

The R/ECONTM Model and Assumptions for the New Jersey State Energy Plan

December 18, 2006

The R/ECON™ Model

- An econometric model of the New Jersey economy
- About 250 equations
- Sectors include:
 - Employment, wages, output, and prices by industry
 - Employment and wages are at the heart of the model
 - Personal income by type
 - Population and labor force
 - Real estate and construction
 - Energy prices and usage (electricity, natural gas, fuel oil, and motor fuel)
 - State taxes and expenditures

The R/ECON™ Model-cont'd

- Estimation period: 1970 through 2004
- Data sources for New Jersey include:
 - NJ Department of Labor, NJ Department of Community Affairs, NJ Division of Taxation, US Census, US Energy Information Agency, and US Bureau of Economic Analysis
- Data sources for the US include:
 - US Census, US Bureau of Economic Analysis, and Global Insight.

The US Forecast

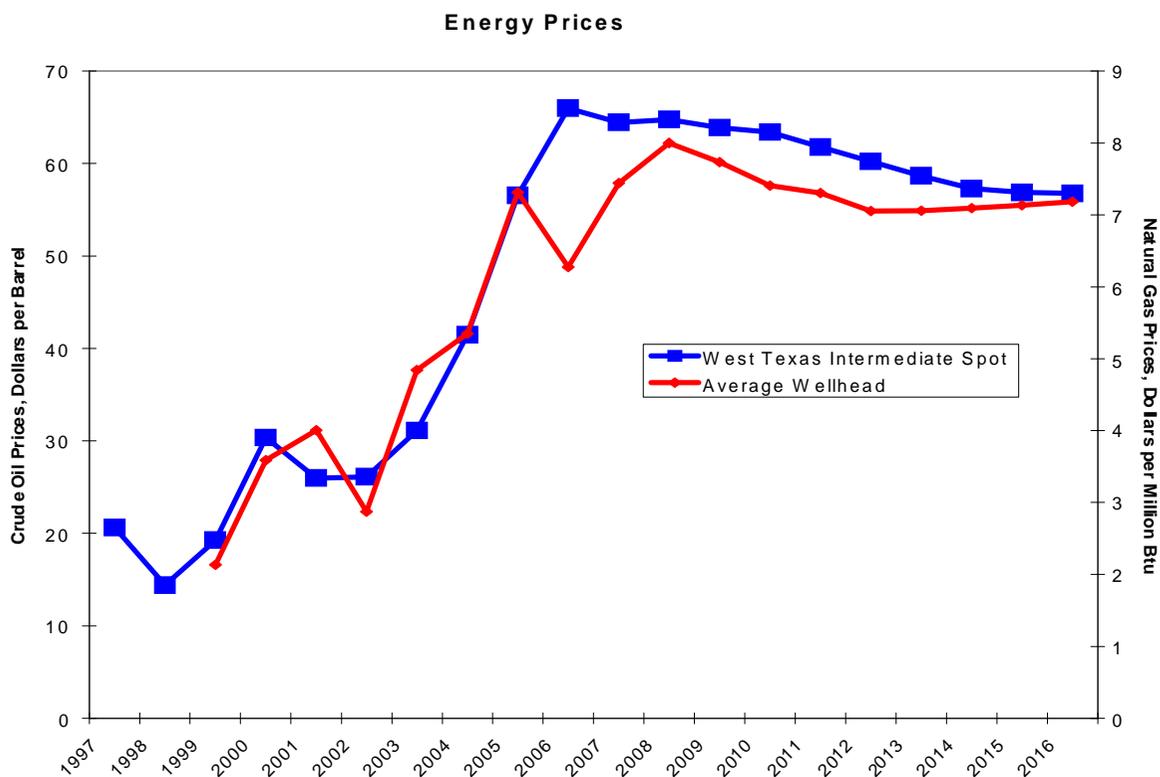
- The Global Insight December 2006 forecast will be used as the US base for the NJ State Energy Plan economic baseline forecast

