

**ASSEMBLY, No. 577**

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**STATE OF NEW JERSEY**

**220th LEGISLATURE**

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PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

**Sponsored by:**

**Assemblyman ROBERT J. KARABINCHAK**

**District 18 (Middlesex)**

**Assemblyman LOUIS D. GREENWALD**

**District 6 (Burlington and Camden)**

**Assemblywoman NANCY F. MUNOZ**

**District 21 (Morris, Somerset and Union)**

**Co-Sponsored by:**

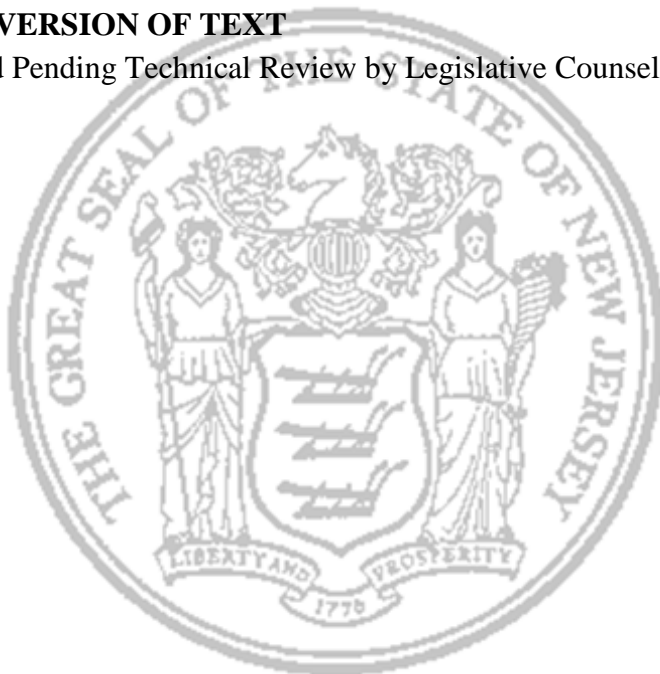
**Assemblywoman Swain, Assemblymen Spearman, Conaway and Umba**

**SYNOPSIS**

Directs BPU to establish program concerning renewable natural gas; provides gas public utilities with customer rate recovery mechanism for costs associated with program.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



**(Sponsorship Updated As Of: 10/11/2022)**

1 AN ACT concerning renewable natural gas and supplementing Title  
2 48 of the Revised Statutes.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6

7 1. a. The Legislature finds and declares that:

8 (1) renewable natural gas can provide benefits to gas public  
9 utility customers and to the public;

10 (2) the development of renewable natural gas resources should  
11 be encouraged to support a smooth transition to a low carbon  
12 energy economy in New Jersey;

13 (3) the societal benefits that may be achieved through the  
14 development and use of renewable natural gas warrant the State's  
15 support for investment in renewable natural gas; and

16 (4) gas public utilities can reduce greenhouse gas emissions  
17 from the direct use of natural gas by procuring renewable natural  
18 gas and investing in renewable natural gas infrastructure.

19 b. The Legislature therefore determines that:

20 (1) regulatory guidelines should be established for the  
21 procurement of renewable natural gas and investments in renewable  
22 natural gas infrastructure in order to enable that procurement and  
23 investment while also protecting New Jersey ratepayers; and

24 (2) renewable natural gas should be included in the broader set  
25 of low carbon resources that may leverage the natural gas system to  
26 reduce greenhouse gas emissions.

27

28 2. As used in P.L. , c. (C. ) (pending before the  
29 Legislature as this bill):

30 "Biogas" means a mixture of carbon dioxide and hydrocarbons,  
31 primarily methane gas, released from the biological decomposition  
32 of organic materials.

33 "Board" means the Board of Public Utilities or any successor  
34 agency.

35 "Class I renewable energy" shall have the same meaning as  
36 provided in section 3 of P.L.1999, c.23 (C.48:3-51).

37 "Class II renewable energy" shall have the same meaning as  
38 provided in section 3 of P.L.1999, c.23 (C.48:3-51).

39 "Gas public utility" means a public utility, as that term is defined  
40 in R.S.48:2-13, that distributes gas to end users within this State.

41 "Qualified investment" means any capital investment in  
42 renewable natural gas infrastructure incurred by a gas public utility  
43 for the purpose of providing natural gas service under a renewable  
44 natural gas program pursuant to P.L. , c. (C. ) (pending  
45 before the Legislature as this bill).

46 "Renewable natural gas" means any of the following products  
47 processed to meet pipeline quality standards or transportation fuel  
48 grade requirements: (1) biogas that is upgraded to meet natural gas

1 pipeline quality standards such that it may blend with, or substitute  
2 for, geologic natural gas; (2) hydrogen gas derived from Class I  
3 renewable energy or Class II renewable energy; or (3) methane gas  
4 derived from any combination of biogas, hydrogen gas or carbon  
5 oxides derived from renewable energy sources, or waste carbon  
6 dioxide.

