

SENATE, No. 419

STATE OF NEW JERSEY 220th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

Sponsored by:

Senator BOB SMITH

District 17 (Middlesex and Somerset)

Senator LINDA R. GREENSTEIN

District 14 (Mercer and Middlesex)

Co-Sponsored by:

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SYNOPSIS

Establishes Renewable and Efficient Energy Financing Program; authorizes BPU to transfer up to \$20 million annually in societal benefits charge revenues to New Jersey Infrastructure Bank for purposes of program.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT concerning renewable energy and energy efficiency in
2 State, local, and school district buildings and other property,
3 supplementing Title 58 of the Revised Statutes, and amending
4 P.L.1999, c.23.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8

9 1. (New section) This act shall be known and may be cited as the
10 “Renewable and Efficient Energy Financing Act.”

11

12 2. (New section) As used in sections 1 through 9 of P.L. , c.
13 (C.)(pending before the Legislature as this bill):

14 “Board” means the Board of Public Utilities.

15 “Energy efficiency improvement” means a modification or
16 improvement to a building or other property that is designed to reduce
17 energy consumption or provide a renewable energy source, and reduce
18 energy costs for a State entity, local unit, or school district. “Energy
19 efficiency improvement” shall include, but need not be limited to,
20 insulation; storm windows or doors; caulking, weather-stripping, or
21 other window and door system modifications or improvements that
22 reduce energy consumption; automated or computerized energy
23 control systems; energy efficient heating, ventilation, or air
24 conditioning systems; energy efficient lighting systems; on-site solar
25 energy systems or other renewable energy systems; energy recovery
26 systems; cogeneration or combined heat and power systems; and other
27 modifications or improvements as may be determined appropriate by
28 the board.

29 “Local unit” means a county or municipality, or any agency,
30 authority, department, or other entity thereof.

31 “Program” means the Renewable and Efficient Energy Financing
32 Program established pursuant to section 3 of P.L. , c.
33 (C.)(pending before the Legislature as this bill).

34 “School district” means any local or regional school district
35 established pursuant to chapters 8 or 13 of Title 18A of the New Jersey
36 Statutes.

37 “State entity” means a department, agency, or office of State
38 government, including a State university or college, or an authority
39 created by the State.

40 “Total cost” means all of the costs associated with an energy
41 efficiency improvement project, including, but not limited to, all of the
42 costs of financing the project over the life of a loan.

43 “Trust” means the New Jersey Infrastructure Bank, created
44 pursuant to section 4 of P.L.1985, c.334 (C.58:11B-4).

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 3. (New section) There is established in the New Jersey
2 Infrastructure Bank the Renewable and Efficient Energy Financing
3 Program. The purpose of the program shall be to provide loans and
4 other forms of financial assistance, as the trust deems appropriate, to
5 State entities, local units, and school districts to finance cost-effective
6 energy efficiency improvements in buildings or other property owned
7 or operated by the State entities, local units, or school districts. The
8 trust is also authorized to provide loans and other forms of financial
9 assistance directly to a private entity for an energy efficiency
10 improvement project sponsored and guaranteed by a local unit,
11 provided that any application for such loans or other forms of financial
12 assistance is made by the local unit.

13

14 4. (New section) a. A State entity, local unit, or school district
15 seeking financial assistance under the Renewable and Efficient Energy
16 Financing Program shall first submit an application to the board in a
17 form and manner as determined by the board in consultation with the
18 trust. The board, in consultation with the trust, shall develop criteria
19 for the approval or disapproval of applications pursuant to this section.

20 b. As part of the application process, the board shall require the
21 applicant to perform an energy efficiency assessment of the buildings
22 or other property owned or operated by the applicant. The assessment
23 shall identify the energy efficiency improvements that can be installed
24 and operated in the buildings or other property at a total cost that is
25 less than the energy cost savings, in the form of lower energy bills,
26 realized by the applicant over the lesser of a 10-year period or the
27 useful life of the energy efficiency improvements. The assessment
28 shall include a schedule for funding and installing the energy
29 efficiency improvements that will realize the greatest cost savings to
30 the applicant.

