

What Is Driving Up Electricity Prices?

You don't have to be an economist to know electricity prices have been going up. You just need to look at your bill. And by looking at the bill, you can also see that, while the cost of *delivering* electricity has been relatively stable, the cost of *producing* electricity has gone up dramatically. This part of your bill has been most influenced by the sharp increases in the cost of the fuels used to make electricity. Just as gasoline prices are driven by the price of oil, electricity prices are driven by the price of fuels such as natural gas, oil and coal. Your local utility passes these rising costs to you just as your local gas station does when filling up your car or truck.

So, why has the energy supply cost gone up so much? First, worldwide demand for energy keeps increasing. The economies of countries such as China and India are booming. Energy is the lifeblood of any growing economy. Suppliers are struggling to keep up with demand. The result is upward pressure on energy prices.

Oil prices have reached record levels. The price of coal has risen. Even the cost of uranium used for nuclear power has increased. Above all, the cost of natural gas has soared. In fact, the average cost of natural gas rocketed 230 percent from 1999 to 2007. This has had an especially strong impact in our

region because the Northeast is heavily dependent on natural gas to generate electricity.

Making electricity cleaner also adds costs. In recent years, billions have been invested in our region to lower the emissions from power plants. While these investments have contributed somewhat to higher prices, they have paid off in cleaner air.

As the nation turns greater attention to combating climate change, we must recognize there are costs associated with reducing greenhouse gas emissions. Here in New Jersey, Governor Corzine and the State Legislature have taken aggressive steps to combat climate change in setting the goal of an 80% reduction in carbon emissions by 2050.

Different strategies for combating climate change will have dramatically different impacts on customer bills. As we debate action to combat climate change, we will need to factor in the cost of different alternatives on electric prices while staying focused on the many benefits of a greener energy supply.

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