



New Jersey Board of Public Utilities

PRESS RELEASE

For Immediate Release:

June 2, 2008

Contact:

Doyal Siddell
973-468-8515

COALITION OF MID-ATLANTIC STATE UTILITY REGULATORS AND ELECTRICITY BUYERS SEEKS \$12 BILLION REGION-WIDE CUT IN COSTS TO ELECTRICITY CUSTOMERS

New Jersey Board of Public Utilities Seeks \$2.3 Billion Over Three Years for New Jersey Customers

(NEWARK, NJ) -- The New Jersey Board of Public Utilities (NJBPU) has joined utility regulators from Maryland, Pennsylvania and Delaware – and a coalition of electricity buyers and consumer advocates – in filing a complaint with the Federal Energy Regulatory Commission (FERC) seeking to cut unreasonable “capacity” payments for the period from June 2008 through May 2011.

"We must recover some of the billions of dollars in excessive capacity payments charged to electricity customers in our states, who are finding it increasingly difficult to make ends meet with energy prices already high and rising," said NJBPU President Jeanne M. Fox. "This is just one of the steps we must take as we work to meet the goal of Governor Corzine's Energy Master Plan to bring affordable and reliable supplies of electricity to our residents and businesses."

The complaint challenges the results of three auctions under the Reliability Pricing Model (RPM), a new electricity capacity market construct approved by the FERC and designed by PJM Interconnection LLC (PJM), which operates the electric transmission grid and administers wholesale electricity markets in a region stretching from New Jersey west to Illinois and south to North Carolina. The RPM construct was intended to provide financial incentives for the establishment of new generation or capacity in the PJM region, but the complaint demonstrates that RPM transition auctions failed to accomplish this purpose while yielding unreasonably inflated capacity prices.

The complaint represents a coordinated and cooperative effort among a broad coalition (called the "RPM Buyers"), their counsel and consultants to analyze the capacity auctions and resulting prices and determine that they were neither just nor reasonable. The complaint asks that the FERC to order PJM to ensure that only just and reasonable capacity charges are imposed on buyers and suppliers of electricity for the three years covered by the three auctions in question. The RPM Buyers group estimates that electricity users in the PJM region will pay about \$12 billion in unjust and unreasonable capacity charges over the next three years. New Jersey electricity customers' share of these overpayments totals about \$2.3 billion over the three-year period.

-- More--

Under the Reliability Pricing Model, auctions were conducted in 2007 and 2008 to establish the price and supply of electricity capacity for the years June 2008 through May 2011. The complaint alleges that these auctions were not competitive, were subject to price increases by incumbent generators, yielded excessive prices, and did not accomplish the intended purpose of stimulating new generation for the periods in question.

The complaint does not challenge the results of the capacity auction for the year June 2011-May 2012 year, the first year for which the capacity auctions were conducted a full three years in advance.

“We look forward to working with PJM and other stakeholders to develop solutions to the capacity challenges the Mid-Atlantic region faces in the coming years,” said NJBPU President Fox. “We are already working with them on our overall effort to bring affordable and reliable supplies of electricity to New Jersey customers, as we seek to maximize energy efficiency, reduce peak demands for electricity, deploy more renewable sources of energy, and bring clean electric generation to the State.”

In addition to the state utility regulators from New Jersey, Maryland, Delaware, and Pennsylvania, the RPM Buyers group includes the Division of Rate Counsel in the New Jersey Office of the Public Advocate, as well as state consumer advocates from Maryland, the District of Columbia, Ohio, and Pennsylvania; the Public Power Association of New Jersey; the PJM Industrial Customer Coalition; the Southern Maryland Electric Cooperative Inc, (SMECO); Blue Ridge Power Agency; Allegheny Electric Cooperative; American Forest and Paper Association; Portland Cement Association; Duquesne Light Company; and the United States Department of Defense and other affected Executive Agencies.

###

About the New Jersey Board of Public Utilities (NJBPU)

The New Jersey Board of Public Utilities is a state agency and regulatory authority mandated to ensure safe, adequate, and proper utility services at reasonable rates for New Jersey customers. Critical services regulated by the NJBPU include natural gas, electricity, water, wastewater, telecommunications and cable television. The Board has general oversight responsibility for monitoring utility service, responding to consumer complaints, and investigating utility accidents. To find out more about the NJBPU, visit our web site at www.nj.gov/bpu.