



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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ENERGY

IN THE MATTER OF THE PROVISION OF BASIC )  
GENERATION SERVICE FOR THE PERIOD )  
BEGINNING JUNE 1, 2014 ) DECISION AND ORDER  
Docket No. ER13050378

**Parties of Record:**

**Gregory Eisenstark, Esq.**, Morgan, Lewis & Bockius, LLP, on behalf of Jersey Central Power & Light Company  
**Chantale LaCasse**, BGS Auction Manager, NERA Economic Consulting  
**Mally Becker, Esq.**, Attorney for Public Service Electric and Gas Company  
**Philip J. Passanante, Esq.**, Associate General Counsel for Atlantic City Electric Company  
**Margaret Comes, Esq.**, Senior Attorney for Rockland Electric Company  
**Stefanie A. Brand, Esq.**, Director, Division of Rate Counsel  
**Murray E. Bevan, Esq.**, Bevan, Mosca, Giuditta & Zarillo, P.C., on behalf of the Retail Energy Supply Association  
**Kenny Esser**, Independent Energy Producers of New Jersey  
**Sara Blum**, New Jersey Business and Industry Association  
**David Gil**, NextEra Energy Resources, LLC  
**Assemblymen Upendra J. Chivukula**, Chairman of the Assembly Telecommunications and Utilities Committee

**BY THE BOARD:**

By Order dated November 22, 2013 in this docket, the New Jersey Board of Public Utilities ("Board") approved the joint Basic Generation Service ("BGS") proposal of Public Service Electric and Gas Company ("PSE&G"), Jersey Central Power & Light Company ("JCP&L"), Atlantic City Electric Company ("ACE") and Rockland Electric Company ("Rockland") (collectively the "EDCs"), for two descending clock auctions to secure the EDCs' BGS electricity requirements for the period beginning June 1, 2014 ("November 22, 2013 Order"). In an attempt to mitigate the risk to ratepayers, the Board directed the EDCs to procure approximately one-third of the EDCs' current fixed-price ("BGS-FP") BGS load for a 36-month period.<sup>1</sup> The Board also found that a 12-month procurement period for the EDCs' hourly load BGS customers ("BGS-CIEP") is appropriate and reasonable. In the November 22, 2013 Order, the Board also

<sup>1</sup> Approximately two-thirds of the EDCs' BGS-FP requirements are already under contract through May 31, 2015, and one-third through May 31, 2016 as a result of the 2012 and 2013 BGS-FP Auctions.

committed to review the results of the BGS-FP Auction and the BGS-CIEP Auction (collectively the “BGS Auctions” or “Auctions”) each in its entirety and certify the results of each auction for all of the EDCs, or for none of them, no later than the second business day after the last Auction closes.

The results of the BGS Auctions, if approved by the Board, will then be converted into revised BGS rates for customers beginning June 1, 2014. This is the thirteenth year the Board has authorized a similar auction process to secure BGS supply.

The Auction Manager responsible for conducting the 2014 Auctions was National Economic Research Associates (“NERA”). NERA brings expertise in the conduct of simultaneous descending clock auctions in the energy and telecommunications industries, and has been the Auction Manager for the thirteen BGS Auctions. The 2014 Auctions were continuously monitored by Staff from the Division of Energy, as well as by the Board’s consultant, Boston Pacific Company, Inc. (“Boston Pacific”). Boston Pacific was retained to assist the Board in this process. Boston Pacific has experience with simultaneous descending clock auctions and energy industry experience.

In addition, in the November 22, 2013 Order the Board also approved a request for proposal (“RFP”) process for Rockland to solicit competitive bids from qualified bidders for “fixed for floating” financially settled NYMEX futures transactions with respect to an energy tranche (“Energy Transaction”) to satisfy the supply requirements for its BGS customers in non-PJM service areas within New Jersey, its Central and Western Divisions, for the period of June 1, 2014 through May 31, 2015. The Rockland RFP process was monitored by Staff from the Division of Energy, as well as by the Board’s consultant Boston Pacific. As discussed more fully below, the results of the RFP process were considered by the Board at a meeting held on January 29, 2014. The prices from that RFP process will be blended with Rockland’s BGS Auction prices so that all Rockland customers in each rate class pay the same BGS prices.

Accordingly, this Order memorializes decisions made by the Board at its January 29, 2014 and February 12, 2014 Board Agenda meetings.

### **BGS-FP AUCTION SUMMARY**

The BGS-FP Auction began on February 10, 2014 and ended on February 11, 2014 after 16 rounds with all of the EDCs’ 53 tranches<sup>2</sup> secured, with the following closing prices for each EDC:

<u>EDC</u>	<u>Closing Price</u> <u>¢/Kwh</u>	<u>Total Tranches</u> <u>Available</u>
ACE	8.780	8
JCP&L	8.444	15
PSE&G	9.739	28
ROCKLAND	9.561	2

A list of the BGS-FP Auction winners is included in Attachment A to this Order.

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<sup>2</sup> A tranche in the BGS-FP Auction is approximately 100 Mw.

