



New Jersey Board of Public Utilities

PRESS RELEASE

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Contact:

Doyal Siddell
973-648-2595

New Jersey Board of Public Utilities approves electricity auction results

Higher fuel and capacity costs reflected in new rates to be effective June 1, 2008

(NEWARK, NJ) – The New Jersey Board of Public Utilities (NJBPU) today unanimously approved the results of the state's seventh annual electricity auctions for Basic Generation Service (BGS). The approval covers the results of two separate descending clock auctions conducted during the past week – one for fixed price service that is used primarily by residential and small and medium sized commercial customers, and the other for hourly priced service used by large commercial and industrial customers. This year, the value of the fixed price (FP) auction was approximately \$7.0 billion over three years.

The energy secured in the fixed price (FP) auction will meet one third of the state's residential and small business electric demand for the next three years, the remaining two thirds of demand being met by generation secured in the auctions of 2006 and 2007. The supply acquired for the large commercial and industrial price (CIEP) customers will be for one year.

The prices obtained in this year's FP auction are higher than those obtained last year, primarily because of increased fuel and capacity costs for the upcoming three-year supply period that were factored into the bidders' prices. The electricity supplies auctioned this year will replace supplies auctioned in 2005, which were priced significantly lower. The combination of these two factors will result in an increase in overall electric bills, ranging from 10.5 % for a typical residential or small business customer in JCP&L's service area to 17.3 % for one in Rockland Electric's service area. The new rates are effective for service rendered on and after June 1, 2008. The state's four electric distribution companies pass through the cost of these electric supplies and do not earn a profit on them.

The winning prices obtained in this year's CIEP auction are lower than last year, ranging from 5 % lower for JCP&L to 20 % lower for Atlantic City Electric and PSE&G. These decreases only impact a portion of the electric cost for a small number of customers, and reflect a decrease in the upcoming one-year capacity price. They will be effective for only one year. The CIEP price set in the auction is a stand-by rate provided for those customers not supplied by third-party suppliers, who look towards this service for access to the hourly energy marketplace. At this time, approximately 85 percent of the CIEP load is being provided by the competitive marketplace through third party suppliers.

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Oil prices were around \$60 a barrel during the 2007 BGS Auction, and have been fluctuating between \$90 and \$100 a barrel in recent months. Although oil represents only a small part of New Jersey’s generation fuel mix, its price tends to drive the costs of other fuels, such as coal and natural gas, which are larger parts of the mix.

“In addition to higher fuel costs, the 2008 auction prices also reflect additional costs for capacity in the PJM transmission area to meet peak demand with a required reserve,” President Fox added. “The Federal Energy Regulatory Commission approved a major restructuring of the wholesale power markets in PJM to make capacity far more expensive, and these increases are reflected in today’s market environment. The NJBPU has joined several other parties in challenging the FERC’s approval in court. We believe that a successful challenge and a better approach to procuring capacity will help moderate electricity costs for New Jersey consumers in the future.”

The PJM Interconnection is the regional transmission organization that serves New Jersey, along with 12 other states and the District of Columbia.

The NJBPU is increasing its efforts to mitigate the rate increase among various customer classes by focusing on the importance of conservation and energy efficiency. In order to help protect low-income residential customers from the financial impact of these higher electric costs, the agency will step up its outreach efforts for programs – such as the *Universal Service Fund*, *Lifeline* and the *Low Income Home Energy Assistance Program*, along with energy efficiency programs like *Comfort Partners* that help reduce bills in the long run. The NJBPU also will be educating residential customers on its *Home Performance with ENERGY STAR*[®] energy audit program as a way to control energy costs through improved efficiency.

The NJBPU plans to help commercial and industrial customers offset the higher rates through programs that provide comprehensive energy audits and financial incentives for installing efficiency measures, participating in demand response, and developing combined heat and power projects.

A total of 22 companies were registered to bid in both of the auctions this year. Nine of those won the right to provide some portion of New Jersey’s electric demand. The Board deemed the auction to be competitive throughout the bidding process, due to the large number of bidders; the number of offerings per each block of power needed; and the competitive prices.

The winning bidders of the residential Fixed Price auction are:

Conectiv Energy Supply
Consolidated Edison Energy
Constellation Energy Commodities Group
FPL Energy Power Marketing
Hess Corporation
J. Aron & Company
PPL EnergyPlus
PSEG Energy Resources & Trade LLC

The BGS-CIEP Auction winners are:

Constellation Energy Commodities Group
DTE Energy Trading
FPL Energy Power Marketing
Hess Corporation

The following table illustrates what residential customers will be paying when the new rates take effect June 1:

Impact of BGS Auction on Average Residential Accounts

Utility Company	Usage (kWh)	Current Bill	Increase	New Bill	Percent change
Atlantic Electric	650	\$105.77	\$12.41	\$118.18	11.73%
JCPL	650	\$106.59	\$11.16	\$117.75	10.5%
PSE&G	650	\$103.84	\$12.57	\$116.41	12.1%
Rockland	650	\$104.17	\$18.02	\$122.19	17.3%

The auction for large commercial and industrial customers ran from February 1 - 6, while the fixed price auction ran from February 4-5. The NJBPU reviewed the results of the auction within two business days of its closing, pursuant to the December 1, 2004, Board Order that authorized the BGS auction process. Because offers made at the auction are binding, there is no need for post-auction negotiations. All winning bidders and utilities are bound by the auction results.

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