31 c. Upon approval of an application pursuant to this section, the
32 board shall submit a copy of the energy efficiency assessment and a
33 certification of application approval to the trust. Subject to the
34 availability of funds under the program, the trust may make and
35 contract to make loans or other forms of financial assistance, as the
36 trust deems appropriate, to the applicant to finance all or a portion of
37 the cost of the energy efficiency improvements as identified in the
38 energy efficiency assessment and approved by the board. The loans
39 and other forms of financial assistance may be made subject to such
40 terms and conditions as the trust shall deem appropriate.

41

42 5. (New section) Pursuant to an energy efficiency assessment
43 performed pursuant to section 4 of
44 P.L. , c. (C.)(pending before the Legislature as this bill), and
45 with the approval of the board and the trust, a State entity, local unit,
46 or school district may install or contract for the installation of, energy
47 efficiency improvements on its buildings or other property, as
48 identified in the assessment. The installation or contract shall address

1 provisions concerning payment schedules, monitoring, inspection,
2 measuring, and warranties as are necessary to ensure, to the greatest
3 extent practicable, that the energy efficiency improvements will be
4 installed and operated in the buildings or other property at a total cost
5 that is less than the energy cost savings realized by the applicant over
6 the lesser of a 10-year period or the useful life of the energy efficiency
7 improvements.

8

9 6. (New section) a. There is established in the New Jersey
10 Infrastructure Bank a special, nonlapsing fund to be known as the
11 Renewable and Efficient Energy Financing Fund. Monies in the fund
12 shall be used by the trust only to provide loans and other forms of
13 financial assistance to State entities, local units, and school districts
14 under the program, and for the trust's administration and
15 management of the program. The fund shall be credited with:

16 (1) moneys obtained from the payment of interest assessed on,
17 and the repayment of principal of, any loans made pursuant to
18 P.L. , c. (C.)(pending before the Legislature as this bill);

19 (2) moneys transferred to the trust from the board pursuant to
20 subsection c. of section 12 of P.L.1999, c.23 (C.48:3-60);

21 (3) any other moneys appropriated by the Legislature or
22 otherwise made available to the trust for the purposes of P.L. , c.
23 (C.)(pending before the Legislature as this bill); and

24 (4) any interest earnings or other investment income earned or
25 received on the moneys in the fund.

26 b. The trust may establish other such reserves or subaccounts
27 which, in the trusts' discretion, are necessary or desirable to carry out
28 the purposes of P.L. , c. (C.)(pending before the Legislature as
29 this bill), within the limits of funds appropriated or otherwise made
30 available to the trust for its purposes.

31

32 7. (New section) The board, in consultation with the trust, shall
33 develop a priority system for energy efficiency improvement
34 projects, and establish ranking criteria and funding policies for the
35 energy efficiency improvement projects to be funded under the
36 program. The board shall set forth a "Renewable and Efficient
37 Energy Financing Program Project Priority List," hereinafter
38 referred to as the project priority list, for funding by the trust each
39 fiscal year, and shall include the aggregate amount of funds that the
40 trust is authorized to use for the purposes of the program. The
41 board may include an energy efficiency improvement project on the
42 project priority list if the project meets the eligibility requirements
43 for funding, and any other criteria developed by the board, pursuant
44 to P.L. , c. (C.)(pending before the Legislature as this bill).
45 The board shall submit the project priority list to the Legislature,
46 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1) at least once
47 in each fiscal year. A project shall be eligible for funding under

1 P.L. , c. (C.)(pending before the Legislature as this bill) only if
2 it is identified on a project priority list.

3
4 8. (New section) No later than one year after the first loan or
5 other form of financial assistance is made pursuant to
6 P.L. , c. (C.)(pending before the Legislature as this bill), and
7 for each succeeding year in which such financial assistance is made,
8 the board and the trust together shall prepare and submit a report to the
9 Governor and, pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1),
10 to the Legislature, on the effectiveness of the program in promoting
11 energy efficiency, renewable energy, and energy cost savings for State
12 entities, local units, and school districts. The board and the trust may
13 include any recommendations for legislation to improve the
14 effectiveness of the program.