## BGS-CIEP AUCTION SUMMARY

The BGS-CIEP Auction began on February 7, 2014, and ended on February 10, 2014 after 31 rounds with all of the EDCs' 45 tranches<sup>3</sup> secured, with the following closing prices for each EDC:

<u>EDC</u>	<u>Closing Price</u> <u>\$/Mw-day</u>	<u>Total Tranches</u> <u>Secured</u>
ACE	235.22	4
JCP&L	254.79	13
PSE&G	284.04	27 <sup>4</sup>
ROCKLAND	290.41	1

A list of the BGS-CIEP Auction winners is included in Attachment A to this Order.

## BGS AUCTION OVERSIGHT

NERA has provided a confidential post-Auction checklist form evaluating how the BGS-FP and BGS-CIEP Auctions were conducted. NERA's analysis supporting acceptance of the Auction results indicates, in part, that:

- no issues or questions were left unresolved prior to the Auctions that created uncertainty for bidders;
- neither procedural problems nor errors were observed during the Auctions; all communication protocols were followed;
- neither hardware nor software problems with the Auctions and communication systems were observed;
- no security breaches were observed during the Auction process;
- all guidelines for setting or changing the Auction parameters were followed;
- there was no evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the Auctions in a material manner;
- communications between the Auction Manager and bidders was timely and effective;
- there was no evidence that bidders were rushed;
- no complaints were received from the bidders;
- the Auctions were carried out in a fair and transparent manner;
- there was no evidence of collusion or gaming by the bidders;
- public and sensitive information were treated appropriately;
- there were no factors exogenous to the Auctions that materially affected the Auctions; and
- the Auctions appear to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-FP and BGS-CIEP loads.

Boston Pacific has also provided the Board with a confidential post-Auction evaluation form for the BGS-FP and BGS-CIEP Auctions, as well as a supplemental checklist reviewing how the

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<sup>3</sup> A tranche in the BGS-CIEP Auction is equivalent to approximately 75 Mw.

<sup>4</sup> The Total Tranches Secured for PSE&G has been modified from 22 to the correct Total Tranches Secured of 27.

Auctions were conducted. Boston Pacific's analysis is consistent with NERA's analysis. Both consultants recommend that the Board accept the final Auction results.

## **BGS AUCTION FINDINGS AND CONCLUSIONS**

The independent NERA and Boston Pacific analyses are consistent with each other and indicate that the Auctions proceeded without meaningful interruption, according to the Board-approved Auction Rules, in an acceptably fair and transparent manner, and they both recommend that the Board certify the Auction results. Staff assigned to oversee the Auctions has also briefed the Board on the conduct and results of each Auction.

After reviewing the checklists and evaluation forms from NERA and Boston Pacific, and discussing the results and conduct of the Auctions with Staff, NERA and Boston Pacific, the Board FINDS that:

- bidders had sufficient information to prepare for the Auctions;
- information was generally provided to bidders in accordance with the published timetable, and the timetable was adjusted appropriately as needed;
- there were no Auction issues or questions left unresolved prior to the Auctions that created material uncertainty for bidders;
- from what could be observed, there were neither procedural problems nor errors with the Auctions, including the electronic bidding process, the back-up bidding process, and communications between bidders and the Auction Manager;
- from what could be observed, communication protocols between bidders and the Auction Manager were adhered to;
- appropriate data back-up procedures were planned and carried out;
- no security breaches were observed during the Auction process;
- from what could be observed, communication protocols among the EDCs, NERA, Staff, the Board, and Boston Pacific were followed during the Auctions;
- protocols were followed for decisions regarding changes in the Auction parameters (e.g. volume, load cap, bid decrements);
- the calculations (e.g. for bid decrements or bidder eligibility) produced by the Auction software were double-checked or reproduced off-line by the Auction Manager;
- there was no evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the Auctions;
- from what could be observed, the communications between the Auction Manager and bidders was timely and effective;
- there were no complaints received from the bidders about the process;
- the Auctions were carried out in an acceptably fair and transparent manner;
- there was no evidence of gaming on the part of bidders;
- there was no evidence of collusion among bidders;
- information was made public in an appropriate manner and, from what could be observed, sensitive information was treated appropriately;
- there were no factors exogenous to the Auctions (e.g. changes in market environment) that materially affected the Auctions in unanticipated ways);
- there are no concerns with the Auctions' outcome with regard to any specific EDC(s);
- the Auctions appear to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-FP and BGS-CIEP loads.

Based on the foregoing, the Board HEREBY CERTIFIES the final results of the BGS-FP and BGS-CIEP Auctions in their entirety, and subsequently APPROVES the closing prices for each EDC. Furthermore, the Board HEREBY ORDERS the EDCs<sup>5</sup>: 1) to execute the necessary documents with the winning bidders, including the BGS Supplier Master Agreements, 2) to implement the BGS rates resulting from the Auctions beginning June 1, 2014, and 3) to file tariff sheets reflecting those rates by March 1, 2014.

Consistent with past Board practice, the Board is releasing the names of the winning bidders at this time. However, at this time, the Board will not release the specific tranche and service area details for each successful bidder, so as not to compromise the position of the winning bidders in the marketplace. The Board plans to make this additional information public prior to June 1, 2014.