7 “Renewable natural gas infrastructure” means the equipment and  
8 facilities located in this State for the production, processing,  
9 pipeline interconnection, and distribution of renewable natural gas  
10 to natural gas customers in the State.

11  
12 3. a. Notwithstanding any provisions of the “Administrative  
13 Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.) to the  
14 contrary, the board shall initiate a proceeding upon the filing of a  
15 petition by a gas public utility with the board for approval of a  
16 program for the procurement of renewable natural gas and  
17 investment in renewable natural gas infrastructure and an associated  
18 cost recovery mechanism, and the board shall adopt, after notice  
19 and opportunity for public comment and public hearing, a program  
20 for the procurement of renewable natural gas and investment in  
21 renewable natural gas infrastructure by a gas public utility.

22 b. A gas public utility that participates in the renewable natural  
23 gas program adopted by the board, pursuant to subsection a. of this  
24 section, may make qualified investments and procure renewable  
25 natural gas from third parties, including affiliates of the gas public  
26 utility.

27 c. The board shall adopt a ratemaking mechanism that ensures  
28 the recovery of and on all prudently incurred costs pursuant to  
29 subsection b. of this section. Under a ratemaking mechanism  
30 adopted by the board pursuant to this subsection:

31 (1) any qualified investment and operating cost approved by the  
32 board incurred pursuant to subsection b. of this section may be  
33 recovered from ratepayers by means of a periodic recovery  
34 mechanism established by the board; and

35 (2) any cost of procurement of renewable natural gas from a  
36 third party, including from an affiliate of the gas public utility,  
37 approved by the board incurred pursuant to subsection b. of this  
38 section may be recovered from ratepayers by means of a periodic  
39 recovery mechanism established by the board.

40 d. When a gas public utility makes a qualified investment  
41 pursuant to subsection b. of this section, the costs associated with  
42 the qualified investment shall include the cost of capital established  
43 by the board in the gas public utility’s most recent rate case as well  
44 as other incremental costs associated with those qualified  
45 investments.

46 e. When a gas public utility procures renewable natural gas  
47 from a third party, the gas public utility shall purchase the  
48 renewable natural gas supply at prices and on terms consistent with

1 market conditions in the market for renewable natural gas. A charge  
2 assessed to customers for the supply of renewable natural gas shall  
3 be regulated by the board and shall be based on the cost to the gas  
4 public utility of providing that supply, including the cost of  
5 renewable natural gas commodity and capacity, purchased at prices  
6 consistent with market conditions in the market for renewable  
7 natural gas, and related ancillary and administrative costs, as  
8 determined by the board.

9  
10 4. No later than 180 days after the enactment  
11 of P.L. , c. (C. ) (pending before the Legislature as this  
12 bill), the board shall adopt rules and regulations, pursuant to the  
13 “Administrative Procedure Act,” P.L.1968, c.410 (C.52-14B-  
14 1 et seq.), necessary to implement the provisions of  
15 P.L. , c. (C. ) (pending before the Legislature as this bill).

16  
17 5. This act shall take effect immediately.

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19  
20 STATEMENT

21  
22 This bill directs the Board of Public Utilities (BPU) to establish a  
23 program to encourage the procurement of renewable natural gas and  
24 investment in renewable natural gas infrastructure by a gas public  
25 utility (utility).

26 The bill requires the BPU to adopt a ratemaking mechanism that  
27 ensures the recovery of and on all prudently incurred costs made  
28 pursuant to the bill. When a utility makes a qualified investment,  
29 the costs associated with the qualified investment are to include the  
30 cost of capital established in the utility’s most recent rate case as  
31 well as other incremental costs associated with those qualified  
32 investments.

33 The bill requires that when a utility procures renewable natural  
34 gas from a third party, the utility is to purchase the renewable  
35 natural gas supply at prices and on terms consistent with market  
36 conditions in the market for renewable natural gas. A charge  
37 assessed to customers for the supply of renewable natural gas is to  
38 be regulated by the BPU and be based on the cost to the utility of  
39 providing that supply, including the cost of renewable natural gas  
40 commodity and capacity, purchased at prices consistent with market  
41 conditions in the market for renewable natural gas, and related  
42 ancillary and administrative costs. If a utility’s total incremental  
43 annual cost to meet the requirements of the renewable natural gas  
44 program exceeds five percent of the utility’s total revenue  
45 requirement for an individual year, the utility is no longer  
46 authorized to make additional qualified investments under the  
47 renewable natural gas program for that year without the approval of  
48 the BPU.