representatives of both Verdant and Ingevity. We will supplement this filing with the original executed and notarized Verifications upon receipt from our clients.

Should you have any questions, please do not hesitate to contact me.

Thank you for your attention to this request. With kind regards, we remain

Sincerely,

ADAMS AND REESE LLP

Katelin H. Varnado
Katelin H. Varnado

ROUTED 15 days
DEPT. Bulletin DATE 8/18 DEPT. _____

KHV/lba
Enclosure

cc: Commissioner Eric Skrmetta (w/enclosure), via e-mail
Commissioner Craig Greene (w/enclosure), via e-mail
Commissioner Lambert C. Boissiere, III (w/enclosure), via e-mail
Commissioner Mike Francis (w/enclosure), via e-mail
Commissioner Foster L. Campbell (w/enclosure), via e-mail

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F22-65908

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. _____

VERDANT MICROGRID, LLC

AND

INGEVITY CORPORATION

EXPARTE

RECEIVED

AUG 17 2022

LA Public Service Commission

*In re: Petition for Declaration of Non-Jurisdictional Status
and
Request for Expedited Consideration*

NOW BEFORE THE COMMISSION, through undersigned counsel, comes Verdant Microgrid, LLC ("Verdant"), and Ingevity Corporation ("Ingevity"), (collectively "Petitioners") which bring this Petition for Declaration of Non-Jurisdictional Status and Request for Expedited Consideration ("Petition") and respectfully state:

NATURE OF ACTION

1.

Petitioners seeks an order declaring: (i) that for the life of the Ingevity DeRidder Microgrid Project ("Project"), as described herein, the Louisiana Public Service Commission ("LPSC") will not exercise its jurisdiction, to the extent such jurisdiction may exist, over the development, financing, construction, ownership, operation, maintenance, power generation and transfers, steam production, and any and all interests therein, including those arising from investment, ownership, lease, mortgage or assignment, of the Ingevity DeRidder Microgrid Project, or otherwise regulate or classify the Ingevity DeRidder Microgrid Project or the Parties in Interest (as defined below), either individually or collectively, as a public utility or an electric public utility, as those terms are used in Article IV, Section 21 of the Louisiana Constitution and Title

45 of the Louisiana Revised Statutes, including but not limited to La. R.S. 45:121, La. R.S. 45:1161 or La. R.S. 45:1164, or any other relevant state statute, or LPSC rule, order, regulation or practice. In support of the Petition, Petitioners aver as follows:

PARTIES

2.

The Parties in Interest in this matter are:

- A. Verdant;
- B. Ingevity;
- C. ClearGen, LLC;
- D. All Special Purpose Vehicles/Entities established or to be established for the purpose of holding/owning assets of the Project;
- E. All investors of the Project, including but not limited to tax equity investors and any financial institutions or lenders providing debt or equity capital in connection with any financing to the Project; and
- F. All affiliates, including but not limited to, any administrative agent, collateral agent, assignees or designees, contractor or subcontractor, or successors of any of the foregoing Parties in Interest.

JURISDICTION

3.

The LPSC has jurisdiction over the subject matter of this action for the following reasons:

- A. The LPSC is charged by the Louisiana Constitution, La. Const. art. 4, §21, with the duty of regulating public utilities and has the power to perform those actions necessary to discharge its duty;
- B. Under statutory law, the power, authority and duty of the Commission affect and include all matters and things connected with, concerning and growing out of the service to be rendered by a public utility; and

- C. In fulfilling its constitutional and statutory duties to regulate public utilities, the LPSC has the power and authority to determine whether an entity constitutes an electric public utility so as to be subject to the Commission's regulation.¹

THE PURPOSE OF MICROGRIDS

4.

Verdant, a foreign limited liability company which will apply for authorization to do business in Louisiana, is an industry leader in the design, development, and operation of sustainable microgrids.²

5.

A microgrid is a self-sufficient energy system that serves a discrete geographic footprint and provides electricity, and potentially heating, cooling, and steam resources for its client, via a secure and highly sophisticated software control system.

6.

Microgrids utilize one or more types of distributed energy such as solar panels, wind turbines, combined heat and power cogeneration systems and generators to produce electricity.

7.

Microgrids are distinguishable from large centralized grids which push electricity from power plants over long distances through transmission and distribution lines. Delivering power from afar is inefficient since as much as eight to fifteen percent of the energy dissipates in transit. Microgrids overcome this inefficiency by generating power close to the client being served. For

¹ LSPC orders declaring/finding non-jurisdictional status of similar matters can be found in docket numbers: U-24037, S-32940, and S-34773.

