

NJ Legislature by the Numbers

2-The New Jersey Legislature consists of two Houses — a 40-member Senate and an 80-member General Assembly.

40- New Jersey is divided into 40 legislative districts.

1&2-Each district is represented by one Senator and two Assemblymen or Assemblywomen.

10-Legislative districts are redrawn every 10 years, following the federal census, to reflect shifts in population.

2&4-Members of the Assembly serve two-year terms. Senators serve four-year terms, except for the first term of a new decade, at which point the entire Legislature is up for election.

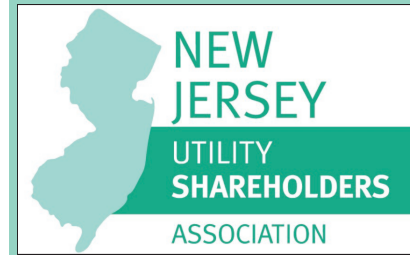
There is Strength in Numbers—Invite Others to Join

If you have family or friends who live in New Jersey and who are current shareholders of record with any of the investor-owned companies with utility subsidiaries operating in New Jersey, let them know NJUSA is here to help protect the value of their shares and encourage them to become members. Let them know that membership in NJUSA provides...

- Access to timely information through **newsletters and issue alerts about actions being taken in the State House and Board of Public Utilities that can affect the value of your utility investments;**
- The opportunity to meet and coalesce with like-minded New Jerseyans at issue briefings, luncheons and **meetings with key government officials;**
- The opportunity to meet with and **hear directly from New Jersey investor-owned utility executives and Wall Street experts** about the major issues that matter to shareholders; and
- **A way to be heard on issues that affect utility shareholders' investments** and in turn members' bottom lines.

NJUSA works for and with its members to increase their knowledge about the public policy process and have a voice on legislative and regulatory issues impacting utility shareholders' investments. Spread the word to other New Jersey residents who hold shares in New Jersey utilities. Encourage them to visit NJUSA's website, email membership@njusa.us or call (856) 840-4187. The cost for membership is \$10 per person, per year.

**TO LEARN MORE ABOUT NJUSA, CONTACT US DIRECTLY:
PHONE: 856.840.4187 EMAIL: MEMBERSHIP@NJUSA.US WEB: WWW.NJUSA.US**



We wish all of our members a safe and enjoyable holiday season!

The dome of the New Jersey State House in Trenton



117 N. Church Street, Moorestown, NJ 08057

NJUSA Insight

NJUSA Celebrates Inaugural Year

Events Bring Members Together and Provide First "Lunch and Learn" Seminar

To culminate its first year of activity, NJUSA hosted two events in October. More than 60 members joined NJUSA at the South Jersey luncheon held early in the month at Ponzio's Diner in Cherry Hill and at the Trenton Country Club for a "Lunch and Learn" event.

Held to educate NJUSA members on the important role of advocacy in setting New Jersey policy and how it can help to protect their utility investments, the "Lunch and Learn" featured Andrew Hendry, President and CEO of the New Jersey Utilities

Association, the statewide trade association for investor-owned utilities that provide essential utility services.

Hendry provided NJUSA members with an overview of the legislative process in New Jersey and how NJUSA members can participate in that process. He also briefed attendees on the key role of legislative leaders and their importance in deciding which bills will advance. Hendry described these member actions as key to effective participation in the legislative process:

- Stay informed on the issues of importance to you, especially those identified by NJUSA!

- Know what legislative district you live in and which legislators represent your district.
- Vote—in the primaries and general elections—legislators can't find out who you've voted for, but they can find out whether you voted—they are most responsive to constituents who vote.
- Be willing to respond to NJUSA's requests to write AND call your legislators on important issues—keep it, short and sweet.
- Develop relationships with staff—don't be offended if you cannot get through to your legislator; staff have a lot of information and influence.

Continued inside

A MESSAGE FROM THE PRESIDENT

Dear NJUSA Members,

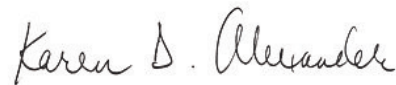
This first year leading and growing NJUSA has been an *extremely* rewarding one for me.

Between October 2014 and October 2015, with the assistance of Board of Directors and consultants, NJUSA has: recruited nearly 500 first-time members; elected a shareholder Board of Directors; held four membership events, including our first Annual Meeting and a “Lunch and Learn” seminar; sought and obtained approval from the Internal Revenue Service to operate as a federal tax-exempt 501 (c)(6) non-profit; produced our first membership newsletter; and held briefings for some of the BPU commissioners. We are proud of these accomplishments and are gratified for the interest and support our members have shown!

As a venture never before attempted in New Jersey and an organization created to serve its members, it will be critically important for our Board of Directors and me to understand how we can best serve you. When you receive our coming opinion survey, please complete and send it back promptly. **We really do want to hear from you!** You may also call me or our staff with your ideas and input.

