

Electric shock: Double-digit rate hikes await Jersey

Bills could jump by \$11 to \$18 per month

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For the third straight year, New Jersey ratepayers will see double-digit increases in their electric bills. The state's utilities have locked in power prices for residential and business customers, and both can expect to see their monthly bills rise by \$11 to \$18 per month, depending on their utility.

The spike in electric rates is the result of an annual auction this week when the utilities spent a total of \$7 billion securing a portion of the power supplies they'll need over the next several years. The auction results, approved yesterday by the state Board of Public Utilities, will affect homeowners and small businesses starting in June. The higher rates reflect sharply higher fuel costs for generating electricity, as well as the cost of new incentives for suppliers to provide extra capacity during times of peak demand, officials said. Since the energy market was deregulated nearly 10 years ago, the utilities have passed higher power costs directly on to consumers. The latest spike in rates is likely to renew criticism from consumer and business advocates who argue deregulation has left customers saddled with some of the highest electric bills in the country. They also want changes in the auction process, which they argue is so secretive it could lead to collusion among power suppliers. "The only thing transparent about this process is the numbers continue to go up every year," said Atif Malik, an organizer for New Jersey Citizen Action, the state's largest consumer organization. "Rates have almost doubled since 2004. The nine-year long experiment in deregulation has been a failure."

BPU President Jeanne Fox defended the auction process yesterday, saying it is still the best way to secure electric supplies for customers at the best price. "Obviously, we're not happy" with the increases, Fox said after the meeting, noting the price of oil has increased from \$60 per barrel at the time of last year's auction to more than \$90 per barrel in recent weeks. Although oil represents a relatively small part of New Jersey's power generation mix, the price of oil tends to drive the cost of other fuels, including coal and natural gas, the two most common fuels for generating power, she said.

Craig Roach, a consultant with Boston Pacific, a New York consulting firm that advised the state during the auction, said higher fuel costs along with increased capacity prices accounted for about 80 percent of the price increases. Other factors included uncertainty about restrictions on carbon dioxide emissions related to global warming initiatives and mandates for utilities to increase their use of renewable energy supplies, such as solar power, Roach said.

Even with the double-digit increases, some officials and utility executives were relieved the prices did not increase even more, as has occurred in some neighboring states.

"I wouldn't have been surprised to see an even higher end result," said Frederick Lark, vice president of business analysis for PSE&G. But that offered little comfort to business advocates. "It's an unconscionable rise. It's just a horrendous situation to have these monopolies make huge profits at the expense of manufacturing jobs here," said Hal Bozarth, a lobbyist for the Chemistry Council of New Jersey. Steven Goldenberg, a lawyer who represents big industrial and commercial energy users, said the results underscore the need for the state to form a power authority that would spur development of power plants to reduce energy costs and improve reliability. The Corzine administration is considering the possibility of creating a state power authority. Twenty-one power suppliers participated in the auction, with eight winning bidders, including PSEG Energy Resources & Trade, a subsidiary of Public Service Enterprise Group. The Newark-based energy company also owns the state's largest utility, Public Service Electric & Gas, which has more than 2 million electric customers.