

(continued)

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974.90 R424 2010k

Energy and utilities subcommittee report.
[Trenton, NJ : New Jersey Office of the Governor, 2010]
<http://hdl.handle.net/10929/24379>

LAW/KR

P.L.2011, CHAPTER 219, *approved January 17, 2012*
Assembly, No. 2872 (*Second Reprint*)

1 AN ACT concerning the imposition of standby charges upon
2 distributed generation customers and supplementing Title 48 of
3 the Revised Statutes.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. As used in this act:

9 “Board” means the Board of Public Utilities.

10 “Demand charge” means a charge imposed by an electric public
11 utility which ²[are] ^{is}² based upon peak electricity demand during
12 a specified time period, typically, one month. A demand charge is
13 utilized to recover the capital cost of infrastructure necessary to
14 meet peak energy loads. Capacity measured in kilowatts or
15 megawatts represents the ability of an electric public utility, or the
16 electric power grid in the aggregate, to deliver electric service of a
17 peak level of demand during any period of time.

18 “Distributed generation” means energy generated from a district
19 energy system or a combined heat and power facility as that term is
20 defined in section 3 of P.L.1999, c.23 (C.48:3-51), the simultaneous
21 production in one facility of electric power and other forms of
22 useful energy such as heating or process steam, and energy
23 generated from other forms of clean energy efficient electric
24 generation systems.

25 “Standby charge” means a charge imposed by an electric public
26 utility upon a distributed generation facility for the recovery of
27 costs necessary to make energy available to the distributed
28 generation facility during a facility power outage including, but not
29 limited to, the allocation of reasonable capital investment costs and
30 operating and maintenance expenses associated with the electric
31 public utility’s infrastructure needed to provide such service.

32
33 2. ¹[a.]¹ Notwithstanding the provisions of any other law, rule,
34 regulation, or order to the contrary, the board shall, within ²[60]
35 ¹²⁰² days of the effective date of P.L. , c. (C.) (pending
36 before the Legislature as this bill), conduct a study to determine the
37 effects of distributed generation upon energy supply and demand

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 floor amendments adopted June 23, 2011.

²Senate SEG committee amendments adopted December 1, 2011.

1 and determine whether distributed generation contributes to any
2 cost savings for electric public utilities.

3

4 3. a. The board shall, within ²~~[120]~~ 180² days of the effective
5 date of P.L. , c. (C.) (pending before the Legislature as this
6 bill), establish criteria for fixing rates associated with the
7 assessment and imposition of standby charges, and shall require
8 electric public utilities to file tariff rates with the board in
9 accordance with such criteria.

10 b. In establishing such criteria, the board shall ensure
11 ¹~~['equality]~~ equity¹ between distributed generation customers and
12 other electric public utility customers with regard to the imposition
13 of standby charges and, in addition to any factors it deems relevant
14 and such factors ²~~as~~² it may consider pursuant to R.S.48:2-21,
15 consider the following factors:

16 (1) any findings of the study conducted by the board pursuant to
17 section 2 of P.L. , c. (C.) (pending before the Legislature as
18 this bill);

19 (2) the impact of demand charges and how they drive the
20 operating performance of projects utilizing distributed generation,
21 particularly during peak electricity demand periods; and

22 (3) the economic and environmental benefits the board finds are
23 associated with distributed generation.

24 c. In establishing the criteria for fixing rates pursuant to
25 subsection b. of this section, the board shall assess the feasibility of
26 including ²~~guidelines for the allowance of~~² special discounted
27 charges for distributed generation customers as part of the criteria.
28 In making such assessment, the board shall consider cost savings to
29 electric public utilities resulting from distributed generation and any
30 other benefits associated with distributed generation, including, but
31 not limited to, any increase in energy efficiency and any associated
32 decrease in demand for electric power from the electric grid.

33

34 4. The board shall, pursuant to the provisions of the
35 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
36 seq. adopt rules and regulations to effectuate the purposes of
37 P.L. , c. (C.) (pending before the Legislature as this bill) .

38

39 5. This act shall take effect immediately.

40

41

42

43

44 _____
45 Regulates imposition of standby charges upon distributed
generation customers.

ASSEMBLY, No. 2872

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 14, 2010

Sponsored by:

Assemblyman UPENDRA J. CHIVUKULA

District 17 (Middlesex and Somerset)

SYNOPSIS

Regulates imposition of standby charges upon distributed generation customers.

CURRENT VERSION OF TEXT

As introduced.



A2872 CHIVUKULA

2

1 AN ACT concerning the imposition of standby charges upon
2 distributed generation customers and supplementing Title 48 of
3 the Revised Statutes.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. As used in this act:

9 “Board” means the Board of Public Utilities.

10 “Demand charge” means a charge imposed by an electric public
11 utility which are based upon peak electricity demand during a
12 specified time period, typically, one month. A demand charge is
13 utilized to recover the capital cost of infrastructure necessary to
14 meet peak energy loads. Capacity measured in kilowatts or
15 megawatts represents the ability of an electric public utility, or the
16 electric power grid in the aggregate, to deliver electric service of a
17 peak level of demand during any period of time.

18 “Distributed generation” means energy generated from a district
19 energy system or a combined heat and power facility as that term is
20 defined in section 3 of P.L.1999, c.23 (C.48:3-51), the simultaneous
21 production in one facility of electric power and other forms of
22 useful energy such as heating or process steam, and energy
23 generated from other forms of clean energy efficient electric
24 generation systems.

