

New Jersey
Board of Public Utilities
2008 Annual Report



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Dear Governor Corzine:

On behalf of my fellow Commissioners and the staff of the New Jersey Board of Public Utilities, I'm pleased to present our 2008 Annual Report. The report presents an overview of the Board's accomplishments for the year. In every division of the agency, we have worked to improve the efficiency of the programs we run and the effectiveness of the services we provide to the residents of New Jersey.

In October 2008 the state's comprehensive Energy Master Plan (EMP) was released. It provides a blueprint for a clean energy future for New Jersey through aggressive energy conservation and renewable energy goals and the development of a 21st century utility infrastructure. The plan also focuses on creating green jobs through investments in emerging technology companies to grow New Jersey's economy. Throughout the year the Board has been working to implement programs and policies to help achieve the goals laid out in the EMP.

During the course of the year, the New Jersey Clean Energy Program continued to build upon its growing national reputation as a leader in policies and programs to expand the state's renewable energy generation and improve our energy efficiency. Our new innovative Solar Renewable Energy Certificate, or SREC Program, was launched for the transition from rebate-based incentives to promote solar generation to more efficient, market-based incentives. Three meteorological tower projects for offshore wind were approved, putting New Jersey in line to be one of the first, if not the first state with offshore generation. Energy efficiency programs for residents and businesses saved over 335,000 megawatt hours of energy, which resulted in a reduction of greenhouse gas emissions equivalent to removing more than 44,000 cars off the road for one year.

The Board has also worked to provide more efficient services for New Jersey ratepayers. The Division of Water has streamlined rate-related regulatory matters with a focus on minimizing the impact to customers. In conjunction with our State and Federal partners and private industry, the Division of Reliability & Security worked to improve our ability to quickly restore lifeline services after major disasters and partnered with the Domestic Security Preparedness Task Force's (DSPTF) Water Security Working Group to create the capacity to detect contamination in our drinking water supply through online monitoring technology.

These examples represent just a few of the activities of the agency over the last year, which are detailed throughout this report. I want to commend the Board staff for these and many other achievements over the course of 2008.

We at the Board of Public Utilities look forward to building upon what has been accomplished in 2008 as we continually strive to provide our state and its people clean, reliable and efficient utility services.

Sincerely,

Jeanne M. Fox



Mission Statement



We will ensure the provision of safe, adequate and proper utility and regulated service at reasonable rates, while effectively managing the transition from protected monopoly franchise markets to competitive markets for the betterment of ratepayers.

We will make decisions that enhance the quality of life for the citizens of New Jersey and will perform our public duties with integrity, efficiency and responsiveness.

Meet the Commissioners

Jeanne M. Fox President

As President of the New Jersey Board of Public Utilities (NJBPUB), Jeanne M. Fox is a member of the Governor's Cabinet. She was appointed on Jan. 15, 2002.

Ms. Fox is on the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC) and is a member of several of its committees, including Energy Resources and the Environment and Critical Infrastructure. She chairs the National Council on Electricity Policy, National Conference of State Legislatures, National Association of Regulatory Utility Commissioners, National Association of State Energy Officials, the Dept. of Energy and the Environmental Protection Agency (EPA). As President of the Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC), she is on the National Academy of Science Panel on Public Participation in Environmental Assessment and Decision Making, the National Leadership Group on Energy Efficiency; Harvard Electricity Policy Group; Consumer Energy Council of America's Public Policy Initiative Fuels and Technologies Forum; and the Advisory Council to the Board of Directors of the Electric Power Research Institute.

Under President Fox's leadership, NJBPUB has led the nation both in energy efficiency and clean energy policy. Accolades President Fox and NJBPUB have received include the Golden Meter Award for Best State-wide Net Metering Program in the U.S., Network for New Energy Choices, the Sierra Club's Out-

standing Achievement Award, the Solar Energy Industries Association's Solar Champion 2005, the NJ Clean Communities Appreciation Award, AARP's Leadership on Utility Consumer Issues Award, the National Solar Industry Association's Award for Outstanding Leadership in Policy Development for Clean Energy, and New Jersey Environmental Lobby's Environmentalist of the Year 2001.

Ms. Fox was Regional Administrator of the U.S. EPA and Commissioner and Deputy Commissioner of the NJ Dept. of Environmental Protection and Energy. Ms. Fox received a Bachelor's Degree from Douglass College, Rutgers and a Juris Doctor from the Rutgers University School of Law.



BPU Commissioners

- **Jeanne M. Fox**
- **Frederick F. Butler**
- **Joseph L. Fiordaliso**
- **Nicholas V. Asselta**
- **Elizabeth Randall**

Meet the Commissioners

Frederick F. Butler ***Commissioner***

Frederick F. Butler was first appointed to the Board of Public Utilities in 1999 for a four-year term and was re-appointed in 2003 to a full six-year term.

Commissioner Butler currently represents New Jersey on the Board of the Organization of PJM States, Inc.(OPSI). He was President of the Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC) and is a member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves as NARUC's 1st Vice President and on its Executive Committee. He chaired committees on international relations, water and climate change. He is on the Board of Directors of the National Regulatory Research Institute (NRRI).

Commissioner Butler currently serves on the advisory boards of the Michigan State University Institute of Public Utilities and the New Mexico State University Center for Public Utilities' Advisory Council and the advisory council to the University of Florida's Public Utilities Research Center. His previous work experience includes: Executive Director of the NJ General Assembly Democratic office, Dep-

uty Director of the NJ Department of Treasury's Commission on Capital Budgeting & Planning, and Research Faculty Member of the Eagleton Institute of Politics Center at Rutgers, the State University. Commissioner Butler received a BA from Villanova University in 1968 and a MA in International Relations from the Johns Hopkins University School of Advanced International Studies (SAIS) in 1973. He participated in the PhD program at Rutgers from 1973 to 1979.



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 - Elizabeth Randall
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Meet the Commissioners

Joseph L. Fiordaliso **Commissioner**

Born and raised in the Ironbound section of Newark, Joseph L. Fiordaliso received a Bachelor of Arts Degree in Business Education from Montclair State University and completed graduate and management courses at Montclair State University, Rutgers University and American College.

Commissioner Fiordaliso served as the Director of Government Relations for the Saint Barnabas Health Care System, the largest healthcare provider in the State of New Jersey. From 1967 to 1986, he was an educator at Vailsburg High School and Bloomfield High School, respectively. He was also an adjunct professor of Accounting at County College of Morris for 12 years. Currently, he donates his time as an adjunct professor in the Department of History and Political Science at Caldwell College. In addition, he serves on the Boards of Trustees for Essex County College, the West Essex YMCA and the First Occupational Center of N.J.

In 1988, Commissioner Fiordaliso served on the Livingston Township Council for three terms, and as Mayor three times during his tenure. In 1990, he was appointed by the Essex County Executive to serve as the Director of Planning and Economic Development. He has worked extensively with the New Jersey Democratic State Committee and served as District Director for Senate President Richard Codey.

Commissioner Fiordaliso was

named Deputy Chief of Staff in Governor Codey's Administration on November 15, 2004. He was named "Citizen of the Year" by the Livingston Chapter of Unico National in 2003, and, in 2005, he was nominated by Governor Codey and confirmed by the Senate as a Commissioner on the Board of Public Utilities.

In April 2006, he was appointed to the NARUC Committee on Critical Infrastructure as well as the Committee on Electricity. Fiordaliso has gained a statewide reputation as an expert in the transition of New Jersey's solar program from rebate to a market-based system, making it the nation's first Solar Renewable Energy Certificate trading program.

Commissioner Fiordaliso married the former Marilyn Morey in 1968 and they reside in Livingston, NJ. They have two children, Joe and Dana, and two granddaughters, Camilla and Rose.



