



NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

CURRENT ENERGY ISSUES

BASIC GENERATION SERVICE

On November 5, 2002, the New Jersey Board of Public Utilities ("BPU") announced the auction format for the procurement of Basic Generation Service ("BGS"). Basic Generation Service is for those customers who choose not to shop for a new electric supplier or for those who are unable to shop because of their economic situation. Earlier this year, the BPU held its first own BGS auction, which set electric rates for New Jersey consumers effective August 1, 2002 through July 31, 2003. Due to the positive results of the auction, the BPU decided to repeat this method of purchasing energy costs. Throughout the Basic Generation Service proceedings, the Ratepayer Advocate vigorously argued for price stability and minimizing risks for consumers. The Ratepayer Advocate argued that there should be no artificial increase in the price of BGS for residential, small and medium commercial customers.

The Ratepayer Advocate's position is that Basic Generation Service should not be used as a vehicle to force residential and small commercial customers into the competitive energy market place. More customer education is needed so that customers can make well informed decisions. Typically, large industrial commercial customers but not small industrial customers are able to efficiently manage their energy demand and negotiate energy supply contracts. The Ratepayer Advocate is pleased that the Board agreed with our position and did not place a retail adder or margin upon Basic Generation Service for small and medium commercial customers.

The next energy auction is scheduled to take place in February 2003.

ENERGY EFFICIENCY AND RENEWABLE ENERGY PROGRAMS

Beginning in the 1980s, New Jersey's electric and natural gas utility companies implemented "Demand Side Management" ("DSM") programs, which were intended to make the State's need for electric capacity and energy needs more efficient through the implementation of cost-effective energy efficiency technologies. These programs, funded with monies collected from the utilities' ratepayers, provided financial incentives

for customers and energy efficiency contractors to install energy-saving technologies such as insulation, high-efficiency lighting, appliances, and heating and cooling equipment.

The Electric Discount and Energy Competition Act of 1999 ("EDECA") directed the Board of Public Utilities to undertake a comprehensive review of the utilities' existing energy efficiency programs to determine the appropriate level of ratepayer funding for such measures, and to establish and determine the appropriate funding levels for new programs to promote the development of renewable energy sources, such as solar energy, wind and landfill gas, energy sources that do not deplete our natural resources.

The Ratepayer Advocate is working to ensure that these ratepayer funds are spent wisely. During the summer and fall of 2002, the Ratepayer Advocate submitted written recommendations and participated in a series of meetings convened by the BPU Staff to review and consider changes to the current programs.

The Ratepayer Advocate supported several recommendations, to strengthen the administration and oversight of these programs and to enhance opportunities for input by non-utility stakeholders in the

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ENERGY EFFICIENCY CONT.

development and implementation of the programs. The Ratepayer Advocate also strongly supports adequate funding for smaller renewable energy projects such as residential photovoltaic installations, and energy efficiency programs, that will produce immediate energy savings for residential and smaller commercial customers.



ELIZABETHTOWN GAS COMPANY SEEKS RATE INCREASE

In April 2002, Elizabethtown Gas Company ("Elizabethtown") filed a petition with the Board of Public Utilities for approval to increase its base rates by \$28.6 million. The Company's proposed rate would increase a residential customer's bill using 100 therms of gas by 12.5 percent or, \$12.16 per month. As a result, the average residential customer would pay \$109.65 per month instead of the current \$97.49. Some of the factors for the requested increase claimed in the Company's petition are increased expenses associated with customer growth and capital additions since the Company's last base rate case, higher labor and benefits costs, continued inflation and an increase in depreciation expense.

After a detailed review of Elizabethtown's petition, the Ratepayer Advocate concluded that the Company's proposal was not in the best interests of New Jersey consumers. The Ratepayer Advocate submitted testimony supporting only a 2.3 percent rate increase or \$7.46 million which would reduce the increase to \$2.99 resulting in a monthly bill of \$100.48 for an average residential customer using 100 therms of gas.

The parties are currently in settlement negotiations. Whatever the final decision regarding Elizabethtown's petition, customers should remember to practice energy conservation. Please note the energy saving tips on page 3 on how to save energy and money.

ENERGY AGGREGATION

Aggregation is the process of consolidating or pooling numerous individual purchases of electricity or gas into a single large purchase which can provide residential and small business consumers with bargaining power enabling them to achieve better rates and services for gas and electric. The Division of the Ratepayer Advocate believes that government aggregation provides the best opportunity for long-term rate reductions for residential customers, small businesses and county and municipal needs.

In the three years since the enactment of the Electric Discount and Energy Competition Act ("EDECA"), it has become clear that benefits for consumers through aggregation could not work because some requirements imposed by the statute on municipalities and energy marketers caused significant impediments to government aggregation efforts.

To achieve savings and the kind of success through aggregation like communities in Massachusetts and Ohio, the Ratepayer Advocate supports amending the government aggregation sections of EDECA to streamline the process for government aggregators while maintaining the highest level of consumer protection.

