

Board of Public Utilities (BPU) Legislative Mandate



Presented By:

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Energy Division

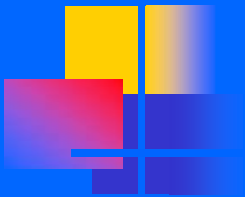
September 8 – 12, 2003

Sofia, Bulgaria



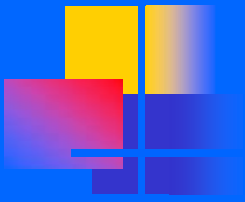
1911

- NJ governor Woodrow Wilson established the board of public utilities [in most states referred to as public utility commission (PUC)]
- Legislature delegated all its legislative authority to BPU

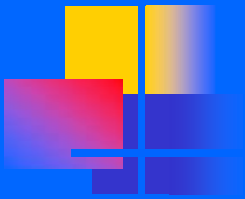


BPU

- Has both legislative power (sets policy) and
- Quasi-judicial authority
 - Evidentiary hearings
 - Rate cases



- BPU's decisions can be appealed at the NJ state appellate courts
- Court's standard for review
 - No basis in the record
 - Arbitrary, capricious,
 - Gross abuse of administrative discretion



BPU Statutory Powers

- NJSA 48:2-21
 - Fix rates
 - Approve tariffs
 - Set terms and conditions



Electric Discount and Energy Competition Act ("EDECA")

N.J.S.A. 48:3-43 et. seq.,
Effective Feb. 1, 1999

Restructured energy industry in New Jersey which effectively segregated and set forth separately the energy component (electric power, gas supply) from bundled rates



Significant EDECA Provisions

- 1) Unbundled electric and gas rates
- 2) Required mandatory 10% electric rate reduction over 4 years
- 3) Provided retail choice
- 4) Utilities must provide basic generation service (BGS); or basic gas supply service (BGSS)



Significant EDECA Provisions (Cont.)

- 5) Subject to the Board approval, electric utilities were required to either
 - a) Functionally separate generating assets
 - b) Or divest them (with protection of union rights)



Significant EDECA Provisions (Cont.)

- 6) Established a Societal Benefits Charge (SBC) that includes
 - a) Social program
 - b) Nuclear decommissioning costs



Significant EDECA Provisions (Cont.)

- c) Demand Side Management (DSM) programs → now NJ Clean Energy Program; mandated \$256 Million/ year for past commitments and new programs – for eight years



Significant EDECA Provisions (Cont.)

- d) Manufactured gas plant remediation costs
- e) Consumer education
- f) Universal service fund



Significant EDECA Provisions (Cont)

- 7) Established mechanism for recovery of stranded costs
- 8) Stranded costs may be recovered through transition bonds → which are secured by an irrevocable obligation of ratepayers to pay off over 15 years. (15 of the 55 sections of EDECA deal with securitization.)



Significant EDECA Provisions (Cont.)

- 9) Gas and electric supplier licensing requirements
- 10) Emission disclosure and portfolio standards
- 11) Distribution reliability standards