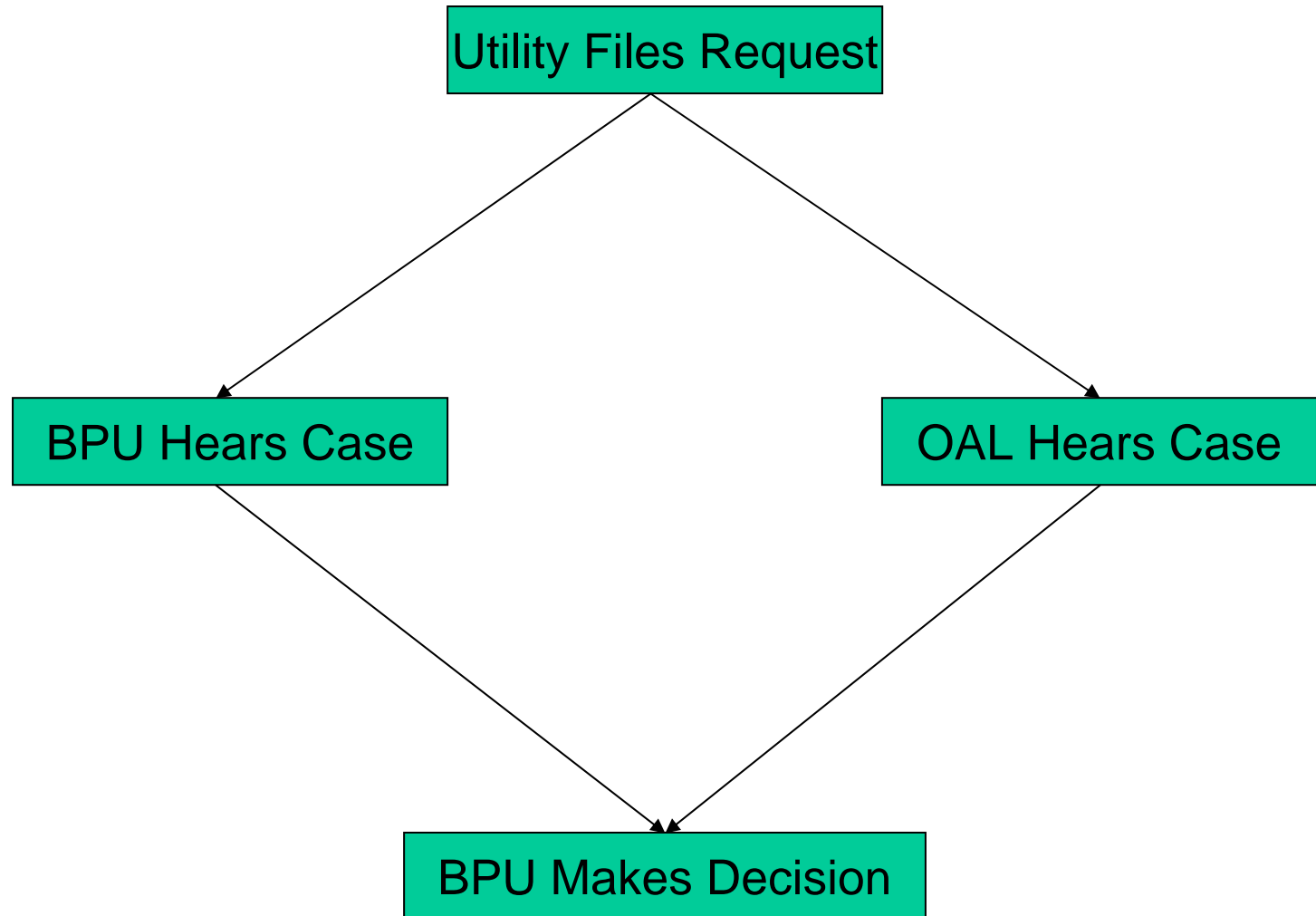


SERC and BPU Partnership

BPU's procedure for tariff increase requests

George Riepe
Assistant Director, Division of Energy

Tariff Request Process



Types of Tariff Requests

- Base rate case
 - Occurs as determined by utility
 - Usually requested if rate of return is less than authorized
- Adjustment clauses
 - Occur on a regular basis outside a base rate case
 - Used to “true-up” costs and revenues, usually on an annual basis

Base Rate Case

- Overall utility costs and revenues are reviewed in detail
- BPU determines appropriate level of revenues for utility
- BPU determines the appropriate rate design for each customer class

