

New Jersey Board of Public Utilities

PRESS RELEASE

Release:

December 14, 2005

Contact:

Eric Hartsfield
973-648-2014
Doyal Siddell
973-468-8515

Hurricanes and Increase in International Demand Force Utilities to Seek Pass Through Costs to Ratepayers

*NJBPU Encourages Simple Conservation Steps to Reduce Impact on Ratepayers in these
Extraordinary Circumstances*

(NEWARK, NJ) – Due to higher wholesale natural gas costs, today the New Jersey Board of Public Utilities (NJBPU) approved provisional commodity cost increases for all four gas utilities to their Basic Gas Supply Service rates. These increases will take effect December 14 and range from 15.4 % for Public Service Electric & Gas, to 24.3% for South Jersey Gas.

The Board will also be issuing a bid proposal to hire a consultant to examine the gas utilities hedging policies, or futures contracts, in meeting the state's supply needs.

“It is never good news when rates go up and this year is an exceptionally difficult time for ratepayers,” said NJBPU President Jeanne M Fox. “Market forces have dealt us this hand . . . however there are steps that everyone can take to reduce their energy use to help minimize the impact.”

The gas utilities ***will not profit*** from these increases - they were necessary due to higher natural gas costs for the actual commodity at the wholesale level. Wholesale natural gas prices have been rising steadily over the past five years because of increased demand. Natural gas prices have accelerated even more in 2005 because of a hot summer that increased natural gas demand among electric power generators, and significant, continuing interruptions in gas supply caused by serious damage to energy infrastructure from Hurricanes Katrina and Rita.

Other factors affecting wholesale prices:

- Supply has been struggling to meet rising demand;
- There has been a decline in production from existing wells and lower production from newly drilled wells;
- High price of alternative fuels, such as oil, drives up the demand for natural gas;
- The increased demand for natural gas worldwide, particularly China and India;

These and other factors have led to price volatility and significantly higher costs in the world market.

--MORE--

For example, the price of natural gas entering the state's transmission system in September of this year was \$12.68 per thousand cubic feet, compared to \$4.92 in 2001 and \$3.40 in 1995. According to the U.S. Energy Information Administration natural gas customers nationwide should expect to pay an average 41 percent more to heat their homes this winter as opposed to last.

Still, New Jersey is better off than most states as today's increases range from 15-25%. The NJBPU over the years has encouraged what is called 'hedging', or utilities purchasing much of their anticipated gas demand in advance. This practice, in part, helps stabilize prices for customers in a market that is constantly fluctuating. This year, each of the New Jersey gas utilities secured anywhere from 60-80% of their anticipated demand, and fortunately did so when market costs were lower. This explains partially why New Jersey ratepayers are not facing the 40+ percent increases being felt across the country.

In a motion from the bench, President Fox directed staff to hire a consultant to further study the hedging policies of New Jersey's gas utilities to better inform whether this course of action is prudent in the future when facing additional increases in market costs. Recommendations from this consultant will provide an opportunity for utilities to make any modifications or changes in light of the ever changing gas market.

Anticipating an increase in natural gas prices, the NJBPU is leading a coordinated effort with the state's utilities and Ratepayer Advocate to educate and inform the public on ways to reduce their energy consumption through radio, print advertisements, bill inserts and other media. The campaign was developed to provide quick and simple methods everyone could use to save on the energy bill. Those methods are:

- **Lower your thermostat.** 68 degrees is recommended when you are at home, and 60 degrees when out and while asleep. This can result in a savings of up to 12%.
- **Weatherize.** You can save up to 10% or more on your energy bill by reducing air leaks with caulking, weather stripping and insulation... Seal holes and cracks around windows, doors, light fixtures, and walls.
- **Reduce your hot water usage.** Lower your hot water heater from 150 degrees to 120 degrees and wash your clothes in cold water to see savings of up to 16%. Take a short shower instead of a bath.
- **Keep warm air inside.** Close off vents or registers in rooms you are not using and close the door, unless that room has a major common return duct. Keep the garage door closed. If you have storm windows, make sure they are closed and in place.
- **Get a free Home Energy Analysis.** This customized energy audit is designed to help you stop losing energy in your home and start saving money. Take it online at www.njcleanenergy.com or call 1-866-657-6278 for a printed version.

"I think it is very important for people to understand that despite the dramatic rise in energy prices, we all have the power to save," said NJBPU President Jeanne M Fox. "And by taking a few simple steps you can reduce the impact of these higher energy costs by up to 30%."

###