SENATE, No. 1706

STATE OF NEW JERSEY

218th LEGISLATURE

INTRODUCED FEBRUARY 5, 2018

Sponsored by:
Senator STEVEN V. OROHO
District 24 (Morris, Sussex and Warren)
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SYNOPSIS
Requires local governments to purchase excess insurance for certain renewable energy projects financed by bonds.

CURRENT VERSION OF TEXT
As introduced.

AN ACT requiring excess insurance for the issuance of certain local government bonds and supplementing chapter 2 of Title 40A of the New Jersey Statutes and P.L.1983, c.313 (C.40A:5A-1 et seq.).

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

1. A local unit shall not issue a bond to finance the purchase and installation of a renewable energy system or facility, or an energy efficiency improvement, secured, in whole or in part, by a pledge or grant of income and revenues generated by the project, which income and revenues are tied to variable renewable energy market prices, unless the local unit contracts for excess insurance to protect against volatility in the renewable energy market. The local unit shall maintain such excess insurance until the bond is retired. Income and revenues from a project may be applied towards the excess insurance premiums.

2. An authority shall not issue a bond to finance the purchase and installation of a renewable energy system or facility, or an energy efficiency improvement, secured, in whole or in part, by a pledge or grant of income and revenues generated by the project, which income and revenues are tied to variable renewable energy market prices, unless the authority contracts for excess insurance to protect against volatility in the renewable energy market. The authority shall maintain such excess insurance until the bond is retired. Income and revenues from a project may be applied towards the excess insurance premiums.

Proposed excess insurance coverage shall be submitted to the Local Finance Board for its review along with a proposed project financing submitted thereto pursuant to section 6 of P.L.1983, c.313 (C.40A:5A-6).

3. This act shall take effect immediately.

STATEMENT

This bill would require local governments, including counties, municipalities, and local authorities, to purchase and maintain excess insurance for renewable energy projects financed by bonds secured by project revenues that are tied to variable renewable energy market prices. Although there has been some stabilization of late due to State policy changes, the price of solar energy tax credits plummeted precipitously in the not too distant past because of rapidly changing market forces. This left several county improvement authority-financed solar energy projects with insufficient solar energy revenues to pay the debt, which in turn necessitated that counties, and ultimately the taxpayers, make up the difference. This bill would help protect local governments and taxpayers from such volatility in the renewable energy market by providing for a "stop gap" insurance mechanism.