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ASSEMBLY, No. 5655

STATE OF NEW JERSEY
219th LEGISLATURE

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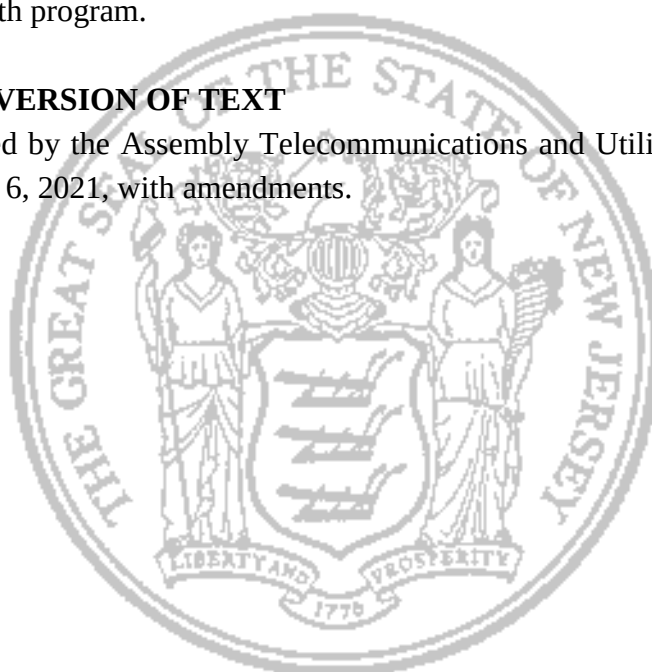
Assemblywoman Swain

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 on December 6, 2021, with amendments.



(Sponsorship Updated As Of: 11/15/2021)

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).

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly ATU committee amendments adopted December 6, 2021.

1 “Renewable natural gas” means any of the following products
2 processed to meet pipeline quality standards or transportation fuel
3 grade requirements: (1) biogas that is upgraded to meet natural gas
4 pipeline quality standards such that it may blend with, or substitute
5 for, geologic natural gas; (2) hydrogen gas derived from Class I
6 renewable energy or Class II renewable energy; or (3) methane gas
7 derived from any combination of biogas, hydrogen gas or carbon
8 oxides derived from renewable energy sources, or waste carbon
9 dioxide.

10 “Renewable natural gas infrastructure” means the equipment and
11 facilities ¹located in this State¹ for the production, processing,
12 pipeline interconnection, and distribution of renewable natural gas
13 to natural gas customers in the State.
14

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

25 b. A gas public utility that participates in the renewable natural
26 gas program adopted by the board, pursuant to subsection a. of this
27 section, may make qualified investments and procure renewable
28 natural gas from third parties, including affiliates of the gas public
29 utility ¹**],** to pursue the following portfolio targets for the
30 percentage of gas purchased or transported by the gas public utility
31 for distribution to retail natural gas customers in the State:

32 (1) in each of the energy years 2022 through 2024, up to five
33 percent may be renewable natural gas;

34 (2) in each of the energy years 2025 through 2029, up to 10
35 percent may be renewable natural gas;

36 (3) in each of the energy years 2030 through 2034, up to 15
37 percent may be renewable natural gas;

38 (4) in each of the energy years 2035 through 2039, up to 20
39 percent may be renewable natural gas;

40 (5) in each of the energy years 2040 through 2044, up to 25
41 percent may be renewable natural gas; and

42 (6) in each of the energy years 2045 through 2050, up to 30
43 percent may be renewable natural gas¹**].**

44 c. The board shall adopt a ratemaking mechanism that ensures
45 the recovery of and on all prudently incurred costs ¹**[**that contribute
46 to the gas public utility’s meeting the portfolio targets established¹**]**

1 pursuant to subsection b. of this section. Under a ratemaking
2 mechanism adopted by the board pursuant to this subsection:

3 (1) any qualified investment and operating cost approved by the
4 board ¹that is associated with a qualified investment that
5 contributes to a gas public utility's meeting the portfolio targets
6 established ¹incurred pursuant to subsection b. of this section may
7 be recovered from ratepayers by means of a periodic recovery
8 mechanism established by the board; and

9 (2) any cost of procurement of renewable natural gas from a
10 third party, including from an affiliate of the gas public utility,
11 approved by the board ¹that contributes to the gas public utility
12 meeting the portfolio targets established ¹incurred pursuant to
13 subsection b. of this section may be recovered from ratepayers by
14 means of a periodic recovery mechanism established by the board.

15 d. When a gas public utility makes a qualified investment
16 pursuant to subsection b. of this section, the costs associated with
17 the qualified investment shall include the cost of capital established
18 by the board in the gas public utility's most recent rate case as well
19 as other incremental costs associated with those qualified
20 investments.

21 e. When a gas public utility procures renewable natural gas
22 from a third party, the gas public utility shall purchase the
23 renewable natural gas supply at prices and on terms consistent with
24 market conditions in the market for renewable natural gas. A charge
25 assessed to customers for the supply of renewable natural gas shall
26 be regulated by the board and shall be based on the cost to the gas
27 public utility of providing that supply, including the cost of
28 renewable natural gas commodity and capacity, purchased at prices
29 consistent with market conditions in the market for renewable
30 natural gas, and related ancillary and administrative costs, as
31 determined by the board.

32 ¹f. If a gas public utility's total incremental annual cost to meet
33 the portfolio targets of the renewable natural gas program
34 established pursuant to subsection b. of this section exceeds five
35 percent of the gas public utility's total revenue requirement for an
36 individual year, the gas public utility shall no longer be authorized
37 to make additional qualified investments under the renewable
38 natural gas program for that year without the approval of the board.

39 g. The total incremental annual cost to meet the portfolio
40 targets of the renewable natural gas program shall account for:

41 (1) any value received by a gas public utility upon any resale of
42 renewable natural gas, including any environmental credits that the
43 renewable natural gas producer chooses to include with the sale of
44 the renewable natural gas to the gas public utility; and

45 (2) any savings achieved through avoidance of conventional gas
46 purchases or development, such as avoided pipeline costs or carbon
47 emission reduction costs.

- 1 h. Notwithstanding the portfolio targets established pursuant to
2 subsection b. of this section, the board may, in its discretion, permit
3 a gas public utility to exceed those portfolio targets. In such a case,
4 the remaining provisions of this section shall continue to apply. **1**¹
5
- 6 4. No later than 180 days after the enactment
7 of P.L. , c. (C.) (pending before the Legislature as this
8 bill), the board shall adopt rules and regulations, pursuant to the
9 “Administrative Procedure Act,” P.L.1968, c.410 (C.52-14B-
10 1 et seq.), necessary to implement the provisions of
11 P.L. , c. (C.) (pending before the Legislature as this bill).
12
- 13 5. This act shall take effect immediately.