

NEW JERSEY BOARD OF PUBLIC UTILITIES



ANNUAL REPORT 2002 A.D

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PRESIDENT'S MESSAGE

To: Governor James E. McGreevey,

It is with great pleasure that I forward to you the 2002 Annual Report for the New Jersey Board of Public Utilities (BPU) outlining our major accomplishments for the past year, the challenges that lie ahead in the coming year and our response in meeting those challenges in view of the emerging regulatory paradigm shift.

Last year was a momentous year for the BPU. As we near the end of the transition period mandated by the 1999 Electric Discount and Energy Competition Act (EDECA), the BPU has focused its efforts on ensuring that residents of our great state continue to receive the same safe and reliable utility service they were accustomed prior to the implementation of EDECA. I believe we have established the necessary regulatory framework to prepare the consumers as price caps on electricity are lifted in August 2003. Now, any time more than in the past, we need to be continually vigilant in ensuring that consumers are protected in the new marketplace. Please be assured of this Board's commitment in maintaining diligent oversight over the state's energy, telecommunications, water/wastewater and cable television industries and its dedication to ensuring safe, adequate and proper utility services at reasonable rates. The report highlights the numerous decisions and implementations strategies adopted by this agency aligned with your Vision and Goal to improve the quality of life for residents of this state.

Sincerely,

Jeanne M. Fox
President

MEET THE COMMISSIONERS



Jeanne M. Fox, President

Jeanne M. Fox is President of the New Jersey Board of Public Utilities (NJBPUB) and serves as a member of the Governor's Cabinet. Governor James McGreevey appointed her to the NJBPUB on January 15, 2002. The NJBPUB has jurisdiction over the rates and facilities of telephone, electric, gas, water and wastewater and cable television companies and works to ensure that consumers have access to safe, reliable and efficient services at reasonable costs.

President Fox also serves with the National Association of Regulatory Commissioners as a member of the Ad Hoc Committee on Critical Infrastructure and the Committee on Energy Resources and the Environment. She was appointed Chair of the National Council on Electricity Policy in July 2003.

Ms. Fox formerly was Regional Administrator of the United States Environmental Protection Agency and Deputy Commissioner of the New Jersey Department of Environmental Protection.

Ms. Fox is the recipient of numerous awards, including being named one of New Jersey's twenty-five Women of Influence. She has also been a Visiting Distinguished Lecturer at the Bloustein School at Rutgers University, and the Woodrow Wilson School at Princeton University.

Ms. Fox serves on numerous boards including the Girl Scout Council of Delaware-Raritan Inc.; and the Bipartisan Coalition for Women's Appointments.

Ms. Fox received a Bachelor's Degree from Douglass College, Rutgers and a Juris Doctor from the Rutgers University School of Law.



MEET THE COMMISSIONERS



Fredrick F. Butler, Commissioner

Commissioner Butler was sworn in as a member of the New Jersey Board of Public Utilities on March 22, 1999.

His previous recent work experience includes: Executive Director of the New Jersey General Assembly Democratic office, Deputy Director of the New Jersey Department of Treasury's Commission on Capital Budgeting & Planning, and Research Faculty Member of the Eagleton Institute of Politics' Center for Legislative Research and Service at Rutgers, the State University. He currently serves on the Advisory Committee of the Michigan State University Institute of Public Utilities and New Mexico State University Center for Public Utilities' Advisory Council. He is a former-President of the Mid Atlantic Conference of Regulatory Utility Commissioners (MACRUC) and Chairman of the National Association of Regulatory Utility Commissioners' (NARUC) International Relations Committee. He also serves as a member of NARUC's Executive Committee, its Committee on Water and its Ad Hoc Committee on Climate Change.

Mr. Butler was born July 7, 1946, in Jersey City. He received a Bachelor's degree in Modern Languages and Political Science from Villanova University in 1968, and earned a Master's degree in International Relations from the Johns Hopkins University School of Advanced International Studies in 1973.



MEET THE COMMISSIONERS



Carol J. Murphy, Commissioner

Carol J. Murphy was appointed to the New Jersey Board of Public Utilities in February 2001 and served as Acting President until July 2001.

Ms. Murphy is the Chairman of the National Regulatory Research Institute (NRRI) Board of Directors, having served on the board since 2001.

Ms. Murphy is a member of the National Association of Regulatory Utility Commissioners (NARUC), serving on the Electricity Committee, the Sub-committee on Nuclear Issues – Waste Disposal and the Sub-committee on Clean Coal. Ms. Murphy is Chairman of the By-laws Committee of the Middle Atlantic Conference of Regulatory Utility Commissioners (MACRUC).

Ms. Murphy served in the New Jersey General Assembly from September 1993 to February 2001. She chaired the Assembly Telecommunications and Utilities Committee from its inception in

January 2000 until leaving the Assembly in February 2001. Ms. Murphy was the first woman elected to the prominent position of Conference Leader of the Assembly Republican Majority, serving from 1998 through 1999. She served as Assistant Majority Leader from 1996 to 1998, and was a member of numerous Assembly committees, including the prestigious Appropriations Committee. Ms. Murphy was a member of the Council of State Governments Eastern Regional Conference from 1997 to 1999; she was honored to be named a Henry Toll Fellow, Class of 2000.

Ms. Murphy was elected to the Morris County Board of Chosen Freeholders in 1984, serving until she was elected to the Legislature in 1993. Ms. Murphy was the Freeholder Director in 1987.



MEET THE COMMISSIONERS



Connie O. Hughes, Commissioner

Commissioner Hughes is presently a Commissioner at the New Jersey Board of Public Utilities and previously served as its President. She is the Chairperson of the NARUC Ad Hoc Committee on Critical Infrastructure, a member of the NARUC Telecommunications and International Committees, the NARUC Triennial Review Implementation Project Taskforce, MACRUC, Chair of the MACRUC Telecommunications Committee., and the NARUC designee to DOT's ES911 Wireless Taskforce.

Under the term of Acting Governor DiFrancesco, she was his appointed Chief of Management and Policy responsible for policy development and implementation throughout all executive branch agencies.

Commissioner Hughes has dedicated over twenty-five years of public service in New Jersey primarily at the New Jersey Department of Labor, serving in various management positions culminating as a Deputy Commissioner.

She received her B.S. from East Stroudsburg University and her MCRP from the Rutgers University.



MEET THE COMMISSIONERS



Jack Alter, Commissioner

Jack Alter was appointed Acting Commissioner of the New Jersey Board of Public Utilities by Governor James McGreevey, effective October 7, 2002. The New Jersey State Senate confirmed the appointment permanently on October 31, 2002.

For the past 11 years, Commissioner Alter has served as Mayor of Fort Lee. The Commissioner also served as a Bergen County Freeholder from January 2001 to October 7, 2002.

In addition to serving as Mayor and Freeholder, Commissioner Alter also served as a member of the Fort Lee Planning Board and the Fort Lee Council.

Jack Alter started his time in public service after a successful business career, which spanned three decades.

Commissioner Alter established his own business in insurance and investment sales in 1964. This business was located in Greenwich, Connecticut; Newark, New Jersey and later in Lyndhurst and Roseland, New Jersey. The firm, a sole proprietorship until 1984, was identified as Jack Alter & Associates, when a partnership merger increased the size and name of the firm to Alter & Godfrey, Inc.

Jack Alter was a speaker and teacher in many insurance industry groups. Commissioner Alter also served as president of the General Agents & Managers Association of Northern New Jersey from 1976-1977.





MAJOR ACCOMPLISHMENTS

- Smart Growth
 - Energy
 - Telecommunications
 - Water
 - Cable Television
 - Customer Assistance
 - Reliability and Security
-

Smart Growth

Executive Order No. 4

On January 31, 2002 Governor James E. McGreevy issued Executive Order No. 4 requiring State agencies to incorporate the principles of smart growth and the State Plan into their functional plans and regulations. A Smart Growth Policy Team was formed on a BPU-wide basis to develop recommendations to implement the Governor's smart growth policy. The policy team is reviewing the main extension formula and the extent to which developers will be required to pay for new infrastructure necessary to accommodate growth based on whether or not the development is compatible with smart growth principles. Discussions with the utilities are also focusing on how infrastructure improvements can best be financed in designated growth areas to support increased development in these areas.