Adjustment Clauses

- Mechanism for adjusting individual rate components between base rate cases
 - Examples:
 - Cost of natural gas
 - Cost of electricity
 - Environmental remediation
 - Conservation programs
 - Assistance programs

OAL

- Independent arbiter of certain disputes arising from BPU actions, as well as an independent arbiter of BPU compliance with rulemaking procedures
- Responsible for the administrative hearing functions of many types of BPU cases

OAL (cont'd)

- Upon determining a case to be contested, the BPU transmits the case to the OAL
- Upon hearing the case, the Administrative Law Judge (ALJ) prepares an initial decision that is sent to the BPU
- The initial decision may be affirmed, modified, or rejected by the BPU

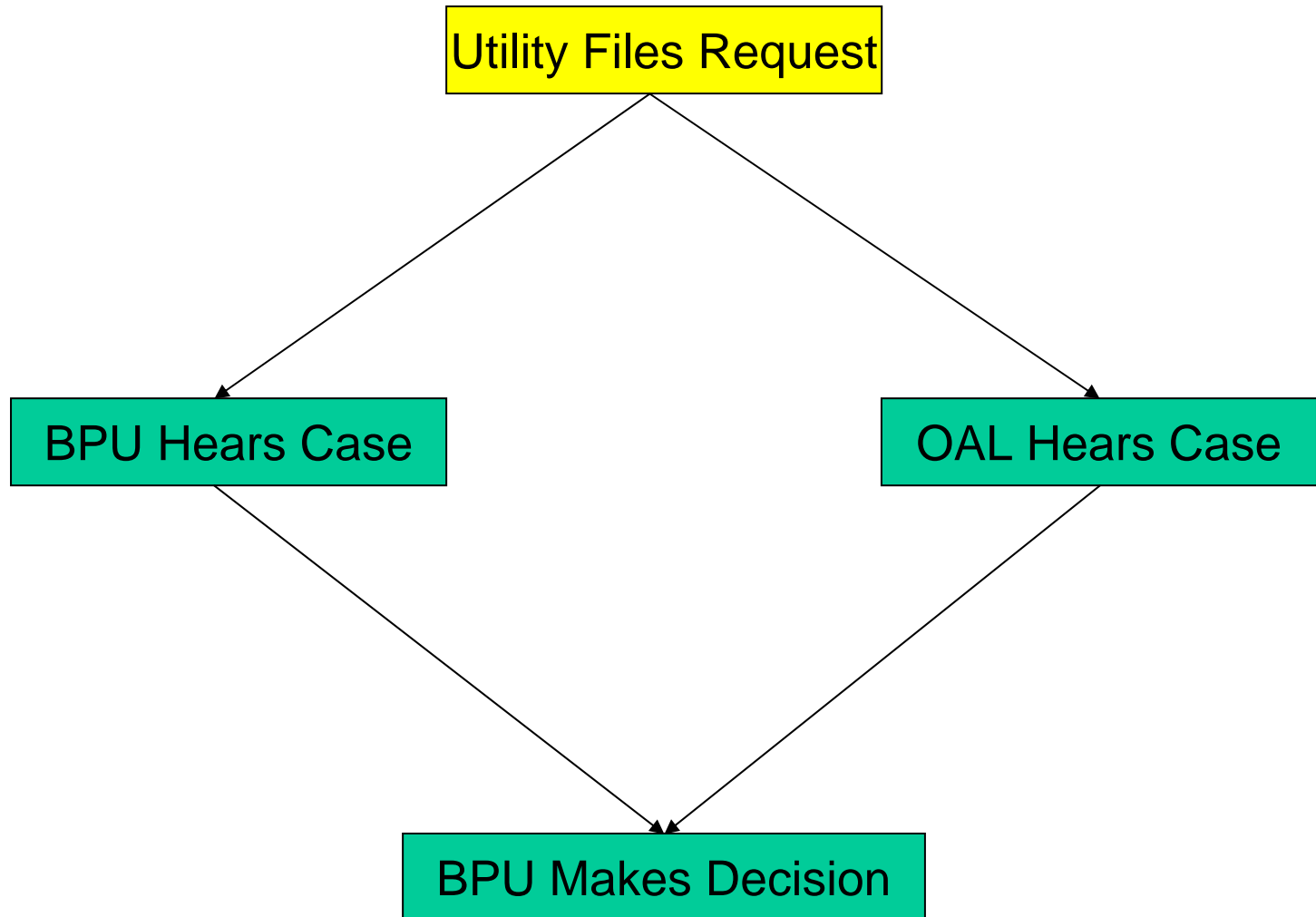
Contested Case

- Definition- An adversary proceeding...in which the legal rights, duties, obligations, privileges, benefits or other legal relations of specific parties are required by constitutional right or by statute to be determined by an agency by decisions, determinations, or orders, addressed to them or disposing of their interests, after an opportunity for an agency hearing.