BPU Commissioners

- Jeanne M. Fox
- Frederick F. Butler
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- Nicholas V. Asselta
- Elizabeth Randall

Meet the Commissioners

NICHOLAS V. ASSELTA *Commissioner*

Born on August 17, 1951, Nicholas Asselta was raised in Vineland, New Jersey. As the son of a Vineland Police Officer, he graduated from Vineland High School, Cumberland County College and the Frederick Military Academy. He also attended Rider College and the Glassboro State College Management Institute.

After college, he worked for 23 years as Marketing and Production Manager for Times Graphic, Inc., a Gannett Company subsidiary. From 1978 until 1981, he dedicated his energy as head basketball coach at Atlantic County Community College. He continued coaching at Vineland High School until 1987. In 1980 he married Nancy Small. The couple make their home in Vineland where Nancy owns and operates an interior design company.

As an educator and coach, he entered public service with his 1993 election to the Vineland Board of Education. Less than two years later in January 1995, he was sworn into the General Assembly to fill an unexpired term. In November 1995 he won his first of four terms representing New Jersey's First District in the General Assembly. He then became one of New Jersey's few full-time legislators, dedicating his career to public service and the constituents he represented. In 2003 he won election to the New Jersey Senate and served as State Senator until 2008.

During his time in the Legislature, he fought to create a better life for the residents of New Jersey, not by creating more laws, but by improving the laws and services that exist in New

Jersey. Nicholas Asselta is most known for his advocacy of New Jersey's veterans. In honor of his late brother who lost his life in the line of duty, Asselta dedicated his entire public service career to fighting for veterans benefits in the State of New Jersey. Those in Trenton regarded Asselta as a Senator who put his constituents first, often working across party lines to ensure the interests of the residents of the First District.

Numerous community and civic groups have recognized his work on behalf of his constituents. The Annual Governor's Conference on Tourism awarded him the Legislative Leadership Award three times. The Southern New Jersey Arts & Business Partnership honored Asselta with the Encore Award for his work designating the A.J. Meerwald New Jersey's official tall ship, and the Downtown New Jersey Association honored him for his leading efforts on downtown revitalization projects across the state. The New Jersey Conference of Mayors honored the Senator with the Legislator's Award. The New Jersey Hospital Association recognized him as Legislator of the Year, the Southern New Jersey Development Council honored him with the Outstanding New Jersey Legislator Award and the New Jersey Department of Health and Senior Services awarded him the Friends of Public Health Award.

Today Nicholas Asselta serves as a Commissioner on the New Jersey Board of Public Utilities where he promises to be a voice for South Jersey and continue his fight to improve quality of life for all New Jerseyans.



BPU Commissioners

- Jeanne M. Fox
- Frederick F. Butler
- Joseph L. Fiordaliso
- **Nicholas V. Asselta**
- Elizabeth Randall

Meet the Commissioners

Elizabeth Randall *Commissioner*

Elizabeth (Lisa) Randall was nominated as Commissioner of the New Jersey Board of Public Utilities by Governor Jon Corzine on February 26, 2008 and confirmed by the New Jersey Senate on May 22, 2008.

Immediately prior to serving on the BPU, Randall was a partner at the law firm of Randall & Randall, LLP in Westwood, New Jersey, where she also resides. In addition, she was a Visiting Associate Faculty Member of the Eagleton Institute of Politics at Rutgers University during the 2007-2008 academic year. Randall also served on the Board of Directors of the Westwood Senior Housing Corporation and the New Jersey Women's Political Caucus.

Randall has long been a leader in New Jersey county and state government. From 1982 to 1984, she was assistant counsel to the Governor and then deputy attorney general in the administration of Governor Thomas Kean. In 1985, she was elected to the New Jersey General Assembly, where she served until 1991.

In 1994, Randall was appointed Commissioner of Banking and Insurance by Governor Christine Todd Whitman, a position which Randall held until 1998. As Commissioner of Banking and Insurance, she served as Chairman of the New Jersey Commission on Ethical Standards, Chairman of the Board of Mutual Benefit Life, Director of the New Jersey Economic Development Authority and Director of the New Jersey Housing and Mortgage Financing Authority.

From 1998 to 1999, Randall served as vice-president of the New Jersey Sports and Exposition Authority, which manages the Meadowlands Sports Complex. From 1999-2002 and 1991-1994, Randall served as Bergen County counsel where she spearheaded important initiatives, such as the downsizing of county government, and the preservation of thousands of acres of open space.

In 2001, she was also appointed by Acting-Governor Donald DiFrancesco to the Congressional Redistricting Commission.

In 2003, Commissioner Randall was elected to the Bergen County Board of Chosen Freeholders, where she served through 2006. As a Freeholder, Randall worked to reduce the county debt, enact campaign finance reform in Bergen County, keep the Continental Airlines Arena open, help assure feasible transportation and protect Bergen County from over-development.

In addition to public service, Randall has enjoyed a distinguished law career, serving as a law clerk for Bergen County Assignment Judge Theodore Trautwein from 1978-1979 and then as an assistant prosecutor in Essex County from 1979-1981. From 1984-1991, she was a member of the Law Offices of Randall, Randall & Stevens, during which time she served as attorney to the Borough of Hillsdale and municipal prosecutor to the Boroughs of Emerson, Dumont, Park Ridge and Woodcliff Lake.

Randall has also been an active leader in community service throughout her career. She served on the Advisory Boards of the Rutgers Business School and Women United in Philanthropy. She has served on the the Board of Directors of the Bergen Community College Foundation, the Community Resources Council, the United Way of Bergen County and Women Executives in State Government. She has also served as a Youth Coach for the Westwood Recreation Center.

Randall earned her undergraduate degree in government at Smith College in 1975 and her law degree from Wake Forest University School of Law in 1978.



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Major Accomplishments

In 2008, the Board of Public Utilities Ensured Safe, Adequate and Proper Utility and Regulated Service and Worked to Maintain Competition in Evolving Markets.

* Continued implementation of the Governor's draft Energy Master Plan and his greenhouse gas reduction plan.

* Due to rate cases with the two largest cable operators, subscribers will benefit with credits, and foregone rate increases and reduced rates this year alone totaling \$5.48 million.

* Saved ratepayers millions of dollars through advocacy, complaint resolution, monitoring of utilities and conservation incentives.

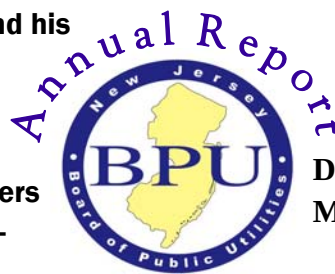
* Strengthened protection of New Jersey's critical infrastructure.

* Awarded millions in grants for security of natural gas & water supplies.

* Enhanced competition in the telecommunications and energy markets.

* Conducted hundreds of pipeline safety

inspections.



* Commitment to Prevent Service Disruptions through Vegetation Management

* Streamlined telephone rules to enhance competition.

* Educated business community on best energy purchasing practices.

* Advocated for New Jersey ratepayers before federal regulators and before PJM, the operator of the regional electric grid.

* Implemented/enacted strategies to help New Jersey conserve water.

* Conducted overview audits to ensure proper management and financial practices of utilities.

Major Accomplishments

New Jersey's Clean Energy Program experienced another year of growth and change in 2008. Through the leadership of Governor Jon S. Corzine and the tireless efforts of the Board of Public Utilities Commissioners and staff and our partners, the Clean Energy Program gave New Jersey's residents, business owners, and local government officials the necessary tools to reduce overall energy use and increase the use of clean, renewable sources of energy.

With the launch of Governor Corzine's Energy Master Plan in October 2008, we have established aggressive energy efficiency and renewable energy goals to lead the state and our residents in a cleaner, safer environment.

