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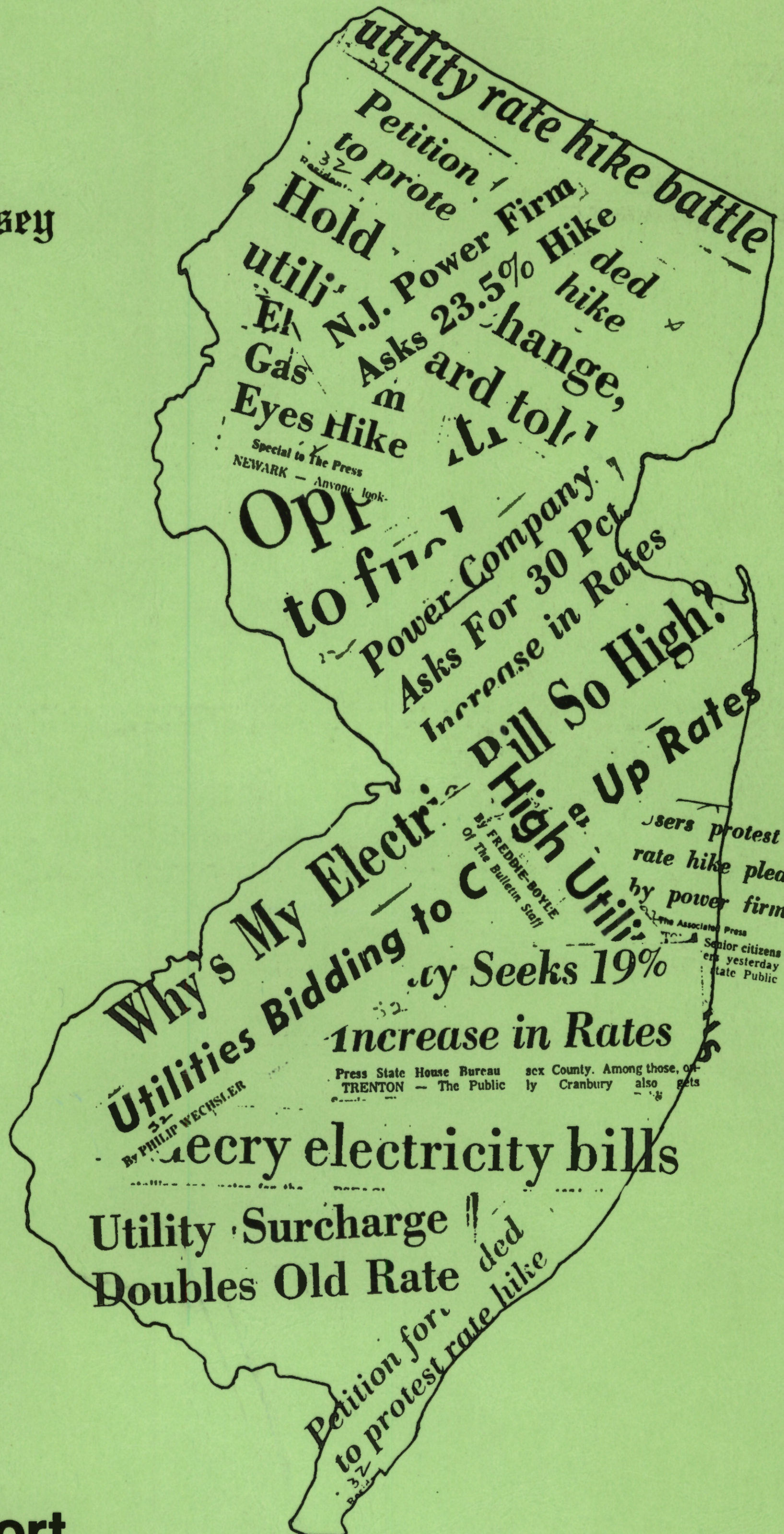


1974
Annual Report

DEPARTMENT OF PUBLIC UTILITIES
BOARD OF PUBLIC UTILITY COMMISSIONERS

STATE OF NEW JERSEY
DEPARTMENT OF PUBLIC UTILITIES
BOARD OF PUBLIC UTILITIES COMMISSIONERS

ANTHONY J. GROSSI
PRESIDENT

101 COMMERCE STREET
NEWARK, NEW JERSEY

April 24, 1975

Honorable Brendan T. Byrne
Office of the Governor
State House
Trenton, New Jersey 08625

Dear Governor Byrne:

In accordance with N.J.S.A. 48:2-11, the Board of Public Utility Commissioners herewith submits to you its sixty-fifth annual report covering the activities of the Board and its staff during calendar year 1974.

The report summarizes many of the Board's decisions of 1974 and discusses the problems and responsibilities it faced during the year. A complete record of the Board's progress in fulfilling its statutory authority is available for inspection in our files.

