

# The Star-Ledger

## **N.J. consumers face big electric rate hikes for the second year**

**Auction process to trigger double-digit increases**

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For the second consecutive year, New Jersey consumers will see double-digit increases in their electricity bills come June.

Yesterday, the Board of Public Utilities approved the rate increases as part of a \$6.5 billion auction for 7,200 megawatts of power. Under the annual auction process, New Jersey's four electric utilities purchase a portion of the power they need to serve their more than 3.5 million customers.

The more costly power will trigger increases of more than \$10 per month for typical residential customers. The increases will show up in the June bills.

The increases, while not as steep as consumers have absorbed in neighboring states, will likely renew criticism of the six-year-old auction process and the deregulation of the state's energy sector, which has saddled consumers with higher utility bills since price caps were lifted in 2003.

Public Advocate Ronald Chen said the auction results will mean "yet another substantial increase in the cost of electricity," which will hit families and businesses hard.

"The auction clearly has significant problems," said Hal Bozarth, a lobbyist for the Chemistry (industry) Council of New Jersey. "We don't really have competition. It is not delivering rate relief; it is delivering double-digit increases in bills."

Jersey Central Power & Light customers will see their bills jump by 14 percent, or \$13.30 a month, pushing the average monthly bill to \$106.72. Customers of Public Service Electric & Gas, the state's largest utility, will be hit with an 11.7 percent increase, or \$10.86 more a month, increasing the average monthly tab to \$103.65.

The prices in the auction conducted this past week actually declined a bit from the previous year, but were high enough to increase bills by as much as 14 percent because of the design of the auction process.

Each year, the utilities purchase one-third of the power they need, locking in three-year contracts. The staggered purchasing is designed to cut down on price volatility.

As happened last year, this year's prices in the auction were significantly higher than the prices that were paid in 2004, the contract year being replaced. In 2004, for example, PSE&G's contract averaged about 5.5 cents per kilowatt hour. This year, the price is 9.88 cents a kilowatt hour, according to Frederick Lark, vice president of business analysis for the utility.

BPU President Jeanne Fox defended the auction process, noting the agency reviewed the process in public hearings earlier this year and no one offered a better alternative. "If you look at where prices are around the region, we can't think of a better way to do it," Fox said.

The higher power prices secured in the last two years reflect the steeper cost of oil and natural gas. They also reflect added charges designed to ensure enough power supplies to meet demand in the region, particularly during summer months when electricity use peaks, officials said.

Consumers may not see any dip in electric prices soon, others warned. Next year, the utilities will buy power to replace contracts signed in 2005 when the average residential price amounted to 6.5 cents per kilowatt hour.

"We are locking in higher rates for a period of time," said Steve Goldenberg, an attorney who represents

large industrial and retail energy users. "Now, people will have to become accustomed to paying 10 cents a kilowatt hour for power."

Paul Patterson, an industry analyst at Glenrock Associates in New York, agreed. "All things being equal, without new generation being built, prices could go higher."

Others, however, said the auction shows signs of becoming more competitive, which could drive prices down in the future. Larkin said this year's auction was more competitive than previous years with 20 companies participating in the online auction with 16 winning bids, three more than the previous year.

The winning bidders included huge energy companies such as Exelon and Hess, as well as investment groups, such as J.P. Morgan Ventures Energy Corp. Two New Jersey energy suppliers were winning bidders, PSEG Energy Resources & Trade, an affiliate of Public Service Enterprise Group of Newark, the owner of PSE&G, and NRG Power Marketing, of Princeton.

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