

How a Commission is Organized:

The New Jersey Board of Public Utilities

**Workshop on General Regulatory Issues
October 2004
Baku, Azerbaijan**

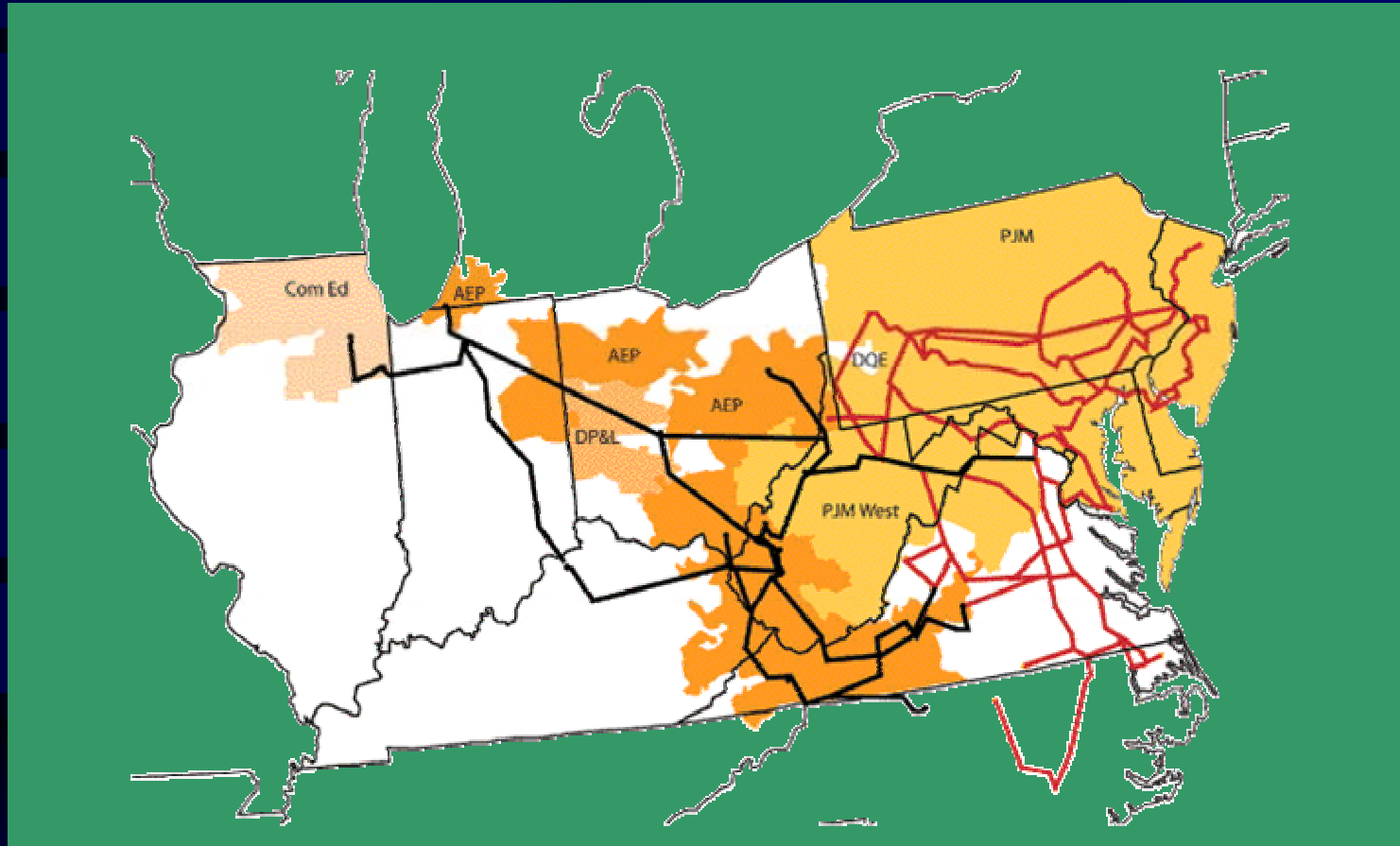
New Jersey Overview

Population
8.5 Million

Density
Appox. 500 people/Sq. Km



PJM Independent System Operator (ISO)