Respectfully submitted,

Anthony J. Grossi
Anthony J. Grossi
President

AJG:gl

PRESIDENT ANTHONY J. GROSSI was born in Haskell, New Jersey, on November 8, 1906. Following his graduation from the John Marshall Law School, he served in several municipal posts in his hometown of Paterson. He was eventually appointed Commissioner of Taxes and Assessments in Paterson.

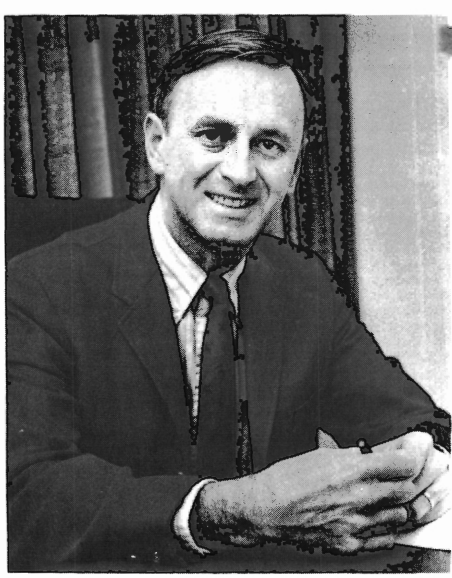
Commissioner Grossi served as Democratic Chairman in Paterson from 1948 to 1960, and was Passaic County Democratic Chairman from 1960 to 1974. He was elected to the New Jersey Senate in 1957, serving in the upper house for ten years as Senator and Minority Leader. In 1967, former Governor Richard J. Hughes appointed him to the Public Utility Commission.

In January, 1974, Governor Byrne named Commissioner Grossi as the Board's first full-time president.

COMMISSIONER JOEL R. JACOBSON was born in Newark, New Jersey, on July 30, 1918. He received a degree in journalism from New York University in 1941. During World War II, Commissioner Jacobson saw action in Italy and Africa, rising to the rank of 2nd Lt.

Following the war, he began a career in labor which saw him rise from a union organizer for the International Ladies Garment Workers Union (ILGWU) to President of the New Jersey Industrial Union Council (IUC). Commissioner Jacobson also served as president of the New Jersey CIO and Community Relations Director for Region 9 of the United Auto Workers.

He was a member of the Rutgers University Board of Governors from 1959 to 1974, when he was appointed to the Board. Commissioner Jacobson lives in South Orange with his wife, Lucie, and their two children.



COMMISSIONER STEWART G. POLLOCK was born on December 20, 1932, in East Orange, New Jersey. He graduated from Hamilton College in 1954 and New York University Law School in 1957, where he was a Root Tilden Scholar.

Commissioner Pollock served as U.S. Attorney for New Jersey from 1958 to 1960. In 1960, he joined the Morristown law firm of Schenck, Price, Smith & King. Commissioner Pollock remained with the firm until his appointment to the Board in 1974. He has served as chairman of the Morris County Bar Association, trustee of the New Jersey State Bar Association, and associate editor of the New Jersey Law Journal.

Commissioner Pollock lives in Mendham with his wife, Penelope, and their four children.