Camden Area Development Service Tariff

In Spring 2002, the BPU expanded the PSE&G Area Development Service (ADS) credit applicability for a targeted area of Camden as a pilot program for three years. Qualifying customers under the existing ADS provision receive a per kilowatt demand credit for rate schedules General Lighting and Power (GLP), Large Power and Light, and High Tension Service. The existing program provides an annual credit equal to an approximate 5 percent to 10 percent savings for a qualifying new customer of at least 25 kW or an existing customer of 50 kW who adds significant new load. Under the expanded Camden ADS Pilot Program, the size limitation may be reduced to include new customers. This expanded tariff was passed as an incentive to bring new businesses to the Camden Waterfront that is part of the Governor's plan to redevelop Camden.

Energy

Energy Competition

The various provisions of the Electric Discount and Energy Competition Act of 1999 (EDECA or Act) (P.L. 1999, c.23) continue to be implemented in general accordance with the timeframes established by the Act. Electric retail competition for all customer classes became effective in August 1999, and residential natural gas unbundling became effective in January 2000. As a result, every electric and natural gas customer in New Jersey is able to choose alternative suppliers for these energy commodities.

Electric customers remaining with their respective utilities will continue to receive mandatory rate reductions ranging between 10.2% and 13.9% through July 2003,



MAJOR ACCOMPLISHMENTS

depending upon their utility. Until residential natural gas customers begin paying market-based rates, such as commercial and industrial customers currently pay, those customers who do not switch suppliers will continue to benefit from regulated rates and enjoy reasonable price stability during periods of fluctuating natural gas rates.

Timeframe for Discounts

Utility	8/99	1/00	8/00	1/01	8/01	1/02	8/02	Total
ACE	5%	-	-	2%	-	-	3.2%	10.2%
JCP&L	5%	-	1%	-	2%	-	3%	11.0%
PSE&G	5%	2%*	-	-	2%	-	4.9%	13.9%
RECO	5%	-	-	2%	-	-	4.6%	11.6%

* delayed by legal appeal-implemented 2/7/01

Customer savings under EDECA are expected to be at least \$2.4 billion through July 2003 based on sales data at the beginning of the transition period and does not reflect additional savings associated with economic or new customer growth.

Clean Energy Program

In December 2002 the BPU renamed the Comprehensive Resource Analysis (CRA) program to the "Clean Energy Program" to provide a more descriptive nomenclature. The BPU's approval, in March 2001, of a \$358 million spending plan for new energy efficiency and renewable energy programs, over a three year period, culminated a complex effort to perform a CRA proceeding, as required by EDECA. Under the plan, significant funding will be provided to encourage the implementation of new energy efficiency programs, customer-sited renewable energy technologies (such as solar, wind and biomass), and grid supply projects employing renewable energy technologies. Funding will continue for a total of at least 8 years. During this time, it is also anticipated that the funding will help to develop a robust renewable energy market in New Jersey. The funds will be allocated 75% for energy efficiency programs and 25% for renewable energy technologies. Therefore, \$89.5 million will be available for renewable energy technologies over the first three years.

In 2002, twenty-two customer-sited projects (18 photovoltaic, 4 wind-powered) were approved, representing approximately 3 MW of generation capacity. Incentives in the amount of \$1.2 million were provided. Four grid supply projects were approved, representing 37.5 MW of generation capacity:

- 1 photovoltaic (1 MW)
- 2 wind-powered (7.5 MW and 25 MW)
- 1 landfill methane gas (4 MW)

Also the BPU approved a \$3 million senior weatherization pilot program for senior citizens in Monroe Township with all-electric homes whose income does not exceed 300% of the federal poverty guidelines. Additionally, the BPU set aside \$1 million from the CEP Customer Sited Clean Generation Program and \$40,000 from the State Energy



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Program to fund a Pilot Photovoltaic Power System Program. The funds will be used for designing and installing photovoltaic (solar) power systems at four new or replacement schools to be constructed in Abbott school districts. The four schools are expected to be identified by April 2003.

Basic Generation Service (BGS) Auction

The BPU held its first BGS auction that provided the complete electric needs of all customers that receive their energy supply from their utility for “Year 4” (Aug. 1, 2002 – July 31, 2003) of the transition period. BGS is the supply default electric service for those customers in the state that have not chosen an alternative supplier as allowed by the EDECA. A “descending clock” internet-based auction was held with over 20 bidders participating in 73 rounds of bids to provide 17,000 megawatts (MW) of electricity to New Jersey customers. The auction lasted one week. Fifteen suppliers were awarded 170 “blocks” of electricity, with each block being the equivalent of 100 MW. The winning bids were below or near the shopping credits established by the BPU for each electric utility. The auction was chosen as the most competitive process to provide customers with the lowest price of the last year of transition. *New Jersey was the first state to use an Internet auction process to secure its electric needs.* Other states are currently reviewing the New Jersey model as an option. This innovative process allows New Jersey’s consumers to receive the benefits of competition at the wholesale level and provides an effective mechanism for securing the best price possible for ratepayers.

Deferred Balances Task Force

By Executive Order from July 2002, Governor James E. McGreevey created a “Deferred Balances Task Force” to examine the issue of electric utility deferred balances, (project to total near \$1 billion statewide as a result of EDECA mandated 4-year rate caps) and to report to him with findings and recommendations. In August 2002, the Task Force submitted its findings and recommendations. The Task Force recommended signing Senate Bill 869, which would allow the BPU to authorize the issuance of utility bonds to help pay the deferred balance debt, giving the BPU another tool to help ease the impact of deferred balances on ratepayers. Although these bonds may mean ratepayers are responsible for paying debts over a longer period of time, it will reduce the immediate impact on rates. In addition, S-869 contains restrictions and safeguards that would limit the use of securitization to assure that it benefits ratepayers. On September 9, 2002, Governor McGreevey signed the bill into law.

The Task Force also recommended strong consumer protections to ensure that the burden of proof for recovering deferred balances is placed squarely on the utility companies. Governor McGreevey has directed the BPU to implement such protections. The BPU has also been directed to work with the utilities to slow any further accumulation of deferred balances over the next year, before rate caps expire. Principal among these efforts will be a renewed focus on energy efficiency and conservation, as well as the continued restructuring of over-priced power contracts, and focused audits.

Energy Summit

In December President Jeanne Fox developed and the Governor hosted, “The Governor’s Energy Summit: The Future of Energy in New Jersey.” The Summit convened more than 150 chief executive officers, national energy experts and leaders in the environmental,



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consumer and energy communities to develop a pro-active, long-term, comprehensive plan for energy policy. The goal of the summit was to address reducing energy costs for residents, businesses and government; creating jobs; increasing our energy independence, and creating a cleaner, more livable New Jersey. The Governor's vision focuses on three primary goals: 1) Improving efficiency, reducing pollution, and promoting smart growth; 2) Ensuring reliability, affordability and security and; 3) Fostering and developing renewable energy industries.

Universal Service Fund (USF) – EDECA required the BPU to: (1) evaluate existing social programs and determine whether new or revised programs should be implemented; and (2) establish a nonlapsing fund within the BPU for the administration of existing and/or new social programs. The existing programs include the “Lifeline Credit Program,” the Tenants’ Lifeline Assistance Program and the “Low Income Home Energy Assistance Program (LIHEAP)”. Many parties representing utilities, other State agencies and consumer interest groups participated in the proceeding.

In March, the BPU approved an interim USF program of \$15 million that allowed for 59,000 eligible gas and electric customers to receive a one-time credit of \$200. In October, the BPU, agreed to use the balance of the interim USF budget, with additional funding from the Department of Human Services, to provide assistance to more than 41,000 households to receive a \$100 credit on their electric bill. In November, New Jersey moved one step closer to a permanent USF that ensures low-income consumers have access to affordable energy. Through the USF Program, additional energy assistance is provided to people participating in low- income assistance programs and the Low Income Heat and Energy Assistance Program (LIHEAP) and Lifeline programs.