Contested Case (cont'd)

- The Office of Administrative Law shall acquire jurisdiction over a matter only after it has been determined to be a contested case by an agency head and has been filed with the Office of Administrative Law...

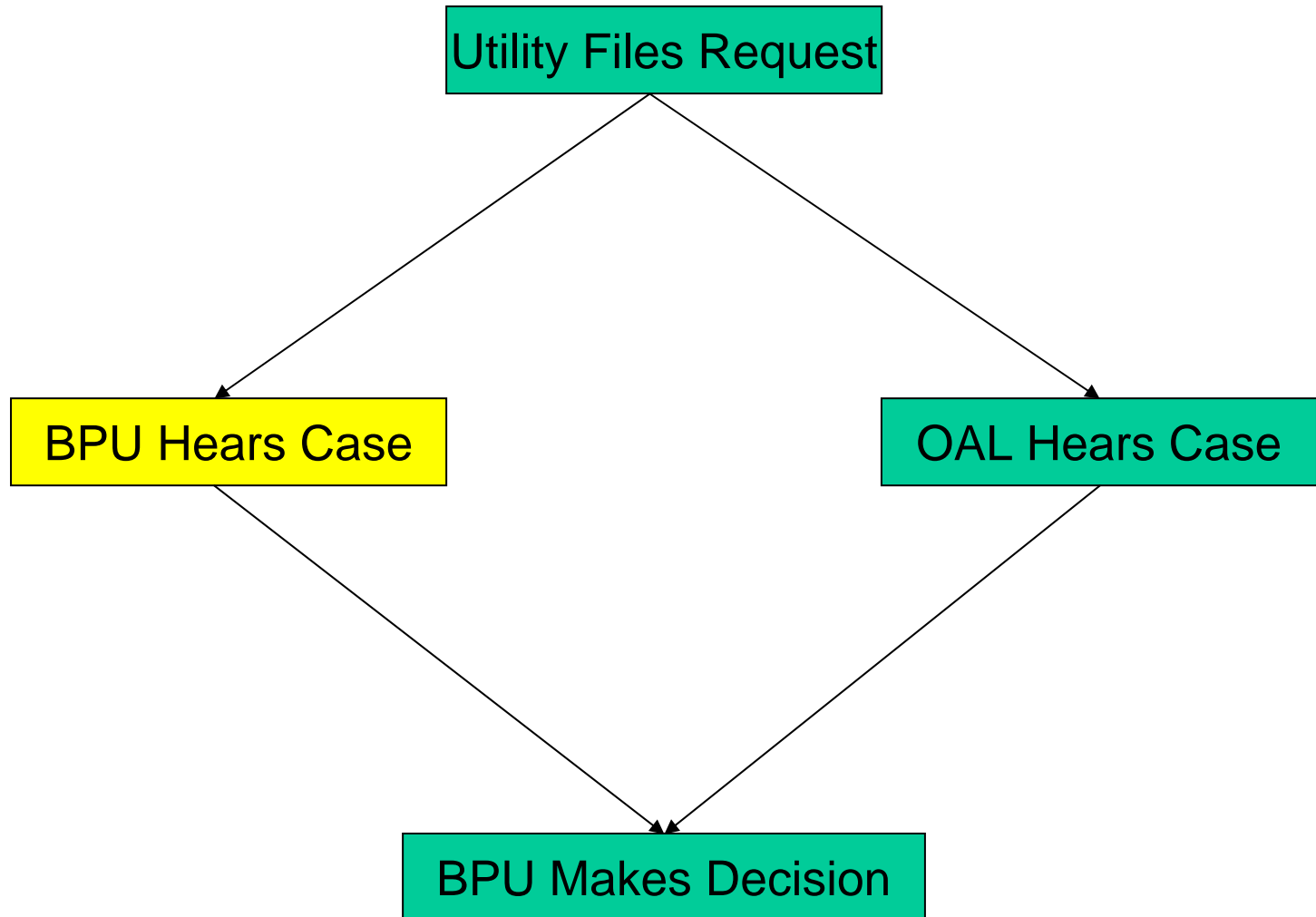
Tariff Request Process



Utility Files Request

- Petition filed
- Case number assigned
- Decision made as to who hears case
 - BPU
 - OAL (Office of Administrative Law)