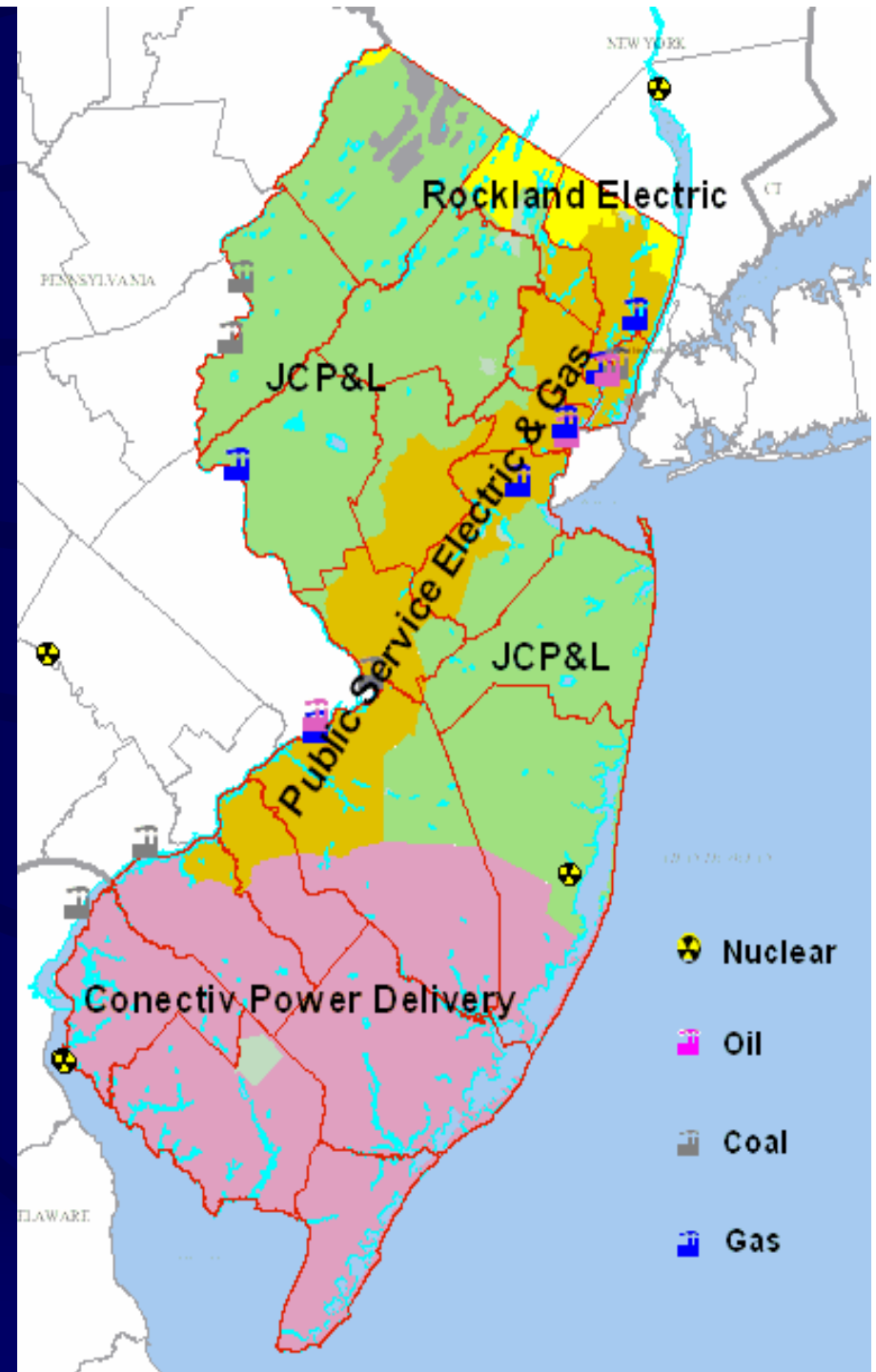
Current PJM control region does not include AEP and DP&L regions. Firm transmission capacity rights tie the ComEd and PJM subregions.