Telecommunications

Telephone Competition - The BPU has put the processes and prices in place to open the local exchange telephone market to competition, addressing the following areas on this issue:

Unbundled Network Elements - The BPU reduced Verizon's wholesale rates for the connection between the customers' home or business and the local switching office, known as the “local loop” from \$16.21 to \$9.52 or a decrease of 41%. The price for the combination of the local loop and switching known as the Unbundled Network Element-Platform or “UNE-P” was reduced by more than 40%. The BPU also modified the rate structure for access to Verizon's switch by competitors, by further reducing, on average, the cost to competitors thereby enhancing their ability to provide local exchange service. *As a result, local phone service competition is finally a reality.*

Performance Metrics and Remedies - The BPU approved a comprehensive set of carrier-to-carrier guidelines, which set forth minimum levels of service that Verizon New Jersey must provide to its competitors.



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These guidelines identify over 200 specific measurements of service and the levels of service, which Verizon must provide. The approvals also established an incentive plan to ensure that Verizon meets these minimum wholesale service quality standards.

This Plan requires Verizon to pay Competitive Local Exchange Carriers and or the State monetary incentives for failure to meet BPU approved minimum service standards.

Verizon's Entry into the Long Distance Market - On June 24, 2002, the Federal Communications Commission authorized Verizon to provide long distance service in New Jersey. This action occurred after the Board determined that Verizon was in compliance with each of the 14-point checklist items listed on Section 271 (c) of the 1996 Telecommunications Act. This decision, along with AT&T's entry into the local market, has created more choice for telephone consumers in New Jersey.

Verizon Alternative Regulation Plan

The BPU approved a plan for Alternative Regulation for Verizon, which retained the Board's regulatory oversight, in order to ensure safe, adequate and proper service. Among other things, the plan included significant improvement in our existing low-income assistance program; extends discounts for schools and libraries; and does not include any rate increases. Therefore, the residential basic exchange rate will remain the lowest in the country and continue to be regulated by the BPU.

Area Code Relief

The requirement for accelerated area code relief is driven by a number of factors; demand for numbers by wireless and paging carriers, demand for numbers by competitive local exchange carriers and demand for second lines for fax and internet use. Based upon the number conservation procedures implemented over the last year, the fact that numbers are assigned in 1,000 blocks, not 10,000 anymore, and the Federal Communications Commission's change of policy to consider separate area codes for specific services, such as wireless, that pressure for area code relief may be lifted for the immediate future. The Board ordered the implementation of thousands-block pooling in the 201 area to commence July 31, 2001, in the 973 area by January 16, 2002 and in the 732 area by February 15, 2002. These pools reclaim blocks of unused telephone numbers. By the end of 2002, more than 2 million telephone numbers were returned for reassignment in all areas and there are now over 1.4 million numbers available in each area code. These actions are expected to eliminate the need for new area codes in New Jersey for several years.

2-1-1 information code

As of January 2003, people who live in the New Jersey counties of Morris, Passaic, Camden, and Hunterdon will be able to dial 2-1-1 to gain access to information about basic needs services in their area. These services include food banks and shelters, family and crisis counseling, health and insurance programs, child care, services for the elderly such as Meals on Wheels, and others. In October 2002 the BPU approved the 3-digit code, created in 2000 by the Federal Communications Commission. By approving the 2-1-1



program, the BPU created one-stop shopping for social service information that is quick and simple to access. All of New Jersey's counties are expected to implement the 2-1-1 service code by 2005.

Water

Rate Cases

During the year the Division of Water and Wastewater processed numerous rate increase applications to determine just and reasonable rates for water consumption. These applications were reviewed with the growing concern that water must be used more efficiently as the State moves forward. Thus water re-use and smart growth were both integral to the Division's review of those rate cases. Water re-use and smart growth concepts were extended to other areas within the Division such as municipal consents and eventually to all utility (not just water or wastewater) infrastructure extensions and expansions. As explained herein the Board is thus reassessing its current policies on such matters as water main extensions and the impact of a rule change on development in the State. In addition the Division formed a task force on water re-use and is working with DEP on how best to re-use water resources in the State. This task force will be looking at a number of issues including storm water run off, and re-used water for irrigation and industrial purposes.

Drought and Water Supply

The BPU Staff conducted a series of meetings with the water industry, Ratepayer Advocate, Department of Environmental Protection, League of Municipalities, New Jersey School Boards Association and others to discuss the financial impacts of the drought and methods for addressing the financial and environments consequences of droughts. The BPU is assessing measures that maybe used to develop the water re-use market. The Division is working closely with DEP on the drafting of a water supply master plan for the State. The information contained in the Division's drought report will be used to form the basis for input to the DEP. The Division has representation on various subcommittees formed by DEP to address the best uses of water. The Division will play a critical role in this process due our expertise on costs and rates.

Thames/NJAWC Merger

The BPU approved the merger of New Jersey American Water Company (NJAWC) and Thames Water Plc. (Thames). This approval resulted in both Elizabethtown Water Company and NJAWC being owned by Thames. In the Board's review of the NJAWC/Thames merger the impact on competition was carefully reviewed as well as the effects of the merger on rates to customers, the impact on jobs and the impact on safe, adequate and proper service to customers. Thames has a long history of providing high quality service and will bring to New Jersey different technical advantages gained from Thames experiences world wide. For example, in the context of a drought, Thames has experience in storm water reuse and other reuse technologies employed in areas of the world where water is a scarce commodity.



Cable Television

Basic Cable Rate Regulation

The BPU is increasing efforts to provide consumer protection for New Jersey cable customers. Basic cable rates in New Jersey now stand at an eight year low due to aggressive regulation of the one portion of cable television bills the federal government permits the BPU to control.

In 2002, New Jersey subscribers have received bill credits, reduced rates and rate caps that saved subscribers well over a half million dollars adding to the grand total of \$192 million dollars that subscribers would otherwise have paid cable companies since re-regulation of this industry a decade ago.

The Board's Expedited Rate Program, which rewards cable companies with quick resolution of rate cases with little or no increases in the basic rates, has saved the state an addition \$1 million this year in legal costs. Comparable savings to the industry that use the Expedited Procedures are ultimately passed on to subscribers. This innovative program has been submitted to the Federal Communications Commission for consideration by the federal government as a national model.

As a result of the BPU's proactive cable regulatory compliance program, approximately a half million dollars in penalty monies have been collected. In November, the state's cable enforcement task force at the BPU reached a settlement offer that sent \$340,000 to the Department of Education for technology programs that will equip our students with the finest technology equipment and training available. The BPU has facilitated the provision of high speed Internet access to schools and libraries across the state and we have become leaders in the area of high speed Internet access. State of the art technology aimed at producing and delivering the finest cable and telecommunications services to our residents has been a priority of this administration.

Cable Service Regulations

On November 20, 2002, the Board approved proposed rules for publication in the NJ Register with a public comment period ending on February 17, 2003. Some of these rules codify existing Federal law; and others exceed Federal guidelines. The proposed rules that will codify existing Federal Law include:

Service Call Scheduling - Adopt federal regulations requiring service calls not to exceed four hours. Currently, appointments are scheduled as either an undefined morning or afternoon period.

Telephone Performance Standards - Requires companies to answer call within 30 seconds, and transfer, if necessary, within 30 seconds, 90% of the time as measured on a quarterly basis.



Customer Billing – Require itemization of each component for all service packages and rates. Currently, charges must be itemized separately on cable bill.

The most notable of the proposed rules that exceed federal guidelines include:

Request for Service - A company may only refuse service to a customer if it presents a hazard to life, property or physical integrity of the system. However if the company does refuse, the customer must be notified in writing and that customer has a right to appeal the decision to the BPU Office of Cable Television.

Outage Credits – Customers experiencing three or more hours of service outage will be eligible for an automatic credit on their bill. This proposed rule reduces the threshold to three hours from the six-hour minimum required by a 1972 statute and makes the credit to the subscriber automatic unless the outage is in an “exempt” category and unless it occurs below the node or neighborhood level where a system may not be equipped technologically to identify it. Many other states do not allow our liberal exemptions but define exemption as it pertains to customer fault or negligence.

