WHEREAS, the Legislature passed and Governor Whitman signed into law the Electric Discount and Energy Competition Act ("EDECA") in February of 1999; and

WHEREAS, EDECA required the State's electric utilities to divest themselves of their electric generation assets and mandated a reduction in electricity rates for a period of four years which was to be justified by anticipated competition in the electricity marketplace; and

WHEREAS, EDECA authorizes utilities to recover from ratepayers the difference between the market cost of the electricity and the mandated rates, also known as "deferred balances," such recovery to occur after mandated rate cuts expire; and

WHEREAS, the competition in the electricity marketplace anticipated under EDECA has, to a large degree, not occurred and the market cost of electricity has not declined below the mandated rates; and

WHEREAS, the Board of Public Utilities ("BPU") now projects that accumulated deferred balances in the State will total approximately $1 billion dollars; and

WHEREAS, according to BPU projections the deferred balances will be unevenly distributed among the State's electric utilities, including: Jersey Central Power and Light with an estimated $687 million in deferred balances, averaging approximately $675 per ratepayer; Rockland Electric with an estimated $119 million deferred balances, averaging approximately $1,700 per ratepayer; Connectiv with an estimated $165 million in deferred balances, averaging approximately $325 per ratepayer; and Public Service Electric and Gas Company which is not projected to have any deferred balances; and

WHEREAS, N.J.S.A. 48:2-23 requires utilities to provide New Jersey consumers with safe, adequate and proper utility service at reasonable rates and there is a compelling State interest in maintaining affordable utility prices for New Jersey consumers; and

WHEREAS, EDECA mandates that BPU permit the recoupment of deferred balances sought by utility companies, which will likely result in rate increases for consumers in the upcoming years; and

WHEREAS, the utilities that incurred deferred balances will file for rate increases by August 30, 2002 to recover those balances beginning August 1, 2003, when the statutory period for the rate caps expires; and

WHEREAS, Senate Bill No. 869 would grant the BPU the express authority to allow utilities to securitize deferred balances by issuing long-term bonds and has been presented to me for signature into law; and

WHEREAS, such bonds could extend the time period to up to 15 years for recovering deferred balances, thereby reducing the short term rate increases but increasing overall payments because of interest costs; and

WHEREAS, the BPU will in its review of deferred balance filings determine how best to balance and resolve the potential impact of increased rates on consumers with the need to ensure the fiscal integrity of electric utilities; and

WHEREAS, a Task Force will assist in examining the reasons why some of the State's electric utilities have
accumulated large deferred balances and how these deferred balances should be addressed;

NOW, THEREFORE, I, JAMES E. McGREEVEY, Governor of the State of New Jersey, by virtue of the authority vested in me by the Constitution and by the Statutes of this State, do hereby ORDER and DIRECT:

1. There is hereby created the "Deferred Balances Task Force."

2. The Task Force shall consist of eight (8) members including the Treasurer and the Deputy Treasurer of the State of New Jersey and six (6) public members appointed by the Governor. The public members shall include members with training and expertise in a variety of areas, including the needs and interests of consumers, senior citizens and those living on fixed incomes, the generation of electric power, the marketing of electrical power, the deregulation of formerly regulated markets and the management and operation of electric utilities.

3. The Task Force shall convene immediately and shall report to the Governor before the Legislature reconvenes in September. The report shall address the reasons why the deferred balances were accumulated, what mitigation steps utilities took to reduce deferred balances and how they ought to be addressed to best protect the interests of ratepayers, including an evaluation of the merits of securitizing deferred balances.

4. The Task Force may draw upon the services of State agencies as necessary to achieve its goal, and may consult with consumer groups, utility companies and energy suppliers, experts from the Board Public Utilities and members of the public.

5. This order shall take effect immediately.

GIVEN, under my hand and seal, this 12th day of August in the Year of Our Lord, Two Thousand Two, and of the Independence of the United States, the Two Hundred and Twenty-Seventh./s/

James E. McGreevey
Governor
[seal]

Attest:

/s/ Paul A. Levinsohn
Chief Counsel to the Governor