25 “Standby charge” means a charge imposed by an electric public
26 utility upon a distributed generation facility for the recovery of
27 costs necessary to make energy available to the distributed
28 generation facility during a facility power outage including, but not
29 limited to, the allocation of reasonable capital investment costs and
30 operating and maintenance expenses associated with the electric
31 public utility’s infrastructure needed to provide such service.

32

33 2. a. Notwithstanding the provisions of any other law, rule,
34 regulation, or order to the contrary, the board shall, within 60 days
35 of the effective date of P.L. , c. (C.) (pending before the
36 Legislature as this bill), conduct a study to determine the effects of
37 distributed generation upon energy supply and demand and
38 determine whether distributed generation contributes to any cost
39 savings for electric public utilities.

40

41 3. a. The board shall, within 120 days of the effective date of
42 P.L. , c. (C.) (pending before the Legislature as this bill),
43 establish criteria for fixing rates associated with the assessment and
44 imposition of standby charges, and shall require electric public
45 utilities to file tariff rates with the board in accordance with such
46 criteria.

47 b. In establishing such criteria, the board shall ensure equality
48 between distributed generation customers and other electric public

1 utility customers with regard to the imposition of standby charges
2 and, in addition to any factors it deems relevant and such factors it
3 may consider pursuant to R.S.48:2-21, consider the following
4 factors:

5 (1) any findings of the study conducted by the board pursuant to
6 section 2 of P.L. , c. (C.) (pending before the Legislature as
7 this bill);

8 (2) the impact of demand charges and how they drive the
9 operating performance of projects utilizing distributed generation,
10 particularly during peak electricity demand periods; and

11 (3) the economic and environmental benefits the board finds are
12 associated with distributed generation.

13 c. In establishing the criteria for fixing rates pursuant to
14 subsection b. of this section, the board shall assess the feasibility of
15 including special discounted charges for distributed generation
16 customers as part of the criteria. In making such assessment, the
17 board shall consider cost savings to electric public utilities resulting
18 from distributed generation and any other benefits associated with
19 distributed generation, including, but not limited to, any increase in
20 energy efficiency and any associated decrease in demand for
21 electric power from the electric grid.

22
23 4. The board shall, pursuant to the provisions of the
24 “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et
25 seq. adopt rules and regulations to effectuate the purposes of
26 P.L. , c. (C.) (pending before the Legislature as this bill) .

27
28 5. This act shall take effect immediately.

29
30

31 STATEMENT

32
33 This bill would require the Board of Public Utilities (the
34 “board”) to, within 60 days of the bill’s effective date, conduct a
35 study to determine the effects of distributed generation upon energy
36 supply and demand and determine whether distributed generation
37 contributes to any cost savings for electric public utilities.
38 “Distributed generation” is defined to mean energy generated from
39 a district energy system or a combined heat and power facility as
40 that term is defined in section 3 of P.L.1999, c.23 (C.48:3-51), the
41 simultaneous production in one facility of electric power and other
42 forms of useful energy such as heating or process steam, and energy
43 generated from other forms of clean energy efficient electric
44 generation systems.

45 Within 120 days of the bill’s effective date, the board would
46 establish criteria for fixing rates associated with the assessment and
47 imposition of standby charges and would require electric public
48 utilities to file tariff rates in accordance with such criteria. Such

1 criteria would include the requirement that distributed generation
2 customers and other electric public utility customers are treated
3 equally with regard to the imposition of standby charges.

4 In establishing criteria for fixing rates for the imposition of
5 standby charges, the board would also consider the following
6 factors: (1) any findings of the study conducted by the board
7 pursuant to the bill; (2) the impact of demand charges and how they
8 drive the operating performance of distributed generation projects
9 particularly during peak electricity demand periods; and (3) the
10 economic and environmental benefits the board finds are associated
11 with distributed generation; and (4) the feasibility of including
12 special discounted charges for distributed generation customers. In
13 making the determination concerning special discounted charges,
14 the board would consider cost savings to electric public utilities
15 resulting from distributed generation and any other benefits
16 associated with distributed generation, including, but not limited to,
17 any increase in energy efficiency and any associated decrease in
18 demand for electric power from the electric grid.

19 “Standby charge” is defined to mean a charge imposed by an
20 electric public utility upon a distributed generation facility for the
21 recovery of costs necessary to make energy available to the
22 distributed generation facility during a facility power outage
23 including, but not limited to, the allocation of reasonable capital
24 investment costs and operating and maintenance expenses
25 associated with the electric public utility’s infrastructure needed to
26 provide such service. “Demand charge” is defined to mean a charge
27 imposed by an electric public utility which are based upon peak
28 electricity demand during a specified time period, typically, one
29 month. A demand charge is utilized to recover the capital cost of
30 infrastructure necessary to meet peak energy loads. Capacity
31 measured in kilowatts or megawatts represents the ability of an
32 electric public utility, or the electric power grid in the aggregate, to
33 deliver electric service of a peak level of demand during any period
34 of time.

ASSEMBLY TELECOMMUNICATIONS AND UTILITIES
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2872

STATE OF NEW JERSEY

DATED: SEPTEMBER 13, 2010

The Assembly Telecommunications and Utilities Committee reports favorably Assembly Bill No. 2872.