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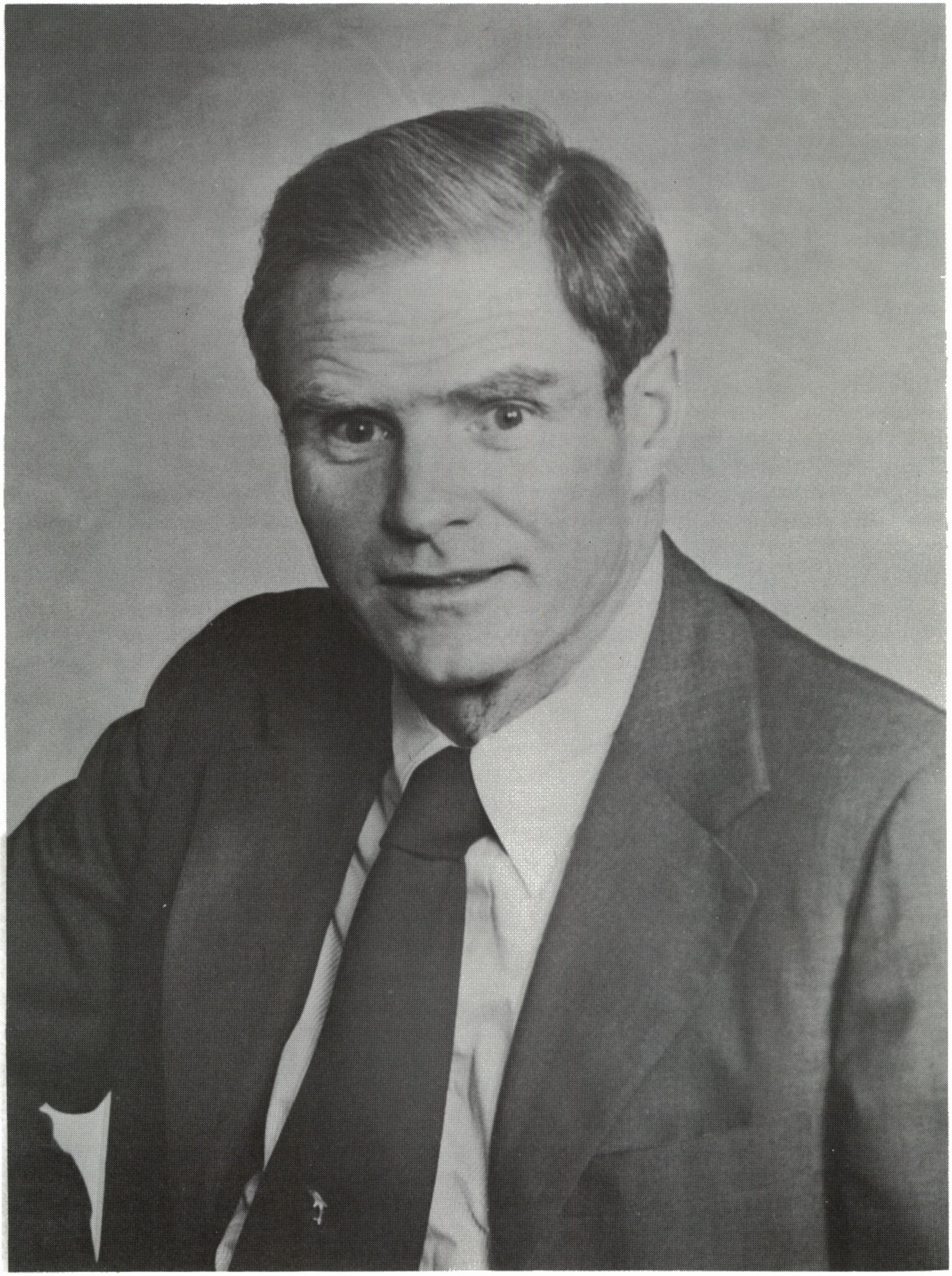

BRENDAN T. BYRNE, Governor

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The Board of Public Utility Commissioners prepares to start its weekly conference. From left to right, Commissioner Stewart G. Pollock, President Anthony J. Grossi, and Commissioner Joel R. Jacobson.

INTRODUCTION

When the Board of Public Utility Commissioners issued its annual report for calendar year 1973, the main theme of the report was energy. While the energy problems discussed in that report have certainly not vanished (and in the case of natural gas have increased), 1974 has brought us a new theme—the economy.

The twin monsters of inflation and recession have had the same devastating effect on the utilities of this state as they have had on the consumer. Fuel costs for utilities have tripled over the past two years, just as they have for the homeowner. Interest rates have skyrocketed for utilities in the same way that they have for the young couple seeking a mortgage on a new home. The cost of constructing a new electric generating station or water treatment plant has risen in much the same manner as the cost of constructing a den, garage, or back porch. Labor and material costs have also increased.

The legislative mandate of the Board of Public Utility Commissioners is to assure that utilities in New Jersey provide safe, adequate, and proper service at reasonable rates. Utilities

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must be afforded the earnings needed to attract investors and earn a fair return. Consumers must still have the ability to pay for vital life-sustaining services. The Board must balance the interests of the utilities and the consumers.

This report will explore the ways in which the Board exercised its authority in 1974 to carry out its mandate.

BUREAU OF RATES

With practically every major utility in New Jersey applying for a rate increase (or having a rate increase request pending) in 1974, the 13-member Bureau of Rates became the focus of attention at the PUC.

In all, 345 petitions for increased rates were filed during 1974 totalling $597,480,629. Some of the larger requests included:

Public Service Electric and Gas Company	$257.4 million
New Jersey Bell Telephone Company	$154.9 million
Jersey Central Power and Light Company	$ 56.7 million
Atlantic City Electric Company	$ 30.8 million
Elizabethtown Gas Company	$ 13.0 million
South Jersey Gas Company	$ 16.6 million

A total of 345 days were spent in hearings for rate cases. The Board approved a total of $194,210,863 in rate increases, although some of that amount was granted to utilities who filed petitions prior to 1974.

Rates Bureau Chief Anthony J. Zarillo makes a point on rate regulation during a staff meeting. Seated clockwise around the table are I. Paul Slevin, Kenneth Roberts, James Holston, Jose Catalan, Nueva Elma, Paul Katz, Edward Kubala, and Thomas Langbein.

