

## **Governor Whitman Signs Energy Deregulation Bill, Consumers to Receive a 10% Discount**

Governor Christie Whitman today signed legislation opening New Jersey's utility industry to competition and providing a 10% rate reduction for electric customers.

"The lack of fair competition has pushed New Jersey's average electricity rate to levels nearly 50% higher than the national average. That's not fair to New Jersey's consumers. That's not good for New Jersey's economy. And that is just not acceptable," said Gov. Whitman. "Today we are bringing down New Jersey's electricity prices, while ensuring high quality service."

The bill, sponsored by Assemblymen Paul DiGaetano (R-Bergen/Essex/Passaic) and Richard H. Bagger (R-Middlesex/Morris/Somerset/IJnion) and Senators Peter A. Inverso (R-Mercer/Middlesex) and Edward T. O'Connor Jr. (D-Hudson), requires the Board of Public Utilities to oversee the deregulation process. The Board must start electric competition no earlier than June 1, 1999 and no later than August 1, 1999.

The Governor said the utility monopoly has left the nearly 3.4 million energy users of the state unable to choose where their energy was coming from, leading to high rates throughout the Garden State. The bill will encourage competition among energy suppliers, bringing more affordable rates to New Jerseyans and making New Jersey a more affordable place to live. Combined with tax savings from the 1997 Gross Receipts and Franchise Tax reform, consumers will save 16% off their electric bill when the rate reduction is fully implemented. This could represent as much as two months of free energy for the average residential customer.

More specifically, the bill calls for mandated rate reductions for electric customers to last through at least the next 4 years. It also opens the market to aggregation, allowing consumers to bargain collectively for better rates. Every customer's bill will reflect a shopping credit, allowing them to comparison shop. Consumers who choose to switch suppliers will see the shopping credit deducted directly from their bill. This allows consumers to make the choice whether to remain with their current utility, using them as both their supplier and for transmission, or to change the supplier who will send their power through their current utility's lines.

"The fact is consumer choice equals consumer savings," said Gov. Whitman. "Lower energy costs will help make life in New Jersey more affordable. Hospitals, for example, will save millions in lower operating costs. Those living on fixed incomes will have more money left at the end of the month. At the same time, lower energy rates will also encourage companies to relocate to our state and create new jobs."

Additionally, the legislation recognizes that many seniors are living in adult developments and communities that use only electric energy. The legislation establishes the New Jersey Senior and Affordable Value for Energy program. NJ SAVE will help these seniors finance the conversion from all-electric energy to gas. The bill also provides one of the best utility worker protection programs in the country. The package includes: job training, severance pay, and health benefits for workers displaced by restructuring.

The Governor also said that while taking care of the economy and our citizens' pocketbooks, we must also take care of our environment. The bill mandates that a percentage of the energy supplied by providers come from renewable energy sources, such as solar and wind power. Customers will also be told by each supplier what effect the supplier's energy has on the environment and will be given fuel mix and emission information. The bill maintains current funding for energy efficiency programs and requires that no less than 50% be dedicated to new energy efficiency and renewable energy programs, eventually mandating that no less than \$140 million be earmarked for new programs.

The deregulation process, as mandated in the bill, provides for the following:

### **Rate Reduction**

- All electric utilities must reduce their rates by 10% within the first 36 months of competition.
- The initial rate reduction must be at least 5%, with the next 5% phased-in within the 36 month time frame.
- The lower rates must be maintained for an additional year following the 36 month phase-in period.
- These reductions, combined with the tax savings produced by the 1997 Gross Receipts and Franchise Tax reform, will provide customers with 16% off their electric bills.

### **Shopping Credits**

- To spur competition among energy suppliers, customers who change their supplier will have a shopping credit deducted from their utility bill.
- The amount of the shopping credit will be established by the Board of Public Utilities.

### **Consumer Protection and Education**

- The Board of Public Utilities, working with the Division of Consumer Affairs, will adopt standards that will prevent the unauthorized switching of consumers, better known as "slamming".
- Penalties established by the bill provide that a fine of up to \$10,000 can be assessed for "slamming" offenses committed by a supplier and that the supplier's license can be revoked.
- The Board, in consultation with the Division of Consumer Affairs, will also create a multilingual consumer education program that will inform consumers of the impact energy

deregulation will have on them and explain how they can shop around to save on their energy bills.

- The Board of Public Utilities will establish a Universal Service Fund to assist low income customers obtain or retain electric service.

### **Environmental Protection**

- The bill provides that a portion of power coming from suppliers be generated from renewable energy sources, such as solar and wind power.
- Electric suppliers will be required to disclose fuel mix and emissions to customers.
- The Board of Public Utilities, in consultation with the Department of Environmental Protection, may establish air emission guidelines.
- The bill maintains current funding for energy efficiency programs and requires that no less than 50% be dedicated to new energy efficiency and renewable energy programs, eventually mandating that no less than \$140 million be earmarked for new programs.

### **Aggregation**

- Aggregation of customers will allow groups of individual consumers, to bargain for rates with a supplier just as large businesses and industrial consumers do.
- Governmental entities, including municipalities, counties and school boards will be able to aggregate their electric loads. Under certain circumstances, municipalities will be able to aggregate their own electric loads with those of businesses and residential consumers.
- Municipalities and counties will have two options when they aggregate the electric loads of their residential and business customers. They can either choose an "opt-in" or an "opt-out" approach.
- With the "opt-in" approach, a written consent must be obtained from residential or business customers that expresses the consumer's desire to participate.
- Using the "opt-out" approach, a governing body within a municipality or county can set up a residential aggregation program after obtaining a majority plus one vote of the entire governing body authorizing the "opt-out" aggregation program for residential customers only. Customers who do not decline to participate, i.e. "opt-out", will be included in the aggregation program. The contract between the group and the provider must be reviewed by the Ratepayer Advocate and approved by the Board of Public Utilities. The supplier must then enter a written agreement with each resident before switching him or her.

### **Senior Citizen Affordable Energy Program**

- The legislation creates the New Jersey Senior and Affordable Value for Energy program, "NJ SAVE", to help seniors save on their energy bills. The program will help seniors in all-electric homes in adult communities finance the extension and the connection of gas lines to their homes.

### **Natural Gas Competition**

- The natural gas industry has been deregulated for commercial and industrial users since 1994.
- This bill will bring competitive gas markets to all consumers no later than December 31, 1999.

### **Worker Protection Package**

- The legislation provides one year of training or retraining opportunities, severance pay equal to 2 weeks of base pay for each year of employment and up to 24 months of health insurance.