

SERC and BPU Partnership

New Jersey's Regulatory Oversight of the Electric and Natural Gas Sectors

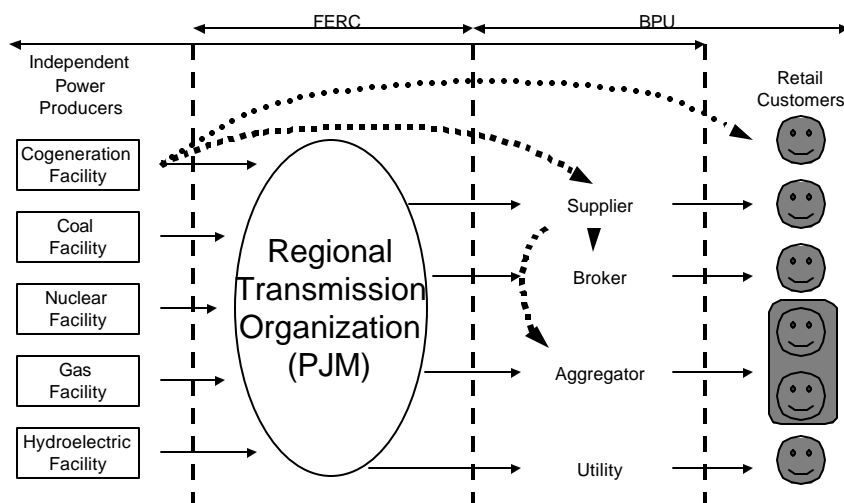
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February 2, 2003

Newark, New Jersey

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New Jersey's Electricity Market

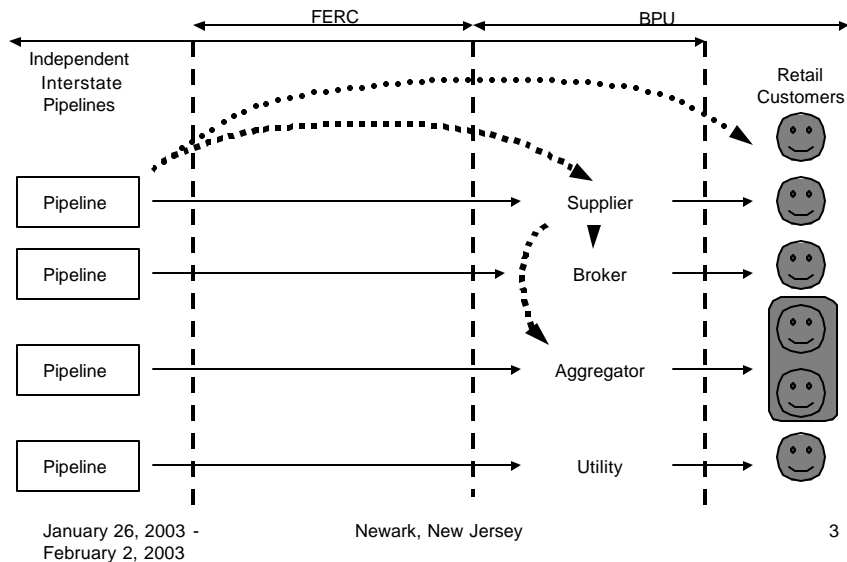


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New Jersey's Natural Gas Market



BPU's Regulatory Oversight

- Under a monopoly structure since 1910 until recent years, the BPU's regulatory oversight has been a substitute for competition
 - Ensures that utilities do not engage in unfair pricing or other discriminatory policies toward customers
 - Ensures that utilities earn a fair return on their investments
 - In recent years, the BPU's regulatory oversight has been narrowed to the distribution of energy

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BPU's Regulatory Oversight (cont'd)

- Regulates the retail distribution of electricity and natural gas
- Approves franchises to natural gas utilities
 - Electric franchises were set by State law in the 1900s and have no expiration
- Approves distribution rates and tariffs
- Issues licenses to alternate energy suppliers
- Resolves issues among utilities, alternate energy suppliers and customers
- Ensures nondiscriminatory practices by utilities and alternate energy suppliers

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BPU's Regulatory Oversight (cont'd)

- Encourages conservation and load reduction programs by utilities
- Conducts ongoing reviews of reliability for each utility
- Ensures that utilities have adequate funding to maintain and improve their distribution systems
- Investigates service interruptions and initiates corrective action when necessary

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BPU's Regulatory Oversight (cont'd)

- Implements energy efficiency and renewable energy programs
 - Commitment of at least \$1 billion in funding over eight years since from 2001 through 2008
 - Promotes distributed generation
- Encourages utilities to identify and reduce theft of electric service

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Regulatory Oversight Criteria

- New Jersey Statutes
 - Provide Legislative Direction
 - Establish broad criteria for BPU to interpret and enforce
- New Jersey Administrative Code
 - Provides generic rules and regulations
- Board Orders
 - Provide specific direction for utilities, as appropriate (generic or individual)

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Ensuring Compliance through the Collection of Data

- BPU establishes generic reporting requirements through the New Jersey Administrative Code
- BPU establishes specific reporting requirements through the issuance of Board Orders
- Reporting requirements provide information to ensure that every utility is complying with all Board directives

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Reliance on National Standards

- American Gas Association
- Edison Electric Institute
- Institute of Electrical and Electronics Engineers
- National Electrical Code
- National Electrical Safety Code
- Underwriter Laboratories
- Others

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Data Collection

- Monthly/Annual Operating Reports
 - FERC Form 1 (Electric)
 - FERC Form 2 (Natural Gas)
 - Monthly Operating and Financial Reports
 - Securities and Exchange Commission reports (10K, 10Q, 8K)
- Custom reporting requirements

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BPU Experiences

- Regulatory oversight of New Jersey's electric and natural gas utilities has been continual for over 90 years
- Regulatory oversight is a thorough, yet evolving, process
 - With the deregulation of the electric and natural gas industries in New Jersey, the BPU's focus continues to become more customer-oriented

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BPU Experiences (cont'd)

- The BPU is becoming more involved in issues at the national level that have impacts on customers at the local level
- The BPU is working more closely with other New Jersey agencies on issues that cross traditional boundaries
 - Low-income programs
 - Renewable energy programs
 - Conservation programs

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BPU Experiences (cont'd)

- The BPU is working more closely with other states on matters of mutual interest
 - Standardization of the tracking of renewable energy generated and sold across state borders
 - Standardization of rules for the licensing of alternate energy suppliers
 - National energy initiatives

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Additional Information

- www.bpu.state.nj.us, or
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