

Update On The Energy Sector In The United States

Continuing Debate Over Regulation Versus Deregulation

Electricity Issues

- The blackout of August 2003
- Electric transmission system reliability
- Fixing the electric grid
- Need for fact finding/explanations
- Action/financing plan
- Return on transmission investment
 - ◆ (Set by FERC at 11% versus 20% for generation set by market)

3/15/2006 ■ Who pays and how much?

Natural Gas Issues

- Lack of new supply
- Price volatility
- Increasing demand in all sectors
- Potential for increased LNG imports

Energy Issues

- Coal use in electric generation
- New source review/environmental concerns
- Drilling in Alaska
- Nuclear power
- Repeal of public utility holding company act of 1935
- Higher gasoline and heating oil prices could upset an economic recovery if consumer and corporate budgets are squeezed further.
- Crude oil inventories are depleted and refineries are stretched to capacity.

Standard Market Design - SMD

- (To be discussed later)

CORPORATE GOVERNANCE ISSUES

Passage of New Legislation: Sarbanes-Oxley Act
Introduction of New Stock Exchange Listing Requirements

- (To be discussed later)

Consumer Protection Issues

- Universal service
- Lifeline
- Resolution of bill disputes
- Outage restoration
- Access to Utility Call Center
- Establish a consumer report card that tracks key performance indicators for all major utilities, publish data

Mergers and Acquisitions

- Development of board policy
 - ◆ No Harm standard
 - ◆ Positive benefits test
- Problems with an electric company
- Financial integrity of a gas utility

Economic Development/Job Creation

- Provide stimulus for additional full-time employment through economic growth.
- Utilities try to provide incentives to nonresidential customers to utilize vacant building space and increase employment within a utility's service territory.
- Provide incentives to business customers to expand business and employment in New Jersey's urban enterprise zones.
- Reward businesses for creating jobs that would not otherwise exist in the state.