



New Jersey Board of Public Utilities

NEWS RELEASE

For Immediate Release:
May 21, 2012

Contact:
Greg Reinert
609-777-3305

Statement of New Jersey Board of Public Utilities President Bob Hanna on the Impact of New Electric Generation Clearing PJM's Base Residual Auction

The Christie Administration is happy to see that three new natural gas-fired power stations in New Jersey have cleared the 2015/16 PJM Base Residual Auction (BRA), part of the PJM's Reliability Pricing Model (RPM) for determining capacity prices. The three facilities are LS Power's new combined cycle plant in West Deptford, Hess's combined cycle plant in Newark and a third project not publicly identified at this time. According to PJM, over 2000 megawatts (MW) of new local generation in total cleared in New Jersey. This is fantastic news for ratepayers as it advances the Christie Administration's goals of increasing grid reliability, reducing energy costs, cleaning the environment and enhancing the economic competitiveness of New Jersey, particularly for energy-intensive manufacturing.

The three natural gas projects have vast environmental and economic benefits over existing highly polluting coal and oil plants. The new, efficient natural gas facilities will require less input fuel for each unit of output. Additionally, these natural gas generators will lower the price of electricity in New Jersey because of their lower cost of operation and the reduction of congestion on the regional power grid.

Furthermore, construction of these three new power stations will create more than 1,400 new jobs which will have a positive ripple effect on the respective local economies. LS Power alone will employ as many as 600 workers during the three-year construction project, infusing an expected \$100 million into the local economy. The long term economic impact of the LS Power project includes the creation of 25 permanent jobs, an estimated annual payroll of \$2 million, and local procurement of supplies, materials and services. In addition, the company will make PILOT payments totaling \$107 million to local government over the life of project.

Officials with Hess deserve much credit for navigating PJM's Minimum Offer Price Rule (MOPR) and other interconnection issues to make their facility a reality for the benefit of ratepayers in the northern region of the state. Hess's Newark Energy Center will be located in the most concentrated

capacity market in New Jersey and one of the most transmission-constrained markets in all of PJM. The Hess facility will help overcome existing transmission constraints which prevent the adequate importation of capacity into northern New Jersey, causing higher energy prices.

I am pleased that the reforms the BPU has fought for over the last 2 ½ years are having an effect as evidenced by three new electric generating facilities clearing the PJM's Reliability RPM BRA. However, our work is not done. The BPU will continue to seek improvements in the PJM market to deliver new capacity where it is needed most. The BPU will also continue to work with the industry because New Jersey requires new and more affordable generation to improve reliability issues, reduce energy prices, and replace aging, dirty, and inefficient generation facilities.