

EXECUTIVE ORDER NO. 1

WHEREAS, the top priority of this Administration is to make New Jersey more affordable for all New Jersey residents, families, and businesses; and

WHEREAS, electricity is a critical resource for the health, safety, welfare, and prosperity of New Jerseyans, and fundamental to the State's economic stability and growth; and

WHEREAS, the current cost of electricity has reached the point of crisis for many residents and families, and requires bold action to provide short-term relief and medium and long-term strategies and reforms to improve our energy system; and

WHEREAS, retail electricity rates have risen dramatically—both suddenly and substantially—in recent years, and, without serious intervention, prices will continue to rise at an extraordinary pace; and

WHEREAS, from June 2023 to June 2025 the average residential electricity price in the State rose by well over 33 percent, and the average electricity price for all customers in the State, including commercial customers, rose by nearly 30 percent, and prices are expected to continue to rise due to systemic issues within the federally-regulated regional power market in which New Jersey participates, which is administered by independent grid operator PJM; and

WHEREAS, the December 2025 PJM auction would have seen capacity prices climb 60 percent higher, if not for a temporary price cap instituted as a result of legal action against PJM; and

WHEREAS, electricity rates in New Jersey are among the highest in the continental United States and in the Mid-Atlantic region, and during the summer of 2025 New Jersey experienced some of the highest electricity price increases of all states that participate in the PJM regional power market; and

WHEREAS, New Jersey families are burdened by increasingly high costs across the board, from average food prices rising faster than overall inflation to housing costs, including median home prices and median gross rents in the State that are each 20 percent higher than the national median; and

WHEREAS, New Jersey homeowners rank fifth-highest in homeowner cost burden among all states, and recently published federal census data indicate that nearly one-third of New Jersey homeowners with a mortgage are considered "cost burdened" by housing in that they spend at least 30 percent of their income on housing costs, and more than half of renters in New Jersey are also cost burdened; and

WHEREAS, a recent analysis found that from 2024 to 2025, the amount of household income needed for a New Jersey family to live comfortably increased over 12 percent, which was the second highest such increase in the nation, and other data indicate that wage growth slowed meaningfully in the last year; and

WHEREAS, many of New Jersey's low- and middle-income families struggle to afford basic necessities, from utilities to groceries to healthcare; and

WHEREAS, numerous businesses and enterprises throughout the State have been impacted by increased energy costs over the past year; and

WHEREAS, the recent rise in electricity bills in our State is due to several factors, including but not limited to the escalating cost of transmission and distribution infrastructure on which the grid relies, volatility in the price of natural gas, and the skyrocketing price of the future supply of reliable, wholesale electricity—also known as capacity—in the regional PJM market; and

WHEREAS, the PJM region, which spans 13 states and Washington D.C., has hit record-setting capacity prices in each of the last three market auctions, and saw capacity prices increase by over 800 percent in 2024; and

WHEREAS, the dramatic increase in PJM capacity prices, which is expected to continue over the coming years, is due to a number of factors, including peak electricity demand outpacing supply; the surge and anticipated spread of new customers like data centers that consume significant amounts of electricity; retirement of older, uneconomic generation sources like coal-fired power plants; PJM's delay in interconnecting new, clean generation sources to the grid; and flaws in PJM's market design that have failed to adequately produce new generation to meet growing demand; and

WHEREAS, regional capacity prices impact what most New Jersey electricity customers pay on their bills for electricity supply, and the forecast for regional capacity prices likely indicates that New Jerseyans' electric bills will remain significantly elevated in at least the near- to mid-term; and

WHEREAS, the federal government's recent tariffs on clean energy technology components and policies that hinder the development of solar and other renewable technologies will exacerbate the electricity supply shortage; and

WHEREAS, New Jersey's four investor-owned electric distribution utilities pass through to customers the cost of electric supply and do not earn a profit on the provision of electric supply; and

WHEREAS, the electric distribution utilities earn a profit on, among other things, qualifying investments in transmission and distribution infrastructure, as they earn a return on those

investments from electricity customers at rates approved by the Board of Public Utilities ("BPU"); and

WHEREAS, the electric distribution utilities pass through to customers operating and maintenance expenses as well as property depreciation, at rates approved by BPU; and

WHEREAS, other major components of electric bills include the cost of electric distribution utilities' investments in, and return on, energy efficiency programs, the cost of administering the State's solar programs set by statute, and the Societal Benefits Charge ("SBC"), through which electric distribution utilities recover expenses and financially benefit from their involvement in energy efficiency and other societal benefit programs enumerated in N.J.S.A. 48:3-60, among other things; and

WHEREAS, the State's electric distribution utilities frequently submit requests to BPU seeking approval for requested rate increases or proposed cost recoveries; and

WHEREAS, under N.J.S.A. 48:2-13, subject to certain statutory exceptions, BPU has mandatory jurisdiction over "all services necessary for the transmission and distribution of electricity and gas, including but not limited to safety, reliability, metering, meter reading and billing"; and

WHEREAS, due to the myriad factors noted above, New Jerseyans' residential electricity bills are unlikely to fall below June 2025 levels anytime in the near future and are expected to further increase absent meaningful action on several fronts; and

WHEREAS, the ongoing electricity affordability crisis in our State constitutes a state of emergency that warrants decisive leadership and coordinated action, both to provide short-term relief and to initiate long-term reform; and

