



New Jersey Board of Public Utilities

NEWS RELEASE

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New Jersey Board of Public Utilities Approves Electricity Auction Results

– Auction outcome results in lower electricity prices across nearly all sectors –

TRENTON, N.J. – The New Jersey Board of Public Utilities (Board) today unanimously approved the results of the state's eleventh annual electricity auction for Basic Generation Service (BGS). The auction determines, in part, the cost of electricity for many New Jersey residents and businesses. The Board's approval will result in lower prices for the electricity commodity supplied to most residents and businesses for the twelve-month period starting June 1, 2012.

This year's auction result is expected to reduce the costs of electricity for residential ratepayers ranging from 6.4% to 1.0%, depending on their Electric Distribution Company (EDC).

“We are pleased that relevant wholesale power market conditions, along with the competitive auction structure for electricity, has resulted in lower cost of electricity for most residents and many businesses across the state,” said Robert M. Hanna, President of the NJ Board of Public Utilities. “However, the Board will continue to advocate to the Federal Energy Regulatory Commission (FERC) and PJM for changes that would impact wholesale prices, resulting in lower utility costs to ratepayers and improving the State's economic competitiveness.”

The Board's approval covers the results of two separate descending clock auctions, which occurred over four business days. The first auction, which began on Feb. 2 and ended on Feb. 3, was for Commercial and Industrial Price (CIEP) service used by large commercial and industrial customers. The second auction, which began on Feb. 3 and ended on Feb. 7, was for fixed price (FP) service, which is used primarily by residential and small to medium sized commercial customers. This year, the value of both auctions totaled approximately \$7 billion, which represents approximately 8,200 megawatts (MWs) of electric generating capacity.

The energy secured in the FP auction will meet one-third of the state's residential and small business electric demand for the next three energy years, starting June 1, 2012. The remaining two-thirds of demand for the twelve-month period will be met by generation secured in the auctions of 2010 and 2011. The supply acquired through the CIEP auction is for one year. The state's four electric distribution companies do not earn a profit on the cost of the generation secured in the auctions. These costs are passed through directly to ratepayers.

The average price obtained in this year's FP auction [\$0.08344 per Kilowatt hour (Kwh)] was significantly lower, 19.8% lower, than the electricity procured in the 2009 auction (\$0.10404 per Kwh), which will be replaced by supplies purchased in this year's auction. This year's FP average price is also lower than obtained in last year's auction (\$ 0.09528 per Kwh). These prices only affect a portion of the total cost of electricity for residential customers. Therefore, the auction results will have a smaller percentage decrease in overall residential electric bills.

For example, a typical residential customer's monthly bill in the Public Service Electric and Gas (PSE&G)'s service area, will go from \$121.40 per month to \$116.99 per month, a 3.6 percent decrease, whereas a typical bill in the Jersey Central Power and Light (JCP&L) territory will go from \$108.45 per month to \$101.49 per month, a 6.4 percent decrease.

The winning prices for the CIEP Auction increased by approximately 7.2% on a weighted average basis across the four utilities. A major factor driving the CIEP price increase was PJM's capacity market price called Reliability Pricing Model (RPM), which increased by 39.5%. While other factors offset that increase to a considerable extent, the BPU is advocating on behalf of New Jersey ratepayers before PJM, the regional grid operator, and the Federal Energy Regulatory Commission (FERC) to address inequities of the RPM. Since the CIEP price constitutes only a small part of the monthly bills of CIEP customers for the period from June 1, 2012 to May 31, 2013, falling energy prices may mean a decrease in the total bill.

The CIEP price, as set in the auction, is a stand-by rate provided for those customers not served by third-party suppliers. Those CIEP customers access supply in the hourly energy market. As of December 2011, approximately 79% of the CIEP load is being provided through individual contracts with third-party suppliers. These contracts are negotiated in the competitive marketplace and are not affected by the CIEP auction results.

The Board deemed the auction to be competitive throughout the bidding process based upon the number of offerings for each block of power auctioned, and the competitive prices that resulted.

BGS-FP 36-Month Tranches (One "tranche" equals approximately 100 Mw):

Electric Utility	Closing Price (cents/Kwh)	Total Tranches Sold
ACE	8.510	7
JCP&L	8.176	20
PSE&G	8.388	29
RECO	9.251	1

BGS-CIEP 1-year Tranches (One "tranche" equals approximately 75 Mw):

Electric Utility	Closing Price \$/Mw-day	Total Tranches Sold
ACE	113.26	5
JCP&L	126.4	11
PSE&G	128.34	25
RECO	133.25	1

The winning bidders of the residential Fixed Price (FP) Auction are:

- Citigroup Energy Inc.
- ConocoPhillips Company
- Constellation Energy Commodities Group, Inc.
- DTE Energy Trading, Inc.
- Hess Corporation
- J.P. Morgan Ventures Energy Corporation
- Macquarie Energy LLC
- NextEra Energy Power Marketing, LLC
- Noble Americas Gas & Power Corp.
- PSEG Energy Resources and Trade LLC
- TransCanada Power Marketing Ltd

The BGS-CIEP Auction winners are:

- ConocoPhillips Company
- Consolidated Edison Energy, Inc.
- Constellation Energy Commodities Group, Inc.
- DTE Energy Trading, Inc.
- NextEra Energy Power Marketing, LLC
- PSEG Energy Resources and Trade LLC

The following table illustrates how the auction results will affect electricity supply costs for the average residential customer when the new rates take effect on June 1, 2012:

Monthly Impact of BGS Auction on Average Residential Accounts

Utility Company	Usage (kWh)	Current Bill	Increase or Decrease	New Bill	Percent Change
Atlantic Electric	650	\$118.00	-\$3.35	\$114.65	-2.84%
JCP&L	650	\$108.45	-\$6.96	\$101.49	-6.4%
PSE&G	650	\$121.40	-\$4.41	\$116.99	-3.6%
Rockland	650	\$124.39	-\$1.37	\$123.02	-1.1%

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About the New Jersey Board of Public Utilities (NJBP)

The NJBP is a state agency and regulatory authority mandated to ensure safe, adequate and proper utility services at reasonable rates for New Jersey customers. Critical services regulated by the NJBP include natural gas, electricity, water, wastewater, telecommunications and cable television. The Board has general oversight responsibility for monitoring utility service, responding to consumer complaints, and investigating utility accidents. To find out more about the NJBP, visit our web site at www.nj.gov/bpu.