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Aside from the formal rate proceedings, the Bureau's staff also handled 3,260 "informal" proceedings. These included letters, telephone calls, and personal visits by consumers and others on rate matters.

Many of the complaints handled by the Bureau did not concern the rate increases awarded by the Board, but rather the effects of the fuel adjustment clauses and similar "pass-through" devices on electric, gas, and telephone bills. The year began with the owners of total electric homes reeling from the impact of the increased fuel adjustment charges on their bills. Some homeowners—particularly in that area of northern New Jersey served by the Rockland Electric Company—saw their monthly heating bills reach $200 and more.

The situation eased somewhat in the spring as the price of oil levelled off. The shutdown of the Oyster Creek nuclear generating station for maintenance and repairs, however, forced the Jersey Central Power and Light Company to rely more heavily on electricity generated by oil and pushed the company's fuel adjustment charge up just as the peak air conditioning season began. This combination resulted in tremendously higher bills for JCP&L's customers and brought a sharp outcry from consumers.

Fortunately, the autumn and winter saw another levelling off of the fuel adjustment charges.

BUREAU OF ACCOUNTS

In the wake of the dramatic increases in electric bills caused by skyrocketing fuel adjustments, the Board assigned members of the Bureau of Accounts to investigate the application of the clauses and the purchasing practices of the utilities.

The Bureau sent accountants to check the records of Public Service Electric and Gas Company, Jersey Central Power and Light Company, Atlantic City Electric Company, and Rockland Electric Company. The investigation found that the companies were properly applying the clauses and, while certain spot purchases of fuel were quite expensive ($25.00 a barrel in the case of one utility), the companies had no solution to offer as an alternative to paying the high prices in order to provide needed electricity to consumers and meet anti-pollution standards. The Board does not regulate the oil industry and, consequently, cannot control the purchase price of oil by the utilities.

Following the Bureau's investigation of the fuel clause, the Board commissioned the Gilbert Associates consulting firm to delve even further into the area of fuel purchases. Gilbert Associates put their findings into a lengthy report which concluded that the managements of New Jersey's four electric utilities "exercised considerable prudence and reasonable judgment" in their purchasing practices.

According to the report, the electric companies paid $23,851,000 less than the recorded low prevailing market price for number 6 fuel oil and $94,470,000 less than the recorded high prevailing market price. While number 6 fuel oil represented about half the total fuel consumed by the utilities, similar savings were found in purchases of number 2 fuel oil and coal.

The report also indicated that all four companies practice competitive bidding, but negotiate if it's in their best interests. It stated that the companies made top-management commitments to bring "greater human resources to bear upon fuel acquisition problems", particularly as relates to future planning for supply.

Gilbert Associates recommended that "serious consideration" be given to consolidating the four utilities' fuel purchases, as well as combining their oil and coal planning operations.

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Leigh P. Hartshorn (left), Director of the Division of Rates and Accounts, goes over a utility's annual report with accountant Hugh F. Fullman.

The consultants suggested that "greater consideration be given to coal" for electricity generation and that the electric companies "mutually participate in assessing the opportunities for a large coal-fired unit".

Economic conditions in 1974 saw public utilities encounter difficulties in issuing securities. The primary problems for the utilities included an inability to meet indenture requirements of interest coverage on previous bond issues, lack of investor confidence in utility offerings, and consequent reductions in the ratings given by bond rating agencies. Inflation, recession, the high cost of fuel, and natural gas shortages resulted in lower earnings per share for most electric, gas, and water utilities.

Nonetheless, the issuance of securities by New Jersey's utilities remained at near record levels, although at historically high interest rates. This was due to the large construction programs necessary to provide New Jersey utility customers with adequate service while keeping within prescribed environmental guidelines.

The following table indicates the magnitude of the financing petitions processed by the Bureau of Accounts and approved by the Board:

	BONDS	STOCKS	NOTES	OTHER	TOTAL
Electric & Gas	$264,500,000	$148,460,000	$648,000,000	$9,000,000	$1,069,960,000
Telephone	7,000,000	415,000	6,850,000	-0-	14,265,000
Water	800,000	294,000	67,188,000	98,000	68,380,000
Totals	$272,300,000	$149,169,000	$722,038,000	$9,098,000	$1,152,605,000

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This table highlights the inability of the utilities to issue long term securities. A heavy reliance on short term paper to finance construction carries the burden of increased costs and even the risk of financial disaster.

SERVICE INSPECTION

If any one thing serves as a barometer for consumer reaction to utility matters, it is the workload of Service Inspection, the Board's "complaint department". In 1974, this workload increased by 35% over 1973's record level. The section processed a total of 11,313 complaints during the year, the bulk of them dealing with high utility bills caused by increases in rates and adjustment clauses.

The section, which consists of a supervisor, five investigators, and a secretary, was swamped with work. Field investigations, which are a necessity in conducting such an operation, had to be held to a minimum because of staff limitations.

