



State of New Jersey

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Press Release

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**Rate Counsel Applauds Agreement with PSE&G,
Citing Refund of Over \$122 Million to Ratepayers**
BPU Orders Return of Over-Collection and Adopts Electric Rate Settlement

(Newark, NJ) — The Division of Rate Counsel hailed today's approval by the Board of Public Utilities (BPU) of a long sought refund of \$122 million to ratepayers for over-collection of a special charge PSE&G collected between 1999 and 2003.

"We fought long and hard for this agreement and are especially pleased that the Board agreed to refund the over-collection of more than \$122 million back into the hands of ratepayers," said Director of the Division of Rate Counsel, Stefanie A. Brand. "Utility bills are high enough and any over collection is unfair, so this represents a great win for ratepayers," said Brand.

She explained that the settlement involving the over-collection from ratepayers was the result of an extra charge called the Market Transition Charge (MTC), which was added to customers' bills beginning in 1999. PSE&G, the state's largest utility, received a \$540 million cash advance from its affiliate, PSEG Power. The loan was needed to cover costs related to the deregulation of New Jersey's energy market under the Electric Discount and Energy Competition Act of 1999. After the loan was fully repaid, however, the MTC charge remained on customers' bills. In 2003, PSE&G acknowledged that customers had overpaid and the company returned \$197.6 million. However, a detailed analysis by the BPU and the Division of Rate Counsel showed that the company still owed ratepayers \$101.4 million. With interest accrued up to today, the total refund sought

by Rate Counsel was \$143 million. Brand said that the settlement of \$122 million includes interest, and will be refunded to electric ratepayers over two years.

PSE&G Base Rate Case

The other agreement approved by the Board, calls for a revenue increase of \$73.54 million in PSE&G's electric distribution rates. The BPU will consider the settlement providing for a \$26.42 million increase in gas distribution rates at a future meeting. The company originally requested an electric rate increase of \$133.72 million and a gas rate increase of \$96.92 million for a total of approximately \$230 million.

As a result of the base rate agreement, the annual bill for the typical residential electric customer using 780 kilowatt-hours per summer month and 7,360 kilowatt-hours annually will increase from \$1,385.72 to \$1,398.12, an increase of \$12.40 or an increase of 0.89 percent.

“In this economy, we don't want to see any rate increases,” said Brand, “But we were able to negotiate a substantially lower increase that will be offset in the electric rates by the MTC refunds. In the end, this will stabilize electric base rates for two years, which is an excellent result.”

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About the Division of Rate Counsel

The Division of Rate Counsel represents and protects the interests of all utility customers — residential, small business, commercial and industrial —whenever utilities in New Jersey seek changes in their rates for delivery of natural gas, electric, water, wastewater, telephone or cable TV services. Rate Counsel also advocate for consumers in certain insurance matters. The mission of the Division is to make sure that all classes of utility consumers receive safe, adequate and essential services at affordable rates that are just and nondiscriminatory. Additional information on this and other utility matters can be found at the Division's website at <http://www.state.nj.us/publicadvocate/utility/>.