One specific change to the government aggregation section of EDECA that the Ratepayer Advocate has recommended is an "opt-out" provision, which would require the constituents of a municipality to affirmatively decline to participate in the government aggregation program. This would ease the process of obtaining enough participants to make the program economically feasible.

Legislation designed to make government aggregation more viable in New Jersey is currently under consideration by the Legislature. The Ratepayer Advocate supports the legislation's intent to simplify the process of government aggregation and to remove the barriers to aggregation that now exist under EDECA. The Ratepayer Advocate will continue working to advocate successful aggregation programs which benefit New Jersey's consumers.

ENERGY ASSISTANCE FOR PEOPLE IN NEED

The Ratepayer Advocate is working to keep energy prices down and to make sure that there are programs to help people on limited incomes pay their bills. Energy rates are a burden for many New Jersey residents. The following programs are currently available for eligible ratepayers:

LIHEAP

Eligible Customers can apply for the federal Low Income Home Energy Assistance Program (LIHEAP). This federally-funded program is designed to help consumers in need of financial assistance pay heating bills. LIHEAP is administered by the New Jersey Department of Community Affairs through local Community Action Program agencies. Eligibility for the program is based on total household income. Gross monthly income limits are set at 175% of the Federal Poverty Guidelines. For more information, call the LIHEAP hotline at 1-800-510-3102

New Jersey SHARES

New Jersey Statewide Heating Assistance and Referral for Energy Services (NJSHARES) is a non-profit corporation organized to provide assistance to individuals and families living in New Jersey who are in need of temporary help in paying their energy bills. NJSHARES will provide energy grants for New Jersey residential energy customers who do not receive monthly public assistance cash payments. For more information contact New Jersey Shares at 1-866-657-4273 or visit them at www.njshares.org. **Donations to NJSHARES can be sent to: New Jersey SHARES, 299 Ward Street, Suite B, Hightstown, NJ 08520.**

Lifeline

Lifeline is a state-run program to help those over 65, and those 18 and over who receive Social Security disability Benefits. The current income guideline is \$19,739 for a single person and \$24,203 for a married couple. (This guideline is adjusted each January) This program provides up to \$225 in assistance for electric and natural gas use. For more information contact Lifeline at 1-800-792-9745 or visit them at www.state.nj.us/health/seniorbenefits.

Local Utilities

If you are having trouble keeping up with your energy bills you should contact your local energy company to see if you can arrange an extended payment plan, home inspection, or a weatherization kit. Contact information for your utility company can be found on your monthly utility bill and on the Ratepayer Advocate's website at www.rpa.state.nj.us.

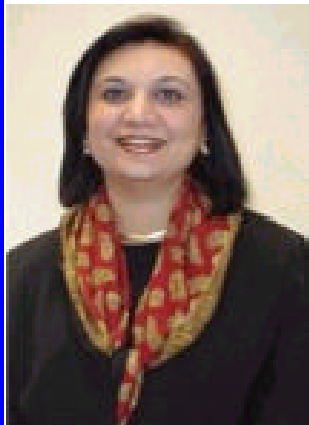


TIPS TO SAVE ENERGY AND MONEY

- \$** Use energy-efficient compact fluorescent lightbulbs. These bulbs provide as much light as regular incandescent bulbs while using just 1/4 the energy.
- \$** Clean furnace and air conditioner filters. Dirt build-up on coils means poor efficiency.
- \$** Weather-strip windows and doors. All the tiny cracks and gaps around the doors, windows, plumbing pipes and flues in an older house are roughly equivalent to a one-foot square hole punched in the wall.
- \$** Set your thermostat to the lowest comfortable setting. 65 degrees to 68 degrees is comfortable for most people. Set the thermostat down to a lower setting – 58 degrees at night and when you are not at home.
- \$** Use a programmable thermostat to change settings automatically.

TIPS TO SAVE ENERGY AND MONEY CONT.

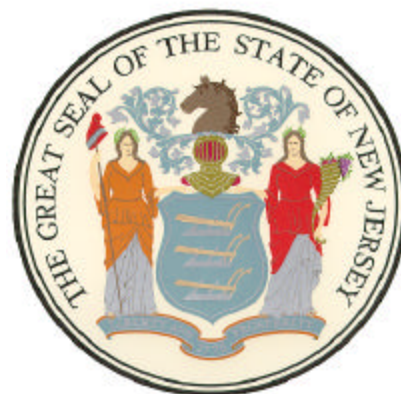
- \$** Allow 2 inches around your refrigerator for heat from coils to escape. Also, direct sunlight and close contact with appliances make your refrigerator work harder. Use money to save money: Check your refrigerator seal by closing the door on a dollar bill. If it pulls out easily, you may need a new gasket.
- \$** Wear warm clothing while indoors.



“The Ratepayer Advocate is working to maximize price stability and affordability, while minimizing risk for consumers regarding energy rates and services. We are there in every proceeding to vigorously advance the interests of the residential and small business consumers.”

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