SUMMARY OF U.S. ECONOMIC FORECAST					
	2004	2005	2006	2007	2007 to 2016
<i>Annual Percentage Growth</i>					
Nonagricultural Employment	1.1%	1.5%	1.4%	0.9%	1.0%
Real Domestic Product	3.9%	3.2%	3.3%	2.2%	3.2%
Personal Income	6.2%	5.2%	6.4%	4.9%	5.9%
Population	1.0%	0.9%	0.9%	0.9%	1.0%
Consumer Prices	2.7%	3.4%	3.2%	1.7%	2.0%
<i>Percentage</i>					
Unemployment Rate(average)	5.5%	5.1%	4.6%	4.9%	4.8%
<i>Sources: Global Insight., U.S. Economic Outlook , December 2006.</i>					

The US Forecast—cont'd

Some assumptions in US model

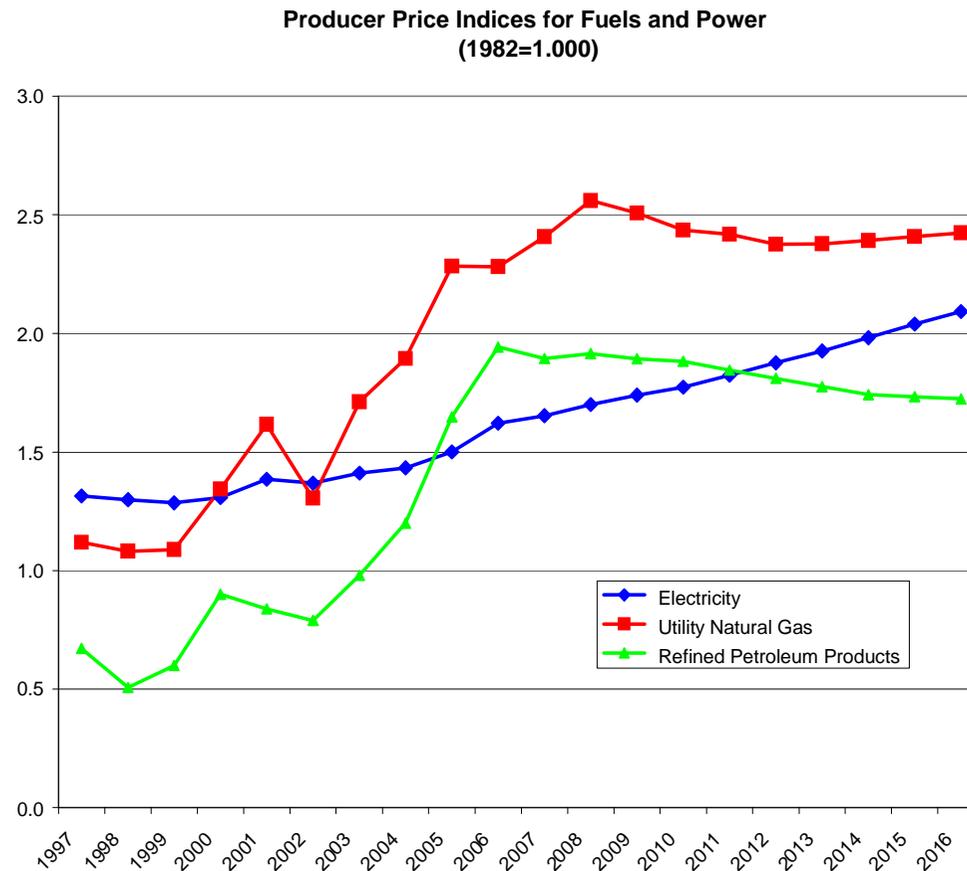
- Prices of a barrel of fuel oil and a million BTU of natural gas



The US Forecast—cont'd

Some assumptions in R/ECON™ model

- Wholesale price indices for electricity, utility natural gas, and refined petroleum products



The US Forecast—cont'd

Some assumptions in US and NJ models

- Federal Funds rate and mortgage rate