In 2008, over \$112 million was spent directly on incentives paid to customers or on measures installed in customers' homes. New Jersey's Clean Energy Program saved New Jersey ratepayers 335,001 megawatt hours (MWh) and cre-

Energy Efficiency, Greenhouse Gas Reduction and

ated 577,091 MWh of renewable energy, which saved \$81,388,242 and avoided 418,463 tons of CO₂ emissions.

Major Accomplishments

2008 NJCEP Program Participation Highlights:

- Over 9,000 residential customers received rebates for the purchase of high efficiency cooling equipment through the Cool Advantage Program and 15,047 residential customers received rebates for the purchase of high efficiency heating equipment through the Warm Advantage Program which will reduce their energy usage and costs.
- 4,012 new homes were built and certified to New Jersey Energy Star Home standards representing over 21 percent of all new homes built in New Jersey
- 7,239 low-income homes received energy efficiency improvements at no cost to the customer thus ensuring continued savings and greater affordability
- Rebates were paid for 1,401 commercial energy efficiency projects helping businesses reduce their energy costs while improving profitability
- 827 schools, businesses and residents installed renewable energy systems that will generate clean, emission free electricity and reduce energy costs for years to come
- 57 solar PV installations totaling 8 MW of capacity were completed without an NJCEP rebate through the SREC-only Pilot Program established as part of the Board's transition to market-based incentives.
- 8,982 trees were planted through the Cool Cities program managed by the NJ Department of Environmental Protection. Shading from these trees will reduce cooling loads in cities by reducing the "heat island" effect

Energy Efficiency, Greenhouse Gas Reduction and

- 14,456 customers participated in the CleanPower Choice Program contributing a few dollars per month to the purchase of clean, renewable sources of electricity
- Over 4.3 million compact fluorescent bulbs and 48,392 high efficiency lighting fixtures were sold to New Jersey consumers at discounted costs through the Energy Efficient Products Program
- Rebates were paid to 13,691 customers that purchased Energy Star window air conditioners, 22,761 customers that purchased Energy Star clothes washers and 5,380 customers that purchased Energy Star dehumidifiers
- 13,464 utilized the free on-line tool to perform an energy audit of their home

Major Accomplishments

Conservation, Efficiency, Greenhouse Gas Reduction

The Board has been working with a number of public and private entities throughout the State to encourage the development of **combined heat and power (CHP)** to achieve the Energy Master Plan goal of 1,500 megawatts by 2020. From hospitals in Camden and Princeton to Atlantic City casinos; from universities like Rutgers and Montclair State to aviation complexes in South Jersey, the opportunities for CHP keep expanding. The Board has also been providing input and expertise to legislative efforts that would create financial incentives for CHP development.

In addition to the initiative described above, staff also coordinated the Board's directive to have each of the state's four electric distribution companies submit proposals for demand response programs aimed at all classes of customers. The programs are currently being reviewed by Staff and Rate Counsel.

The Board's outreach efforts to the State's business community have included presentations to and/or participation in the Mid-Atlantic Building and Facilities Management Show; the New Jersey Business & Industry Association's Energy Forum and Issues Breakfast; NJ League of Municipalities' annual conference; the Governor's Conference on Economic and Workforce Development; the NJ Large Energy Users Coa-

lition meeting; the NJ Association of Energy Engineers; the NJ Clean Energy Conference and numerous other events throughout the state.

The Board has been working with Rutgers' Center for Advanced Energy Systems on a series of Best Practices Manuals for ten industry sectors. The first of the manuals – focusing on supermarkets and convenience stores – will be ready for distribution shortly. Work will then begin on a manual for local government, as directed by the Energy Master Plan.

The Board has also coordinated with the NJ Economic Development Authority and the Governor's Office of Economic Growth on a number of projects aimed at bringing new businesses into the State, or helping existing businesses finance energy projects

Major Accomplishments

The Regional Greenhouse Gas Initiative ("RGGI") became a reality in 2008.

RGGI caps emissions of carbon dioxide from power plants in 10 states throughout the Northeast and Mid-Atlantic, by requiring each plant to use emissions credits (known as "allowances") to compensate for their emissions of CO₂.

Plants that reduce their emissions can sell unneeded allowances to other plants that have had less success in reducing emissions.

Although "cap-and-trade" programs such as RGGI have been implemented before, previous programs gave away allowances to power plant owners for free. BPU President Jeanne Fox led the building of a consensus among RGGI states to take a different approach, selling the allowances and using the proceeds to benefit energy consumers rather than the owners of power plants. President Fox had realized that wholesale prices of electricity would be unaffected regardless of whether

In 2008 Board received 46 requests for exemptions to the main extension rules. Twenty five agricultural exemptions were granted to farmers in fifteen counties, for varying agricultural purposes and three public good exemptions were granted. The main extension rules were implemented to assist in the state's smart growth goals of slowing and preventing development in areas not designated for growth by the NJ State Plan. The rules provide a quicker return of utility company deposits to customers for service requests to new structures located in areas designated for growth.

Major Role in NJ Efforts to Address Climate Change

power plant owners received the allowances for free or had to pay for them.

On December 17, 2008, New Jersey participated in an auction of RGGI allowances. The auction yielded about \$15 million. The Board decided in December to use its portion of the allowance revenues to help those New Jersey electricity customers who had suffered the most serious blows from the worldwide financial crisis. The Economic Development Authority will use much of its portion of the revenues to provide financing for the construction of energy-efficiency combined heat and power projects, which will also receive performance-based grants from the Board.

Smart Growth

BPU staff also promoted interagency coordination of smart growth policy and planning by participating on various statewide planning committees located in DCA and DEP. In October Smart Growth Advisor Eric Wilkinson left the BPU and legal specialist Bethany Rocque-Romaine became the Smart Growth Advisor.

Major Accomplishments

DTV Transition

The OCTV staff

worked with all seven cable companies monitoring and testing the mandatory Emergency Alert System to ensure that all cable systems have tested and perfected the digital transmission of these signals to each subscriber in the state. The OCTV also had and continues to monitor federal activities in order to assist non-cable consumers especially seniors and low income residents who may lose broadcast channels in February if not properly equipped technologically.

The OCTV also negotiated a settlement with members of Jersey Access Group (JAG) and the League of Municipalities and Rate Counsel contesting Cablevision migration of PEG channels to the digital tier. A free PEG-enabled digital box was offered to subscribers for an additional 10 weeks through December 2008 so that subscribers could access these channels programming without any additional cost to them.

Rate Regulation and Rate Relief

Due to rate cases with the two largest cable operators, subscribers will benefit with credits, and foregone rate increases and reduced rates this year alone totaling \$5.48 million.

Customer Complaint Resolutions/Refunds

OCTV staff had direct contact with more than 22,000 consumers over telephone, email and walk-in complaints. Staff was able to obtain more than \$254,000 in service credits or refunds solely related to these complaints about items such as billing complaints..

Interconnection Actions

To ensure that cable customers, regardless of their provider, would be able to receive local access programming in their communities, the Board initiated and concluded a dispute resolution process that resulted in settlement with Verizon and two incumbent cable operators Time Warner and Comcast.

Time Warner's interconnection with Verizon was fully functional by summer and Comcast's interconnection is expected to be fully completed by

Consumers and Businesses

the first quarter of the New Year.

With the remaining two incumbents overbuilt by Verizon, US Cable and Cablevision, Verizon made a business decision to replicate a PEG access network of its own by committing to build return lines to guarantee the same flow of PEG programming any interconnection would provide.

On-going monitoring of these agreements and resolutions continues

Long Term Planning

The Division of Water has worked to incorporate the results of conservation and long-term planning studies in rate case matters (through conservation initiatives, a precious natural resource is preserved, while long-term planning can lead towards goals getting accomplished at the least cost option).