In addition to this, 1974 also saw the creation of the PUC Hotline, a 24-hour a day service aimed at resolving utility problems during non-office hours. The Hotline, dubbed Telephone Response to Utility Emergencies (TRUE, for short), provided assistance to a number of consumers who experienced service cut-offs for various reasons at night, on weekends, or during holidays. The Hotline number is (201) 648-2350.

Service Inspection Supervisor Thomas H. Hartigan (seated, center) outlines procedures with some of his staff. From left to right, secretary Irene Arlaus and Investigators Harold Smith, Ronald Grab, and Benjamin Hander.

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BUREAU OF MOVERS AND REFUSE

The effects of inflation and recession were also felt by solid waste collectors and public movers, particularly those with small operations.

A solid waste collector, for example, is faced with strong competition in keeping or increasing the number of his customers in addition to the problems he may experience with rising costs. Collectors are restricted by their tariffs in the rates they may charge and cannot change those rates without Board approval.

Despite this restriction, however, a number of complaints have been received from collectors alleging that other collectors are offering lower rates to commercial customers in order to acquire their business. The Bureau seeks to take strong enforcement action against those collectors engaging in unfair competition.

Small solid waste collectors find it costly to conduct full-fledged cases to increase rates to meet rising costs of operations. A number of suggestions have been advanced to resolve the rate problem and the Board has authorized the creation of a task force of staff personnel to study the matter and make recommendations. Early in 1974, in order to better utilize expertise in rate matters, all rate increase petitions were transferred to the Bureau of Rates for processing. The Bureau of Movers and Refuse, however, continues to maintain solid waste tariffs on file and act on routine tariff revisions.

Discussions have been held with industry and municipal representatives and with the Bureau of Rates relative to the entire matter of rates, including competitive bidding, rate increases and initial rates for service.

The Board adopted a Uniform System of Accounts applicable to the solid waste industry for the purpose of establishing a uniform presentation of financial and general data. This information should prove valuable in the conduct of studies designed to develop the cost of furnishing various types of collection and disposal service. A consulting firm offered to conduct this type of study and the proposal was considered, but the lack of adequate funds prevented any further action in this direction.

The public has shown a deep concern in the area of solid waste disposal. Several thousand letters were received from citizens in Ocean County protesting an application by Waste Technology Enterprises for an exclusive franchise in that area. Two landfills in Deptford Township were picketed by concerned citizens who opposed the alleged dumping of chemical wastes. Municipal and county officials urged swift action on the problems involving landfills and collectors. Recycling and Resource Recovery Programs are being recommended by citizens and legislators. The Board is aware of the public's interest in these cases and renders decisions reflective of the public need, consistant with the applicable statutes.

Many public movers, especially small "mom and pop" businesses, saw a decline in business last year because of the economy. With mortgages hard to come by and with construction of new homes down sharply, the use of public movers dropped. In light of the economic problems, a group of over 450 public movers filed a petition to increase their rates in graduated ranges from $2 to $14 per hour. The petitioners contended that costs for the movers have increased to a point where their ability to stay in business is being threatened. The Board granted the movers an interim rate increase of $2 per hour, but a final decision has yet to be made.

A total of 21 movers' certificates were cancelled or revoked during the year for reasons such as general business conditions, the desire of operators to retire, or competition in the area. Only 17 new movers were authorized to engage in business and 21 movers permitted to transfer their rights to others.

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The executives of the Division of Common Carriers check out their Division's entry in last year's Annual Report. From left to right, Division Director Louis P. Gaeta, Bureau of Rail and Motor Carriers Chief William L. Humphreys, and Bureau of Movers and Refuse Chief Alex Lawrik.

BUREAU OF RAIL AND MOTOR CARRIERS

The deteriorating financial condition of bus companies in New Jersey continued during 1974 as the pressures of inflation and recession increased. Subsidy agreements were reached with 26 companies to continue service through February, 1975. Eight of those 26 companies are receiving state aid for the first time. Because of the increasing difficulty which bus operators are experiencing in trying to survive financially within existing fare structures, it is anticipated that the amount of bus subsidies will increase dramatically in 1975 in order to preserve essential service.

The fiscal crunch also affected federal funds which had been anticipated to pay for a smoke emission test program. The Bureau was informed by the Department of Environmental Protection that federal funds to pay for the $30,000 annual cost of such a program would be unavailable.

Despite the absence of this grant, the Bureau continued with its program of enforcing exhaust emission requirements. Over 9,400 exhaust emissions were checked during 1974, with 350 buses rejected and removed from service until repairs were made. In all, 629 buses were removed from service for mechanical reasons and 76 removed for failing to file proper insurance certificates with the Board.