New Jersey Energy Infrastructure

Electric Utilities

Customers

	Residential	Industrial & Commercial
PSE&G	1,751,134	277,775
JCP&L	914,273	115,444
RECO	61,434	8,577
Connectiv	448,754	61,829

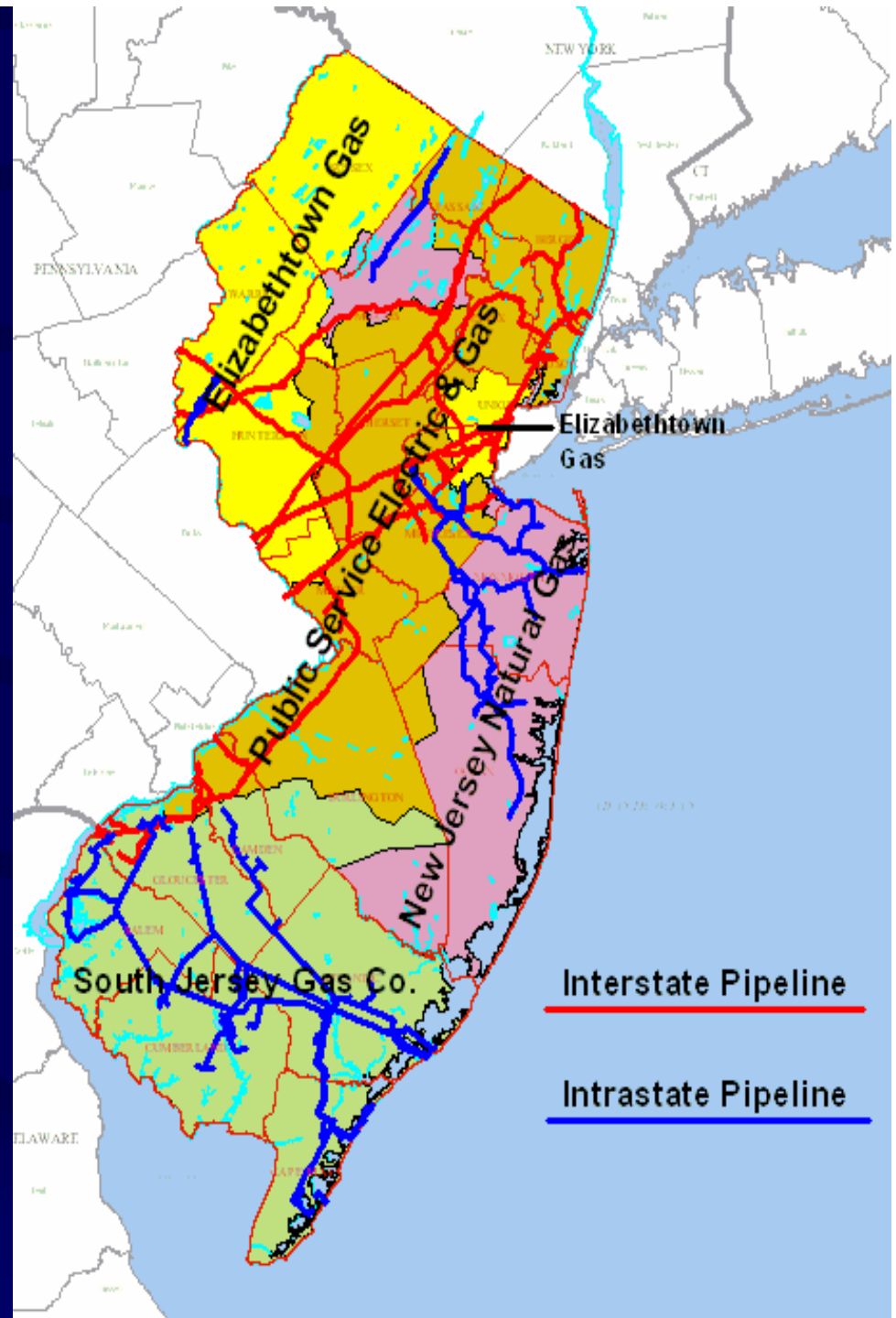


New Jersey Natural Gas Pipelines

Natural Gas Utilities

Customers

	Residential	Industrial & Commercial
PSE&G	1,461,057	182,051
E-Town	235,792	19,899
NJNG	389,048	29,168
South Jersey	268,046	22,222