15
16 9. (New section) The board, in cooperation with the trust, shall
17 adopt, pursuant to the "Administrative Procedure Act," P.L.1968,
18 c.410 (C.52:14B-1 et seq.), such rules and regulations as are necessary
19 to implement the provisions of P.L. , c. (C.)(pending before
20 the Legislature as this bill).

21
22 10. Section 12 of P.L.1999, c.23 (C.48:3-60) is amended to read as
23 follows:

24 12. a. Simultaneously with the starting date for the
25 implementation of retail choice as determined by the board pursuant to
26 subsection a. of section 5 of P.L.1999, c.23 (C.48:3-53), the board
27 shall permit each electric public utility and gas public utility to recover
28 some or all of the following costs through a societal benefits charge
29 that shall be collected as a non-bypassable charge imposed on all
30 electric public utility customers and gas public utility customers, as
31 appropriate:

32 (1) The costs for the social programs for which rate recovery was
33 approved by the board prior to April 30, 1997. For the purpose of
34 establishing initial unbundled rates pursuant to section 4 of P.L.1999,
35 c.23 (C.48:3-52), the societal benefits charge shall be set to recover the
36 same level of social program costs as is being collected in the bundled
37 rates of the electric public utility on the effective date of P.L.1999,
38 c.23 (C.48:3-49 et al.). The board may subsequently order, pursuant to
39 its rules and regulations, an increase or decrease in the societal benefits
40 charge to reflect changes in the costs to the utility of administering
41 existing social programs. Nothing in P.L.1999, c.23 (C.48:3-49 et al.)
42 shall be construed to abolish or change any social program required by
43 statute or board order or rule or regulation to be provided by an
44 electric public utility. Any such social program shall continue to be
45 provided by the utility until otherwise provided by law, unless the
46 board determines that it is no longer appropriate for the electric public
47 utility to provide the program, or the board chooses to modify the
48 program;

1 (2) Nuclear plant decommissioning costs;

2 (3) The costs of demand side management programs that were
3 approved by the board pursuant to its demand side management
4 regulations prior to April 30, 1997. For the purpose of establishing
5 initial unbundled rates pursuant to section 4 of P.L.1999, c.23 (C.48:3-
6 52), the societal benefits charge shall be set to recover the same level
7 of demand side management program costs as is being collected in the
8 bundled rates of the electric public utility on the effective date of
9 P.L.1999, c.23 (C.48:3-49 et al.). Within four months of the effective
10 date of P.L.1999, c.23 (C.48:3-49 et al.), and every four years
11 thereafter, the board shall initiate a proceeding and cause to be
12 undertaken a comprehensive resource analysis of energy programs,
13 and within eight months of initiating such proceeding and after notice,
14 provision of the opportunity for public comment, and public hearing,
15 the board, in consultation with the Department of Environmental
16 Protection, shall determine the appropriate level of funding for energy
17 efficiency , plug-in electric vehicles and plug-in electric vehicle
18 charging infrastructure, and Class I renewable energy programs that
19 provide environmental benefits above and beyond those provided by
20 standard offer or similar programs in effect as of the effective date of
21 P.L.1999, c.23 (C.48:3-49 et al.); provided that the funding for such
22 programs be no less than 50 percent of the total Statewide amount
23 being collected in electric and gas public utility rates for demand side
24 management programs on the effective date of P.L.1999, c.23 (C.48:3-
25 49 et al.) for an initial period of four years from the issuance of the
26 first comprehensive resource analysis following the effective date of
27 P.L.1999, c.23 (C.48:3-49 et al.), and provided that 25 percent of this
28 amount shall be used to provide funding for Class I renewable energy
29 projects in the State. In each of the following fifth through eighth
30 years, the Statewide funding for such programs shall be no less than 50
31 percent of the total Statewide amount being collected in electric and
32 gas public utility rates for demand side management programs on the
33 effective date of P.L.1999, c.23 (C.48:3-49 et al.), except that as
34 additional funds are made available as a result of the expiration of past
35 standard offer or similar commitments, the minimum amount of
36 funding for such programs shall increase by an additional amount
37 equal to 50 percent of the additional funds made available, until the
38 minimum amount of funding dedicated to such programs reaches
39 \$140,000,000 total. After the eighth year the board shall make a
40 determination as to the appropriate level of funding for these
41 programs. Such programs shall include a program to provide financial
42 incentives for the installation of Class I renewable energy projects in
43 the State, and the board, in consultation with the Department of
44 Environmental Protection, shall determine the level and total amount
45 of such incentives as well as the renewable technologies eligible for
46 such incentives which shall include, at a minimum, photovoltaic, wind,
47 and fuel cells. The board shall simultaneously determine, as a result of
48 the comprehensive resource analysis, the programs to be funded by the