Emergency Alert System

The Federal Communications Commission adopted the Emergency Alert System (EAS) that had its origin in the New Jersey Office of Cable Television more than a decade ago. EAS was named to replace and expand the Emergency Broadcast System. In February 2002, the FCC announced that it had adopted several new EAS event and location codes, which broadcast stations and cable systems may use to alert the public in the event of state and local emergencies, including a new Child Abduction Emergency event code which may be used to activate AMBER Plans. The AMBER Plan is a voluntary partnership between law enforcement agencies and the media used to alert the public of child abduction cases, where police believe that a child is in danger of bodily harm or death.

Competition

While cable companies are receiving approval to compete in the telecommunications industry head to head landline competition the total number of municipalities with direct video competition is four. In addition, the FCC has determined that as few as two and is considering as many as 29 additional municipalities face effective competition from Direct Broadcast Satellite (DBS).

Customer Assistance

Slamming

Slamming occurs when a customer's current service provider is changed without the proper authorization. The Federal Communications Commission (FCC) requested the states take primary responsibility in investigating all alleged slamming complaints in their states.



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Additionally, on January 7, 2002 State Legislation signed into law mandated the creation of a bureau to actively investigate incidents of slamming to ensure that customers are protected and appropriate action is taken against those companies responsible for the illegal activity. Accordingly, a bureau was created within the Division of Customer Assistance with a staff of eight employees to investigate all alleged slamming complaints received by the Board, as well as those received from the FCC and the Division of Consumer Affairs (DCA). This will include the establishing and issuing of penalties to anyone found to be in violation of federal or state regulations or statutes pertaining to telephone slamming.

Customer Assistance Regulations

The BPU amended customer assistance regulations that extend greater protection to the residential electric utility customer in New Jersey. Under the amended Winter Termination Program, 1) customers will not have their service discontinued when the temperature is forecasted to be 95 degree or greater within the next 48 hours; 2) all utilities must provide the BPU's Division of Customer Assistance written notification at least 14 business days prior to the discontinuance of service to hospitals, nursing homes, assisted care facilities, public and private schools, colleges and universities, airports and major transportation facilities, and; 3) when a customers pays the outstanding bill or makes satisfactory payment arrangements, the utility must restore service within 12 hours. Furthermore, the bills will now require a statement in Spanish informing customers that their notice of discontinuance is available in Spanish and may be obtained by calling a toll-free number.

Reliability and Security

Participation in Statewide Security Activities

The BPU has actively participated in the Domestic Security Preparedness Task Force, with the goal of achieving numerous security objectives. BPU Staff is fully participating in its Planning Group, Weapons of Mass Destruction Group, and Infrastructure Advisory Committee (IAC). New Jersey is also the first state in the country to require the formal adoption of security Best Practices by its utility industries. Each utility industry Working Group, with BPU Staff assistance, has developed security Best Practices. This coordinated effort has resulted in the emergence of the utility industry as a lead sector in preparedness

Homeland Security Advisory System (HSAS)

The BPU is one of the first agencies to complete its HSAS plan, as part of an entire statewide effort. The Division has developed BPU Staff operational response actions at each HSAS level. The Division continues to work constructively with the utilities to develop industry-specific actions related to HSAS Alert levels. The BPU response includes anything from locking down critical utility facilities to relocating critical BPU staff at facilities such as the Emergency Operations Center (EOC).



Utility Tabletop Exercises

In 2002, the BPU participated in an Energy Tabletop Exercise and a Water Tabletop Exercise that simulated major utility disasters. The Tabletops were highly successful in identifying interdependencies and several action items are currently being addressed by a number of working groups. Staff continues to work with the utilities in developing additional exercises and training programs as part of the BPU's on-going objective to enhance overall security measures.


Communication

Working the Office of Counter Terrorism the BPU has developed methods and procedures to ensure effective communications during an emergency. In the event that one or more of the traditional forms of communication (land lines or cell phones) are not available during an emergency, there must be methods for the BPU to communicate with the utilities to ensure that appropriate information is available to emergency responders and the public in general.





CHALLENGES AND OPPORTUNITIES FOR 2003

- 
- Legislative Initiatives
 - Regulatory Initiatives
 - Administrative Initiatives



As we near the end of the transition period mandated by the 1999 EDECA, the BPU will continue its focused efforts on ensuring that residents of New Jersey continue to receive the same safe and reliable utility service they were accustomed prior to the implementation of EDECA. While necessary regulatory framework has been established to prepare the consumers as price caps on electricity are lifted in August 2003, the BPU recognizes to be continually vigilant in ensuring that consumers are protected in the new marketplace.

Given the BPU's commitment in maintaining diligent oversight of the state's energy, telecommunications, water/wastewater and cable television industries and its dedication to ensuring safe, adequate and proper utility services at reasonable rates, in order to meet the challenges that lie ahead in the coming year a number of legislative, regulatory and administrative initiatives may be necessary in view of the emerging regulatory paradigm shift. The initiatives and actions of the BPU are intended to be aligned with Governor McGreevey's Vision and Goal to improve the quality of life for residents of this state.

Legislative Initiatives

For 2003, the two most important legislative initiatives for the BPU are: 1) revisions to the 1999 Electric Discount and Energy Competition Act (EDECA), and 2) amendments to the statutes governing Board issuance of penalties in enforcing existing rules and regulations.

EDECA Reform

Since the 1999 EDECA went into effect, the BPU has found a number of areas in which the statute can be modified to improve its implementation in accordance with the intentions of the legislation. The BPU will not only participate in amending the government aggregation portion of EDECA in early 2003, but will suggest a number of changes. Some are merely technical, however, others are major modifications. Recommendations include modifying the findings and purpose of EDECA to reflect the importance of increasing New Jersey's use of renewable energy, changing some of the requirements for Electric and Gas Supplier Licenses to attract suppliers to the state, while ensuring that customer service standards are maintained and residents enjoy reasonable energy rates. Other areas would include amending environmental disclosure requirements, customer service, slamming and private aggregation.

Penalty Provision Modifications

The BPU feels it necessary to seek legislation that would increase its ability to enforce its orders and rules by updating existing penalties and clarifying and broadening authority to require utilities to meet customer service standards. The BPU has the authority to set important customer service standards, however many are unenforceable due to the structure of penalties that the BPU may impose. Many existing penalty provisions are very old (some as old as 1877), and thus set fines that are far too low to act as a deterrent.



This is especially serious where the regulated utility is a very large corporation that can easily absorb such penalties. Furthermore, penalties are inconsistent across utilities and do not always coincide with the seriousness of the violation. Specific violations and penalties are set forth in statutes, and thus, cannot be adjusted by the BPU to accommodate rapid changes in the utility industry. Finally, procedures for collecting penalties are extremely cumbersome and expensive, and usually require the BPU to go to court.

Regulatory Initiatives

Smart Growth Initiatives

At the Governor's Smart Growth Summit on October 23, 2002 President Fox announced a number of BPU policy initiatives.

Line Extension Formula Modification – This initiative would require that all costs associated with the extension of utility infrastructure, in areas not designated for growth, should be borne by the developer. In order to implement such a policy, the Smart Growth Policy Team (SGPT) will develop modifications to the current formula for line extension, eliminating utility deposit refunds to developers. The formula could differentiate among the planning areas (Metropolitan, Suburban, Fringe, Rural or Environmentally Sensitive) in the State Plan as well as Designated Centers. In targeted growth areas the return of deposit could be waived altogether or be made on an accelerated basis.

Increased Rate of Return – This initiative would provide utilities with an increased rate of return for investments, necessary to support growth, in designated areas. SGPT will identify options with appropriate implementation recommendations. This will incentivise utilities to be more responsive to development in targeted areas.

Targeted Revitalization Infrastructure Program (TRIP). TRIP would provide utilities with a mechanism for a more timely recovery of costs related to infrastructure expansions, improvement, replacement and relocation in targeted growth areas. In 2003, the BPU will review the two currently filed pilot programs; one by PSE&G and the other by New Jersey Natural Gas Company.

Energy Conservation Funds – BPU Staff will explore ways of channeling the currently collected Societal Benefits Charge and other conservation related funds in the smart growth areas through the Clean Energy Program.