Total Consumption:

Gas

593,575 Million Cu. Feet

Electricity

18,613.3 MW



The New Jersey Board of Public Utilities

Legislative Framework / Functions &
Responsibilities



New Jersey Board of Public Utilities Enabling Legislation

- New Jersey Permanent Statutes
 - Title 48:2-13 **Powers of the Board**
 - The board shall have general supervision and regulation of and jurisdiction and control over all public utilities
 - Title 48:2-16 **Supervisory and regulatory powers in general**
 - The Board may require from any utility:
 - Compliance with laws and ordinances
 - System of accounts
 - Periodic reports
 - Notice of accidents

NJBPU

Background and History

- Established in 1911 by Governor Woodrow Wilson
- Oldest consumer protection agency in NJ
- Empowered to set rates, approve financing, set standards for the utilities, regulate the operation of the utility market
- Originally had jurisdiction over railroads, buses, canals, subways, pipelines, gas, electric, light, oil, sewer, waste disposal, telephone & telegraph
- Board today has jurisdiction over electric, natural gas, telecommunications, basic aspects of cable television, water and waste water companies

NJBPU Mission Statement

“We will ensure the provision of safe, adequate, and proper utility and regulated service at reasonable rates, while effectively managing the transition from protected monopoly franchise markets to competitive markets for the betterment of ratepayers”

Powers and Duties of the Board

- Has quasi-legislative and judicial powers and duties
 - Quasi-legislative duties
 - sets rates and makes rules governing utility operations
 - establishes the rate base, allowing for possibility of a predetermined rate of return for utilities where appropriate.
 - guarantees and maintains a competitive and level playing field which protects consumers and maintains economically viable utilities.
 - Quasi-judicial duties
 - Hears and decides complaints and cases
 - Issues written orders

Importance of Independent Regulation

- Independent regulation assures fairness to ratepayers and company operators, while taking pressure off elected officials regarding difficult decisions.
- The NJBPU was designed to be A) independent, B) competent, and C) to operate in a transparent manner.
 - A. Independence is assured by:
 - Appointment process, assuring participation of both major political parties
 - An independent funding mechanism directly linked to the regulatory activity
 - Rules of Conduct

The Appointment Process

- Consists of five members
- Appointed by the Governor and confirmed by the Senate to six year terms
- One Commissioner is designated as President by the Governor
 - President has administrative responsibilities, i.e. oversees day to day operation of the board.
- Law requires multiple political party representation. (No more than 3 of 5 from any one political party.)
- Terms are fixed and staggered
- Removal from office is possible only through impeachment for serious crimes.

Funding Mechanism

- Commission's budget is 25 million
- Funding is not provided by general funds of the State. (That would compromise independence of the Commission)
- Funding comes from an assessment on gross revenues of all regulated entities

Rules of Conduct

- NJBPU'S Rules of Conduct help assure the integrity of the Commissioners
- These include:
 - Conflict of Interest Laws
 - Oversight by the Executive Commission on Ethical Standards
 - Post-Employment prohibition

B. Competence of the Commission

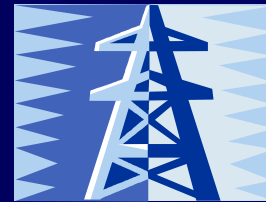
- Consistent decisions
- Ability of any party to appeal a commission decision to a higher court
- Appointment of qualified Commissioners
- Interplay with independence and transparency factors