WHEREAS, it is therefore necessary to effectively freeze electricity supply rate increases charged to customers and to demand greater transparency and accountability from the State's electric distribution utilities, in addition to taking steps to expand New Jersey's power generation and to hold the regional grid operator, PJM, accountable; and

WHEREAS, BPU is located in but not of the Department of the Treasury and is part of the Executive Branch; and

WHEREAS, BPU has the authority to set just and reasonable public utility rates, to investigate any matter concerning any public utility, and to require any public utility to furnish safe, adequate, and proper service; and

WHEREAS, the emergency warrants BPU's additional use of available funds to provide short-term rate relief to residential electricity customers, consistent with BPU's recent practice;

NOW, THEREFORE, I, MIKIE SHERRILL, Governor of the State of New Jersey, by virtue of the authority vested in me by the Constitution and by the Statutes of this State, do hereby declare that an emergency exists throughout the State of New Jersey; and I hereby ORDER and DIRECT:

1. BPU shall:

a. Provide for Residential Universal Bill Credits ("RUBCs") to offset increases in the cost of electricity supply due to take effect in 2026, relying on the same or similar sources of funding addressed in BPU's order of August 13, 2025, that provided for RUBCs, among any others that are applicable; and

b. issue RUBCs, or an initial set of RUBCs, no later than July 1, 2026.

2. BPU, the Department of Environmental Protection, and the Economic Development Authority shall, within 30 days, confer about the use of Regional Greenhouse Gas Initiative ("RGGI") proceeds for ratepayer relief and issue a public statement of their conclusions, as they did prior to BPU's order of August 13, 2025, which shall include an explanation of how they intend to address ratepayer relief in the 2026-2028 RGGI Strategic Funding Plan consistent with the priorities and directives established in this Order, and of whether any amendment or addendum to that plan is needed, as well as an explanation of the most efficient and effective means to provide timely cost relief to low- and middle-income ratepayers.

3. BPU shall review all components of, and rationales for, the SBCs imposed on electric bills, as well as the budget of the Clean Energy Program administered by BPU, which consists in part of proceeds from SBCs.

4. BPU shall prioritize expediting revisions to the Clean Energy Program budget for Fiscal Year 2026 and, no later than May 1, 2026, issue a "true-up" budget based, in part, on actual expenses incurred during Fiscal Year 2025. The true-up budget shall also:

- a. prioritize funding for direct ratepayer relief to offset increases in the cost of electricity supply borne by residential ratepayers, consistent with the priorities and directives of this Order; and
- b. identify opportunities to increase support for, or investment in, energy efficiency programs for income-qualifying ratepayers to help lower those ratepayers' energy bills.

5. BPU shall also consider opportunities to reduce the SBCs in effect for every electric distribution utility without compromising funding for direct energy assistance programs or income-qualifying ratepayers, including by directing available RGGI proceeds or other resources to those programs.

6. Given the extent of the affordability crisis, BPU shall consider pursuing a pause, abeyance, or modification of the schedule governing any proceedings in which electric distribution utilities seek approvals for rate increases or cost recoveries to the extent permitted by law.

7. Within 180 days, BPU shall complete and issue a study regarding modernization of the traditional electric distribution utility business model.

a. The study shall:

i. address the relationship between the traditional business model and recent trends affecting electricity affordability;

ii. identify potential policy pathways and opportunities for achieving long-term reductions to, and stabilization of, electric bills; and

iii. consider opportunities including, but not limited to, making utility revenue models less dependent on capital spending on infrastructure; expansion of performance-based ratemaking, whereby performance would include, among other things, the rate at which utilities approve the interconnection of new electricity generating facilities to the grid; multi-year rate plans; reductions in

utilities' return on equity; state review of supplemental transmission projects; least-cost resource testing requirements; greater use of asset securitization; and amendments to the regulations governing infrastructure investment programs.

b. BPU shall hold at least one public stakeholder session to inform the development of the study.

c. If BPU seeks to procure the technical or professional services of a contractor to assist the completion of the study and address the affordability emergency in the State, BPU and the Division of Purchase and Property in the Department of Treasury shall:

i. prioritize this procurement with the aim of completing the procurement within 30 days; and

ii. conduct the procurement in the most time-efficient manner consistent with the applicable procurement statutes.

8. BPU shall exercise its discretion to determine necessary and appropriate steps to effectuate the relevant directives in this Order.

9. Nothing in this Order shall be construed to confer any legal rights upon entities whose activities are regulated by State entities; nothing shall be construed to create a private right of action on behalf of any such regulated entities or other persons; and nothing shall be used as a basis for legal challenges to rules, approvals, permits, licenses, or other action or inaction by a

State entity. Nothing in this Order shall be construed to supersede any federal, State, or local law.

10. Should any part of this Order be declared to be invalid or unenforceable, or should the enforcement of or compliance with any part of this Order be suspended, restrained or barred by the final judgment of a court of competent jurisdiction, the remainder of this Order shall remain in full force and effect.

11. This Order shall take effect immediately.

GIVEN, under my hand and seal this
20th day of January,
Two Thousand and Twenty-Six,
and of the Independence of
the United States, the Two
Hundred and Fiftieth.

[seal]

/s/ Mikie Sherrill

Governor

Attest:

/s/ Timothy P. Lydon

Chief Counsel to the Governor