STREAMLINING TELEPHONE RULES

DUE TO INCREASING COMPETITION IN THE TELEPHONE MARKET

The Board significantly streamlined telecommunications rules in 2007 in response to the evolving telecommunications marketplace. In 2008, the Board continued to review and modify its rules. One substantive change was proposed in response to the industry's desire to have flexibility in notifying their customers on rate changes for competitive services. The commenters suggested, and the Board agreed, in the current environment carriers should have more options on how the communicate rate changes to their consumers, particularly those consumers that are receiving electronic bills. This change is designed to balance the need for consumers to have adequate notice, while at the same time allow the companies the ability to communicate with their customers in the most efficient manner.

Major Accomplishments

Interconnection Actions

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BASIC TELEPHONE SERVICE STIPULATION PRESERVES NJBPU OVERSIGHT

WHILE GIVING VERIZON LATITUDE ON COMPETITION AND INVESTMENT

The Board in July, 2008, approved a stipulated agreement between Board Staff, Rate Counsel and Verizon New Jersey that gives the company an additional level of flexibility to compete and invest in New Jersey, while allowing the Board to retain its authority and regulation over basic telephone service.

Following an extensive formal review of the level of competition in the retail telephone market, Board Staff, Rate Counsel and Verizon came to an agreement that will allow Verizon to meet the challenges of the competitive marketplace, while at the same time protecting New Jersey's most vulnerable residents-including low-income consumers who receive dis-

Competition and Markets

counted service, known as Lifeline service. The agreement also recognizes that Verizon had not received a rate increase for residential basic exchange service since 1985.

The statewide price of residential basic exchange service at the time was \$8.95 per month – with taxes and fees, the total cost was \$18.45. If the \$8.95 were adjusted for inflation under the Consumer Price Index Inflation Adjuster, from 1985 to 2008, the price of the service would be \$18.22 per month. When you add the current taxes and fees, the inflation-adjusted cost would be \$29.43. Additional rate increases will be phased in annually during the following two years until 2011. Within 90 days after the third anniversary of the first year increases, the NJBPU will initiate a proceeding to re-evaluate the competitiveness of the services. The rate caps will remain in effect until the conclusion of that proceeding.

The national trend and the evolution of the telecommunications markets are all moving toward reducing and/or eliminating regulation. The stipulated agreement reached between Board Staff, Rate Counsel and Verizon allows Verizon to compete. At the same time, under the agreement the Board retains its ability to protect the working people of New Jersey, as well as our most vulnerable citizens – including the elderly and poor. A similar agreement was reached with Embarq in August, 2008, for customers in its service territory.

Continued

Major Accomplishments

Competition and Markets

BPU's Efforts to Extend by Several Years the Exhaust Date of New Jersey's Telephone Area Codes.

Staff's collaboration with NANPA and the industry has resulted in the cumulative return to date of 9,135 thousands-blocks of telephone numbers (i.e. 9,135,000, with nearly one half million in 2008) to available number pools. These codes were also placed in area code reserves. The most significant impact of this effort has been its effect on the projected exhaust of the 609, 908 and 856 area codes. At the start of 2008: 609 was projected to exhaust in 2012; the projection now is 2013; 908 was projected to exhaust in 2015, it is now 2018; and, 856 was projected to exhaust in 2018, it is now 2021. In effect, since the beginning of 2008 the lives for these 3 area codes have been extended another seven years.

The BPU has received a federal grant for \$50,000 for Water Contamination Detection and has partnered with the DSPTF's Water Security Working Group to create a program to be able to detect contamination to NJ's drinking water through online monitoring technology.

In an effort to provide additional protections to NJ from major natural gas explosions, Staff revised the pipeline safety rules in N.J.A.C. 14:7 which govern the construction, operation, maintenance, and inspection of natural gas pipelines. This effort enhanced the safe and reliable operation of gas pipelines in the state and represented an effort to set standards above the minimum required under federal code.

Reliability & Security

Broadened the scope of the One Call and Underground Damage Prevention program through increased outreach and public awareness and expanded stakeholder participation in the regulatory process. BPU worked with USDOT to implement the Federal PIPES Act as part of the State's overall effort to reduce underground damages and increase the percentage of federal funding for States.

Staff continued to perform ongoing inspections for Best Security Practices compliance and assessment of the vulnerabilities of critical utility infrastructure for gas, electric, water, wastewater, telecommunications, wireless and undersea cable landings across New Jersey.

Continued

Major Accomplishments

Outreach and Advocacy to Help Commercial Ratepayers. The Office of Business Energy

Ombudsperson (OBEO) took the lead in the BPU's efforts to achieve the demand response goals outlined in the Energy Master Plan (900 megawatts by 2020). Working with the Energy Division, OBEO reconvened and chaired a working group which presented a plan to the Board for jump-starting demand response in New Jersey by offering premium payments for capacity registered for the 2009 energy year. The Board approved the plan at its December 8, 2008 agenda meeting.

OBEO has been working with Rutgers' Center for Advanced Energy Systems on a series of Best Practices Manuals for ten industry sectors. The first of the manuals – focusing on supermarkets and convenience stores – will be ready for distribution shortly. Work will then begin on a manual for local government, as directed by the Energy Master Plan.

Outreach efforts to the State's business community have included presentations to and/or participation in the Mid-Atlantic Building and Facilities Management Show; the New Jersey Business & Industry Association's Energy Forum and Issues Breakfast; NJ League of Municipalities' annual conference; the Governor's Conference on Economic and Workforce Development; the NJ Large Energy Users Coalition meeting; the NJ Association of Energy Engineers; the NJ Clean Energy Conference and numerous other events throughout the state.

Competition and Markets

OBEO has coordinated with the NJ Economic Development Authority and the Governor's Office of Economic Growth on a number of projects aimed at bringing new businesses into the State, or helping existing businesses finance energy projects.

Continued

Major Accomplishments

In 2008, NJ utilities sold \$9.8 billion worth of debt securities, up from \$6.2 billion in 2007. Most of this was in the form of long term debt. Because utilities are such capital intensive enterprises, close monitoring of their financing activity is vital to assure that funds are obtained in the least cost manner possible due to the direct impact of the charges to ratepayers. The Office closely reviewed these debt financings for fiscal worthiness and anticipates 2009 will be another busy year

During the year, The Bureau of Financial Audits:

With the assistance of the Board's Universal Service Fund (USF) staff, completed the RFP procurement process for the performance of an audit of the USF Administrative Expenses charged by the Department of Human Services for the State Fiscal Years 2004 through 2006 and the first quarter of State Fiscal Year 2007. The field work on this audit has started and the audit is expected to be completed in the second quarter of 2009.

Processed One Call Systems, Inc.'s filing which resulted in a \$0.07 decrease in the tariff rate per outgoing notification from \$1.17 to \$1.10. This tariff charge is the charge to underground facility operators for notification of excavation activity. The decrease represents a reduction of approximately \$305,000 over the remainder of the One Call Systems, Inc. contract. Audit staff has also provided assistance to the Division of Reliability & Security relative to an RFP which will need to be released early in 2009 to solicit bids and select the next operator of the system before the expiration of the current contract in November of 2009.

Competition and Markets

- Commenced and/or completed field work on the following audits in 2008:
- Elizabethtown Gas Company Remediation Adjustment Clause
- Public Service Electric and Gas Company Remediation Adjustment Clause
- Jersey Central Power & Light Company Basic Generation Service Charge
- Audit of the Retail Margin Fund relative to all Electric Distribution Companies

Assisted the Board's Universal Service Fund Program Staff by overseeing the USF collections and reimbursement of \$173,492,039.47 in USF monies through the Board's office of budget and fiscal and assisted with the review of the Department of Community Affairs USF administrative fee budgetary matters.

Major Accomplishments

Counsel's Office was active in Energy matters, working cooperatively with the Energy Division and the E Team on a number of important issues, in addition to rate cases and Office of Clean Energy matters.