C. Transparency of Board Activities

- The NJBPU organizational structure and procedures are designed to be responsive to the public and to safeguard the interests of New Jersey's varied communities
- NJBPU has open meetings where it conducts its regulatory affairs
 - It publishes a public schedule and discusses key issues in an open forum
 - Closed (Executive) sessions only allowed for few stated purposes:
 - To discuss litigation
 - To invoke attorney client privilege
 - To discuss personnel issues
 - NJBPU welcomes public comment and seeks to integrate the debate into its decisions

NJBPU

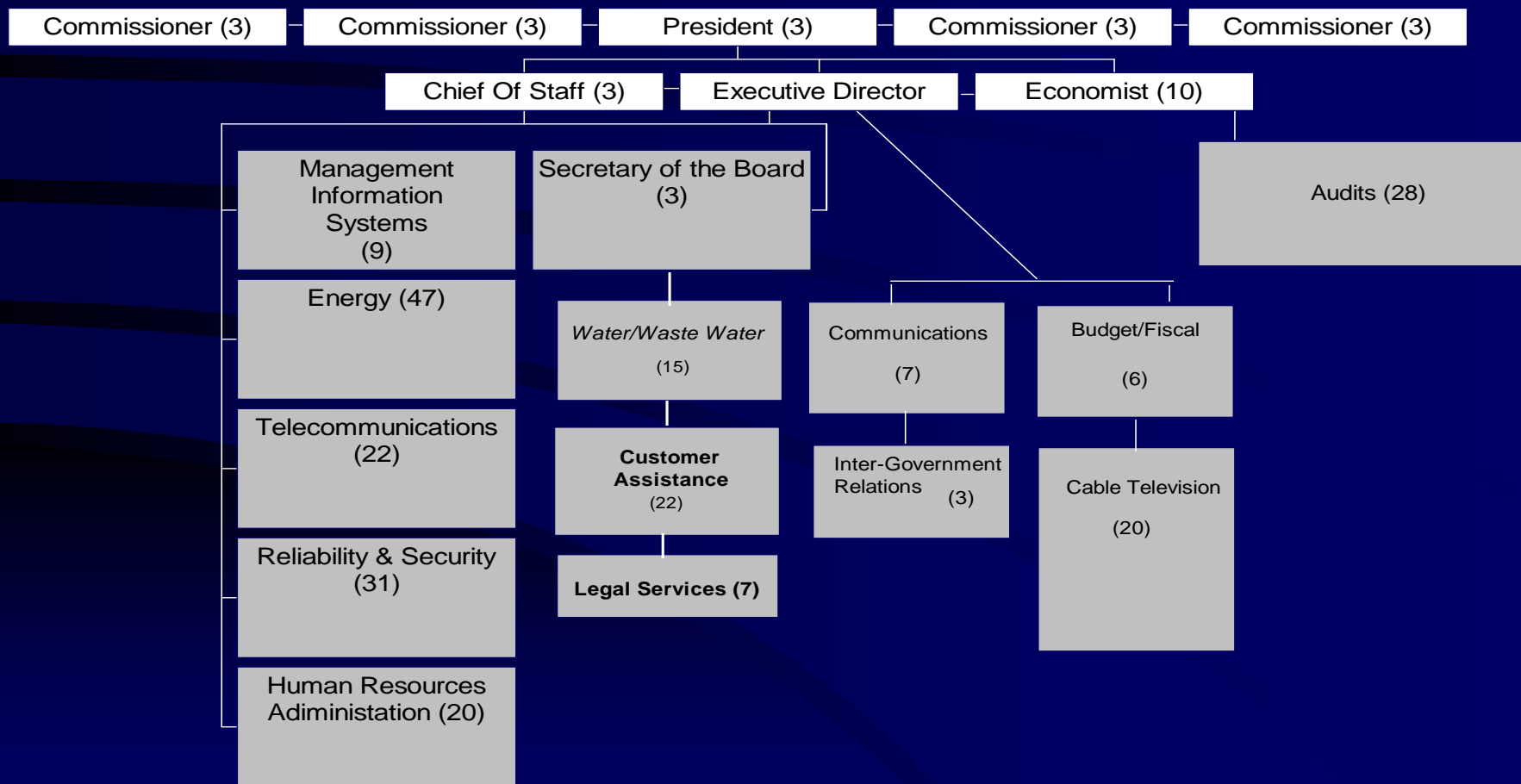
Organizational Structures & Characteristics