As reported, this bill would require the Board of Public Utilities (the “board”) to, within 60 days of the bill’s effective date, conduct a study to determine the effects of distributed generation upon energy supply and demand and determine whether distributed generation contributes to any cost savings for electric public utilities. “Distributed generation” is defined to mean energy generated from a district energy system or a combined heat and power facility as that term is defined in section 3 of P.L.1999, c.23 (C.48:3-51), the simultaneous production in one facility of electric power and other forms of useful energy such as heating or process steam, and energy generated from other forms of clean energy efficient electric generation systems.

Within 120 days of the bill’s effective date, the board would establish criteria for fixing rates associated with the assessment and imposition of standby charges and would require electric public utilities to file tariff rates in accordance with such criteria. Such criteria would include the requirement that distributed generation customers and other electric public utility customers are treated equally with regard to the imposition of standby charges.

In establishing criteria for fixing rates for the imposition of standby charges, the board would also consider the following factors: (1) any findings of the study conducted by the board pursuant to the bill; (2) the impact of demand charges and how they drive the operating performance of distributed generation projects particularly during peak electricity demand periods; and (3) the economic and environmental benefits the board finds are associated with distributed generation. In establishing such criteria, the board would assess the feasibility of including special discounted charges for distributed generation customers. In making the determination concerning special discounted charges, the board would consider cost savings to electric public utilities resulting from distributed generation and any other benefits associated with distributed generation, including, but not limited to, any increase in energy efficiency and any associated decrease in demand for electric power from the electric grid.

“Standby charge” is defined to mean a charge imposed by an electric public utility upon a distributed generation facility for the recovery of costs necessary to make energy available to the distributed generation facility during a facility power outage including, but not limited to, the allocation of reasonable capital investment costs and operating and maintenance expenses associated with the electric public utility’s infrastructure needed to provide such service. “Demand charge” is defined to mean a charge imposed by an electric public utility which are based upon peak electricity demand during a specified time period, typically, one month. A demand charge is utilized to recover the capital cost of infrastructure necessary to meet peak energy loads. Capacity measured in kilowatts or megawatts represents the ability of an electric public utility, or the electric power grid in the aggregate, to deliver electric service of a peak level of demand during any period of time.

STATEMENT TO
ASSEMBLY, No. 2872

with Assembly Floor Amendments
(Proposed by Assemblyman CHIVUKULA)

ADOPTED: JUNE 23, 2011

These Assembly amendments amend Assembly Bill No. 2872 which requires the Board of Public Utilities ("BPU") to establish criteria for fixing rates associated with the assessment and imposition of standby charges by electric public utilities and would require the utilities to file tariff rates in accordance with such criteria. In establishing such criteria, the BPU is required to, under the bill, ensure "equality" between distributed generation customers and other electric public utility customers with regard to the imposition of standby charges. The amendments replace the word "equality" with "equity".

In addition, the amendments make a technical correction to remove a typographical error.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 2872

STATE OF NEW JERSEY 214th LEGISLATURE

DATED: JULY 6, 2011

SUMMARY

- Synopsis:** Regulates imposition of standby charges upon distributed generation customers.
- Type of Impact:** Possible State and local cost.
- Agencies Affected:** Board of Public Utilities, public agencies with distributed generation facilities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate – See comments below		
Local Cost	Indeterminate – See comments below		

- Criteria established by the Board of Public Utilities (BPU) are likely to impact standby charges; however until the BPU performs a study and releases new criteria and utilities file new tariff rates, it is not possible to know those impacts.
- The standby charges targeted by this legislation are meaningful to distributed generation facilities, and do not impact the typical utility customer. The only government agencies likely to realize an impact are those with a district energy system or combined heat and power facility.

BILL DESCRIPTION

Assembly Bill 2872 (1R) of 2010 would require the BPU to conduct a study to determine the effects of distributed generation upon energy supply and demand and determine whether distributed generation contributes to any cost savings for electric public utilities. Following the study, the BPU would establish criteria for fixing rates associated with the assessment and imposition of standby charges and would require electric public utilities to file tariff rates in accordance with such criteria. These criteria must include the requirement that distributed

generation customers and other electric public utility customers are treated equally with regard to the imposition of standby charges. In establishing these criteria the BPU must also consider: any findings of the study conducted by the BPU; the impact of demand charges and how they drive the operating performance of distributed generation projects; the economic and environmental benefits the BPU finds are associated with distributed generation; and the feasibility of including special discounted charges for distributed generation customers in light of cost savings and other benefits realized by electric power utilities resulting from distributed generation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services finds that there is no way to know at this time what the impact of this legislation will be on the State or on local governments. This legislation requires the BPU to establish criteria that the electric public utilities must follow in setting standby charges for distributed generation customers. Since the criteria and charges have not been established it is not possible to know the magnitude of the impact on government or any other electric utility customer.

The goal of the legislation appears to be to reduce the size of standby charges for distributed generation facilities and to potentially even provide these facilities with a special discount. In the event that this legislation does lead to a reduction in standby charges, that may lead to electric public utilities increasing other electricity costs to recover lost revenue from the reduced standby charges. The amount of those increases and the specific customers who might face increased bills would not be known until the utilities changed their rates, so it is not possible at this time to say which customers would be impacted. Despite this uncertainty, distributed generation is a small portion of the overall power mix in the State and the standby charge is small in comparison to overall electric rates; so as long as any compensatory increase in rates is spread widely among State utility customers, the impact would be minimal.

