

LEGISLATIVE FISCAL ESTIMATE
SENATE COMMITTEE SUBSTITUTE FOR
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SENATE No. 2252
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: JANUARY 16, 2020

SUMMARY

- Synopsis:** Establishes goals and incentives for increased use of plug-in electric vehicles in NJ.
- Type of Impact:** Increased expenditures by State and local government entities; State revenue increases.
- Agencies Affected:** All State and local government entities; Board of Public Utilities; Department of Environmental Protection.

Office of Legislative Services Estimate

Fiscal Impact	<u>10 Year Impact</u>
State Expenditure Increase	Indeterminate
State Revenue Increase	Indeterminate
Local Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that the bill could increase State expenditures and revenues by indeterminate amounts. This conclusion is rooted in a lack of information concerning future decisions of the Board of Public Utilities (BPU) concerning the electric vehicle incentive program and the in-home electric vehicle charging equipment incentive program, and whether deposits into the Plug-in Electric Vehicle Incentive Fund (fund) from the Societal Benefits Charge (SBC) to support those programs will result in higher SBC revenues and expenditures as opposed to reallocation of current revenues from existing programs.
- The bill will also result in additional administrative costs for the BPU to establish and run these two incentive programs, and for the Department of Environmental Protection’s (DEP) public education effort to promote these programs and the electric vehicle infrastructure goals. The BPU is permitted to recover its administrative costs separately from the SBC, so revenues from that source may increase in amounts up to those additional costs.
- If the BPU increases the SBC to fund these incentives, the bill will result in a possible indeterminate increase in State and local expenditures from higher retail energy prices. The

amount of the price increase attributable to the bill is contingent, in part, on the decision made by the BPU, which the OLS cannot anticipate. An increase in energy prices will yield indeterminate additional State revenues, given that the increase paid by all ratepayers will be subject to the State sales and use tax.

BILL DESCRIPTION

This bill establishes goals and incentives for the increased use of plug-in electric vehicles in New Jersey and the development of plug-in electric vehicle charging infrastructure to support that use. The BPU and the DEP are authorized to adopt policies and programs to accomplish the goals established in the bill. No later than December 31, 2020, and every five years thereafter, the DEP is required to prepare and submit to the Governor and the Legislature a report that: (1) assesses the current state of the plug-in electric vehicle market in New Jersey; (2) measures the State's progress towards achieving the goals established the bill; (3) identifies barriers to the achievement of the goals; and (4) makes recommendations for legislative or regulatory action to address barriers to the achievement of the goals.

The bill requires the BPU to establish and implement a light duty plug-in electric vehicle incentive program. The BPU is to implement this incentive program until June 30th of the 10th year after establishment of the incentive program, and provide no less than \$30 million for the program each year. The incentive offered under this program is a one-time maximum \$5,000 payment to the purchaser or lessee of an eligible vehicle. For the first year an incentive is offered, the amount of the incentive is equal to \$25 per mile of EPA-rated electric-only range up to the \$5,000 maximum. For each subsequent year, the BPU may change the amount of the incentive and the manner in which an incentive is calculated. The BPU is authorized to develop additional incentives consistent with the goals and provisions of the bill. A light duty plug-in hybrid vehicle does not qualify for an incentive under the program after December 31, 2022.

In addition to the light duty plug-in electric vehicle incentive program, the BPU is authorized to establish and implement an incentive program for the purchase and installation of in-home electric vehicle charging equipment. This incentive program may only be implemented until June 30th of the 10th year after establishment of the program. The incentives are to take the form of a one-time payment to the person purchasing the in-home electric vehicle service equipment. The amount of the incentive will be determined by the BPU, but shall not exceed \$500 per person. Any incentive a person receives for in-home electric vehicle charging equipment under the program is in addition to any incentive the person receives for the purchase or lease of a new light duty plug-in electric vehicle. The BPU will determine the form and manner of the application for, and the disbursement of, incentives pursuant to this section. The bill also authorizes the BPU to develop additional incentives for electric vehicle service equipment other than in-home charging equipment.

