

SENATE ENVIRONMENT AND ENERGY COMMITTEE

STATEMENT TO

SENATE, No. 337

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 24, 2020

The Senate Environment and Energy Committee favorably reports Senate Bill No. 337 with committee amendments.

This bill, as amended, would establish the Renewable and Efficient Energy Financing (REEF) program in the New Jersey Infrastructure Bank (NJIB).

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

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

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

necessary to ensure that the energy efficiency improvements installed and operated in the building or other property are cost-effective.

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

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

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

The committee amendments to the bill would:

(1) rename the bill as the “Renewable and Efficient Energy Financing Act”;

(2) change the government agency that is responsible for certain aspects of the REEF program from the Department of Environmental Protection to the BPU;

(3) add a definition for the term “total cost”;

(4) authorize the NJIB to provide loans and other financial assistance directly to a private entity for an energy efficiency improvement project sponsored or guaranteed by a local unit;

(5) provide that the NJIB may provide loans or other financial assistance for energy efficiency improvement projects on other property, in addition to buildings;

(6) require that the energy efficiency improvements financed under the REEF program be installed and operated at a total cost that is less than the energy cost savings realized by the applicant over the lesser of

a 10-year period or the useful life of the energy efficiency improvement;

(7) provide that the NJIB may finance all or a portion of the cost of an energy efficiency improvement approved by the BPU;

(8) establish the Renewable and Efficient Energy Financing Fund in the NJIB. Monies in the fund would be used to make loans and other financial assistance under the bill and for the NJIB's administration of the REEF program;

(9) remove language in the bill that would have authorized the NJIB to issue bonds backed by societal benefits charge revenues;

(10) require the BPU, in consultation with the NJIB, to develop a priority system for energy efficiency improvement projects, and establish ranking criteria and funding policies for the projects to be funded under the REEF program;

(11) require the BPU to set forth a "Renewable and Efficient Energy Financing Program Project Priority List" for funding by the NJIB each fiscal year; and

(12) require the BPU, in the State fiscal year commencing July 1, 2020, and each year thereafter, to transfer to the NJIB up to \$20 million from available balances accumulated in accounts of the BPU from funds collected through the societal benefits charge, for the purposes of the REEF program.

This bill was pre-filed for introduction in the 2020-2021 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.