

ASSEMBLY TELECOMMUNICATIONS AND UTILITIES
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 2316

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 10, 2012

The Assembly Telecommunications and Utilities Committee reports favorably Assembly Bill No. 2316, with committee amendments.

As amended, this bill would authorize three or more municipalities that operate retail electric distribution systems to establish a municipal shared services energy authority ("authority"). Once established, the bill would authorize rural electric cooperatives to become a member of the authority.

The amended bill would authorize the authority to purchase, sell, exchange or transmit at wholesale, electric power or energy inside and outside of New Jersey. The authority would be authorized to enter into wholesale power supply contracts for the purchase or sale of electric power or energy to meet the electric power or energy needs of its members and for the wholesale sale of any excess power. The amended bill authorizes such power supply contracts to extend for a term not to exceed 40 years. In addition, the authority would have the power to develop, finance, construct, own, operate, manage, or repair electric supply projects for the generation and transmission of electrical power and energy at wholesale, to meet the energy needs of the members of the authority. The authority would have the power to purchase, sell, lease, and make other arrangements, contractual and otherwise, with respect to generation, transmission, pooling, and provision of electric power and energy at wholesale.

The amended bill authorizes the authority to issue bonds to finance any project authorized under the bill, to pay the cost of any part of an electric supply project, to fulfill the terms of a power supply contract, or to provide for collateral or performance security measures.

The amended bill would also amend the "Local Public Contracts Law," P.L.1971, c.198 (C.40A:11-1 et seq.) to: (1) exempt from public bidding requirements contracts for the provision of electricity by a municipal shared services energy authority; (2) extend the authorized duration to 20 years of any contract for the leasing or servicing of machinery or equipment used in the generation of

electricity by a contracting unit; and (3) allow any power supply contract between a contracting unit and a municipal shared services energy authority for the lease, operation, or management of electric generation or the purchase of electricity, or the purchase of fuel for generating units to extend for a term of up to 40 years.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- change the term "territorial limits" to "corporate limits and franchise area" with regard to member municipalities that form a municipal shared services energy authority;
- add the acquisition of fuel of any kind for the generation of electric power and energy, and the transportation, storage or reprocessing of such fuel, or any conservation measures, to the definition of "electric supply project";
- add the power to negotiate for, and buy fuels necessary for the production of electric power and energy, to develop bulk power and fuel supply programs, and to implement energy conservation measures to the authority's powers;
- add a new section to the bill that provides a State pledge to bondholders of the authority that the State will not alter their rights, or the rights of the authority to acquire, construct, operate, and participate in electric supply projects or to fix and collect fees, charges, and payments, and will not impair the rights of bondholders, or modify any tax exemptions until the bonds, and any interest, or other costs or expenses are paid;
- allow projects of the authority, including the purchase and generation of power and energy, to be for the "benefit" of the members rather than for the "use" of the members;
- clarify that the authority may meet both the power and energy needs of its members;
- add a procedure for the adoption of an amended inter-municipal agreement that is the same as the procedure for adopting the initial inter-municipal agreement; and
- make certain technical changes to the bill.