Consumer Report Card

As we near the end of the transition period provided by EDECA, it may be important for the BPU to gauge customer service performance in order to assure continued safe, adequate and reliable service. Accordingly, the BPU will establish annual reporting requirements for the regulated entities. The information collected will assist the BPU in preparing an annual Consumer Report Card. The statewide Report Card will address:



customer satisfaction, reliability of service, pricing and financials of the service providers. A BPU wide Consumer Report Card Team has been charged with developing appropriate metrics and the necessary data specifications.

BGS Rate Cases - All four electric utilities were directed to file petitions to review their distribution rates in order to determine what increases would be necessary after the EDECA-mandated four-year rate reductions and rate freezes, scheduled to end on July 31, 2003. All four cases are currently being litigated at the Office of Administrative Law, and are in varying stages of completion. It is anticipated that the BPU will determine the new distribution rates by July 2003, along with the treatment of the deferred balances discussed below. The utilities requested increases in the range of 8% -14%. The actual rates will be determined by the BPU after a full review of the records in the base rate and deferred balance proceedings for each utility.

BGS Auction - As a result of the success of the first auction in 2002, the Board determined to bid out all BGS supply for the period of August 1, 2003 to May 31, 2004, and one-third of all BGS supply through May 31, 2006. One auction will be held to provide 15,400 MW of electricity to New Jersey's residential and most commercial customers. Another auction will be held to provide 2,700 MW of electricity to New Jersey's 1,750 largest commercial and industrial customers. The auctions are scheduled to begin Monday, February 3, 2003.

Universal Service Fund – During early 2003 the BPU will establish a permanent USF. The permanent USF will include a fully funded program that is anticipated to be about \$30 million plus administrative expenses for the first year. The USF will be operated on a statewide basis and be funded through uniform charges on all customers' electric and natural gas bills. For the first year of the program, the USF will include eligible low-income utility customers who heat with electricity or natural gas as well as renters whose heat is included in their rent that have incomes below 175% of Federal Poverty Guidelines (\$15,715 for one person, increasing to \$32,200 for a family of four and \$54,180 for a family of eight). Seniors in all electric homes who do not fall within these guidelines would not be eligible at this time, nor would deliverable fuel customers. It is anticipated that the Department of Human Services will be the administrator of the USF. An automatic enrollment feature is expected to be in place by July 1, 2003.

Under the State Energy Plan – The BPU will establish a revolving loan fund for local governments and schools for upgrading HVAC systems for higher efficiency. This fund will be provided through a single capital bond issued by the BPU or the NJEDA on behalf of the BPU. This program will be funded through the USDOE SEP funds and may be expanded to the New Jersey Clean Energy Program. By providing for a single capital bond available to local governments, the state can assume the overall bonding and engineering costs in a more effective manner in one financial instrument that local governments would have had to incur separately for each individual project. This effectively lowers the local government's cost to install higher efficiency equipment. In each application for a HVAC upgrade, the loan rate will be provided in half as a zero interest loan from the SEP fund and half at the current market rate. The loan payment would be provided through the local governments

operating budget without a need to raise debt. The energy savings to the municipalities would not result in added debt to the local municipalities. Payback would be sooner, and avoid potential local property tax increases for this cost and HVAC upgrade.

Under the New Jersey Clean Energy Program - The BPU will work with NJEDA to provide a long term funding mechanism for large- scale (1MW or greater) photovoltaic projects. The market barrier for large-scale PV projects has been securing long term financing. Most projects have had to document a payback in 5 years, which is not possible given the current higher capital cost. A portion of the New Jersey Clean Energy Program renewable energy (NJCEP) funds will be used to insure long term financing from large-scale PV projects. This will lower the cost to construct these projects and will lead to lower future cost for PV panels and arrays, which in turn will result in increased use and a lower cost for PV in New Jersey. This will allow the NJCEP RE funds to be utilized more effectively.

Market Infrastructure Program – Currently there are no renewable energy manufacturing companies in New Jersey. While the New Jersey Clean Energy Program RE funds are used to develop renewable energy projects in New Jersey a renewable energy manufacturing incentive would help to lower the cost for these technologies in New Jersey and provide for high tech New Jersey manufacturing jobs. In order to promote the development of renewable energy businesses, technologies and infrastructure in New Jersey the BPU will establish a Market Infrastructure Program in 2003. The BPU will solicit bids from interested parties, with \$2.8 million allocated for first solicitation. Grants will range from \$25,000 to \$500,000.

The Amber Alert System - The BPU, in conjunction with the State Police and the cable industry, is working on the private/public partnership that will enable the New Jersey Amber Alert System to be activated on all cable systems in the state. The passage of the state Child Abduction Act in conjunction with the efforts of all media is a proven successful tool for protecting and at the same time deterring the abduction of children in our state. The Amber Alert would be a voluntary component of the federally mandated Emergency Alert System (EAS).

Automatic Outage Credit for Loss of Cable Service - A rule proposal is before the Board for adoption that would require outage credits to be provided for customer outages of more than three hours (replacing the six hour threshold) that affect a major portion of the cable network and are within the reasonable control of the company. It would further require a cable television company requesting a waiver to relieve it of this requirement to provide proof that providing an outage credit would cause a hardship.

Cable Television Customer Service Regulation Enhancement - In response to the growing number of complaints received concerning customer service problems, the Office of Cable Television (OCTV) has proposed to include within the BPU's rules portions of the Federal customer service standards to the extent that they address areas not covered by current regulations or exceed them. Changes in this section will provide

for, among other things maximum four-hour appointment windows, rescheduling of missed appointments at a time convenient for the customer, and prohibit the cable company from canceling an appointment with a customer without sufficient prior notice. The rules could become effective by early summer 2003.

Drought and Water Supply – With a collaborative process involving the water industry, Ratepayer Advocate, Department of Environmental Protection, League of Municipalities, New Jersey School Boards Association, and others, the BPU will work to address the financial impacts of drought and devise methods for addressing their financial and environmental consequences. The following nine areas will be addressed:

- Smart Growth and impacts on water management
- Conservation and Consumer Education during a drought emergency and between droughts
- Water Reuse including storm water management
- Interconnections to strengthen water movement
- Water Banking to ensure that water is available where needed
- Drought Balancing Fund and Self Insurance to address revenues loss or the need for maintenance of emergency interconnections
- Rate Design Concepts to explore how to influence water use and reuse
- Studies to determine the level of water unaccounted for and steps to correct for unexplained losses
- Safe Yield definitions and uses as a lever and tool to predict droughts and for the most appropriate management of resources

Utility Infrastructure Best Practices - The BPU has required the implementation of utility infrastructure security best practices for energy, water, telecommunications and cable television industries. The BPU staff has been working with each utility sector to reevaluate their best practices, which will be completed by the end of April 2003.

Energy Infrastructure Vulnerability – BPU Staff is cooperating in a pilot project to help evaluate a tool developed by U.S. DOE's Office of Energy Assurance that will be used by energy utilities to conduct uniform vulnerability assessments of their critical assets.

Woodbridge Corridor Project – BPU Staff is working with the DOT and DEP to study the vulnerabilities in the I-95/Woodbridge corridor in order to strengthen security measures, enhance emergency response and recovery, as well as identify vulnerabilities.

Flammable Fuels Vulnerability – BPU Staff is assisting the Attorney General's Office in the development of counter-terrorism measures for the storage and transportation of flammable fuels such as liquid natural gas and propane.

Pipeline Safety and Security Compliance Program – Two new programs will be initiated: 1) New federally mandated Integrity Management Best Practices to inspect older, high pressure/capacity gas transmission lines and 2) Inspection/assessment of Utility Industry compliance with new Security Best Practices.

Energy Emergency Regulations - The BPU has approved, for proposal, amendments to the Energy Emergency Regulations that gives the BPU authority over energy supplies in an emergency declared by the Governor. The regulations would describe the measures to be used by the BPU during an energy emergency to encourage energy conservation, restrict energy use, and distribute available resources to best ensure the safety and welfare of New Jersey citizens. This includes energy supply prioritization, requiring specific conservation measures and rationing gas/oil and gasoline. The proposal gives the President of the Board the ability to act if a quorum cannot be established. The proposed regulations will appear in the Register on April 7th and will be subject to a 60-day comment period.