Specifically, Counsel's Office was instrumental in assisting the Board in challenging a Petition for a Declaratory Order to the Federal Energy Regulatory Commission, in the Cross Hudson – Bergen 2 matter, FERC Docket Number EL08-35, requesting certain determinations for a transmission line designed to bring the output of a 550 megawatt combined-cycle electric generating unit that went into service in 2002 into New York (Cross Hudson). The petition requested the FERC to declare that negotiated, non-cost based compensation is appropriate for Cross Hudson's delivery services, that the FERC will never order the Cross Hudson line to interconnect with PJM under Federal Power Act section sec. 202(b) because such an interconnection would be an "undue burden" and contrary to the public interest, and to declare that Petitioners' firm use of the capacity of the line could never be displaced by third-party requests for Firm Point-to-Point Transmission Service. Ultimately, the New York Power Authority selected a different generating unit under the RFP that it issued, which gave rise to the need for the petition.

Along with several other State Commissions and other parties, the BPU successfully challenged a filing by PJM Interconnection LLC (PJM) to the Federal Energy Regulatory Commission (FERC) to increase the "Cost of New Entry" or "CONE" used to develop the VRR Curve that determines the participation of demand in RPM auctions. The CONE is a major component that determines the price of capacity in PJM.

The NJBPU has also attempted to protect New Jersey's environmental and long term energy interests, by submitting comments to the Department of Energy, opposing the continued designation of national interest electric transmission corridors (NIETCs) beyond

the areas where the DOE has identified

that critical congestion exists because such designation favors transmission from areas where coal plants are likely to be built.

Advocacy

Counsel's Office assisted the Telco Division in resolving a proceeding commenced by the Board, to investigate the competitiveness of retail mass market services provided by incumbent Local Exchange Carriers in New Jersey, I/M/O the Board's Investigation Regarding the Reclassification of Incumbent Local Exchange Services (ILEC) as Competitive Order Dkt No. TX07110873. In addition, Embarq, in a related case, filed a petition for Alternative Regulation, I/M/O the Application of United Telephone Company d/b/a Embarq for Approval of a Plan for an Alternative Form of Regulation Dkt. No. T008060451. The cases settled and an order was crafted with Counsel's Office assistance, setting out who participated in the cases, the evidence on the record, summaries of the testimony submitted and of the public hearings, the statutory criteria for deeming a service competitive, the terms and conditions of the stipulations in these matters and the criteria for a Plan for Alternative Regulation and a summary of Embarq's Plan and Stipulation.

In addition, the Telco Rule adoption, NJAC 14:10, was successfully updated and re-adopted, which was the culmination of several years of work between carriers, board staff and OAL, and was completed with the aide of Legal Specialists.

Gas Hedging Audit. Continued its administrative oversight of the review of the hedging practices of New Jersey's four Gas Distribution Companies. Audit and Energy Division Staff are currently reviewing comments relative to the draft report. The report should be before the Board during the 1st quarter of 2009.

Continued

Major Accomplishments

From a personnel perspective, the late part of 2008 proved to be difficult for the Audits Division with the retirement of three staff members including a Bureau Chief, with over 90 years of combined public service for those three individuals, as a result of the State's early retirement incentive package.

During the year, the **Bureau of Management Audits**:

Completed the RFP procurement process for the performance of a management audit and affiliate transaction audit of Atlantic City Electric Company. Field work should be completed in January of 2009 with the goal of having a final audit report submitted to the Board during the first quarter of 2009.

Completed the RFP procurement process for the performance of a management audit and affiliate transaction audit of Elizabethtown Gas Company. Field work has commenced with the goal of having a final audit report submitted to the Board during 2009.

Started the RFP procurement process for the performance of a management audit and affiliate transaction audit of Rockland Electric Company. The RFP has been released to the Board-approved pool of management consultants with bids expected in the month of January 2009. Staff anticipates that the audit will be under way early in the second quarter of 2009.

Working with the Energy Division,

has finalized its recommendations related to the Consultant's report in the matter of the Management Audit and the Focused Audit of the affiliated transactions of New Jersey Natural Gas Company and its affiliates. Staff will move those recommendations to the Board in January of 2009 and follow-up on the implementation plan for those recommendations.

Continued to monitor the planned implementation of 37 specific recommendations for improvement in the management and operations of United Water New Jersey and United Water Toms River resulting from the management audit conducted in 2007.

Advocacy

Continued

Major Accomplishments

The Office of the Economist has reviewed numerous electric, gas, water and telecommunication mergers over the past few years. Some recent examples follow. On 4/23/08, American Water Works had an initial public offering of 58 million shares at \$21.50. This \$1.25 billion deal, which created the largest publicly-held water utility in the U.S., came about from the analytical efforts of the Office of the Economist working closely with the staff of N.J. American Water Co., Thames Water and RWE Aktiengesellschaft. The Company established its corporate headquarters in Voorhees, NJ and approximately 100 new employees were added to the payroll.

On 6/16/08, United Water New Jersey and Gaz de France (GdF) received Board approval for their proposed merger of GdF with Suez. Under the transaction, Suez was merged into GdF, to create GdF Suez. Concurrent with this merger, Suez will spin-off 65% of Suez Environment in an Initial Public Offering. This new publicly traded company, Suez Environment, is the ultimate parent company of UWR Company. The Company agreed to maintain its corporate headquarters in Harrington Park, NJ.

Mergers and Acquisitions

The most recent merger was the acquisition by New Jersey American Water Co. of the water system owned by the City of Trenton which serves various surrounding towns. All parties benefited from the transaction; the City of Trenton received needed cash and relief from future capital expenditures; the surrounding towns will now be served by a nationally recognized utility; NJAWC will be able to add 39,000 new customers in the state where its national headquarters is located; and New Jersey benefits from the creation of an additional thirty private sector jobs.

Major Accomplishments

Relief to Thousands of New Jersey Residents.

USF benefits cover income eligible households' energy costs beyond a certain percentage of household income up to a cap of \$1,800 per year. This way, **USF** provides the highest benefits to those with the greatest need. **USF** benefits must be applied for annually. Benefits appear as a monthly credit on the household electric and/or gas bill. Estimated annual enrollment for **USF** is approximately 153,000 households statewide. An increase in enrollment is anticipated for the 2008-2009 heating season due to the current economic climate.

USF program highlights include:

One-Stop Shopping: **USF** is linked with the federal Low Income Home Energy Assistance Program (**LIHEAP**), a heating and cooling assistance program. There are now three entry points to the **USF** program for qualified households: 1) Submission of a joint **USF**/**LIHEAP** application to a county application agency; 2) Participation in the Food Stamps program; and 3) Participation in the Lifeline program (new enrollment process began in November 2008).

Customer Service. For the 2007-2008 program year, the Board contributed to funding for a state-of-the-art interactive, voice-response telephone system for the **USF** and **LIHEAP** hotlines. This new technology is meant to streamline and reduce the time it takes for the average call at the Call Center, which handles more than 3,500 calls each week. The new phone system also has reporting capabilities to enhance services

Help for Low-income Residents

and productivity.

Current Projects: Staff of the Board, **DCA** and the Department of Human Services have initiated several working groups to address the day to day challenges associated with providing one-stop shopping energy assistance to the public. The working groups, which include representatives from utility companies, consumer interest groups and state agencies, are working together to streamline the application process so that households in need can qualify for multiple assistance benefits as efficiently as possible.

Looking Forward: The Board and **DCA** will be working throughout 2009 to more fully address the needs of **USF** households through energy efficiency. A public process will help the Board to determine the best methods for providing home energy audits and energy efficiency measures to **USF** households. The Board's Office of Clean Energy Comfort Partners Program, **DCA**'s federal Weatherization Assistance Program and the **USF** program will work together to assist New Jersey households keep their energy costs down.

