Guide to the BGS-RSCP Pricing Spreadsheet Tool

Purpose of BGS- RSCP Pricing Spreadsheet Tool

The BGS-RSCP pricing spreadsheet tool is intended to provide bidders with an easy to use device that translates final Auction prices for each EDC into BGS-RSCP retail rates. BGS-RSCP retail rates may be important to bidders for the purpose of assessing the likelihood and degree of BGS-RSCP migration.

Bidders use the spreadsheet tool in the following manner:

1. On the "Start" tab, enter the bidder's estimates as to the final Auction prices for each EDC's tranches.
2. Enter an estimated average cost for RECO bi-lateral contracts resulting from the proposed 2018 RECO RFP.
3. Click "Calculate Class Prices" to arrive at the retail BGS-RSCP rates.

Retail BGS-RSCP rates are proposed to be a function of the final Auction prices for an EDC's tranches from the 2018 Auction, the final Auction prices for the tranches in the 2017 Auction, and the final Auction prices for the tranches in the 2016 Auction, adjusted by the applicable seasonal payment factors. For RECO, costs resulting from bi-lateral contracts resulting from the proposed 2018 RECO RFP for New York ISO ("NYISO") load will also affect RECO BGS-RSCP retail rates.

Contemplated Use of Pricing Spreadsheet Tool

It is contemplated that bidders will use the spreadsheet tool in two ways:

- Prior to the BGS-RSCP Auction, bidders can examine a wide variety of scenarios of potential auction prices and analyze the BGS-RSCP retail rates that result from those scenarios. These analyses can be used to examine how potential migration from a given set of BGS-RSCP retail rates may affect the bidder's valuation of the auction opportunity
- During the BGS-RSCP Auction, bidders can enter going prices for a given round and update their analyses in real time.

Principles Underlying the Spreadsheet Tool

The spreadsheet tool reflects the methodology that the EDCs have proposed to set BGS-RSCP retail rates in a filing made to the New Jersey Board of Public Utilities ("Board") on June 30, 2017 (the "July Filing").

The first step in the methodology included in the July Filing is the determination of an EDC's average cost. The average cost is the weighted average price that would be paid to BGS-RSCP Suppliers accounting for seasonal payment factors and BGS-RSCP sales volume by season. The seasonally-adjusted prices that would be paid to the BGS-RSCP Suppliers are obtained by multiplying the final Auction prices for 2016 and 2017 and the estimated final Auction price for 2018 by the EDC-specific seasonal payment factors for each of the years. The seasonally-adjusted prices for each year are then weighted by the associated number of tranches and seasonal sales volumes to determine the average cost applicable to BGS-RSCP load for each EDC. For RECO, the weighted average price will also include the average cost of power procured through bi-lateral contracts for the portions of RECO located in the NYISO control area. The logic of the spreadsheet incorporates the volume of NYISO bi-lateral purchases relative to BGS-RSCP auction volumes and also allows for a price input for the RECO RFP.

Once the average cost is calculated by clicking on the calculate button, retail rates are calculated using multiplicative factors as well as factors determined by using the rate adjustment methodologies of PSE&G, ACE, and RECO. These methodologies reflect those filed in each EDC's Company Specific Addendum and those detailed in spreadsheets posted to the BGS Auction website that incorporate. The rate adjustment factors are equal to the dollar differences between the anticipated billed revenue and BGS-RSCP Supplier payments in a season, divided by the total anticipated billed energy-related charges in that season. The rates and factors will be visible in tabs for each EDC. The multiplicative factors and the rate adjustment factors are applied directly to the average cost for PSE&G. The multiplicative factors resulting from the rate design methodology are applied directly to the average cost for JCP&L. For ACE and RECO, the multiplicative factors and the rate adjustment factors are applied to the average cost less estimated average transmission revenue.

Reporting of BGS-RSCP Retail Rate Results

BGS-RSCP retail rate results are reported by actual rate components (billing determinants) that will be charged to customers. The components are: energy charges by block and energy charges by time of use. Demand (or obligation) charges are shown separately. BGS-RSCP retail rate results include charges for energy, capacity, transmission, and ancillary services. All rates are reported before the application of New Jersey Sales and Use Tax ("SUT"), which for most customers (except those exempt from SUT) will result in an upward adjustment of 6.625%.

Bidders that wish to determine an average BGS-RSCP rate can do so by using the rates resulting from the spreadsheet tool and their assumptions as to customer usage patterns and load factors.

Other Factors That May Influence Retail Rates

BGS-RSCP retail rates may also be influenced by other factors. First, each EDC has a tariff provision that provides for periodic adjustments to BGS-RSCP retail rates in order to reconcile revenues billed to customers with payments to BGS-RSCP Suppliers. These adjustments can be found in each EDC's Company Specific Addenda from the July Filing and somewhat vary across EDCs. These adjustments may increase or decrease BGS-RSCP retail rates. The EDCs intend for these adjustments to be small, but provide no representation that they will be small; each bidder must independently evaluate the potential BGS-RSCP retail rate impact of these adjustments and the potential effect on customer migration.

Second, in the event that the BGS-RSCP Auction is not fully subscribed and/or a BGS-RSCP Supplier defaults, the EDCs will procure power under each EDC's contingency plan included in the Company Specific Addenda from the July 1 Filing. The EDCs would intend to flow the costs associated with contingency plan purchases to customers through the BGS-RSCP retail rates on as current a basis as practical. This flow through would affect BGS-RSCP retail rates. Precise mechanisms for developing BGS-RSCP retail rates in this situation have not been developed or approved by the Board.

Use of Spreadsheet Tool is Not Required and Bidders Assume Responsibility for Accuracy of Information

Bidders are not required to use the spreadsheet tool. The tool is provided for convenience and no representation or warranty is made as to the accuracy of the spreadsheet, the formulas, or the data. As indicated on the start page of the spreadsheet, bidders can reproduce the information in the spreadsheet from the July Filing and the Board Order, and should do so if they have any concern over the accuracy of the formulas or data in the spreadsheet tool.