1 societal benefits charge, the level of cost recovery and performance
2 incentives for old and new programs and whether the recovery of
3 demand side management programs' costs currently approved by the
4 board may be reduced or extended over a longer period of time. The
5 board shall make these determinations taking into consideration
6 existing market barriers and environmental benefits, with the objective
7 of transforming markets, capturing lost opportunities, making energy
8 services more affordable for low income customers and eliminating
9 subsidies for programs that can be delivered in the marketplace
10 without electric public utility and gas public utility customer funding;

11 (4) Manufactured gas plant remediation costs, which shall be
12 determined initially in a manner consistent with mechanisms in the
13 remediation adjustment clauses for the electric public utility and gas
14 public utility adopted by the board; and

15 (5) The cost, of consumer education, as determined by the board,
16 which shall be in an amount that, together with the consumer
17 education surcharge imposed on electric power supplier license fees
18 pursuant to subsection h. of section 29 of P.L.1999, c.23 (C.48:3-78)
19 and the consumer education surcharge imposed on gas supplier license
20 fees pursuant to subsection g. of section 30 of P.L.1999, c.23 (C.48:3-
21 79), shall be sufficient to fund the consumer education program
22 established pursuant to section 36 of P.L.1999, c.23 (C.48:3-85).

23 b. There is established in the Board of Public Utilities a
24 nonlapsing fund to be known as the "Universal Service Fund." The
25 board shall determine: the level of funding and the appropriate
26 administration of the fund; the purposes and programs to be funded
27 with monies from the fund; which social programs shall be provided
28 by an electric public utility as part of the provision of its regulated
29 services which provide a public benefit; whether the funds
30 appropriated to fund the "Lifeline Credit Program" established
31 pursuant to P.L.1979, c.197 (C.48:2-29.15 et seq.), the "Tenants'
32 Lifeline Assistance Program" established pursuant to P.L.1981, c.210
33 (C.48:2-29.31 et seq.), the funds received pursuant to the Low Income
34 Home Energy Assistance Program established pursuant to 42 U.S.C.
35 s.8621 et seq., and funds collected by electric and natural gas utilities,
36 as authorized by the board, to offset uncollectible electricity and
37 natural gas bills should be deposited in the fund; and whether new
38 charges should be imposed to fund new or expanded social programs.

39 c. Notwithstanding the provisions of this section, or any rule,
40 regulation, or order adopted pursuant thereto, to the contrary, in the
41 State fiscal year commencing July 1, 2020, and each year thereafter,
42 the Board of Public Utilities shall transfer up to \$20 million from
43 available balances accumulated in accounts of the board from funds
44 collected through the societal benefits charge imposed pursuant to
45 paragraph (3) of subsection a. of this section to the New Jersey
46 Infrastructure Bank for deposit into the Renewable and Efficient
47 Energy Financing Fund established pursuant to section 6 of P.L. , c.
48 (C.)(pending before the Legislature as this bill) for the purposes

1 of the Renewable and Efficient Energy Financing Program. The board
2 and the trust may enter into any contract deemed necessary to
3 implement the payment arrangement from the board to the trust that is
4 provided for in this section.