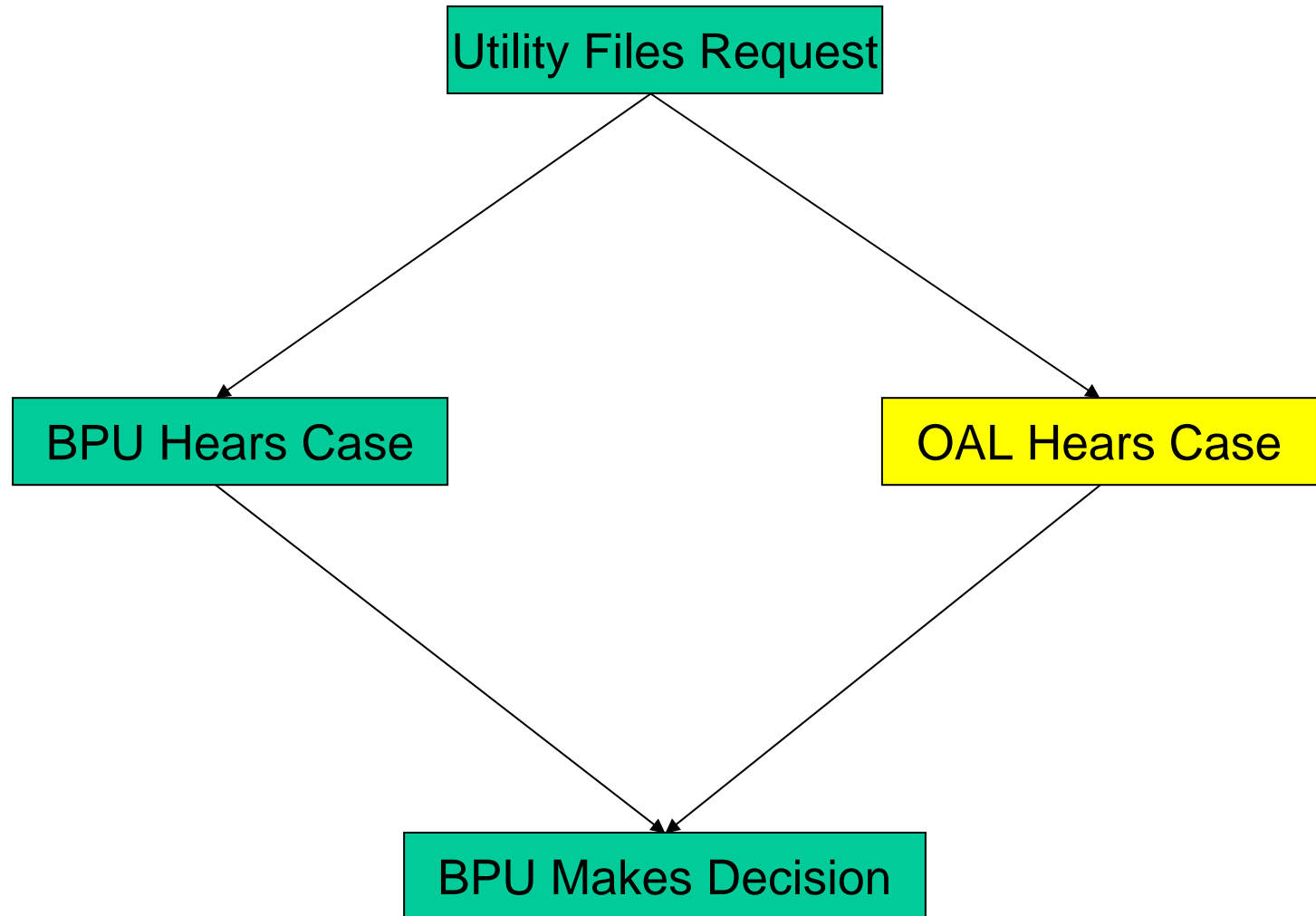
Tariff Request Process



BPU Hears Case

- Motions for intervention or participation
- Procedural schedule
 - Intervention of interested parties
 - Testimony
 - Discovery
 - Hearings (public and/or evidentiary)
 - Briefs
 - Reply briefs