² More about Verdant and its microgrid systems can be found here: <https://www.verdantmicrogrid.com/>.

example, with a microgrid system, generators are placed near or within the building the microgrid serves and solar panels, when used, are placed on the roof of the building the microgrid serves.

8.

The brain of a microgrid is called is a software-based system referred to as the “controller.” The controller manages the various sources of power integrated into the microgrid to achieve the energy goals established by the microgrid’s client, such as optimizing the host’s energy supply, achieving greater reliability, quality, and security of energy supply, and sourcing the cleanest energy available. These goals are achieved by increasing or decreasing use of any one or a combination of the microgrid’s resources.³ Additionally, microgrids operate 24 hours a day, 7 days a week, and 365 days a year on a client-controlled basis, insulated from traditional central grid failures.⁴

9.

While microgrids have been around for decades, until recently, they were used largely by college campuses and the military. The rate of microgrid installation has dramatically increased and will continue to do so, due to heightened concerns of electric reliability. These concerns include but are not limited to the prevalence of extreme weather events in Louisiana, other acts of God, cyberattacks, or human error.

³ For example, an advanced controller can track real-time changes in the power use of a given host and the availability of multiple sources of energy, including grid energy. The controller can then utilize its intelligence and real-time priorities of the host to allocate the load across one or may of the various sources of power available to the site. This results in more flexible energy sourcing and more efficient allocation of power across the system, including benefits to the grid itself, in certain conditions and configurations. These benefits are realized despite the fact that this project will not put power back to any utility.

⁴ A typical microgrid system will provide continuous power to the host client even though power from a centralized grid is no longer available (also known as “islanding”). This continuous capability shields the host client from availability issues such as when a centralized grid fails or does not have enough electricity to meet the demand of all its customers and interrupts service or institutes a “blackout” (also known as “load shedding”).

THE PROJECT

10.

Since 1977, Ingevity has owned and operated a chemical plant in DeRidder, Louisiana (“Plant”), which employs approximately 225 people and generates about \$200 million dollars in revenue annually.

11.

The Plant started as a family owned business in 1946 for the purpose of producing rosin and turpentine. Today, the Plant uses sustainable raw materials for the manufacture of its products and supplies more than 100 performance chemicals worldwide which are used in a variety of applications such as asphalt, oilfield drilling, metalworking lubricants, adhesives, printing ink, paints and coatings, and papersize.

12.

The Project consists of the design, construction and operation of a microgrid system, all components of which will be completely inside the Plant’s fence line. The Project’s design as a “non-export” facility means that no power generated by the microgrid will leave the Plant’s premises. No power will be put into the wholesale market. Ingevity will consume 100% of the energy produced on site either immediately or be stored for later consumption by Ingevity.

13.

The Project will deploy on-site generation technology, including solar, combined heat and power generators, heat recovery steam generators, and electrical system upgrades to the Plant, which when fully installed will provide improved security, reliability, and sustainability to the Plant by preventing power loss and stabilizing the facility’s energy costs.

14.

The Project's components will include the following state-of-the-art equipment supplied by internationally recognized companies: (1) a solar array of approximately 1,000 kW; (2) two combined heat and power (CHP) containerized cogeneration systems each capable of producing 2,000 kW of electric energy; (3) a heat recovery steam generator (HRSG) producing approximately 6,000 lbs of 150psi steam per hour; and (5) ancillary pumps, piping, wiring, controls, and other equipment. Additionally, the Project consists of specifically designed electrical system upgrades to the Plant which will improve power quality and operational continuity.

15.

An Energy Services Agreement ("ESA") between Verdant and Ingevity governs the terms and conditions of the Project. Pursuant to the ESA, Ingevity will provide fuel and water to the Project which the microgrid system will convert into electricity and steam, which outputs will then be consumed solely by Ingevity. The ESA also includes penalty provisions in the event the electricity and steam generated does not meet the volume requirements specified by the ESA, or if they are delivered in a manner inconsistent with Ingevity's requirements.

16.

Verdant, with the help of its financing partner, ClearGen, LLC ("ClearGen"), a Blackstone Credit portfolio company, will design, build, initially own and operate the microgrid system for Ingevity for the project finance life of 25 years ("Project Finance Life") after which ownership of the microgrid will be transferred to Ingevity.

17.

ClearGen was established by the Blackstone Group specifically to provide financing to projects similar to this and aims to serve as a one-stop shop for clean energy capital needs. To date, ClearGen has committed more than \$600 million dollars for the development of microgrid projects.

18.

In accordance with the terms of the financing agreement between Verdant and ClearGen, a Special Purpose Vehicle (“SPV”), also known as a Special Purpose Entity, will be established for the Project, which will own the assets comprising the microgrid. This SPV will be owned by ClearGen, and specialty investors, known as “tax equity” investors, for the Project Finance Life. During the Project Finance Life, Verdant will operate the Project pursuant to a contract with the SPV.⁵

19.