The most direct impact of this bill will be the cost to the BPU as it is required under the legislation to conduct a study on the impacts of distributed generation. This study will require the work of multiple staff persons or a contract with an outside group to conduct the study. The cost would vary depending upon the size of the study, although six months of labor for two researchers would likely cost around \$100,000 between salary and benefits.

Any potential savings to the State or local government would come in the form of lower standby charges to State and local facilities that possess distributed generation facilities. Many universities and hospitals have small distributed generation facilities, as do some prisons. According to the US Department of Energy, about 90 percent of existing distributed generation capacity in the State is in the industrial sector, leaving 10 percent for government and commercial distributed generation facilities. As a result, the savings to State and local government from a decrease in standby charges is likely to be minimal.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
Assistant Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

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.).

SENATE ECONOMIC GROWTH COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2872

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 1, 2011

The Senate Economic Growth Committee reports favorably Assembly Bill, No. 2872 (1R) with committee amendments.

This bill, as amended, requires the Board of Public Utilities (“board”), within 120 days of the bill’s effective date, to conduct a study to determine the effects of distributed generation upon energy supply and demand and determine whether distributed generation contributes to any cost savings for electric public utilities. “Distributed generation” is defined to mean energy generated from a district energy system or a combined heat and power facility as that term is defined in section 3 of P.L.1999, c.23 (C.48:3-51), the simultaneous production in one facility of electric power and other forms of useful energy such as heating or process steam, and energy generated from other forms of clean energy efficient electric generation systems.

Within 180 days of the amended bill’s effective date, the board would establish criteria for fixing rates associated with the assessment and imposition of standby charges and would require electric public utilities to file tariff rates in accordance with such criteria. Such criteria would be designed to ensure equity between distributed generation customers and other electric public utility customers with regard to the imposition of standby charges.

In establishing criteria for fixing rates for the imposition of standby charges, the board would consider the following factors: 1) any findings of the study conducted by the board pursuant to the amended bill; 2) the impact of demand charges and how they drive the operating performance of distributed generation projects particularly during peak electricity demand periods; and 3) the economic and environmental benefits the board finds are associated with distributed generation. In establishing the criteria, the board would assess the feasibility of including guidelines for the allowance of special discounted charges for distributed generation customers. In making the determination concerning special discounted charges, the board would consider cost savings to electric public utilities resulting from distributed generation

and any other benefits associated with distributed generation, including, but not limited to, any increase in energy efficiency and any associated decrease in demand for electric power from the electric grid.

“Standby charge” is defined to mean a charge imposed by an electric public utility upon a distributed generation facility for the recovery of costs necessary to make energy available to the distributed generation facility during a facility power outage including, but not limited to, the allocation of reasonable capital investment costs and operating and maintenance expenses associated with the electric public utility’s infrastructure needed to provide such service. “Demand charge” is defined to mean a charge imposed by an electric public utility which are based upon peak electricity demand during a specified time period, typically, one month. A demand charge is utilized to recover the capital cost of infrastructure necessary to meet peak energy loads. Capacity measured in kilowatts or megawatts represents the ability of an electric public utility, or the electric power grid in the aggregate, to deliver electric service of a peak level of demand during any period of time.

Current law does not require the board to undertake the actions described above.

The committee amended the bill to: 1) lengthen from 60 to 120 days the time period required within which the board shall conduct a study to determine the effects of distributed generation upon energy supply and demand and determine whether distributed generation contributes to any cost savings for electric public utilities, and from 120 to 180 days the time period required within which the board shall establish criteria for fixing rates associated with the assessment and imposition of standby charges; and 2) incorporate two minor corrections of syntax and one minor clarification of wording.

As amended and reported by the committee, Assembly Bill No. 2872 (1R) is identical to Senate Bill No. 2971 which was amended and also reported by the committee on this date.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 2872

STATE OF NEW JERSEY 214th LEGISLATURE

DATED: JANUARY 4, 2012

SUMMARY

- Synopsis:** Regulates imposition of standby charges upon distributed generation customers.
- Type of Impact:** Possible State and local cost.
- Agencies Affected:** Board of Public Utilities, public agencies with distributed generation facilities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate – See comments below		
Local Cost	Indeterminate – See comments below		

- Criteria established by the Board of Public Utilities (BPU) are likely to impact standby charges; however until the BPU performs a study and releases new criteria and utilities file new tariff rates, it is not possible to know those impacts.
- The standby charges targeted by this legislation are meaningful to distributed generation facilities, and do not impact the typical utility customer. The only government agencies likely to realize an impact are those with a district energy system or combined heat and power facility.