The Bureau's records show that 92% of all vehicles inspected were rejected and required

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reinspection after repairs were made. This situation is apparently due to insufficient transit revenues and the companies' inability to finance the purchase of new equipment.

Financial problems continued to plague the already ailing railroads in New Jersey. The Department of Transportation doled out more subsidy money to the five passenger lines in the state in order to keep them running.

The problems of one of the railroads was highlighted for the Board last summer when Commissioners Jacobson and Pollock, along with several staff members, spent a day inspecting the tracks and bridges of the New York and Long Branch Railroad. The Commissioners saw firsthand the problems which exist with regard to track safety and maintenance. Although emergency repairs are made on trackage which is judged to be in violation of Federal Railroad Administration standards, the tight money situation often dictates a speed reduction in cases where maintenance can be deferred until funds are scraped together. In the case of the New York and Long Branch, funds were made available to correct many of the deficiencies found by the Commissioners on their trip.

A total of 857 miles of passenger and freight track was inspected on foot by PUC rail inspectors during 1974. Any FRA violations discovered were immediately reported to that agency and the railroad involved.

Other railroad matters handled by the Bureau during 1974 included formal proceedings dealing with noise pollution, safety and adequacy of passenger service, and the discontinuance of ticket sales at passenger stations.

John P. Cleary (seated), Director of the Office of Cable Television, works on a franchising case with staff members (left to right) Robert Giegerich, Paul Dezendorf, Michele Rosen, and A. Michael Guida.

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OFFICE OF CABLE TELEVISION

The staff of the Office of Cable Television (OCTV) was expanded in 1974 in order to meet a constantly increasing workload. The expansion resulted in a more expeditious handling of CATV cases and a reduction in the Office's reliance on PUC staff members. The Office's current staff now includes administrative, legal, accounting, and engineering personnel.

Inflation had its affect on the CATV industry, with 11 New Jersey companies petitioning the Office for rate increases during 1974. Three rate increases were granted. One of the largest CATV systems in the state, Teleprompter Cable Communication Corporation, petitioned the Office for a $2,080,015 increase which would raise its basic monthly rental charge by about $3.00. The petition brought a great deal of protest from Teleprompter's customers, many of whom are senior citizens living on fixed incomes in Atlantic and Cape May Counties.

In addition to the rate cases, the OCTV processed 138 applications for "grandfather" systems, granting 123 certificates. A "grandfather" system is one which had been operating prior to the creation of the OCTV. Aside from approving the "grandfathers", the Office also certificated 29 new systems.

STATE ENERGY OFFICE

On November 8, 1974, Governor Byrne issued an executive order which placed the State Energy Office in the PUC.

The Office was created early last year at the height of the "energy crisis" in New Jersey.

Joseph W. Ferraro, Sr. (left), Chief of the Bureau of Energy Resources, and Charles A. Richman (right), Acting Administrator of the State Energy Office, study material on the natural gas shortage with Robert G. Peschel, Director of the Division of Engineering.

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Immediately, the Office was faced with the task of creating order out of the chaos which characterized the gasoline shortage. Under the Office's first administrator, the late Richard W. DeKorte, the state's responsibilities under the Federal Mandatory Petroleum Allocation Program were carried out.

Over 20,000 inquiries were processed monthly during early 1974 when "gas lines" stretched for blocks around service stations and waits of two hours and more for the opportunity of buying a few precious gallons of fuel were not uncommon. The Office was responsible for administering and enforcing the many new regulations which were put into effect as a result of the shortage. These included the "odd-even" system of gasoline purchasing, based on the last number of an automobile's license plate, the posting of green, yellow, or red flags outside of service stations to indicate the availability of gasoline, and the display of business hours by the stations.

The Office was also able to secure additional gasoline allocations for New Jersey after a check of Federal Energy Administration records and state fuel supplies indicated that the Garden State was being shortchanged under the allocation system.

Other accomplishments of the Office during its first year of operation included:

–Extensive surveys and preparation of contingency plans, in cooperation with the Federal Energy Administration, to deal with shortages of coal, propane, and other fuels for curtailed natural gas users.

–Systematically collecting and analyzing energy data for New Jersey.

–Initiating a number of energy conservation programs.

–Establishment of a program to set up County Energy Councils throughout the state to promote energy planning and conservation on the local level.

–Coordinating energy policy matters with the Federal Energy Administration, the National Governors Conference Energy Project, and other states.

Charles A. Richman serves as Acting Administrator of the Office. He was appointed to the post by Governor Byrne following the resignation of G. Gordon M. Large. Pressing energy issues, such as the natural gas shortage, foreign oil dependence, offshore drilling, and conservation will place the Office in an important role within the PUC.

THE NATURAL GAS CRISIS

The winter of 1974-75 brought this state its most severe shortage of natural gas since the fuel began getting scarce several years ago. Fortunately, the Board's actions and some unseasonably mild weather combined to avert an economic crisis.