Administrative Initiatives

In order to reduce backlogs and ensure appropriate staffing levels in critical areas, and to establish an effective organizational structure to meet the challenges of the evolving regulatory framework, the BPU will complete a reorganization and hiring plan in 2003.

Staff Regulatory Training - During Fiscal '03, together with NARUC, the BPU will co-sponsor a training program. This program is the direct result of transition team recommendations. The program will serve over 100 employees across 4 agencies: OAL, BPU, AG and RPA and cost approximately \$30,000 to provide long neglected utility education to a broad range of employees. In the past, the BPU has routinely sent 5 staff for training in Michigan at an average annual cost of \$15,000. The application of this training is expected to result in cost savings in excess of approximately \$270,000.

Smart Growth Training - Governor McGreevey and President Fox have made Smart Growth a major commitment of the Administration. In order to link the principles of smart growth in our everyday work at the BPU, President Fox requested that all BPU staff be provided a baseline of understanding about Smart Growth and the State Plan. In cooperation with the Office of Smart Growth, two 2-hour briefings are scheduled for all BPU staff on January 9, 2003. The briefings will cover the Governor's Smart Growth Message, the principles of Smart Growth, case studies, and the BPU's role in promoting Smart Growth.

Office of Clean Energy - The Energy Efficiency (EE) programs (collectively known as the New Jersey Clean Energy Program) were administered jointly by the seven (7) energy utilities with 7 coordinated but separated administrators and the Renewable Energy (RE) programs administered by the BPU. One area of concern is the administration of the programs. Some parties recommend that an independent statewide administrator oversee all programs and funds. This will lower overall administrative costs for these programs and will provide more of the funding for rebates, training and incentives. The RE program and the State Energy Program (SEP funded by the USDOE) managed by the BPU as well as the utilities' managed New Jersey Clean Energy Program provide incentives to fund the higher incremental capital cost of energy

efficiency equipment and renewable energy technology. This higher efficiency equipment lowers the users energy costs. Since many of the participants are local governments and schools, this serves to lower their operating budget for energy costs and reduces their tax needs to cover increasing energy rates. In order to increase the effective implementation of New Jersey's energy efficiency (EE) and renewable energy (RE) incentive funding programs, including both the State Energy Program and the New Jersey Clean Energy Program, the BPU will create an Office of Clean Energy Program to formally administer all aspects of renewable energy and energy efficiency programs.

Information Systems – The BPU has initiated the necessary technical review of the agency computer system and databases and has begun the process of streamlining system processes and increasing equipment compatibility for implementation during 2003. The BPU has identified three key areas that the computer upgrade will streamline, enhance efficiency, and increase security.

1. *Increased Accessibility of Services to citizens* - The use of Information Technology will give the BPU the ability to track the number of Internet uses and capture information about access to the BPU website. This information will provide the BPU with the ability to become more citizen focused when adding or enhancing services.
2. *Increased Security/Privacy* - It is paramount that information technology services protect the privacy of the BPU computer systems. With the upgrade of the computer system, the BPU can begin to move towards a more secure information technology environment.
3. *Increased Architectural Consistency and Compliance* - Upgrade of the computer system will provide all the divisions within the BPU the ability to communicate and share data internally and with other agencies, anytime, anywhere, in an efficient and cost-effective manner. In addition, it will reduce redundancy and increase productivity.

Government Operations Continuation Plan (GOC) – In early 2003, the BPU will complete its comprehensive GOC Plan to protect employees, and make contingency plans to continue business in all operations areas. The BPU's GOC Plan will identify key employees and their responsibilities in an emergency. The Plan will establish effective communication protocols that provide for rapid dissemination of information to all staff. The BPU will then conduct a comprehensive training with all Staff to review the GOC Plan, as well as the BPU's HSAS measures that pertain to staffing functions.

Enhanced Staff Contact Information – In early 2003, BPU will exercise its telephone-tree call out system to all staff after hours, and updated Critical and "As Needed" Staff contact information (e.g. personal cell phones, home e-mail, etc.). An 800-number is also being obtained for BPU Staff to be able to call in to check the status of operations through a message that can be recorded remotely by the BPU President, Chief of Staff, or Emergency Management Coordinator (the Director of the Division of Reliability and Security).



Additionally, a remote access reverse-9-1-1 call center that can auto-dial Staff to convey a recorded message will be procured.

Data Back-up - IT will work to improve the computer/phone systems to allow for back-up and remote access to these critical systems.

AGENCY ORGANIZATION AND DIVISION FUNCTIONS

- Office of the Chief of Staff
- Office of the Executive Director
- Office of the Secretary of the Board
- Office of the Chief Economist
- Office of Chief Counsel
- Office of Communications
- Office of Cable Television.
- Division of Audits
- Division of Energy
- Division of Telecommunications
- Division of Reliability and Security
- Division of Water and Wastewater
- Division of Customer Assistance
- Division of Administration
- Division of Information Technology

AGENCY ORGANIZATION AND DIVISION FUNCTIONS

As of December 31, 2002, the following was the agency organization and division functions of the BPU. A number of administrative changes as outlined in previous section will modify the responsibilities of a number of divisions. Please visit the BPU website for current organization and division functions.

Office of the Chief of Staff

Lance R. Miller, Chief of Staff

Telephone ...973-648-3175

Fax. 973-648-4195

The Chief of Staff assists the President of the Board with the day-to-day management of the agency. The administrative, planning, financial, communications, legislative and information technology units report directly to the Chief of Staff.

The Chief of Staff reviews all activities and work product of the above-noted units to ensure that they are correct and in compliance with existing regulatory requirements and established Board policy. The Chief of Staff also serves as a chief policy advisor to the Board and frequently represents the President and other Commissioners at meetings with members of the public or with representatives of various governmental and industry groups.

Office of the Executive Director

John Stanziola, Executive Director

Telephone ...973-648-4852

Fax. 973-648-2409

The Executive Director oversees the activities of the Divisions of Audits, Energy, Reliability and Security, Telecommunications and Water and Wastewater and the Office of Cable Television. The Executive Director reviews all activities and work product of the above noted Divisions to ensure that they are technically correct and in compliance with the existing regulatory criteria and established BPU policy. The Executive Director serves as a chief policy advisor to the BPU, and is ultimately responsible for all technical staff policy recommendations to the BPU.



AGENCY ORGANIZATION AND DIVISION FUNCTIONS

The Executive Director often represents the BPU in meetings with other State departments, the Governor's Office staff, and the legislature including giving testimony at legislative hearings. The Executive Director often acts as a spokesperson for the BPU in responding to press inquiries and in meetings with editorial boards.

The Executive Director is responsible for the overall management of the agency's technical divisions. In addition to the policy development responsibilities, the Executive Director is responsible for hiring decisions, training and cross training, managing workload and the development of employee enhancement programs.

Office of the Secretary of the Board

Kristi Izzo, Secretary

Telephone ...973-648-3426

Fax. 973-648-2409

In accordance with N.J.S.A. 48:2-4, the Secretary of the Board of Public Utilities is charged with the duty to "*keep full correct minutes of all transactions and proceedings of the Board*" and to be "*the official reporter of said proceedings.*" In addition to these statutory responsibilities, the Secretary is responsible for managing the Board's biweekly agenda process and serves as the BPU's Records Custodian to ensure compliance with the Open Public Records Act. Finally, the Secretary also oversees all record management activities, and the handling of all constituent inquiries. To aid the Secretary in performing these functions, the office includes the following units: Agenda Control, Case Management and Customer Assistance.

Office of the Chief Economist

Fred Grygiel, Chief Economist

Telephone ...973-648-4410

Fax. 973-648-4410

The Office of the Chief Economist advises the Board on policy issues and financial matters. It is responsible for analyzing and recommending action on cost-of-capital issues in traditional rates cases, evaluating utility requests to sell securities and assessing utility merger and acquisition proposals. The Office works with other technical divisions to evaluate how proposed alternatives to traditional rate-base/rate-of-return regulation could impact ratepayers. It also evaluates a utility's financial structure and ability to fulfill regulatory obligations.

The Office monitors financial, capital and credit markets providing the Board with overviews of how activity in these markets will affect specific matters before the Board.