5 (cf: P.L.2019, c.362, s.13)

6

7 11. This act shall take effect immediately.

8

9

10 STATEMENT

11

12 This bill would establish the Renewable and Efficient Energy
13 Financing (REEF) program in the New Jersey Infrastructure Bank
14 (NJIB).

15 The purpose of the REEF program would be to provide loans and
16 other forms of financial assistance, as the NJIB deems appropriate,
17 to State entities, local units, and school districts to finance cost-
18 effective energy efficiency improvements in buildings and other
19 property owned or operated by the State entities, local units, or
20 school districts. The NJIB would also be authorized to provide
21 loans and other financial assistance directly to a private entity for an
22 energy efficiency improvement project sponsored and guaranteed
23 by a local unit.

24 A State entity, local unit, or school district seeking financial
25 assistance under the REEF program would be required to apply to
26 the Board of Public Utilities (BPU) in a form and manner
27 determined by the BPU. The BPU, in consultation with the NJIB,
28 would develop criteria for the approval or disapproval of
29 applications. As part of the application process, an applicant would
30 be required to perform an energy efficiency assessment of the
31 buildings or other property owned or operated by the applicant.
32 The assessment would identify the energy efficiency improvements
33 that could be installed and operated in the buildings or other
34 property at a total cost that is less than the energy cost savings, in
35 the form of lower energy bills, realized by the applicant over the
36 lesser of a 10-year period or the useful life of the energy efficiency
37 improvement.

38 Upon approval of an application, subject to the availability of
39 funds, the NJIB would make loans or other forms of financial
40 assistance to the applicant to finance all or a portion of the cost of
41 the energy efficiency improvements identified in the assessment.
42 The loans and other forms of financial assistance would be made
43 subject to terms and conditions determined by the NJIB. The
44 installation or contract for the installation of the energy efficiency
45 improvements would be required to address provisions concerning
46 payment schedules, monitoring, inspection, measuring, and
47 warranties as are necessary to ensure that the energy efficiency

1 improvements installed and operated in the building or other
2 property are cost-effective.

3 The bill establishes in the NJIB a special, nonlapsing fund to be
4 known as the Renewable and Efficient Energy Financing Fund.
5 Monies in the fund would be used by the NJIB to make loans and
6 other financial assistance under the bill, and for administration of
7 the REEF program. The fund would be credited with: (1) moneys
8 obtained from the payment of principal and interest on loans made
9 under the bill; (2) moneys transferred to the NJIB from the BPU
10 under the bill; (3) any other moneys appropriated by the Legislature
11 or made available to the NJIB for the purposes of the bill; and (4)
12 any interest earnings or other investment income earned or received
13 on the moneys in the fund.

14 Under the bill, in the State fiscal year commencing July 1, 2020,
15 and each year thereafter, the BPU would be required to transfer to
16 the NJIB up to \$20 million from available balances accumulated in
17 accounts of the BPU from funds collected through the societal
18 benefits (established by the “Electric Discount and Energy
19 Competition Act”) for the purposes of the REEF program. The
20 BPU and the NJIB would be authorized to enter into any contract
21 deemed necessary to implement the payment arrangement between
22 the two entities.

23 The BPU, in consultation with the NJIB, would be required to
24 develop a priority system for energy improvement projects and
25 establish ranking criteria and funding policies for the energy
26 efficiency improvement projects to be funded under the program.
27 The BPU would be required to set forth a “Renewable and Efficient
28 Energy Financing Program Project Priority List” for funding by the
29 NJIB each fiscal year. Finally, the BPU and the NJIB would be
30 required to submit an annual report to the Governor and the
31 Legislature on the effectiveness of the program in promoting energy
32 efficiency and energy cost savings for State entities, local units, and
33 school districts.