General Information: Joint **USF**/**LIHEAP** applications, a list of county application agencies and eligibility requirements are available to the public at: 1-866-240-1347, or at: www.energyassistance.nj.gov.

Major Accomplishments

Comfort Partners:

The Program: In 2008, 7,239 low-income households were served by the Clean Energy Program's Comfort Partners Program. Comfort Partners provides: 1) A free home energy audit to identify how much a household can save on energy costs through the implementation of weatherization and energy efficiency measures; and 2) Free installation of weatherization and energy efficiency measures, as well as energy conservation education.

Eligibility: Electric and natural gas customers with high electric or natural gas usage and income at or below 225% of the Federal Poverty Level are eligible. Households that receive benefits from Universal Service Fund (USF), Lifeline and/or Pharmaceutical Assistance to the Aged and Disabled (PAAD) are also eligible.

Targeted Outreach: Households that receive USF benefits are targeted for outreach by Comfort Partners in order to help USF customers become less dependent on energy assistance. As a result of this targeted outreach, approximately 65% of Comfort Partners households were USF recipients in 2008.

Energy Savings: This program is part of a concerted state-wide effort to achieve the primary goal of Governor Corzine's Energy Master Plan, which is to reduce energy consumption 20 percent by 2020. During 2008, estimated average savings per customer were 8,778 megawatt hours for electric and 73,535 dekatherms for natural gas.

Accomplishments: Comfort Partners won the 2008 Regional ENERGY STAR Award for Excellence in Energy Efficient Affordable Housing for promoting the use of ENERGY STAR qualified lighting and appliances in the retrofitting of low-income homes. Recognition was received

Help for Low-income Residents

for employing a "Whole House Approach" using advanced building science diagnostics to address all aspects of energy conservation and affordability in a single integrated approach.

2008 Program Enhancements: Included 1) A pilot program to include a more comprehensive home energy audit inspection process including verifying contractor blower door, pressure diagnostics, and combustion safety testing results;

2) Development of a consistent approach among contractors for sizing of furnaces, boilers and central air conditioning units; 3) Combustion safety testing procedure was revised to more closely match the Building Performance Institute (BPI) certification procedures; and 4) Refrigerator/freezer thresholds were revised to allow for more replacements.

Partnering with the federal Weatherization Assistance Program (WAP): In 2008 Comfort Partners utility representatives established relationships with county WAP agencies, (overseen by the Department of Community Affairs), by visiting those agencies and providing an overview of the Comfort Partners database system. Now county WAP agencies can use the Comfort Partners database system to search for potential weatherization customers before scheduling appointments in order to avoid duplication of services.

Major Accomplishments

Strengthened Protection of New Jersey's Critical Infrastructure.

In conjunction with State and Federal partners and the private industry, the Division of Reliability & Security have engaged in a large scale effort to expand the preparedness of utilities for recovery of lifeline services after a major disaster including Severe Weather, Hurricanes, Pandemic, or Nuclear events.

Full Partnership Presence at State's Emergency Management Command Center.

Emergency Management staff has met the challenge of integrating staff into State Police Headquarters in West Trenton to facilitate comprehensive planning, information sharing, and coordination of statewide emergency management functions as well as revision of the State Emergency Operations Plan (EOP).

Staff has successfully spearheaded the creation of a BPU PEOSH / Safety Committee and has worked diligently to update the BPU's safety program on a continued basis throughout the year for the protection of our employees and field staff.

Staff successfully continues the Pipeline Integrity Management program that will ensure that transmission pipelines are in accordance with State and Federal guidelines and worked to continue to earn a high performance rating by the US Department of Transportation

Safety and Security

Federal Grants Enhance NJ Homeland Security.

The BPU has received a total of \$1.35 million in Homeland Security funding for the development of strategy and planning activities related to interdependencies of essential services and utility infrastructure, as well as strengthening security measures and

Continued

Major Accomplishments

Vegetation Management.

- On April 7, 2006, in a separate proceeding, the US Department of Energy, through the National Electric Reliability Council (NERC) adopted transmission line vegetation management standards for lines that were rated above 200kV.
- These generic standards were directed at electric utilities and set requirements for ROW inspections as well as addressing clearances between transmission lines and potential ground faults. The IEEE Standard 516-2003 titled, "Guide for Maintenance Methods on Energized Transmission Lines" was adopted by reference.
- In February 2008, the Board's Chapter 5, "Electric Service Rules" came up for re-adoption and ultimately, the board re-adopted the vegetation standards as part of an overall readoption of Chapter 5. During the re-adoption process, staff received an abundance of feedback from the public and the regulated utilities. Some of the initial concerns raised by these groups included: clearing of vegetation in the border zone, removal of vegetation in the wire zone, and proper notice to homeowners regarding trimming.
- Then, on May 8, 2008, at the regularly scheduled meeting, the BPU announced its intention to undertake a review of N.J.A.C. 14:5-9, the rules governing vegetation management by Electric Distribution Companies (EDC's). The Board moved to action in an effort to ensure that the Vegetation Management Rules were facilitating reliable service while preserving an enhanced quality of life for New Jersey residents. The Board urged staff to begin a review of Subchapter 9, Vegetation Management. Specifically, staff was charged with analyzing the impact of the vegetation requirements on agricultural crops and determining if modifications were needed as it pertains to the maintenance of transmission line right of ways (ROW).

Safety and Security

- On June 4, 2008, the BPU published notice in the New Jersey Register, 40 N.J.R. 3958 of the rulemaking on vegetation management practices, specific to the rules listed under N.J.A.C. 14:5-9. A formal stakeholder hearing was held on Thursday, August 21, 2008 at the BPU Hearing Room in Newark, NJ. Subsequently, board staff gathered additional comments which were presented to the board. Upon review, the board asked for a second more concise stakeholder meeting to be arranged. Staff composed an agenda outline in preparation for the public meeting and it was posted on the vegetation management webpage featured on the official BPU website. The second meeting was conducted on Wednesday, December 3, 2008 at 1:00pm in the Board Hearing Room in Newark, NJ.

Other important dates :

- Ø April 3rd 2009 Board agenda meeting and vote
- Ø May 18th 2009 Proposal published in NJ Register
- Ø July 21st: 2009 Public Hearing
- Ø July 22nd 2009: Comment Period closes
- Ø November/Dec 2009: Adoption by BPU Commissioners
- Ø Dec./Jan.2009-2010: NJ Register publication

Continued

Division Functions

Division of Administration

Chicqueta Britton-Nutt, *Director*

The Division of Administration is comprised of six units that provide services to BPU Staff.

The **Office of Human Resources** is responsible for human resource management. Additionally, the Office manages all benefits activities, including health, dental, vision and prescription plans for employees. The Americans with Disabilities Act Coordinator is also located within the Office of Human Resources. The Unit also assists management in Performance Assessment Review activity.

The **Employee Relations Unit** oversees counseling, labor relations, incentive programs, security issues, civil service regulations and contractual matters.

The **Office Services Unit** provides facility support to the BPU. Responsibilities include print shop operation, mailroom, message and courier service, office supplies and stock room. The Unit also manages the BPU assigned vehicles, parking passes, installation and relocation of telephone equipment, inter-office moves and space allocations. The Office Services Unit is also responsible for procurement and receipt of cash.

The **Equal Employment Opportunity and Affirmative Action Program (EEO/AA)** is administered by the EEO/AA Officer, who reports to the Division Director and is responsible for matters related to the State of New Jersey Policy Prohibiting Discrimination, Har-

assment and Hostile Environments in the Workplace; investigates allegations of discrimination; and develops and implements the annual Workforce Plan.

Nursing Services provides first aid and immediate medical care. The Staff Nurse arranges for all health-related programs.