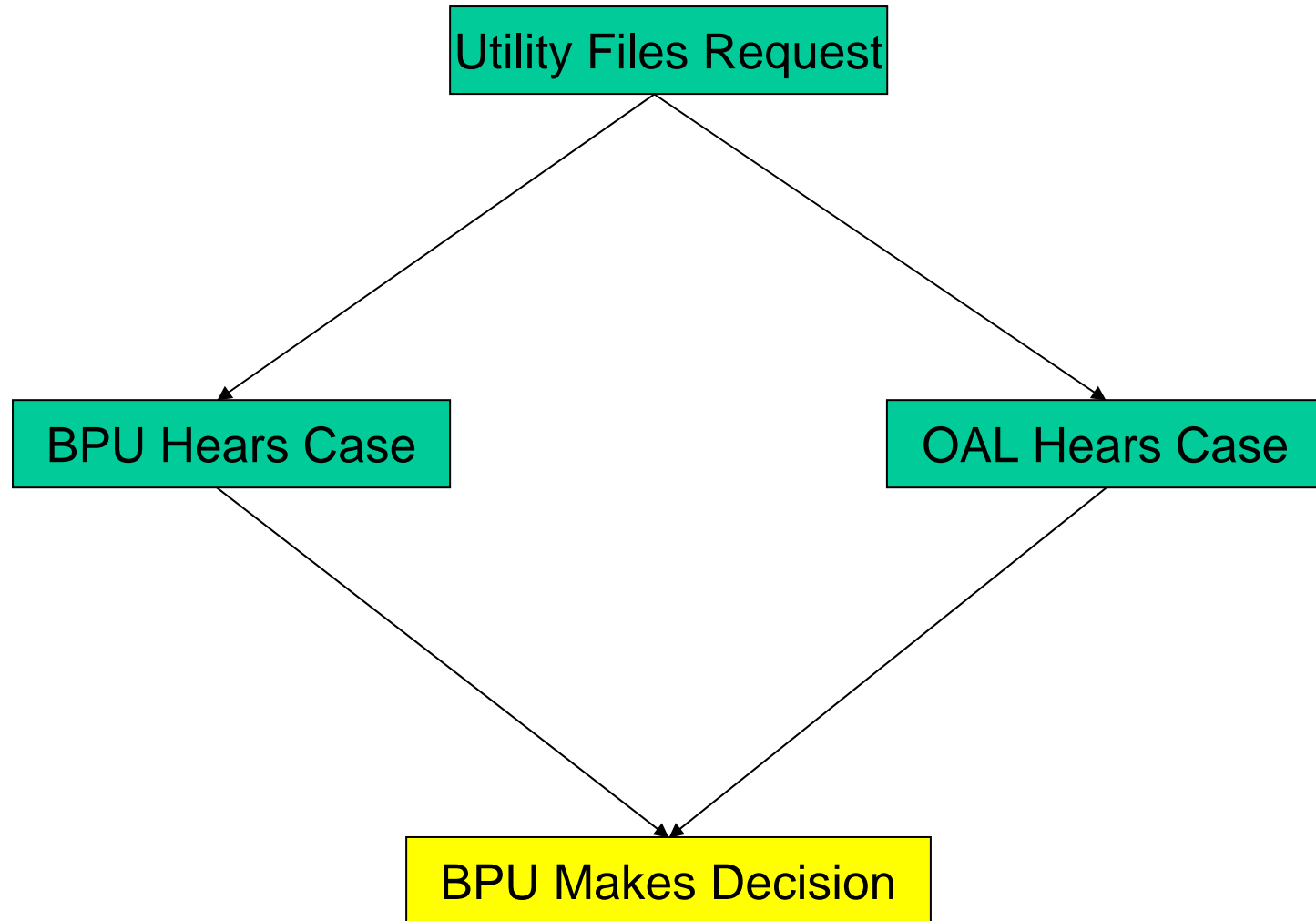
Tariff Request Process



OAL Hears Case

- Motions for intervention or participation
- Procedural schedule
 - Intervention of interested parties
 - Testimony
 - Discovery
 - Hearings (public and/or evidentiary)
 - Briefs
 - Reply briefs
- Initial decision

Tariff Request Process



BPU Makes Decision

- BPU decides case
- BPU issues order
- Utility files revised tariff sheets

BPU Order

- Procedural history
 - Description of request
 - Description of events
- Positions of parties
- Discussion and findings
 - Conditions
 - Effective date

Recent BPU Decisions

- Base rate cases
 - JCP&I -11.0% (-\$223 million)
 - PSE&g +13.6% (+\$160 million)
 - Re -5.3% (-\$7 million)
- Adjustment clauses (natural gas costs)
 - NJNG +8.7% (+\$45 million)
 - PSE&g +7.1% (+\$108 million)
 - SJG +11.9% (+\$24 million)

Additional Information

- www.bpu.state.nj.us
- george.riepe@bpu.state.nj.us