After the Project Finance Life, ownership of the assets in the SPV will be transferred to Ingevity for the remaining equipment life, which is predicted to be at least ten years.

20.

Stated otherwise, Verdant will provide Ingevity with a “zero up-front” cost option for the Project whereby Verdant finances and operates the Project for the Project Finance Life, and then transfers the Project equipment to Ingevity after Verdant makes its return on investment. This business model allows Ingevity to benefit from the Project without the need to acquire specialized knowledge and skills to deploy the microgrid system and without the need to use operating cash or to incur additional balance sheet liabilities.

⁵ Verdant may contract operation and maintenance of the Project to a sister entity.

21.

Additionally, by structuring the ESA in this manner, the Project will be able to take advantage of certain federal tax credits associated with the Project's generation equipment.

22.

Verdant has engaged Schneider Electric IT Mission Critical Systems, Inc., a global leader in the manufacture and installation of electrical components with over \$28 billion in 2021 revenue and multiple locations and subsidiaries in Louisiana, to design and construct the microgrid system so that it is uniquely tailored to Ingevity and the Plant's needs. Schneider Electric will also upgrade the Plant's current electrical infrastructure to allow for greater resilience and to enhance the safety of Plant shutdowns caused by power issues.

23.

The Petitioners anticipate that the Project benefits will include: (1) improved reliability of the power supply to the Plant; (2) improved power quality; (3) improved sustainability by reduction of 16,000 tons of CO₂ produced per year; (4) installation of new safety features to prevent plant shutdowns, dramatically increasing safety at the plant⁶; (5) no out-of-pocket expenses for Ingevity; (6) no operations responsibility for Ingevity; and (6) the ability to take advantage of federal tax credits due based on an efficient financing structure.

STATUS UNDER LA. R.S. 45:121, LA. R.S. 45:1161 and LA. R.S. 45:1164

24.

Neither the Parties in Interest nor the Project are included within the definition of "electric public utility" under state law. These statutes define the term "electric public utility" as any person furnishing electric service within the State of Louisiana; provided, however, that it does not include any

⁶ These features will also reduce energy-related production losses by \$2 million annually and nearly eliminate uncontrolled boiler shutdowns as a result of power quality issues.

person owning, leasing and/or operating an electric generation facility provided such person is not primarily engaged in the generation, transmission, distribution, and/or sale of electricity, and provided such person : (a) consumes all of the electric power and energy generated by the facility for its own use at the site of generation; (b) only consumes a portion thereof and sells the entire remaining portion of the electric power and energy generated by the facility to an electric public utility; or (c) sells the entire production of electric power and energy generated by the facility to an electric public utility.

25.

The electric power generated by the Project will be consumed entirely by Ingevity. Parties in Interest will not furnish retail electric service to the public or persons requiring such service. Parties in Interest will have no captive clients, no jurisdictional assets, and no rate base subject to regulation. Project risks, including the financing, construction, ownership, operation and maintenance of the Project, shall be borne exclusively by the Parties in Interest and not by other utilities or their ratepayers. Thus, Parties in Interest and the Project should not be considered as providing electric public utility service subject to the jurisdiction of the LPSC.

26.

Parties in Interest fall within the category of a persons “owning, leasing and/or operating an electric generation facility” which “consumes all of the electric power and energy generated by the facility for its own use at the site of generation” as provided in the aforementioned statutes.

27.

Parties in Interest are pursuing the development, financing, construction, ownership, operation and maintenance of the Project exclusively as private enterprises. Without the requested finding of non-jurisdictional status by the LPSC, the Project’s resultant increased costs would likely render it financially unviable.

28.

The contact information for the legal representatives of Verdant and Ingevity in this docket for inclusion on the Official Service List is as follows:

Robert L. Rieger, Jr.
Katelin H. Varnado
Adams and Reese LLP
450 Laurel Street, Suite 1900
Baton Rouge, LA 70801

Tel: (225) 336-5200
Fax: (225) 336-5220
Emails:
robert.rieger@arlaw.com
katelin.varnado@arlaw.com

Verdant's company representative's contact information is as follows:

Robert Babcock
Verdant Microgrid
5105 Wehawken Road
Bethesda, MD 20816

Tel: (917) 744-2712
Email: rob@verdantmicrogrid.com

Ingevity's company representative's contact information is as follows:

Joe Robinson
Ingevity Corporation
400 Crosby Road
DeRidder, LA 70634

Tel: (843) 670-3534
Email: joseph.robinson@ingevity.com

29.