The **Training Unit** coordinates all training initiatives, which include training sites and equipment, negotiating contracts, and administering the tuition reimbursement program and employee awards efforts.

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Division Functions

Division of Audits

Dennis Moran, *Director*

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 consists of two Bureaus, which report directly to the Director.

The Bureau of Financial Audits performs audits of utilities and other regulated entities subject to the Board's jurisdiction. Examples of financial audits performed included utility construction programs, gas contracts, tariff compliance and environmental remediation expenditures, as well as audits of other regulated entities subject to the Board's jurisdiction such as New Jersey One Call.

The Bureau assists other agencies in investigations of public utilities and other regulated entities. The Bureau maintains and reviews annual reports filed by all New Jersey public utilities; manages the Board's Annual Assessment program, and is responsible for the licensing of third-party energy suppliers, energy agents and private aggregators and for issuing authority for Competitive Local Exchange Carriers (CLECs) for inter-exchange telecommunications services. .

The Bureau of Management Audits reviews the operations and management of energy utilities during a specific time-frame, with the goal of seeking efficiency and accountability of actions in order to assure safe, adequate and proper service. The goal of efficiency reflects endeavors

to improve the future operations and management of each utility. Bureau 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 of 1999, both Bureaus participate in competitive service compliance reviews. These are performed by an independent consulting firm under the supervision of Board Staff.

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Division Functions

Division of Customer Assistance

Eric Hartsfield, *Director*

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, 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 BPU Customer Representatives in person.

Additionally, the Bureau contains a letter-writing unit, which investigates billing and service complaints. The unit issues an informal decision. The Bureau is also responsible for tracking the number of complaints received to identify areas of concern; in turn, the Division recommends necessary corrective action to the Board.

The Research and Planning Unit is responsible for research and planning functions within the Division. It provides analytical and administrative support to the Division Director in conducting special projects, surveys and studies. Staff also processes formal complaints for Board agenda consideration and participates in rule making, rate case issues and tariff revisions and provides assistance and consultation to other Divisions of the Board.

The Bureau of Investigations handles telephone slamming complaints, as per P.L. 1998

c. 82. This legislation required the State to "opt-in" to the Federal Communications Commissions' State Referral Program; as such, the Bureau handles all New Jersey slamming complaints that were previously referred to the Federal Communications Commission (FCC). The Bureau also imposes fines upon carriers that are found to have violated the slamming regulations. In order to identify chronic abusers, some of these complaints are handled in conjunction with the Division of Consumer Affairs. The Bureau also handles alleged slamming complaints for energy suppliers and other investigations as assigned.

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Division Functions

Division of Energy

Nusha Wyner, *Director*

The Division of Energy is responsible for traditional regulatory responsibilities in addition to evolutionary facets of de-regulation and retail competition. With changes in the law, the Division's responsibilities have increased as it fosters electric and natural gas retail competition in New Jersey.

The Bureau of Revenue Requirements performs traditional rate-related functions, determining revenue requirements, setting rates and addressing tax and financing issues, encompassing base rate cases, adjustment clauses and depreciation matters. Since de-regulation, these functions are changing and can include areas such as societal benefits charges and market transition costs.

The Bureau of Rates and Tariffs comprises 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 also addresses 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, the

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.

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Division Functions

Division of Reliability & Security

James Giuliano, *Director*

The Division's Bureaus:

Bureau of Emergency Management handles emergency response matters for water, sewer, electric and gas utilities. It is tasked with oversight of each utility industry sector's security obligations according to law. The Division remains integrated into the Office of Emergency Management and the Office of Homeland Security and Preparedness. The BPU is a member of and President Fox is an active participant in the OHSP Domestic Security Preparedness Task Force (DSPTF), which continues to achieve security objectives. Bureau Staff participates fully in the Task Force Planning Group, the Weapons of Mass Destruction (WMD) Advisory Committee, and other planning groups. Staff works with utility companies to refine utility security best practices that include detection, preparation, prevention, response, mitigation and recovery. Staff participates in exercises and training programs on preparedness and reliability.

The Bureau of Pipeline Safety (BPS) administers a safety and enforcement program for natural gas pipeline systems within the State. The BPS oversees the State's natural gas pipeline safety program in accordance with State and federal guidelines, as well as the U.S. Department of Transportation/Office of Pipeline Safety (OPS) certification requirements. This includes a comprehensive inspection and compliance review of all intrastate gas pipeline systems. 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 of Meter Tests and One Call administers the Underground Facility Protection Act (One Call Law), a safety and enforcement program. 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). Strong efforts are directed toward public outreach and education, which include an Excavator Handbook for Damage Prevention.

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Division Functions

Division of Telecommunications

Anthony Centrella, *Director*

The Division of Telecommunications oversees the performance of the telephone companies under the Board's jurisdiction. It is comprised of the bureaus of Market Structure and Engineering and Rates.

The Bureau of Market Structure implements and oversees local competition issues. It evaluates and implements plans for alternative regulation and handles utility applications for mergers, divestitures, transfers of control and acquisitions. The Bureau reviews carrier-to-carrier arrangements and interconnection agreements for facilities-based, resale and wireless carriers. It conducts inter-carrier coordination activities through arbitration, mediation and administration of performance measurements to resolve issues that arise between competing telephone carriers. The Bureau also monitors telephone assistance programs such as Lifeline and Link-Up and Federal universal service funding issues. It assists the Division of Audits with the annual assessment of financial reporting implementation and certification of carriers. It also assists the Office of the Economist with evaluation of financing petitions.

The Bureau of Engineering and Rates examines facilities deployment of telephone companies and ensures that the companies provide reliable, safe and high-quality service at reasonable rates, terms and conditions. The Bureau analyzes and recommends the following areas: accelerated network deployment, to schools and libraries; retail service quality standards; operations

support systems; property sales; exchange boundary revisions; competitive services monitoring; investigation into the service outages; administration of the telecommunications relay system; initial and revised tariffs for regulated and competitive services; wholesale unbundled network element rates; payphone-related issues; reseller and facilities-based providers' bankruptcies; rulemakings; verbal and written complaints, both simple and complex; and the Bureau interfaces with the numbering conservation expert regarding area code relief, pooling conservation and reclamation of unused numbers.

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Division Functions

Division of Water

Maria Moran, *Director*

The Division of Water is responsible for ensuring that safe, adequate and reliable water and wastewater service is available at reasonable costs to the customers of New Jersey's 47 investor-owned water companies, 20 sewer companies and 10 municipal water companies. The Division evaluates financial implications and impacts of health and environmental regulations on rates, and the economic viability of the investor-owned water and wastewater utilities under BPU's jurisdiction. The Division regularly deals with: water and wastewater rates; assessing water and wastewater infrastructure needs and operating costs; assuring safe, reliable water supply; droughts; smart growth impacts on water and wastewater costs and availability of supply; water reuse; depletion of aquifers; service interruptions; terms and conditions of water and wastewater service and overall management; and conservation initiatives.

The historically quiet water industry exists now in significantly changing markets, which require a strategic regulatory response under law. A significant number of the State's municipal water systems are being privatized by subsidiaries of water purveyors regulated by the Board. The Division's role is to ensure that these privatized efforts result in fair and equitable rates for the privatized municipal systems. Also, given more stringent water quality limitations

being imposed under the Safe Drinking Water Act and the Department of Environmental Protection rules, water and wastewater treatment costs are increasing, which in turn increases the cost of providing service to customers. This is a challenge for the Division since compliance with these rules and regulations is mandatory. The Division must balance these compliance costs with fair and reasonable rates to customers.

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Office Functions

Office of the Chief of Staff

Janeen Lawlor, *Chief of Staff*

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

The Chief of Staff reviews all activities and work products 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 Commis-

sioners at meetings with members of the public or with representatives of various governmental and industry groups.