BILL DESCRIPTION

Assembly Bill 2872 (1R) of 2010 would require the BPU to conduct a study to determine the effects of distributed generation upon energy supply and demand and determine whether distributed generation contributes to any cost savings for electric public utilities. Following the study, the BPU would establish criteria for fixing rates associated with the assessment and imposition of standby charges and would require electric public utilities to file tariff rates in accordance with such criteria. These criteria must include the requirement that distributed generation customers and other electric public utility customers are treated equally with regard to

the imposition of standby charges. In establishing these criteria the BPU must also consider: any findings of the study conducted by the BPU; the impact of demand charges and how they drive the operating performance of distributed generation projects; the economic and environmental benefits the BPU finds are associated with distributed generation; and the feasibility of including special discounted charges for distributed generation customers in light of cost savings and other benefits realized by electric power utilities resulting from distributed generation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services finds that there is no way to know at this time what the impact of this legislation will be on the State or on local governments. This legislation requires the BPU to establish criteria that the electric public utilities must follow in setting standby charges for distributed generation customers. Since the criteria and charges have not been established it is not possible to know the magnitude of the impact on government or any other electric utility customer.

The goal of the legislation appears to be to reduce the size of standby charges for distributed generation facilities and to potentially even provide these facilities with a special discount. In the event that this legislation does lead to a reduction in standby charges, that may lead to electric public utilities increasing other electricity costs to recover lost revenue from the reduced standby charges. The amount of those increases and the specific customers who might face increased bills would not be known until the utilities changed their rates, so it is not possible at this time to say which customers would be impacted. Despite this uncertainty, distributed generation is a small portion of the overall power mix in the State and the standby charge is small in comparison to overall electric rates; so as long as any compensatory increase in rates is spread widely among State utility customers, the impact would be minimal.

The most direct impact of this bill will be the cost to the BPU as it is required under the legislation to conduct a study on the impacts of distributed generation. This study will require the work of multiple staff persons or a contract with an outside group to conduct the study. The cost would vary depending upon the size of the study, although six months of labor for two researchers would likely cost around \$100,000 between salary and benefits.

Any potential savings to the State or local government would come in the form of lower standby charges to State and local facilities that possess distributed generation facilities. Many universities and hospitals have small distributed generation facilities, as do some prisons. According to the US Department of Energy, about 90 percent of existing distributed generation capacity in the State is in the industrial sector, leaving 10 percent for government and commercial distributed generation facilities. As a result, the savings to State and local government from a decrease in standby charges is likely to be minimal.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
Assistant Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

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.).

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[Second Reprint]

ASSEMBLY, No. 2872

STATE OF NEW JERSEY

DATED: JANUARY 5, 2012

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 2872 (2R).

This bill would require the Board of Public Utilities (BPU) to conduct a study, within 180 days of the bill's effective date to determine the effects of distributed generation upon energy supply and demand and determine whether distributed generation contributes to any cost savings for electric public utilities. Following the study, and within 180 days of the bill's effective date, the BPU would establish criteria for fixing rates associated with the assessment and imposition of standby charges and would require electric public utilities to file tariff rates in accordance with such criteria. These criteria must ensure equity between distributed generation customers and other electric public utility customers with regard to the imposition of standby charges. In establishing these criteria, the BPU must also consider: any findings of the study conducted by the BPU; the impact of demand charges and how they drive the operating performance of distributed generation projects; the economic and environmental benefits the BPU finds are associated with distributed generation; and the feasibility of including guidelines for the allowance of special discounted charges for distributed generation customers in light of cost savings and other benefits realized by electric power utilities resulting from distributed generation.

“Distributed generation” is defined to mean energy generated from a district energy system or a combined heat and power facility as that term is defined in section 3 of P.L.1999, c.23 (C.48:3-51), the simultaneous production in one facility of electric power and other forms of useful energy such as heating or process steam, and energy generated from other forms of clean energy efficient electric generation systems.

Current law does not require the board to undertake the actions described above.

As reported by the committee, this bill is identical to Senate Bill No. 2971 (1R), as also reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services finds that there is no way to know at this time what the impact of this legislation will be on the State or on local governments. This legislation requires the BPU to establish criteria that the electric public utilities must follow in setting standby charges for distributed generation customers. Since the criteria and charges have not been established it is not possible to know the magnitude of the impact on government or any other electric utility customer.

The goal of the legislation appears to be to reduce the size of standby charges for distributed generation facilities and to potentially even provide these facilities with a special discount. In the event that this legislation does lead to a reduction in standby charges, that may lead to electric public utilities increasing other electricity costs to recover lost revenue from the reduced standby charges. The amount of those increases and the specific customers who might face increased bills would not be known until the utilities changed their rates, so it is not possible at this time to say which customers would be impacted. Despite this uncertainty, distributed generation is a small portion of the overall power mix in the State and the standby charge is small in comparison to overall electric rates; so as long as any compensatory increase in rates is spread widely among State utility customers, the impact would be minimal.

The most direct impact of this bill will be the cost to the BPU as it is required under the legislation to conduct a study on the impacts of distributed generation. This study will require the work of multiple staff persons or a contract with an outside group to conduct the study. The cost would vary depending upon the size of the study, although six months of labor for two researchers would likely cost around \$100,000 between salary and benefits.

Any potential savings to the State or local government would come in the form of lower standby charges to State and local facilities that possess distributed generation facilities. Many universities and hospitals have small distributed generation facilities, as do some prisons. According to the US Department of Energy, about 90 percent of existing distributed generation capacity in the State is in the industrial sector, leaving 10 percent for government and commercial distributed generation facilities. As a result, the savings to State and local government from a decrease in standby charges is likely to be minimal.