### **ROCKLAND'S RFP SUMMARY**

On January 21, 2014, Rockland conducted its RFP process to acquire its Energy Transaction to satisfy part of the supply requirements for its non-PJM service areas within New Jersey for the period of June 1, 2014 through May 31, 2015. The RFP results are as follows:

<u>Period</u>	<u>Product</u>	<u>Winning Bidder</u>	<u>Price</u>
June 1, 2014 to May 31, 2015	Energy	Shell Energy North America (US), L.P.	\$50.85/mwh

As previously stated, the results of this RFP will be blended with the results from Rockland's BGS-FP Auction so that all Rockland customers in each rate class pay the same BGS prices.

### **ROCKLAND RFP OVERSIGHT, FINDINGS AND CONCLUSIONS<sup>6</sup>**

Boston Pacific provided the Board with a confidential post-Auction evaluation form for the Rockland RFP, as well as a supplemental checklist reviewing how the RFP was conducted. The independent analyses conducted by Boston Pacific indicate that the RFP process proceeded without meaningful interruption, and in an acceptably fair and transparent manner. Boston Pacific recommends that the Board certify the RFP results. Staff assigned to oversee the auctions also briefed the Board on the conduct and results of the RFP prior to the January 29, 2014 meeting where the Board voted to accept the results of the RFP in conformance with its commitment to review the results within two business days.

After reviewing the RFP results and the recommendations of Staff and Boston Pacific, the Board HEREBY CONFIRMS its determination at the January 29, 2014 meeting that:

- bidders had sufficient information to prepare for the RFP process;
- information was generally provided to bidders in accordance with the published timetable, and the timetable was adjusted appropriately as needed;
- there were no issues or questions left unresolved prior to the RFP process that created material uncertainty for bidders;

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<sup>5</sup> With respect to Rockland, the results must be blended with the results of the RFP as discussed below.

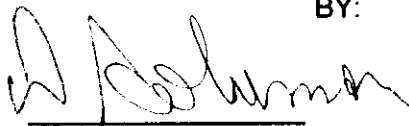
<sup>6</sup> While the Board reviewed the results of the RFP at the January 29, 2014 meeting, no separate order issued at that time pending the results of the Auctions to protect financially competitive information.

- from what could be observed, communication protocols between bidders and the auction manager were adhered to;
- appropriate data back-up procedures were planned and carried out;
- no security breaches were observed during the process;
- from what could be observed, communication protocols were followed during the process;
- the process was carried out in an acceptably fair and transparent manner;
- there was no evidence of gaming on the part of bidders;
- there was no evidence of collusion among bidders;
- there were no factors exogenous to the process (e.g. changes in market environment that materially affected it in unanticipated ways); and
- the RFP process appears to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of Rockland's non-PJM load.

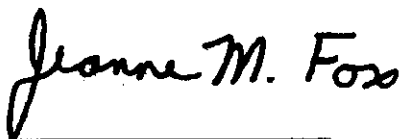
Based on the foregoing, the Board HEREBY CERTIFIES the final results of the Rockland RFP in its entirety, and APPROVES the winning bid price for Rockland's non-PJM BGS load which will be rolled into the final BGS-FP Auction prices approved by the Board in this Order. The Board HEREBY CONFIRMS that on January 29, 2014 Rockland was directed to execute the necessary documents with the winning bidder, and HEREBY DIRECTS Rockland to: (1) implement the BGS rates resulting from the RFP as blended with the prices approved by this Order beginning June 1, 2014; and (2) file tariff sheets reflecting those blended rates by March 3, 2014.

DATED: 2/12/14

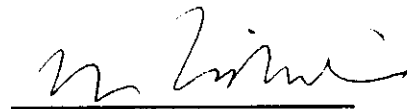
BOARD OF PUBLIC UTILITIES  
BY:



DIANNE SOLOMON  
PRESIDENT



JEANNE M. FOX  
COMMISSIONER



JOSEPH L. FIORDALISO  
COMMISSIONER



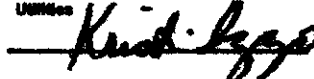
MARY-ANNA HOLDEN  
COMMISSIONER

ATTEST:



KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



**ATTACHMENT A**

**I/M/O the Provision of Basic Generation Service  
For The Period Beginning June 1, 2014  
Docket No. ER13050378**

Auction Winners Approved by the Board of Public Utilities on February 12, 2014.

***BGS-FP Auction Winners***

BP Energy Company  
Citigroup Energy Inc.  
Exelon Generation Company, LLC  
NextEra Energy Power Marketing, LLC  
Noble Americas Gas & Power Corp.  
NRG Power Marketing LLC  
PSEG Energy Resources & Trade LLC  
TransCanada Power Marketing Ltd.

***BGS-CIEP Auction Winners***

ConocoPhillips Company  
DTE Energy Trading, Inc.  
Exelon Generation Company, LLC  
PPL EnergyPlus, LLC  
PSEG Energy Resources & Trade LLC