The Board's actions began on September 4, 1974, when it issued an Order to Show Cause to the four gas distributing utilities in New Jersey. The Order required the companies to show why they should not be barred from taking on any new customers or expanding service to existing customers, or providing gas for "nonessential purposes". The Order also sought to prohibit any promotional advertising by gas utilities and attempted to explore "further incentives or restrictions" designed to conserve gas being supplied to existing customers. In addition, the companies were directed to file information regarding the establishment of a priority list for gas service in the event that all of a utility's customers cannot be served by the available gas supply.

A total of nine public hearings were held with the active participation of the companies,

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A legal problem draws the attention of (left to right) Chief Regulatory Officer Felix G. Forlenza, Chief Hearing Examiner Michael J. Mehr, and Hearing Examiner Nicholas W. Mattia, Jr.

industrial intervenors, and other interested parties. At the hearings, the South Jersey Gas Company indicated that its sole pipeline supplier, the Transcontinental Gas Pipeline Company, would curtail its winter shipment by 29% over the base year of 1972. South Jersey Gas claimed that this curtailment represented 41% of its firm industrial demand. Meanwhile, officials of glass and chemical manufacturing industries in South Jersey emphasized that natural gas was the only "technically feasible" fuel which could be used in some of their manufacturing processes. Public officials in South Jersey warned of massive unemployment if these industries could not get the gas they needed to keep running.

The Board, in an interim order issued November 11, banned the gas utilities from engaging in promotional advertising and directed them to begin comsumer education campaigns stressing conservation. The order also barred the companies from taking on any new customers who did not have firm commitments for service.

When the Board issued its next order on the matter a month later, it specified that gas service would only be provided to customers with firm commitments who would be able to have meters installed prior to March 1, 1975*. The order also established an interim priority list for gas service curtailment as follows:

1. Reduce natural gas service to a minimum at all the gas utilities' facilities.
2. Stop service to all interruptible customers.

*This date was subsequently amended to September 1, 1975. Procedures were also established to grant special exemptions to this rule in the event of extreme hardship.

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3. Stop or curtail service to certain industrial and commercial customers, on the basis of a previous voluntary arrangement with the gas utilities.
4. Stop service to firm industrial and commercial customers who have already installed an alternate fuel capability.
5. Stop service to firm industrial customers whose requirement is more than 3000 MCF per day. (A sufficient amount of natural gas to cover plant protection requirements will be permitted the customers in priorities 4-12).
6. Stop service to all firm industrial customers whose requirement is more than 1500 MCF per day.
7. Stop service to all firm industrial customers whose requirement is more than 300 MCF per day.
8. Stop service to firm industrial customers whose requirement is more than 200 MCF per day.
9. Stop service to firm industrial and non-residental commercial customers whose requirement is more than 100 MCF per day.
10. Stop service to firm industrial and non-residential commercial customers whose requirement is more than 50 MCF per day.
11. Stop service to all non-residential commercial customers and to firm industrial customers whose requirement is less than 50 MCF per day.
12. Stop service to non-vital governmental services.
13. Stop service for plant protection.
14. Stop service to residential customers.
15. Stop service to vital goverment services.

No customers of a higher category shall be curtailed until all of the customers of the preceding category have been curtailed. In all categories, except 4, 5, 6, 7, and 8, the curtailment to customers in each category shall be on a pro rata basis. For categories 4, 5, 6, 7, and 8, curtailment within the individual categories will be on an end-use basis, with process and feedstock volumes being given the highest priority. Thus, all natural gas for boiler fuel, space heating, or other uses will be shut off within an individual category before process or feedstock gas service within that category is terminated.

Gas for process use is defined as gas which, due to its peculiar physical burning properties of purity or temperature control, is essential to a manufacturing process—essential in the sense that, technically there is no alternative fuel feasible. Feedstock gas is gas which is a raw material in a manufacturing process. Boiler fuel gas is defined as natural gas used as a fuel for the generation of steam or electricity, including the utilization of gas turbines for the generation of electricity. Plant protection gas is defined as minimum volumes required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternate fuel.

The Board does not intend to use this interim list as a permanent guideline. Hearings into the creation of a permanent priority list were due to resume in the spring of 1975.

At the time the interim list was issued, it appeared that the gas companies in the state

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Board Secretary Ralph C. Caprio works on the Board's agenda with Steno Pool Supervisor Estelle Warren.

would still be able to satisfy their firm customers, even though South Jersey Gas would have to buy some synthetic gas from Public Service and Elizabethtown Gas. But just before Christmas, Transco dropped a bombshell on South Jersey with the announcement that it would more than double its initial curtailment of pipeline gas. The shortfall would be increased from 1.2 billion cubic feet to nearly 2.5 billion cubic feet.