SENATE, No. 2971

STATE OF NEW JERSEY
214th LEGISLATURE

INTRODUCED JUNE 23, 2011

Sponsored by:

Senator BOB SMITH

District 17 (Middlesex and Somerset)

SYNOPSIS

Regulates imposition of standby charges upon distributed generation customers.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the imposition of standby charges upon
2 distributed generation customers and supplementing Title 48 of
3 the Revised Statutes.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. As used in this act:

9 “Board” means the Board of Public Utilities.

10 “Demand charge” means a charge imposed by an electric public
11 utility which are based upon peak electricity demand during a
12 specified time period, typically, one month. A demand charge is
13 utilized to recover the capital cost of infrastructure necessary to
14 meet peak energy loads. Capacity measured in kilowatts or
15 megawatts represents the ability of an electric public utility, or the
16 electric power grid in the aggregate, to deliver electric service of a
17 peak level of demand during any period of time.

18 “Distributed generation” means energy generated from a district
19 energy system or a combined heat and power facility as that term is
20 defined in section 3 of P.L.1999, c.23 (C.48:3-51), the simultaneous
21 production in one facility of electric power and other forms of
22 useful energy such as heating or process steam, and energy
23 generated from other forms of clean energy efficient electric
24 generation systems.

25 “Standby charge” means a charge imposed by an electric public
26 utility upon a distributed generation facility for the recovery of
27 costs necessary to make energy available to the distributed
28 generation facility during a facility power outage including, but not
29 limited to, the allocation of reasonable capital investment costs and
30 operating and maintenance expenses associated with the electric
31 public utility’s infrastructure needed to provide such service.

32
33 2. Notwithstanding the provisions of any other law, rule,
34 regulation, or order to the contrary, the board shall, within 60 days
35 of the effective date of P.L. , c. (C.) (pending before the
36 Legislature as this bill), conduct a study to determine the effects of
37 distributed generation upon energy supply and demand and
38 determine whether distributed generation contributes to any cost
39 savings for electric public utilities.

40
41 3. a. The board shall, within 120 days of the effective date of
42 P.L. , c. (C.) (pending before the Legislature as this bill),
43 establish criteria for fixing rates associated with the assessment and
44 imposition of standby charges, and shall require electric public
45 utilities to file tariff rates with the board in accordance with such
46 criteria.

47 b. In establishing such criteria, the board shall ensure equality
48 between distributed generation customers and other electric public

1 utility customers with regard to the imposition of standby charges
2 and, in addition to any factors it deems relevant and such factors it
3 may consider pursuant to R.S.48:2-21, consider the following
4 factors:

5 (1) any findings of the study conducted by the board pursuant to
6 section 2 of P.L. , c. (C.) (pending before the Legislature as
7 this bill);

8 (2) the impact of demand charges and how they drive the
9 operating performance of projects utilizing distributed generation,
10 particularly during peak electricity demand periods; and

11 (3) the economic and environmental benefits the board finds are
12 associated with distributed generation.

13 c. In establishing the criteria for fixing rates pursuant to
14 subsection b. of this section, the board shall assess the feasibility of
15 including special discounted charges for distributed generation
16 customers as part of the criteria. In making such assessment, the
17 board shall consider cost savings to electric public utilities resulting
18 from distributed generation and any other benefits associated with
19 distributed generation, including, but not limited to, any increase in
20 energy efficiency and any associated decrease in demand for
21 electric power from the electric grid.

22
23 4. The board shall, pursuant to the provisions of the
24 “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et
25 seq. adopt rules and regulations to effectuate the purposes of
26 P.L. , c. (C.) (pending before the Legislature as this bill).

27
28 5. This act shall take effect immediately.

29

30

31

STATEMENT

32

33 This bill would require the Board of Public Utilities (the
34 “board”) to, within 60 days of the bill’s effective date, conduct a
35 study to determine the effects of distributed generation upon energy
36 supply and demand and determine whether distributed generation
37 contributes to any cost savings for electric public utilities.
38 “Distributed generation” is defined to mean energy generated from
39 a district energy system or a combined heat and power facility as
40 that term is defined in section 3 of P.L.1999, c.23 (C.48:3-51), the
41 simultaneous production in one facility of electric power and other
42 forms of useful energy such as heating or process steam, and energy
43 generated from other forms of clean energy efficient electric
44 generation systems.

45 Within 120 days of the bill’s effective date, the board would
46 establish criteria for fixing rates associated with the assessment and
47 imposition of standby charges and would require electric public
48 utilities to file tariff rates in accordance with such criteria. Such

1 criteria would include the requirement that distributed generation
2 customers and other electric public utility customers are treated
3 equally with regard to the imposition of standby charges.

4 In establishing criteria for fixing rates for the imposition of
5 standby charges, the board would also consider the following
6 factors: (1) any findings of the study conducted by the board
7 pursuant to the bill; (2) the impact of demand charges and how they
8 drive the operating performance of distributed generation projects
9 particularly during peak electricity demand periods; and (3) the
10 economic and environmental benefits the board finds are associated
11 with distributed generation; and (4) the feasibility of including
12 special discounted charges for distributed generation customers. In
13 making the determination concerning special discounted charges,
14 the board would consider cost savings to electric public utilities
15 resulting from distributed generation and any other benefits
16 associated with distributed generation, including, but not limited to,
17 any increase in energy efficiency and any associated decrease in
18 demand for electric power from the electric grid.