Next year promises to be even more rewarding. We look forward to a fruitful 2016 and wish you all the very best in the New Year!

Best Regards,



Karen D. Alexander
President



Andrew Hendry, President and CEO of the New Jersey Utilities Association, provides insight on the legislative process in New Jersey at the “Lunch and Learn.”

One of the door prize winners at the South Jersey luncheon.



Attendees listen to speakers at the October 28 “Lunch and Learn.”



What is a “Rate Case?”

A rate case is a formal proceeding whereby a utility gives evidence to the Board of Public Utilities (BPU) of its prudent and efficient use of resources in providing utility services to properly set future rates. With procedures similar to a court case, with witnesses and testimony, the BPU makes all final determinations about rates.

Public hearings are held to allow interested parties, including ratepayers and in the future, utility shareholders, to voice their position on the utility’s request. The Division of Rate Counsel, the state agency that represents utility ratepayers, as well as number of other outside entities, also participate in these cases.

After the case, a recommendation is submitted to the BPU that the agency can accept, reject or modify. More often than not, the amount of an allowed increase is negotiated, with the final decision memorialized in a written Order issued by the BPU. Unlike unregulated businesses, utilities cannot change their rates without BPU approval, and are required to charge only approved rates.

Following the BPU’s Order, customers are given notice of the BPU’s decision through a notice on their bill. The entire process, which can take many months, is designed for the BPU to balance the interests of customers, utilities and utility shareholders to ensure that safe, adequate and proper service can continue to be provided at reasonable rates *and the utility remains attractive to investors.*

Utilities 101: Fundamentals of Utility Rate Setting

Most utility customers’ experiences with the complex process of ratemaking is limited to paying their bill. However, understanding how and why utility services are regulated can help to understand what is involved in setting rates customers are expected to pay. It can also help utility investors better understand how rate decisions can affect the value of utility stocks.

Why Utilities Are Regulated

More than 100 years ago, government deemed it in the public interest to ensure that everyone had access to essential utility services. Investor-owned utilities were granted franchises to provide service to specific towns. Franchises were typically granted to only one company for each type of service because it was too expensive to expect multiple companies to build the same infrastructure and compete for the limited number of customers in the same community—the potential money to be made would not be sufficient to justify the investment.

But if the utility had no competitors and operated as a monopoly, the privilege of having a franchise, had to come with obligations and customer protections. In the absence of a competitive marketplace, government would have to regulate to ensure the utility’s obligations are fulfilled and customers protected. In New Jersey, the primary obligation is to provide “safe, adequate and proper service at reasonable rates.” The New Jersey Board of Public Utilities (BPU) was created by the State Legislature to ensure those obligations would be met and customers would be protected from monopolistic practices.

At the core of the utility’s obligations is the requirement to provide service to all who want it. This entails billions of dollars of investment to create and upgrade the necessary facilities, and considerable operating expense to deliver service. In exchange for meeting these obligations, BPU allows the utility to recoup its (reasonable) costs of providing service. Additionally, in order to incentivize investment in facilities (infrastructure) needed for continuous and future service delivery, BPU grants the utility the opportunity to earn a return (amount above its costs, or profit) on the investments. Both the recovered costs and return on investment are captured in rates. This approach to rate-setting is commonly referred to as the “regulatory compact.”

How Utility Rates are Set

A utility files a rate case with the BPU to recover, through customer rates, the dollars it has spent to provide service. In determining the future rates a utility can charge, the BPU examines all operating and capital expenses shown in the utility’s rate case filing to determine if they were prudently incurred. This decision, among others related to near-term revenue needs and the allowable return on investment, translate into the new customer rates. Generally, utility rates cover two main components: 1) the cost of providing the service, and 2) the level of return on investment that that will be allowed to encourage ongoing investment sufficient to support the infrastructure needed to make the service available. Balancing customer affordability, reasonable expenses, and attractive return on shareholder investments is the fundamental task of the BPU when it sets rates.

Inaugural Year continued from cover

- Remember that the Governor can approve or veto legislation—be prepared to call the Governor’s office when NJUSA asks you to weigh in on key issues.

Following Hendry’s presentation, NJUSA President Karen Alexander briefed attendees on the basics of utility regulation and the role of the New Jersey Board of Public Utilities. Alexander also explained how utility rates are set and described the basics of a rate case (see *What is a “Rate Case?”*).

As NJUSA embarks on its second year, additional growth and progress toward staking out a role in advocacy on utility issues will be top priorities for 2016. Additional events, such as a *Day at the State House* to observe a legislative session in action, and “Lunch and Learn” seminars featuring speakers knowledgeable about utility investments and issues, as well as the State Legislature and BPU, are among the events being planned for next year. All events will be geared toward providing members convenient opportunities to meet like-minded utility investors and information on working with NJUSA to protect the value of utility shares.

NJUSA is looking for feedback from members. Be on the lookout for an opportunity to share your interests and how you would like to maximize the benefits of your membership through a survey soon to come.