Working under intense pressure, the Board called all the gas companies together for an emergency meeting on the situation. An agreement was reached involving the purchase by South Jersey Gas of 2.5 billion cubic feet of synthetic natural gas and propane from the other three New Jersey companies, with PSE&G supplying about 75% of the purchase.

Unfortunately, the price of SNG is almost nine times the price of pipeline gas. At an average price of $5.05 per thousand cubic feet for SNG, South Jersey Gas found itself in a financial dilemma. Although the company needed the gas to keep its customers supplied, it lacked the cash or borrowing power to raise the more than $12 million needed to finance the transaction.

The company proposed the application of a surcharge to pay for the needed gas and, after several public hearings, the Board approved a modified version of the company's proposal. Under the Board's plan, the industrial and commercial customers who faced curtailment of service were to be charged an additional $1.72 per thousand cubic feet (MCF) while residential customers would be billed an extra 65¢ per MCF.

Although the surcharge was designed to carry over for four months, the availability of

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cheaper liquefied natural gas from out-of-state utilities and the supply savings achieved through conservation and mild weather combined to lessen South Jersey's need for additional funds. The Board terminated the surcharge after only one full month of operation.

To some, the cancellation of the surcharge signalled the end of the winter's gas crisis. To others, it meant that work must start immediately to prevent a similar situation from occuring in future winters, when weather and outside supply conditions may not be as favorable as they were last year.

Projections by the Transcontinental Gas Pipeline Company indicate that even more severe curtailments may be experienced by South Jersey Gas in the winter of 1975-76. The Board and its staff are currently hard at work to insure that all natural gas customers in the state are able to receive an adequate supply of gas in the future. In addition, a congressional investigation prompted by South Jersey Congressmen William Hughes (D-2nd District) and James Florio (D-1st District) is probing the causes of the gas shortage.

ENGINEERING DIVISION

Although the Engineering Division was not actively involved in matters pertaining to the economic situation, its staff was kept busy in other areas. The Division processed 200 formal matters last year, including eminent domain proceedings, approvals of municipal consents, orders to show cause, and approvals of the sale of leasing of property by utilities. There were also more than 600 informal matters handled by the Division, including complaints, information requests, and conferences with utility representatives, consumers, and other government agencies.

Among the more important sales investigated by the Division was the petition of Public Service Electric and Gas Company for approval to convey a 10% undivided interest in its synthetic natural gas plant in Linden to Elizabethtown Gas Company to help that company meet its demand for gas.

Division members also witnessed the testing of various sections of the pipeline being installed by Public Service which originate at its synthetic natural gas plant. The line, when completed, will terminate at distribution centers in Harrison and Jersey City and connections to the pipeline have been made to supply gas to Elizabethtown.

The Board is represented at the regular monthly meetings of the Clean Water Council of the New Jersey Department of Environmental Protection by a member of the Engineering Division. The Council's function is to study all matters concerning water pollution problems in the State and make recommendations to the Commisioner of the Department of Environmental Protection. The PUC representative coordinates with various public utilities in matters considered by the Council in which the particular utility is involved.

Division staff members continued to represent the Board at the numerous federal, state, industrial and academic committee meetings and seminars dealing with energy and other matters. For example, Division members participated in the two-week long Regional Federal Project Independence hearings held in New York City and Philadelphia and also attended meetings of the Interdepartmental Committee on State Water Supply Needs.

The Engineering Division is also responsible for the testing and licensing of individual electrical inspectors; approval and certification of electrical inspection agencies; field inspections to check on the work of electrical inspectors under the Board's jurisdiction; and the handling of complaints regarding electrical inspectors.

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Some of the people "behind the scenes" in the PUC file room—Director of Office Management Joseph P. Mastroeni flanked by Steven Dowling and Judy DuBois.

CONCLUSION

In the past year, the Board faced numerous situations calling for appropriate—and often difficult—decisions. As the problems associated with the economy and energy continue, it becomes apparent that 1975 will hold an even greater challenge.

What is the Board doing to meet this challenge? The answer lies in some of the actions taken last year.

—In two major interim rate decisions involving Public Service Electric and Gas Company and Jersey Central Power and Light Company, the Board ordered that commercial and industrial customers of those utilities receive a substantially greater increase than residential customers.

—The Board began holding hearings and investigating methods of granting discounts to senior citizens and others on fixed or low incomes, including the use of "energy stamps" for payment of utility bills in much the manner the food stamps are used to pay grocery bills.

—Approving new tariff designs which stress conservation while also matching rates with the cost of service.

—Banning new natural gas hook-ups by gas utilities and prohibiting nonessential uses for the fuel.

—Awarding a $29,500 grant to Stevens Institute of Technology to study the feasibility of wind power as an alternative energy source.

The Board is prepared to pursue these projects and others in order to serve the future needs of the citizens of New Jersey.

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