It analyzes issues of regulatory reform, tax policy, utility industry restructuring, stranded assets and expanding competition in previously monopolistic utility sectors.

Office of Chief Counsel

Suzanne Patnaude, Chief Counsel

Telephone ...973-648-3858

Fax. 973-648-4410

The BPU's in-house legal unit is staffed by New Jersey-licensed attorneys and administrative support employees. The Legal Specialists provide regulatory and administrative expertise regarding any matters brought before the Board. Members of the legal staff assist in coordinating requests for legal advice from the Office of the Attorney General, provide guidance as to the nature and substance of the various statutes and regulations covering the responsibilities of the BPU, serve as hearing officers, as required, facilitate settlement discussions conducted by the Board's technical divisions, draft proposed regulations, legislation and amendments in accordance with the policy objectives established by the Board, assist in drafting Board Orders and provide support as requested by the Office of the Attorney General.

Office of Communications

Tracy Munford, Director

Telephone ...973-648-2595

Fax. 973-648-8514

The Office of Communications is responsible for informing the public of Board decisions, meetings and activities. It correlates information from various divisions to respond to the media, general public, utility customers, the Legislature and State, local and federal government officials and agencies. The Office of Communications oversees the development and implementation of the Board's statewide energy deregulation consumer education program.

The Office of Communications also coordinates the Board's participation with various consumer groups, neighborhood associations, and private and public organizations to help educate the public about utility issues and how to make informed decisions in the newly deregulated energy market. It is also responsible for updating, designing, and monitoring the Board's website.



Office of Cable Television

Celeste Fasone, Director

Telephone ...973-648-3272

Fax. 973-648-3135

Including primarily a Bureau of Accounts and a Bureau of Technical Services & Enforcement, the Office of Cable Television (OCTV) regulates basic cable television rates and other cable services supplied by 38 cable TV systems to over 2.5 million subscribers throughout New Jersey.

In addition to reviewing sales, transfers, mergers and consolidations proposed by the various cable companies operating in New Jersey, pursuant to the Federal Cable Act of 1992, the Bureau of Accounts also regulates the rates charged for basic service and equipment by five multi-system owners offering service within the state.

The Bureau of Technical Services & Enforcement reviews operational and technical plans submitted by the companies, and assures that they are in compliance with state and federal law and the terms and conditions set forth in their Certificates of Approval. This staff also handles customer relations and rule enforcement in such matters as billing, service complaints, disconnections and property restoration. A State and Local Planning Unit, which oversees franchising and re-franchising for New Jersey's 562 municipalities, completes the OCTV's structure.

Division of Audits

Walter Szymanski, Director

Telephone ...73-648-4622

Fax. 973-648-2848

Pursuant to statute, the Division of Audits is empowered by the Board to examine and audit duly designated public utilities and other regulated entities subject to the Board's jurisdiction. The Division of Audits consists of two Bureaus, which report to the Director.

Bureau of Financial Audits - Pursuant to N.J.S.A. 48:2-16.1 and 48:2-16.2, the Bureau of Financial Audits performs audits of utilities and other regulated entities subject to the Board's jurisdiction. Examples of financial audits performed include: utility construction programs, gas contracts, tariff compliance, energy efficiency and renewable energy programs, as well as audits of other regulated entities subject to the Board's jurisdiction such as New Jersey One Call.

On an as needed basis, the Bureau of Financial Audits provides assistance to other state agencies such as the Division of Criminal Justice and the Department of Environmental



AGENCY ORGANIZATION AND DIVISION FUNCTIONS

Protection, as well as other federal and local law enforcement agencies, in investigations relating to public utilities and other regulated entities subject to the Board's jurisdiction.

In addition to its audit responsibilities, the Bureau of Financial Audits performs other services for the Board, as follows:

- Maintains and reviews annual reports filed by all New Jersey public utilities.
- Pursuant to P.L. 1968, c. 173 (C.48:2-59), the Board is authorized to assess its costs of regulation against the utilities it regulates, subject to a maximum assessment percentage. Financial Audits is responsible for the Board's Annual Assessment program.
- Effective July 2002, the Bureau of Financial Audits assumed responsibility for the Board's licensing of third party energy suppliers, energy agents and private aggregators, and for issuing authority for telecommunications Competitive Local Exchange Carriers (CLECs) to provide interexchange telecommunications services within the state of New Jersey.

Bureau of Audits of Management Audits - Pursuant to statute (N.J.S.A. 48:2-16.4), the Bureau of Management Audits reviews the operations and management of energy utilities during a specific timeframe with a goal of seeking efficiency and accountability of actions in order to assure safe, adequate and proper service. The management audit goal of efficiency reflects endeavors to improve the future operations and management of the utility. The management audit staff has investigated and recommended courses of action to the Board on restructuring, electric outages, gas explosions, Y2K, compliance reviews, reliability of service, generation, One Call, competitive services, affiliate relations and telephone finance integrity.

Under the Electric Discount and Energy Competition Act (EDECA), both Bureaus participate in the performance of competitive service compliance reviews for the electric and gas utilities every two years. These reviews are to be performed by an independent consulting firm under the direct supervision of staff.

Division of Energy

Nusha Wyner, Director

Telephone ...973-648-3621

Fax. 973-648-2467

The Division of Energy is responsible for traditional regulatory responsibilities associated with the natural gas and electric industries, in addition to the evolutionary facets of deregulation and retail competition. With the enactment of the Electric Discount and Energy Competition Act of 1999 ("EDECA"), the Division's responsibilities have



AGENCY ORGANIZATION AND DIVISION FUNCTIONS

significantly increased and changed as it fosters full electric and natural gas retail competition in New Jersey.

The Division is comprised of four bureaus that are distinct. The Division also has three newly created "Issues Manager" positions to provide additional expertise in matters concerning: (1) federal energy initiatives and FERC/PJM interaction; (2) rate design, revenue requirements and market development, and; (3) renewable energy technologies.

The Bureau of Revenue Requirements performs traditional rate-related functions associated with determining revenue requirements, setting rates, and addressing tax issues. These functions encompass base rate cases, various adjustment clauses and depreciation matters. With retail competition, these functions are changing to meet the needs of a reconfigured energy environment in areas such as societal benefits charges and market transition costs.

The Bureau of Rates and Tariffs comprises the key functions associated with cost of service studies, unbundling of tariffs, alternate plans of regulation, rate and tariff design, mergers and acquisitions, competitive services, stranded costs, appliance service offerings and affiliate relations. The Bureau will also be addressing major changes in the electric and gas industries, ongoing review of unbundled rates, deferred balances for electric utilities and cost of service studies for all seven energy utilities.

The Bureau of Market Development and System Reliability oversees industry restructuring issues, policy design, development of EDECA-mandated energy standards, environmental disclosure requirements, and federal/PJM Interconnection and regional transmission matters. Market development includes basic generation supply, basic gas supply service, customer account services and the monitoring of customers changing energy suppliers. Another major role of the Bureau is to coordinate the efforts of working groups to facilitate utility transition to open competition. System Reliability includes regulatory oversight associated with the provision of safe adequate and reliable electric and natural gas service.

The Bureau of Conservation and Renewable Energy has the responsibility of implementing energy efficiency and renewable energy programs, as well as program design, administration, monitoring and evaluation. The Bureau also administers a grid supply renewable energy program and an infrastructure development program. The utilities are presently administering a customer-sited renewable energy program and all residential, commercial and industrial energy efficiency programs. The Bureau, through its State Energy Programs (SEP) staff, administers federally funded energy conservation loans and grants, renewable energy demonstration projects, alternative fuels programs, emerging technologies, and public awareness programs. The SEP staff has also become involved in renewable energy and conservation activities that support the goals of electric restructuring. The SEP staff also monitors oil and gasoline inventories and prices.



Division of Telecommunications

Anthony Centrella, Director

Telephone ...973-648-7865

Fax. 974-624-9453

The Division of Telecommunications oversees the performance of the telephone companies, under the Board's jurisdiction. The Division is comprised of three Bureaus: Competitive Services and Mergers, Policy and Planning and Technical Development and Deployment.