The bill establishes a special, nonlapsing fund in the BPU to be known as the Plug-in Electric Vehicle Incentive Fund. The bill requires the BPU to deposit into the fund, each year, \$30 million of moneys received from the societal benefits charge established pursuant to section 12 of P.L.1999, c.23 (C.48:3-60), moneys made available to the BPU pursuant to the implementation of the Regional Greenhouse Gas Initiative and P.L.2007, c.340 (C.26:2C-45 et seq.), and moneys available from other funding sources, as determined by the BPU, to make disbursements under the light duty plug-in electric vehicle incentive program. The BPU is permitted to deposit into the fund such additional amounts from the societal benefits charge as the BPU deems necessary to make disbursement under the incentive program for in-home electric vehicle charging equipment. Moneys in the fund are to be used by the BPU solely for the purpose of disbursing incentives under the bill. The BPU is also authorized to use SBC revenues to fund other plug-in electrical vehicle

charging infrastructure. The BPU is also permitted to recover any administrative costs incurred in connection with the bill separately from moneys received from the societal benefits charge.

The bill requires the BPU to develop a website, accessible by the public, which provides up-to-date information about the availability of incentives established under the bill. The bill also requires the DEP to develop and implement a public education program to educate consumers about the availability and benefits of plug-in electric vehicles, the State goals for plug-in electric vehicle deployment, and the availability of incentives established under the bill.

The bill provides that, unless otherwise provided for in law, an entity owning, controlling, operating, or managing electric vehicle service equipment not be deemed an electric public utility solely because of such ownership, control, operation, or management. The charging of a plug-in electric vehicle is deemed a service and not a sale of electricity by an electric power supplier or basic generation service provider under the "Electric Discount and Energy Competition Act," P.L.1999, c.23 (C.48:3-49 et al.).

Finally, the bill amends section 7 of P.L.2007, c.340 (C.26:2C-51) (concerning the use of moneys in the "Global Warming Solutions Fund") and section 12 of P.L.1999, c.23 (C.48:3-60) (concerning the use of moneys received from the societal benefits charge) to reflect that moneys from those sources may be used for the purposes of promoting and incentivizing plug-in electric vehicles and related charging equipment.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill could increase in State expenditures and revenues by indeterminate amounts. This conclusion is rooted in a lack of information concerning future BPU decisions about the size of the electric vehicle incentive program, the in-home electric vehicle charging equipment incentive program, and whether deposits into the Plug-in Electric Vehicle Incentive Fund (fund) from the SBC to support those programs will result in higher SBC revenues and expenditures, as opposed to reallocation of current revenues from existing programs.

The electric vehicle incentive program is to run for up to 10 years and distribute no less than \$30 million per year towards the purchase of electric vehicles, but not more than \$5,000 per new eligible electric vehicle. If realized, this will result in a minimum expenditure of \$300 million. The bill requires the BPU to deposit at least \$30 million per year for 10 years into the fund from the SBC to pay for the program.

The in-home electric vehicle charging equipment incentive program is to provide grants of up to \$500 each for individuals buying in-home electric vehicle charging equipment. This program is also to run for 10 years. The bill gives discretion to the BPU to determine the size of the grant, up to \$500, and the total annual amount of disbursements from the fund to support the program.

These two programs will have a minimum cost of \$30 million per year, but possibly more depending upon how the BPU decides to administer the programs. The funding sources identified under the bill are deposits from the SBC or money made available to the BPU from participation in the Regional Greenhouse Gas Initiative (RGGI). The bill does not increase RGGI revenue nor does it require the BPU to increase total SBC revenue or spending to implement the bill's programs. To the extent the BPU increases total SBC revenue, because this is a ratepayer supported source of funding, higher retail prices for energy would affect State and local

government entities. The amount of the price increase attributable to the bill is contingent, in part, on the decision made by the BPU, which the OLS cannot anticipate. An increase in the price of energy will yield indeterminate additional State revenues, given that the increase paid by all ratepayers will be subject to the State sales and use tax. The OLS cannot determine the percentage of the total cost of any rate increase that will be borne by State and local governments because of a lack of data on their energy consumption.

The State will also realize additional administrative costs for the BPU to establish and run these two incentive programs, as well as the required website. The BPU is permitted to recover its administrative costs separately from the SBC, so it can be expected that the additional administrative costs will be recovered through utility rates. The cost to state and local government units would be negligible once spread over the cost of the State's entire rate base.

The DEP public education effort to promote the electric vehicle infrastructure goals under the bill will also represent a State cost. The magnitude of these costs are indeterminate due to a lack of foreknowledge about how the DEP will structure the education effort and the various strategies to be employed. The design of the education effort itself will be the primary determinate of its eventual cost.

Section: Authorities, Utilities, Transportation and Communications
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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).