19 “Standby charge” is defined to mean a charge imposed by an
20 electric public utility upon a distributed generation facility for the
21 recovery of costs necessary to make energy available to the
22 distributed generation facility during a facility power outage
23 including, but not limited to, the allocation of reasonable capital
24 investment costs and operating and maintenance expenses
25 associated with the electric public utility’s infrastructure needed to
26 provide such service. “Demand charge” is defined to mean a charge
27 imposed by an electric public utility which are based upon peak
28 electricity demand during a specified time period, typically, one
29 month. A demand charge is utilized to recover the capital cost of
30 infrastructure necessary to meet peak energy loads. Capacity
31 measured in kilowatts or megawatts represents the ability of an
32 electric public utility, or the electric power grid in the aggregate, to
33 deliver electric service of a peak level of demand during any period
34 of time.

SENATE ECONOMIC GROWTH COMMITTEE

STATEMENT TO

SENATE, No. 2971

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 1, 2011

The Senate Economic Growth Committee reports favorably Senate Bill No. 2971 with committee amendments.

This bill, as amended, requires the Board of Public Utilities (the “board”), within 120 days of the bill’s effective date, to conduct a study to determine the effects of distributed generation upon energy supply and demand and determine whether distributed generation contributes to any cost savings for electric public utilities. “Distributed generation” is defined to mean energy generated from a district energy system or a combined heat and power facility as that term is defined in section 3 of P.L.1999, c.23 (C.48:3-51), the simultaneous production in one facility of electric power and other forms of useful energy such as heating or process steam, and energy generated from other forms of clean energy efficient electric generation systems.

Within 180 days of the amended bill’s effective date, the board would establish criteria for fixing rates associated with the assessment and imposition of standby charges and would require electric public utilities to file tariff rates in accordance with such criteria. Such criteria would be designed to ensure equity between distributed generation customers and other electric public utility customers with regard to the imposition of standby charges.

In establishing criteria for fixing rates for the imposition of standby charges, the board would consider the following factors: 1) any findings of the study conducted by the board pursuant to the amended bill; 2) the impact of demand charges and how they drive the operating performance of distributed generation projects particularly during peak electricity demand periods; and 3) the economic and environmental benefits the board finds are associated with distributed generation. In establishing the criteria, the board would assess the feasibility of including guidelines for the allowance of special discounted charges for distributed generation customers. In making the determination concerning special discounted charges, the board would consider cost savings to electric public utilities resulting from distributed generation and any other benefits associated with distributed generation, including, but not limited to, any increase in energy efficiency and any

associated decrease in demand for electric power from the electric grid.

“Standby charge” is defined to mean a charge imposed by an electric public utility upon a distributed generation facility for the recovery of costs necessary to make energy available to the distributed generation facility during a facility power outage including, but not limited to, the allocation of reasonable capital investment costs and operating and maintenance expenses associated with the electric public utility’s infrastructure needed to provide such service. “Demand charge” is defined to mean a charge imposed by an electric public utility which are based upon peak electricity demand during a specified time period, typically, one month. A demand charge is utilized to recover the capital cost of infrastructure necessary to meet peak energy loads. Capacity measured in kilowatts or megawatts represents the ability of an electric public utility, or the electric power grid in the aggregate, to deliver electric service of a peak level of demand during any period of time.

Current law does not require the board to undertake the actions described above.

The committee amended the bill to: 1) clarify that, in establishing criteria for fixing rates for the imposition of standby charges, the board shall ensure “equity,” rather than “equality,” between distributed generation customers and other electric public utility customers; 2) lengthen from 60 to 120 days the time period required within which the board shall conduct a study to determine the effects of distributed generation upon energy supply and demand and determine whether distributed generation contributes to any cost savings for electric public utilities, and from 120 to 180 days the time period required within which the board shall establish criteria for fixing rates associated with the assessment and imposition of standby charges; and 3) incorporate two minor corrections of syntax and one minor clarification of wording.

As amended and reported by the committee, Senate Bill No. 2971 is identical to Assembly Bill No. 2872 (1R) which was also amended and reported by the committee on this date.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2971 STATE OF NEW JERSEY 214th LEGISLATURE

DATED: JANUARY 4, 2012

SUMMARY

Synopsis: Regulates imposition of standby charges upon distributed generation customers.

Type of Impact: Possible State and local cost

Agencies Affected: Board of Public Utilities, public agencies with distributed generation facilities

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate – See comments below		
Local Cost	Indeterminate – See comments below		

- Criteria established by the Board of Public Utilities (BPU) are likely to impact standby charges; however until the BPU performs a study and releases new criteria and utilities file new tariff rates, it is not possible to know those impacts.
- The standby charges targeted by this legislation are meaningful to distributed generation facilities, and do not impact the typical utility customer. The only government agencies likely to realize an impact are those with a district energy system or combined heat and power facility.