Its Bureau of Competitive Services and Mergers executes the Board's regulatory policies for the implementation of local phone competition. It monitors the overall development of local exchange competition in New Jersey, and conducts inter-carrier coordination activities.

Its Bureau of Policy and Planning develops regulatory practices and rules to ensure the availability of universal telephone services at affordable rates.

Its Bureau of Technical Development and Deployment examines the facilities deployment of telephone companies and ensures that the companies provide reliable, safe and high quality service to consumers at reasonable prices, terms and conditions.

Division of Reliability and Security

James Giuliano, Director

Telephone ...973-648-3875

Fax. 973-648-2242

The Division of Reliability and Security's Bureau of Emergency Management handles emergency response matters related to water, sewer, electric and gas utilities. Additionally, the Bureau is tasked with oversight of each utility industry sector's security obligations in accordance with the Domestic Security Preparedness Act, the Attorney General's Office, State Office of Emergency Management and the Office of Counter Terrorism. President Fox actively participates on the Domestic Security Preparedness Task Force (DSPTF), and Staff works with the associated Infrastructure Advisory Committee (IAC) and other planning groups. Almost all aspects of the government and private sector preparedness, response and recovery are interdependent upon essential utility services, which make the Board's emphasis on reliability and security crucial. Bureau Staff has worked with each utility sector to craft Best Practices, including operational measures linked to each alert level of the Homeland Security Alert System. Staff is also participating in various exercises and training programs to address utility preparedness and reliability.

The National Association of Regulatory Utility Commissioners (NARUC) recognized New Jersey's leadership in this area by appointing Commssioner Connie Hughes



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chair of their Ad Hoc Committee on Critical Infrastructure, on which President Fox also serves.

The Division's Bureau of Pipeline Safety (BPS) administers a major safety and enforcement program for natural gas pipeline systems within the state of New Jersey. The BPS oversees the State's natural gas pipeline safety program in accordance with State and Federal guidelines, as well as Federal Department of Transportation/Office of Pipeline Safety (OPS) certification requirements. This includes a comprehensive inspection and compliance review of all intrastate gas pipeline systems. Further, the Bureau is responsible for accident investigations, effective rulemaking, national regulatory committee involvement, and providing support and data for Divisional policy matters and related enforcement. The Bureau participates with the Federal OPS in the review of proposed legislation, developed in response to federal mandates.

The Division's Bureau of Meter Test/One Call also administers a major safety and enforcement program: the Underground Facility Protection Act (One Call Law). The One Call enforcement program continues to experience an increase in the use of the one-call system by excavators, with a decrease in the occurrences of hits to underground facilities, at a time when New Jersey is experiencing tremendous construction activity. Strong efforts directed toward public outreach and education, which includes updates to our Excavator Handbook for Damage Prevention, continue to lead the activities of this unit.

The entire Division has a significant presence in the field.

Division of Water and Wastewater

Michael Gallagher, Director

Telephone ...973-648-3595

Fax. 973-877-1167

In overseeing the activities of 47 investor-owned water companies, 20 sewer companies and 10 municipal water companies, the Division of Water and Wastewater bears primary responsibility for ensuring that safe, adequate and reliable water and wastewater service is available to the customers of these companies at reasonable costs. In accomplishing its mission, the Division evaluates the financial implications and impact of health and environmental regulations on rates, and the economic viability of the investor-owned water and wastewater utilities subject to the BPU's jurisdiction. The Division regularly deals with issues such as: establishing rates; assessment of water and wastewater infrastructure needs and costs; assuring a safe and reliable water supply; droughts; smart growth impacts on water and wastewater costs and availability; water reuse; depletion of aquifers; service interruptions; terms and conditions of water and wastewater service and management; and conservation initiatives.



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The historically quiet water industry regulated by the BPU has been thrust into significantly changing markets requiring a strategic regulatory response due to the enactment of the State's Water Supply Public/Private Contracting Act (N.J.S.A. 58:26-19). Pursuant to this Act, a significant number of the State's municipal water systems are being privatized by subsidiaries of water purveyors regulated by the Board. The Division of Water and Wastewater has a lead role for ensuring that these privatized efforts result in fair and equitable rates for the privatized municipal systems.

Division of Customer Assistance

Kent Papsun, Director

Telephone ...973-6484436

Fax. 973-648-2836

The Division of Customer Assistance consists of the Bureau of Customer Relations, the Research and Planning Unit and the Bureau of Investigations. The Bureau of Customer Relations mediates disputes between utilities and customers over such matters as service complaints, high bills, payment arrangements, and discontinuance of service, deposit requests and incorrect rates.

The Bureau's verbal complaint unit is responsible for handling thousands of phone calls annually. These include: emergency calls concerning gas leaks, fallen wires and water main breaks, as well as lack of service complaints, service delays, appliance repairs, discontinuance of service and payment arrangement mediation. The Bureau also conducts many office interviews with utility customers who prefer to deal with Customer Representatives of the BPU in person.

Additionally, the Bureau contains a letter-writing unit, which investigates billing and service complaints. After investigations, this unit issues an informal decision that reflects the disposition of the matter at hand. The Division is also responsible for tracking the number of complaints received in order to identify areas of concern and recommends corrective action to the BPU Commissioners if necessary.

There is also a newly established Bureau of Investigations, to handle telephone slamming complaints, as per P.L. 1998 c. 82, signed into law on January 7, 2002. This legislation requires the State of New Jersey to "opt-in" to the Federal Communications Commissions' State Referral Program and therefore handles all New Jersey slamming complaints that were previously referred to the FCC. Some of these complaints are handled in conjunction with the Division of Consumer Affairs to identify the chronic abusers. The Bureau of Investigations will also handle other investigations as assigned.

As utility customers enter our ever-changing, competitive marketplace, the need for a research and planning unit within the Division of Customer Assistance has evolved. The Research Unit is responsible for research and planning functions in the Division, it



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provides support to the division Director in conducting special projects, surveys and studies. Its staff also participates in rule making, rate case issues and tariff revisions, and provides assistance and consultation to other divisions of the Board concerning customer processes functions.

Division of Administration

Chicqueta Britton-Nutt, Director

Telephone ...973-648-2287

Fax. 973-877-1168

The Administration Division is comprised of three units, which provide services for the staff of the Board of Public Utilities.

The Office of Human Resources is responsible for human resource management, which includes, processing all personnel actions, recruitment, orientations, reclassifications, transfers, reassignments, and retirements. Additionally Human Resources manage all benefits activities including: health, dental, vision and prescription plans for employees.

Employee relations' activities involving counseling, labor relations accountability, employee incentive programs, and security issues are functions of the Division of Administration. The Division also assists management in PAR activity, administration of civil service regulations, proposes policies and procedures relating to the workplace.

The Divisions' responsibilities also include broad based facility support to the Board. Areas of responsibility include the print shop operation, incoming/outgoing mailroom functions, message and courier service, distribution of office supplies and maintenance of stock room. The Division also provides support in managing the Board's assigned vehicles, parking passes, installation and relocation of telephone equipment and managing inter-office moves.

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The EEO/AA Officer who reports to the Division of Administration administers the Department's Equal Employment Opportunity and Affirmative Action program.

Division of Information Technology

Wilma Hoggard, Director

Telephone ...973-648-3434

Fax. 973-648-7968

The Division of Information Technology is responsible for providing technical support to each division of the Board of Public Utilities. This includes, but is not limited to, Word & Data processing solutions, data communications, database applications, networking solutions and WEB interfacing applications. This requires analysis of each division's specific computer hardware and software requirements and the design, development, procurement, and implementation of it. A key goal of Information Technology is developing and implementing procedures and guidelines to enhance data integrity, system maintenance, reliability, and security for the Board. As such, the Division is responsible for establishing and administering a contingency plan to ensure continuity of operation.

Information Technology provides support and assistance to the Board's end-users in the use of the computer systems through Helpdesk and Desktop (PCs) support. Appropriate application education is provided to the technical staff and end-users. Advising Senior Management of emerging technology that will enhance their ability to make informed business decisions is another aspect of Information Technology's responsibility.

In addition, Information Technology is responsible for hardware and software integration to facilitate data sharing between wired, wireless and voice mail systems to promote anytime, anywhere communication.