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Office Functions

Office of Chief Counsel

Sam Wolfe, *Chief Counsel*

The Office of the Chief Counsel is staffed by legal specialists and administrative support employees. Legal specialists provide regulatory and administrative expertise regarding matters brought before the Board. They provide support to the Board, to BPU technical staff, and to the Attorney General's office. Examples of this support include drafting regulations, legislation, and Board orders; assisting technical staff in drafting those documents, in accordance with the Board's policy objectives; assisting in discovery and in preparation for trial-type hearings in contested cases and facilitating settlement discussions in those cases; leading or facilitating stakeholder meetings as needed; and serving as hearing officers in public hearings. The legal specialists also provide guidance to the public and to technical staff as to the nature and substance of the various stat-

utes and regulations covering the responsibilities of the BPU. The Chief Counsel also leads the BPU's team working on federal and regional electricity policy issues. The office also includes the BPU's ethics liaison officer, who provides guidance and training to Commissioners and staff regarding ethics issues.

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Office Functions

Office of the Executive Director

Victor Fortkiewicz, *Executive Director*

The Executive Director oversees the activities of the Office of Cable Television and the Divisions of Audits, Energy, Telecommunications, Reliability & Security and Water, as well as the Office of the Chief Economist and the newly formed Office of the Business Energy Ombudsperson.

The Executive Director reviews all activities and work products 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 is ultimately responsible for all technical staff policy recommendations to the BPU.

The Executive Director often represents the BPU in meetings with other State departments, the Governor's Office staff and the legislature, which may include the delivery of formal testimony at legislative hearings. The Executive Director can act

as a spokesperson for the BPU in responding to press inquiries and in meetings with editorial boards.

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Office Functions

Office of the Secretary

Kristi Izzo, *Secretary*

The Secretary of the BPU is responsible for managing the Board's agenda process and serves as the BPU's Records Custodian to ensure compliance with the Open Public Records Act. In accordance with N.J.S.A. 48:2-4, the Secretary of the BPU 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." 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 Bureau of Case Management and the Division of Customer Assistance. The Secretary is also charged with managing the Universal Service Fund, the Board's energy assistance program for low-income households.

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Office Functions

Office of Policy and Planning

Lance Miller, Chief

The Chief of Policy and Planning oversees the Clean Energy Program, managing program development and evaluation. The office led the development of the State Energy Master Plan (EMP) through coordination of multi-agency Energy Master Plan Committee and administered the stakeholder process during the drafting of the plan. The Office of Policy and Planning is lead in policy development towards the achievement of the goals outlined in the EMP.

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Office Functions

Office of the Chief Economist

Mark Beyer, *Chief Economist*

The Office of the Economist advises the Board on economic and financial matters as well as policy issues. It is responsible for analyzing and recommending action on cost of capital issues in rate cases, evaluating utility requests to sell securities and assessing utility merger and acquisition proposals.

It analyzes the financial performance of regulated utilities, advising the Board on capital and earnings requirements to assure the financial integrity of the utilities is sufficient to provide reasonably priced utility service. The Office evaluates how proposed alternatives to rate of return regulation would impact ratepayers including replacing traditional cost based regulatory structures with market based incentive mechanisms in order to improve efficiency and minimize costs.

The Office is working to ameliorate the impact of problems in the macro-economy (rising unemployment) and financial markets (increasing cost and limited availability of credit) on both ratepayers and shareholders. Given the capital intensity of the utility business, the cost and

availability of credit directly impacts ratepayers. This includes innovative capital recovery mechanisms to spur employment especially for needed utility and environmental infrastructure.

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Office Functions

Office of Cable Television

Celeste Fasone, *Director*

The Office of Cable Television (OCTV) regulates basic cable television rates and other cable services supplied by 39 cable TV systems to over 2.5 million subscribers throughout New Jersey. The OCTV also includes a Bureau of Accounts and a Bureau of Inspection & Enforcement.

The Bureau of Accounts reviews sales, transfers, mergers and consolidations proposed by the various cable companies that operate in New Jersey. Pursuant to the Federal Cable Act of 1992, the Bureau may only regulate the rates charged for basic service and equipment by four multi-system owners offering service within the State.

The Bureau of Inspection & 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. Bureau Staff also handles customer relations and rule enforcement in such matters as billing, service complaints, discon-

nections and property restoration.

The State and Local Planning Unit, which oversees franchising and re-franchising for New Jersey's 562 municipalities, completes the OCTV's structure.

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 - Chief Counsel
 - Executive Director
 - Secretary
 - Office of Policy and Planning
 - Chief Economist
 - **Cable Television**
 - Clean Energy
 - Communications
 - Information Technology
-

Office Functions

Office of Clean Energy

Mike Winka, *Director*

The Office of Clean Energy (OCE) has the responsibility of implementing energy efficiency and renewable energy programs, as well as the programs' design, administration, monitoring and evaluation. The OCE administers a grid supply renewable energy program and an infrastructure development program. Additionally, the OCE administers federally funded energy conservation loans and grants, renewable energy demonstration projects, alternative fuels programs, emerging technologies and public awareness programs.

The NJBPU Clean Energy Program is a signature initiative of the Board. The Program, created as part of the New Jersey Electric Discount and Energy Competition Act (EDECA), offers a comprehensive suite of programs that makes clean energy technologies affordable and accessible to all New Jerseyans, including residential customers, businesses, schools and local governments:

Residential Energy Efficiency & Assistance Programs

Home Performance for ENERGY STAR

NJ ENERGY STAR® Homes

NJ ENERGY STAR®

NJComfort Partners

Home Energy Analysis

COOLAdvantage/WARMAdvantage

Commercial Clean Energy Programs

New Jersey SmartStart Buildings®

Combined Heat and Power (CHP)

Renewable Energy Programs

Customer On-Site Renewable Energy (CORE) Rebate

Solar Renewable Energy Certificate (SREC)

CleanPower Choice SM

Renewable Energy Project Grants & Financing and Renewable Energy Business Venture Assistance (both offered in partnership with the New Jersey Economic Development Authority)

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Office Functions

Office of Communications

Tim O'Donovan, *Director*

The Office of Communications is responsible for informing the public of Board decisions, meetings and activities. It culls information from various Divisions in order to respond to the media, general public, utility customers, the Legislature and local, State and Federal government officials and agencies. 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 saving energy and other matters related to their utilities. The Office is responsible for updating, designing, and monitoring the Board's website.

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Office Functions

Office of Information Technology

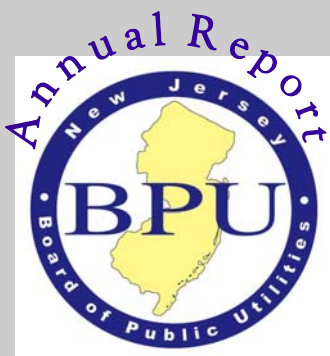
Wilma Hoggard, *Director*

The Office of Information Technology's (IT) responsibility is to keep the Board at the cutting edge of technology. This requires analysis of each Division's specific computer hardware and software requirements and any accompanying design, development, procurement and implementation. IT provides Word & data processing solutions, data communications, database applications, networking solutions and WEB interfacing applications. among wired, wireless and voice mail systems. The BPU is at the forefront in implementing these state-of-art technologies.

A key goal of IT is to develop and implement procedures and guidelines in order 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. A Help Desk was formed in order to maintain this goal by providing support and assistance to the Board's end-users in the use of computer systems.

IT is responsible for the hardware and software integration necessary to promote anytime, anywhere communication, which is facilitated through data sharing

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New Jersey Board of Public Utili-



Points of Contact:

Utility Consumer Complaints

1.800.624.0241

Cable Television Complaints

1.800.624.0331

Media Inquiries

973.648.6135

Inquiries from Legislative Offices

973.648.2716

On the Web

www.nj.gov/bpu

www.njcleanenergy.com