BILL DESCRIPTION

Senate Bill No. 2971 (1R) of 2010 would require the BPU to conduct a study to determine the effects of distributed generation upon energy supply and demand and determine whether distributed generation contributes to any cost savings for electric public utilities. Following the study, the BPU would establish criteria for fixing rates associated with the assessment and imposition of standby charges and would require electric public utilities to file tariff rates in accordance with such criteria. These criteria must include the requirement that distributed generation customers and other electric public utility customers are treated equally with regard to

the imposition of standby charges. In establishing these criteria the BPU must also consider: any findings of the study conducted by the BPU; the impact of demand charges and how they drive the operating performance of distributed generation projects; the economic and environmental benefits the BPU finds are associated with distributed generation; and the feasibility of including special discounted charges for distributed generation customers in light of cost savings and other benefits realized by electric power utilities resulting from distributed generation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services finds that there is no way to know at this time what the impact of this legislation will be on the State or on local governments. This legislation requires the BPU to establish criteria that the electric public utilities must follow in setting standby charges for distributed generation customers. Since the criteria and charges have not been established it is not possible to know the magnitude of the impact on government or any other electric utility customer.

The goal of the legislation appears to be to reduce the size of standby charges for distributed generation facilities and to potentially even provide these facilities with a special discount. In the event that this legislation does lead to a reduction in standby charges, that may lead to electric public utilities increasing other electricity costs to recover lost revenue from the reduced standby charges. The amount of those increases and the specific customers who might face increased bills would not be known until the utilities changed their rates, so it is not possible at this time to say which customers would be impacted. Despite this uncertainty, distributed generation is a small portion of the overall power mix in the State and the standby charge is small in comparison to overall electric rates; so as long as any compensatory increase in rates is spread widely among State utility customers, the impact would be minimal.

The most direct impact of this bill will be the cost to the BPU as it is required under the legislation to conduct a study on the impacts of distributed generation. This study will require the work of multiple staff persons or a contract with an outside group to conduct the study. The cost would vary depending upon the size of the study, although six months of labor for two researchers would likely cost around \$100,000 between salary and benefits.

Any potential savings to the State or local government would come in the form of lower standby charges to State and local facilities that possess distributed generation facilities. Many universities and hospitals have small distributed generation facilities, as do some prisons. According to the US Department of Energy, about 90 percent of existing distributed generation capacity in the State is in the industrial sector, leaving 10 percent for government and commercial distributed generation facilities. As a result, the savings to State and local government from a decrease in standby charges is likely to be minimal.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
Assistant Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

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.).

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 2971

STATE OF NEW JERSEY

DATED: JANUARY 5, 2012

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2971 (1R).

This bill would require the Board of Public Utilities (BPU) to conduct a study, within 180 days of the bill's effective date to determine the effects of distributed generation upon energy supply and demand and determine whether distributed generation contributes to any cost savings for electric public utilities. Following the study, and within 180 days of the bill's effective date, the BPU would establish criteria for fixing rates associated with the assessment and imposition of standby charges and would require electric public utilities to file tariff rates in accordance with such criteria. These criteria must ensure equity between distributed generation customers and other electric public utility customers with regard to the imposition of standby charges. In establishing these criteria, the BPU must also consider: any findings of the study conducted by the BPU; the impact of demand charges and how they drive the operating performance of distributed generation projects; the economic and environmental benefits the BPU finds are associated with distributed generation; and the feasibility of including guidelines for the allowance of special discounted charges for distributed generation customers in light of cost savings and other benefits realized by electric power utilities resulting from distributed generation.

“Distributed generation” is defined to mean energy generated from a district energy system or a combined heat and power facility as that term is defined in section 3 of P.L.1999, c.23 (C.48:3-51), the simultaneous production in one facility of electric power and other forms of useful energy such as heating or process steam, and energy generated from other forms of clean energy efficient electric generation systems.

Current law does not require the board to undertake the actions described above.

As reported by the committee, this bill is identical to Assembly Bill No. 2872 (1R), as also reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services finds that there is no way to know at this time what the impact of this legislation will be on the State or on local governments. This legislation requires the BPU to establish criteria that the electric public utilities must follow in setting standby charges for distributed generation customers. Since the criteria and charges have not been established it is not possible to know the magnitude of the impact on government or any other electric utility customer.

The goal of the legislation appears to be to reduce the size of standby charges for distributed generation facilities and to potentially even provide these facilities with a special discount. In the event that this legislation does lead to a reduction in standby charges, that may lead to electric public utilities increasing other electricity costs to recover lost revenue from the reduced standby charges. The amount of those increases and the specific customers who might face increased bills would not be known until the utilities changed their rates, so it is not possible at this time to say which customers would be impacted. Despite this uncertainty, distributed generation is a small portion of the overall power mix in the State and the standby charge is small in comparison to overall electric rates; so as long as any compensatory increase in rates is spread widely among State utility customers, the impact would be minimal.

The most direct impact of this bill will be the cost to the BPU as it is required under the legislation to conduct a study on the impacts of distributed generation. This study will require the work of multiple staff persons or a contract with an outside group to conduct the study. The cost would vary depending upon the size of the study, although six months of labor for two researchers would likely cost around \$100,000 between salary and benefits.

Any potential savings to the State or local government would come in the form of lower standby charges to State and local facilities that possess distributed generation facilities. Many universities and hospitals have small distributed generation facilities, as do some prisons. According to the US Department of Energy, about 90 percent of existing distributed generation capacity in the State is in the industrial sector, leaving 10 percent for government and commercial distributed generation facilities. As a result, the savings to State and local government from a decrease in standby charges is likely to be minimal.