



# New Jersey Board of Public Utilities

## PRESS RELEASE

**For Immediate Release:**  
February 6, 2009

**Contact:**  
Doyal Siddell  
973-648-2595

### **New Jersey Board of Public Utilities Approves Electricity Auction Results**

*Residential and Small Business Rates Steady as Declines in Fuel Prices Offset by Credit Costs.*

*New rates effective June 1, 2009*

(NEWARK, NJ) – The Commissioners of the New Jersey Board of Public Utilities (NJBP) today unanimously approved the results of the state's eighth annual electricity auctions for Basic Generation Service (BGS). The BGS Auctions supply the electricity requirements of New Jersey's four electric distribution companies (EDCs): Atlantic City Electric, Jersey Central Power & Light, Public Service Electric & Gas and Rockland Electric. 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 both auctions was approximately \$7 billion, representing approximately 8,500 megawatts of electric generating capacity.

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 2007 and 2008. The price for suppliers' services acquired for the large commercial and industrial price (CIEP) customers will be for one year.

The prices obtained in this year's FP auction range from 6% - 10% lower than those obtained last year. Decreasing fuel costs were offset by an increase in the cost of credit given recent turmoil in credit markets and increased risk associated with recent fuel price volatility.

The electricity supplies auctioned this year will replace supplies auctioned in 2006, which were priced slightly lower. The overall impact to customer rates from the addition of the 2009 auction results to the three-year rolling average used to set prices will range from a flat rate to an increase of 0.6% effective June 1, 2009.

--More--

The CIEP price set by the auction is a single-year, stand-by rate provided for those commercial and industrial customers who do not independently contract with third-party suppliers. At this time, approximately 85 percent of the CIEP load is being provided by the competitive marketplace through third party suppliers, and only 15% of the CIEP marketplace is affected by auction prices. CIEP auction results also do not reflect energy costs, which are calculated at the spot price. The CIEP capacity service reflects approximately 7% of the CIEP customer's overall energy bill.

The winning bids in this year's CIEP auction averaged \$205.203 per MW-Day, a 91% increase from last year's average of \$107.63 MW-Day. As a result of the auction, CIEP customers are expected to see a one-year increase of approximately 7% in their overall energy bills, assuming similar energy prices.

The increased CIEP auction prices reflect higher credit costs reflecting both recent turmoil in credit markets and a shift from monthly to weekly account settlement by the PJM Interconnection (PJM). The increase also reflects a \$45 cost increase to PJM's Reliability Pricing Model (RPM), which accounts for 45% of the overall increase. RPM is intended to provide an incentive to build additional power plants where they are most needed, yet almost all of the benefit has gone to owners of existing power plants. The NJBPU continues to challenge the RPM charge in court, contending that it adds more than \$1 billion a year to New Jersey energy customers' bills without producing any new generating capacity within the state.

"While we have seen a significant decrease in fuel costs, the 2009 auction prices also reflect higher credit costs and higher costs for capacity in the PJM transmission area to meet peak demand," stated NJBPU President Jeanne Fox. "The Federal Energy Regulatory Commission (FERC) approved a major restructuring of the wholesale power markets in PJM making capacity charges far more expensive. These increases are reflected in today's prices. The NJBPU has joined several other parties in challenging FERC's approval in court while working closely with PJM to improve RPM. Our hope is that a successful challenge and a better approach to procuring capacity will help moderate electricity costs for New Jersey consumers in the future. In the meantime, we will continue to pursue the goals of our Energy Master Plan with aggressive programs to assist homeowners and businesses with energy efficiency and conservation strategies, which can provide immediate rate relief."

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

This year, a total of 17 companies were registered to bid the auctions. Ten companies won contracts in the FP auction, while five companies won CIEP contracts. Given the number of bidders, the BPU was satisfied that the auction was competitive enough to ensure competitive rates for New Jersey's ratepayers.

**2009 CIEP Price Auction Results**

Winning Price (\$/MW-Day)	
PSE&G	203.25
JCP&L	203.92
ACE	215.00
RECO	215.25

**2009 Fixed Price Auction Results**

Winning Price (cents/Kwh)	
PSEG	10.372
JCP&L	10.351
ACE	10.536
RECO	11.27

**The winning bidders of the residential Fixed Price auction are:**

Conectiv Energy Supply
Consolidated Edison Energy
Exelon Generation Company
FPL Energy Power Marketing
Hess Corporation
J.P. Morgan Ventures Energy Corporation
Morgan Stanley Capital Group Inc.
PPL EnergyPlus
PSEG Energy Resources & Trade LLC
Sempra Energy Trading LLC

**The BGS-CIEP Auction winners are:**

Consolidated Edison Energy
Dominion Retail
FPL Energy Power Marketing
Morgan Stanley Capital Group Inc.
PSEG Energy Resources & Trade LLC

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**

<b>Utility Company</b>	<b>Usage (kWh)</b>	<b>Current Bill</b>	<b>Increase</b>	<b>New Bill</b>	<b>Percent Change</b>
Atlantic Electric	650	\$109.70	\$0.00	\$109.70	0.0%
JCP&L	650	\$119.09	\$0.10	\$119.19	0.1%
PSE&G	650	\$118.54	\$0.67	\$119.21	0.6%
Rockland	650	\$122.26	\$0.20	\$122.46	0.2%

The auction for large commercial and industrial customers ran from January 30 to February 4, while the fixed price auction ran from February 2 – 4. The NJBPU reviewed the results of the auction within two business days of its closing, pursuant to the January 20, 2009, 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.

###

**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](http://www.nj.gov/bpu).*