

40A:11-15

LEGISLATIVE HISTORY CHECKLIST

(Municipal contracts--purchase of steam & hot water from cogeneration facility--permit long term contracts)

NJSA 40A:11-15

LAWS 1982

CHAPTER 67

Bill No. S934

Sponsor(s) Stockman

Date Introduced Feb. 8, 1982

Committee: Assembly Municipal Government

Senate County and Municipal Government

Amended during passage

Yes

~~NO~~ Amendments during passage denoted by asterisks

Date of Passage: Assembly June 28, 1982

Senate May 10, 1982

Date of approval July 13, 1982

Following statements are attached if available:

Sponsor statement

Yes

~~NO~~

Committee Statement: Assembly

Yes

~~NO~~

Senate

Yes

~~NO~~

Fiscal Note

~~Yes~~

No

Veto Message

~~Yes~~

No

Message on signing

Yes

~~NO~~

Following were printed:

Reports

~~Yes~~

No

Hearings

~~Yes~~

No

6/22/81

133

67 82
7-13-82
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SENATE, No. 934

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 8, 1982

By Senator STOCKMAN

Referred to Committee on County and Municipal Government

AN ACT concerning certain contracts for the purchase of cogenerated thermal energy, and amending P. L. 1971, c. 198.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. Section 15 of P. L. 1971, c. 198 (C. 40A:11-15) is amended to
2 read as follows:

3 15. Duration of certain contracts. All purchases, contracts or
4 agreements shall be made for a period not to exceed 12 consecutive
5 months, except that contracts or agreements may be entered into
6 for longer periods of time as follows:

7 (1) Supplying of

8 (a) Fuel for heating purposes, for any term not exceeding
9 in the aggregate, 2 years;

10 (b) Fuel or oil for use of airplanes, automobiles, motor
11 vehicles or equipment for any term not exceeding in the aggregate,
12 2 years;

13 (c) *Thermal energy produced by a cogeneration facility, for*
14 *use for heating or air conditioning or both, for any term not*
15 *exceeding ***[25]*** *20* years, when the contract is approved by*
16 *the Board of Public Utilities. For the purposes of this paragraph,*
17 *"cogeneration" means the simultaneous production in*
18 *one facility of electric power and other forms of useful energy*
19 *such as heating or process steam.*

20 (2) Deleted by amendment;

21 (3) The collection and disposal of garbage and refuse, for any
22 term not exceeding in the aggregate, 5 years;

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 printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Senate committee amendment adopted March 15, 1982.

23 (4) The recycling of solid waste, for any term not exceeding 25
24 years when such contract is in conformance with a solid waste
25 management plan approved pursuant to P. L. 1970, c. 39 (C. 13:1E-1
26 et seq.), and with the approval of the Division of Local Government
27 Services and the Department of Environmental Protection;

28 (5) Data processing service, for any term of not more than 3
29 years;

30 (6) Insurance, for any term of not more than 3 years;

31 (7) Leasing or servicing of automobiles, motor vehicles, elec-
32 tronic communications equipment, machinery and equipment of
33 every nature and kind, for a period not to exceed 3 years; provided,
34 however, such contracts shall be entered into only subject to and
35 in accordance with the rules and regulations promulgated by the
36 Director of the Division of Local Government Services of the
37 Department of Community Affairs;

38 (8) The supplying of any product or the rendering of any service
39 by a telephone company which is subject to the jurisdiction of the
40 Board of Public Utilities for a term not exceeding 5 years;

41 (9) Any single project for the construction, reconstruction or
42 rehabilitation of any public building, structure or facility, or any
43 public works projects, including the retention of the services of
44 any architect or engineer in connection therewith, for the length of
45 time authorized and necessary for the completion of the actual
46 construction;

47 (10) The providing of food services to county colleges and county
48 assisted institutions of higher education for any term not exceed-
49 ing 3 years;

50 (11) On-site inspections undertaken by private agencies pur-
51 suant to the "State Uniform Construction Code Act" (P. L. 1975,
52 c. 217; C. 52:27D-119 et seq.) for any term of not more than 3 years;

53 (12) The performance of work or services or the furnishing of
54 materials or supplies for the purpose of conserving energy in build-
55 ings owned by, or operations conducted by, the contracting unit,
56 the entire price of which to be established as a percentage of the
57 resultant savings in energy costs, for a term not to exceed 10 years;
58 provided, however, that such contracts shall be entered into only
59 subject to and in accordance with rules and regulations promulgated
60 by the Department of Energy establishing a methodology for com-
61 puting energy cost savings.

62 All multi-year leases and contracts entered into pursuant to this
63 section 15, except contracts for the leasing or servicing of equip-
64 ment supplied by a telephone company which is subject to the
65 jurisdiction of the Board of Public Utilities, *contracts for thermal*

66 *energy authorized pursuant to subsection (1) above, [or]* construc-
67 tion contracts authorized pursuant to subsection (9) above, or con-
68 tracts and agreements for the provisions of work or the supplying
69 of equipment to promote energy conservation authorized pursuant
70 to subsection (12) above, shall contain a clause making them subject
71 to the availability and appropriation annually of sufficient funds as
72 may be required to meet the extended obligation, or contain an
73 annual cancellation clause.

