

ASSEMBLY, No. 577

STATE OF NEW JERSEY

220th LEGISLATURE

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

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Co-Sponsored by:

**Assemblywoman Swain, Assemblymen Spearman, Conaway, Umba,
Assemblywomen Eulner, Piperno, Reynolds-Jackson and Assemblyman
Moriarty**

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

As reported by the Assembly Telecommunications and Utilities Committee with technical review.



(Sponsorship Updated As Of: 11/20/2023)

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).

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17 5. This act shall take effect immediately.