Organizational Structure

- NJBPU's organizational structure matters – it determines how successfully Board goals are fulfilled
- The organizational structure is designed to deal with matters of great concern to the Board with many areas given their own high priority division:
 - Customer Assistance
 - Reliability & Security
 - Company Audits
 - Communication (Public Relations)

BPU Organizational Chart



Executive Director

- Responsibilities:
 - Ensures that all work submitted from the divisions is technically correct and in compliance with established Board policy and regulations
 - Coordinates Commissioners' Board agenda meeting briefings

Chief of Staff

- Responsibilities:
 - Reports directly to Board President assisting with supervision and management of BPU's day-to-day activities and operation
 - Has oversight responsibility for several functional divisions
 - Briefs and advises the President on important organizational and industry issues
 - Directs staff work regarding such issues
 - Oversees work of Board's senior and technical staff, advising Board Commissioners on policy issues, technical matters and regulatory issues

Office of the Secretary

- Responsibilities:
 - Keeps a precise public record of all proceedings of the Board
 - Serves as a policy adviser to the President
 - Liaison between the Board and the Office of the Attorney General
 - Charged with compiling the agenda for the Board's bi-monthly public meetings
- Oversees and manages the operations of:
 - Board legal staff and law library
 - Case Management
 - Agenda Control

Office of the Economist

- Key advisor to the Board on policy issues and financial matters
- Evaluates and recommends appropriate action on:
 - Utility financings
 - Corporate mergers, acquisitions and reorganizations
 - Cost of capital issues
- Provides the Board with overviews of activity in the financial, capital and credit markets and its affects on matters before the Board
- Evaluates and analyzes the financial performance of utilities
- Analyzes issues of regulatory reform, utility restructuring and expanding competition
- Oversees the Division of Audits

Communications / Public Relations / Media Access

- The public is an interested party in the regulatory process when:
 - The price of utility service changes
 - Problems with reliability
 - Concerns about the quality of service
 - Mergers and acquisitions
- Press access to the regulatory process at the NJBPU is facilitated and administered by the Division of Communications, employing the following:
 - Press releases, conferences, interviews, and comments
 - Developing a comprehensive media strategy to inform the public
 - Manages and administers the NJBPU website and Consumer Education Program

Public Outreach

- NJBPU established a Consumer Education Program to educate residents and businesses on Energy & other issues
 - NJBPU'S programs focus on New Jersey's diverse population, providing outreach in several languages and tailoring the message to the needs of different ethnic communities
 - Programs are adaptable to whatever issues needs to be communicated to the public, the stakeholders, governmental entities within and outside our borders
 - Lifeline programs
 - Universal Service Fund

Public Outreach Cont'd

- NJBPU has several organizational components whose overriding purpose is public outreach/relations/access
 - The Division of Customer Assistance handles customer complaints regarding all utilities regulated by the BPU (The Office of Cable Television has its own complaint/investigation Unit)
 - Operates toll free phone lines and employs bi-lingual personnel to service consumers
 - Handled over 100,000 calls in 2000.
 - The Division of Reliability & Security conducts accident and service reliability investigations
 - Administers the enforcement of the Underground Facilities Protection Act
 - Has a “One-Call” service to facilitate public access/compliance with measures designed to protect underground facilities

Division of Communications

- Responsibilities:
 - Oversees the development and implementation of the statewide energy consumer education program.
 - Informs the media and general public about the Board and its decisions, public hearings, meetings, and activities
 - Publicizes Board decisions and actions through new releases, outreach and informational activities
 - Coordinating conferences and public education programs
 - Responds to inquiries from the Legislature and state, local, and federal government offices and agencies
 - Develops and recommends Board web site policy, design and content

Primary Staff Divisions:

Energy Division

- Responsible for all matters before the Board concerning the state's natural gas and electric utilities
- Emphasis on fostering the transition of these industries to competitive market based environment
- Composed of three bureaus:
 - Bureau of Rates--Performs traditional rate-related functions which apply mainly to the distribution system.
 - Bureau of Competitive Services--Handles conservation programs, flexible rates, tariffs, and competitive services
 - Bureau of Planning and Research--Oversees Energy Master Plan, strategies, emerging technology, and renewable resources

Division of Telecommunications

- Responsibilities:
 - Policy recommendations to the Board on all matters related to the State's telecommunications industry
 - Coordinating industry responses to Board orders, rulings and initiatives
 - Analysis and evaluation of technical and complex matters coming before or of interest to the Board
 - Developing and implementing alternatives to traditional forms of regulation as competitive markets develops
- Composed of three Bureaus:
 - Competitive Services and Mergers--Implements policies/procedures to facilitate competition
 - Policy and Planning--Developing regulatory practices and rules to insure universal service at affordable rates
 - Technical Development and Deployment--Ensuring, updating and maintaining service quality standards

Office of Cable Television

- Responsibilities:
 - Reviews regulated basic service rates (not premium services or upper tier)
 - Regulates the technical operations and quality of service provided by cable TV systems in the State
- Composed of two Bureaus
 - Inspection and Enforcement--Reviews operational and technical plans and ensures companies are in compliance with State and federal law/regulations
 - Accounts-- Regulates rates charged for basic service and reviews sales, transfers, and mergers

Division of Water and Waste Water

- Responsibilities:

- Making policy recommendations on all matters concerning the state's regulated water and waste water systems
- Evaluating economic viability of water and waste water systems
- Provides analysis on the problems of outdated infrastructure of small, non-financially viable companies
- Encourages the merging of non-economically viable companies with larger, well financed companies
- Evaluating financial implications of health and environmental regulations

Division of Reliability & Security

- Responsibilities:
 - Preparing and updating emergency plans
 - Conducting accident and service reliability investigations
 - Administering the enforcement of the Underground Facilities Protection Act

Division of Reliability & Security

Cont'd

- Composed of three Bureaus
 - Planning, Research and Rates--Provides technical/engineering support to other Divisions as required
 - Service Quality and Reliability--Responds to service interruption, reviews service extensions, sales, and investigates complaints
 - Pipeline Safety--Oversees the enforcement of the Underground Facilities Protection Act and the State's Pipeline Safety Program and other guidelines.

Division of Customer Assistance

- Responsibilities:
 - Day-to-day handling of customer complaints regarding all utilities regulated by the BPU (The Office of Cable Television has its own complaint/investigation Unit)
 - Operates toll free phone lines and employs bi-lingual personnel to service consumers.

Division of Audits

- Responsibilities:
 - Financial and management analysis of utilities' operations
 - Provides management, financial, compliance and special needs audits
 - Inspects and examines the financial records of the utilities
 - Ensures the compliance of the Board's statutory mandate ordering management audits of each gas and electric Company at least once every six years
- Recognize the need for powers to assess fines as complement to the audit (and general oversight) functions of the agency.

Board of Public Utilities Decision-Making Process



Decision-Making Process

1. Regulated Entity files petition with the Board or Board can initiate petition itself. (anything from rate case to investigation)
2. The Board decides to either retain docket or transfer to Administrative Law Judge (ALJ)
3. Discovery process begins
4. Hearings conducted either by staff, or full evidentiary hearings before one of the commissioners
 - a. Settlements are encouraged at any time
 - b. Case is terminated after settlement
5. Initial record is finalized
6. Briefs are filed by all interested parties
7. Reply briefs received

Decision-Making Cont'd

- 8) Public Hearing conducted to take public comment
- 9) Summary briefs filed
- 10) Record complete
- 11) Staff formulates recommendations
- 12) If ALJ had the docket, it is now returned to the Board with an initial decision
- 13) Board rules and can adopt/reject/modify the recommendations of staff or the ALJ
- 14) Parties can appeal decision to Appellate/Supreme Court of NJ

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