74 The Division of Local Government Services shall adopt and
75 promulgate rules and regulations concerning the methods of ac-
76 counting for all contracts that do not coincide with the fiscal year.

1 2. This act shall take effect immediately.

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 67 *tion contracts authorized pursuant to subsection (9) above, or con-*
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 69 *of equipment to promote energy conservation authorized pursuant*
 70 *to subsection (12) above, shall contain a clause making them subject*
 71 *to the availability and appropriation annually of sufficient funds as*
 72 *may be required to meet the extended obligation, or contain an*
 73 *annual cancellation clause.*

74 The Division of Local Government Services shall adopt and
 75 promulgate rules and regulations concerning the methods of ac-
 76 counting for all contracts that do not coincide with the fiscal year.

1 2. This act shall take effect immediately.

STATEMENT

This bill amends the "Local Public Contracts Law," P. L. 1971, c. 198 (C. 40A:11-1 et seq.), to permit municipalities to sign long-term contracts (up to 25 years) for the purchase of steam or hot water produced by a cogeneration facility.

The "Local Public Contracts Law" currently provides that municipal contracts generally shall have a 1 year duration, with exceptions for contracts for the purchase of certain goods and services. This bill exempts contracts for the purchase of cogenerated thermal energy from the 1 year limit.

This bill is designed to promote two ends. First, it would encourage municipalities to use cogenerated heat, which is more efficiently generated and less expensive than conventionally produced heat. Second, this bill would encourage the development of cogeneration facilities such as ICE's (Integrated Community Energy Systems), more commonly known as district heating systems. The financing of urban district heating systems and other cogeneration facilities requires long-term guarantees for the sale of the cogenerated thermal energy. And, because one of the major purchasers of cogenerated thermal energy will be municipal governments, allowing them to sign long term purchase contracts will enhance the economic viability of cogeneration projects.

5934 (1982)

SENATE COUNTY AND MUNICIPAL
GOVERNMENT COMMITTEE

STATEMENT TO

SENATE, No. 934

with Senate committee amendments

STATE OF NEW JERSEY

DATED: MARCH 15, 1982

Senate Bill No. 934 amends the "Local Public Contracts Law," P. L. 1971, c. 198 (C. 40A:11-1 et seq.), to permit municipalities to sign long-term contracts (up to 20 years) for the purchase of steam or hot water produced by a cogeneration facility.

The "Local Public Contracts Law" currently provides that municipal contracts generally shall have a 1 year duration, with exceptions for contracts for the purchase of certain goods and services. This bill exempts contracts for the purchase of cogenerated thermal energy from the 1 year limit.

According to the sponsor, the bill has two purposes: "first, it would encourage municipalities to use cogenerated heat, which is more efficiently generated and less expensive than conventionally produced heat. Second, this bill would encourage the development of cogeneration facilities such as ICE's (Integrated Community Energy Systems), more commonly known as district heating systems. The financing of urban district heating systems and other cogeneration facilities requires long-term guarantees for the sale of the cogenerated thermal energy. And, because one of the major purchasers of cogenerated thermal energy will be municipal governments, allowing them to sign long-term purchase contracts will enhance the economic viability of cogeneration projects."

The Senate committee amendment reduced from 25 years to 20 years the permissible time for which a contract may be entered into under the legislation. The Senate committee was informed by representatives of the city of Trenton and the private company seeking to establish an ICE's system in the Trenton area that a 20 year contract provision was sufficient, and the committee was reluctant to extend the contract period for a longer time than was necessary.

ASSEMBLY MUNICIPAL GOVERNMENT COMMITTEE

STATEMENT TO

SENATE, No. 934

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STATE OF NEW JERSEY

DATED: JUNE 17, 1982

Senate Bill No. 934 (OCR) amends section 15 of the "Local Public Contracts Law," P. L. 1971, c. 198 (C. 40A:11-15) to permit municipalities to enter into long-term contracts of up to 20 years for the purchase of thermal energy produced by a cogeneration facility for heating or air conditioning purposes, provided that the contract is approved by the Board of Public Utilities.

OFFICE OF THE GOVERNOR

RELEASE IMMEDIATE

CONTACT PAUL WOLCOTT

JULY 13, 1982

Governor Thomas H. Kean today signed S-934 (OCR) sponsored by State Senator Gerald R. Stockman. The bill amends the Local Public Contracts Law to permit counties and municipalities to enter into long term contracts for thermal energy from cogeneration facilities.

Cogeneration systems use waste heat generated by such activities as electricity generation to heat and air condition buildings. Because of the large capital investment needed to construct such systems, long term contracts are needed to allow builders to raise the financing needed for construction.

However, the current provisions of the Local Public Contracts Law prohibit most contracts of more than one year. This amendment would allow local county governments to contract with cogenerating systems for up to 20 years.

The law will have an immediate impact on Mercer County and the City of Trenton, which are planning to contract with Trenton Integrated Community Energy System for thermal energy to be used in public buildings in the City. The State has already contracted with the corporation for energy for use in State-owned buildings.

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