

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2873

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 24, 2010

The Assembly Budget Committee reports favorably Assembly Bill No. 2873, with committee amendments.

The bill, as amended, is to be known as the “Offshore Wind Economic Development Act.” The bill amends and supplements the “Electric Discount and Energy Competition Act” (“EDECA”), P.L.1999, c.23 (C.48:3-49 et al.), to direct the Board of Public Utilities (“BPU”) to develop an offshore wind renewable energy certificate (“OREC”) program to require that a percentage of electricity sold in the State be from offshore wind energy. This percentage will be developed to support at least 1,100 megawatts of generation from qualified offshore wind projects, and will serve as an offset to the renewable energy portfolio standard and reduce the corresponding Class I renewable energy requirement.

The bill adds definitions to section 3 of EDECA for the following terms: “offshore wind energy;” “offshore wind renewable energy certificate” or OREC; and “qualified offshore wind project.”

The bill authorizes the BPU to accept applications for qualified offshore wind projects and sets forth the criteria to be used by the BPU in reviewing the applications. As defined by the bill, “qualified offshore wind project” means a wind turbine electricity generation facility located in the Atlantic Ocean, and connected to the electric transmission system in this State, and includes the associated transmission-related interconnection facilities and equipment, and approved by the board pursuant to the provisions of section 3 of the bill.

Section 3 of the bill establishes standards for applications for qualified offshore wind projects, and includes specific filing requirements to provide the BPU with the necessary foundation to make an informed decision on the value and viability of the proposed offshore wind projects. The bill designates elements that the BPU must consider in its review, including a recognition of the total subsidy to be paid by ratepayers over the life of the proposed project, and whether a cost-benefit analysis of the proposed project demonstrates a net positive benefit to the State. The bill is designed to provide the BPU with the flexibility necessary to develop procedures and set

requirements to ensure the development of offshore wind energy in a cost-effective and State-beneficial manner.

Section 4 of the bill provides that the BPU may approve, subject to the project obtaining the necessary permits, approvals, and authorizations from the Department of Environmental Protection, a qualified offshore wind project located offshore of a municipality in which casino gaming is authorized, and authorize offshore wind renewable energy certificates for that project.

Section 5 of the bill amends section 7 of P.L.2007, c.340 (C.26:2C-51) (referred to as the "Regional Greenhouse Gas Initiative" or "RGGI"), concerning the uses of revenues received from the auction of greenhouse gas emissions allowances and deposited into the "Global Warming Solutions Fund," established pursuant to section 6 of P.L.2007, c.340 (C.26:2C-50), to authorize the New Jersey Economic Development Authority (EDA) to provide financial assistance to qualified offshore wind projects and associated equipment manufacturers and assembling facilities to promote economic development in the State.

Lastly, section 6 of the bill supplements the "Urban Transit Hub Tax Credit Act," P.L.2007, c.346 (C.34:1B-207 et seq.) and authorizes the EDA to provide up to \$100 million in tax credits for the development of qualified wind energy facilities in wind energy zones as defined by the bill.

As amended by the committee, this bill is identical to Senate Bill No.2036 (2R) as reported by the Senate Budget and Appropriations Committee on June 21, 2010.

FISCAL IMPACT:

Multiple indeterminate factors make it impracticable to accurately estimate the fiscal impact of this bill at this time, particularly without greater detail as to implementation. Generally, there are three broad elements to the bill's fiscal impact: 1) the establishment of an OREC program to require a percentage of electricity sold in the State to be from offshore wind energy; 2) the authorization to EDA to provide grants and financial assistance from the Global Warming Solutions Fund for qualified offshore wind projects and related items; and 3) the supplement to the Urban Transit Hub Tax Credit Act to allow the EDA to grant corporation business tax (CBT) credits for the development of qualified wind energy facilities in wind energy zones.

1) The fiscal impact of requiring a percentage of electricity, supporting at least 1,100 megawatts, sold in the State to be derived from offshore wind energy, is not presently quantifiable. However, given that this requirement is tied to an associated OREC purchase program for electric power suppliers and basic generation service providers, and, in the event of insufficient ORECs, an alternative compliance payment program to generate ratepayer refunds, the

impact would seem to affect suppliers, providers and ratepayers to varying degrees depending upon how implementation is carried out.

2) Without information as to the scope of implementation, the fiscal impact of adding qualified offshore wind projects and related manufacturers to the list of items for which the EDA may provide grants or financial assistance from the 60% post-administrative cost appropriation of the Global Warming Solutions Fund is not known. In particular, for State fiscal year 2011 it is not known how the Governor's budget proposal to appropriate \$65,175,000 from the Global Warming Solutions Fund for transfer to the General Fund as State revenue affects the availability of funds to effectuate this provision.

3) Without information as to the scope of implementation, the fiscal impact of the bill's urban transit hub tax credit provisions is also indeterminable. The bill allows up to \$100 million for CBT tax credits for certain qualifying capital investments in a qualified wind energy facility in a wind energy zone, which is property located in the South Jersey Port District pursuant to the South Jersey Port Corporation Act. The bill specifies that the amount of credits granted under this provision, the existing urban transit hub tax credit, and the New Jersey Economic Stimulus Act of 2009 shall not exceed \$1.5 billion. However, the bill also denotes that the aforementioned \$100 million cap may be exceeded for meritorious projects in appropriate circumstances, as judged by the chief executive officer of the EDA.

COMMITTEE AMENDMENTS:

The amendments:

1) make various changes to section 3 of the bill, including: revising the required contents of applications submitted to the BPU; requiring the BPU to determine that the financing mechanism is based upon the actual electrical output of the project; specifying that ORECs are to be paid on the actual electrical output of the project that is delivered into the State's transmission system; providing that an order issued by the BPU pursuant to the section may be modified by subsequent board order if the parties jointly agree to the modifications; and increasing the timeframe for BPU to issue a decision from 90 days to 180 days after a complete application is submitted for review;

2) specify that a project approved by the BPU pursuant to section 4 of the bill will be subject to the project obtaining the necessary permits, approvals, and authorizations from the Department of Environmental Protection; and

3) make a technical correction to section 2 of the bill.