Attached to this Petition are verifications executed by Petitioners' representatives, Robert Babcock, Managing Member, Verdant, and Joe Robinson, Plant Manager, Ingevity.

REQUEST FOR EXPEDITED CONSIDERATION

30.

Petitioners request that the LPSC issue an order on an expedited basis, with no longer than a fifteen (15) day intervention period, declaring that the Parties in Interest and all aspects of the Project as described herein are not subject to the jurisdiction of the LPSC. An expedited decision is needed in order to allow the Petitioners to obtain necessary equipment on a timely basis and to achieve certain financing opportunities.

PRAYER FOR RELIEF

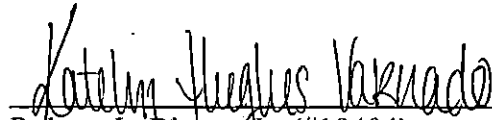
WHEREFORE, Petitioners pray the LPSC:

(1) publish this Petition in the LPSC Bulletin No. 1278, scheduled for release on August 19, 2022, with no longer than a fifteen (15) day intervention period; and

(2) issue an order on an expedited basis, with an immediate effective date of the resulting order, declaring that the financing, construction, ownership, operation and maintenance and power and steam transfers of the Project as described herein will not render the Parties in Interest and the Project, either individually or collectively, an electric public utility under La. R.S. 45:121, La. R.S. 45:1161 and La. R.S. 45:1164 or otherwise subject Petitioners to regulation as an electric public utility by the LPSC pursuant to any other relevant state statute or LPSC rule, regulation, or practice.

Respectfully submitted:

ADAMS AND REESE LLP



Robert L. Rieger, Jr. (#18404)

Katelin H. Varnado (#35498)

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Baton Rouge, Louisiana 70801

Telephone: (225) 336-5200

Facsimile: (225) 336-5220

Email: robert.rieger@arlaw.com

Email: katelin.varnado@arlaw.com

Counsel for Verdant Microgrid, LLC and Ingevity Corporation

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. _____

VERDANT MICROGRID, LLC

AND

INGEVITY CORPORATION

EXPARTE

In re: Petition for Declaration of Non-Jurisdictional Status and Expedited Consideration

VERIFICATION

STATE OF Maryland

COUNTY OF Montgomery

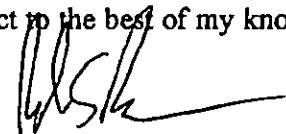
BEFORE ME, the undersigned authority, personally came and appeared:

Robert Babcock

and, after being first duly sworn did depose and state:

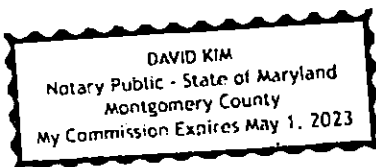
I am the Managing Member of Verdant Microgrid, LLC and the foregoing *Petition for Declaration of Non-Jurisdictional Status and Expedited Consideration* was prepared under my supervision.

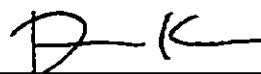
The facts set forth therein are true and correct to the best of my knowledge, information, and belief.



Robert Babcock

SWORN TO AND SUBSCRIBED BEFORE ME ON THIS 16 DAY OF AUGUST, 2022.





Notary Public: David Kim
Notary/Bar Roll No. N/A
My Commission expires: May 1, 2023

LOUISIANA PUBLIC SERVICE COMMISSION

DOCKET NO. _____

VERDANT MICROGRID, LLC

AND

INGEVITY CORPORATION

EXPARTE

In re: Petition for Declaration of Non-Jurisdictional Status and Expedited Consideration

VERIFICATION

STATE OF LOUISIANA

PARISH OF

Beauregard

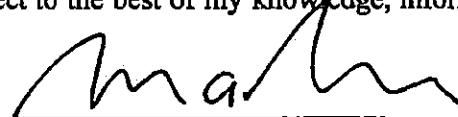
BEFORE ME, the undersigned authority, personally came and appeared:

Joe Robinson

and, after being first duly sworn did depose and state:

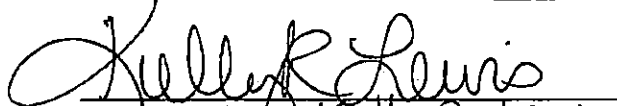
I am the Plant Manager of Ingevity Corporation and the foregoing *Petition for Declaration of Non-Jurisdictional Status and Expedited Consideration* was prepared under my supervision.

The facts set forth therein are true and correct to the best of my knowledge, information, and belief.



Joe Robinson

SWORN TO AND SUBSCRIBED BEFORE ME ON THIS ____ DAY OF AUGUST, 2022.


Notary Public: Kelly R. Lewis
Notary/Bar Roll No. 086259
My Commission expires: at death

