Guide to BGS-RSCP Pricing Spreadsheets

Purpose of Spreadsheets

The BGS-RSCP pricing spreadsheets are intended to provide bidders with an easy to use tool that can translate auction prices for each EDC into retail (BGS-RSCP) rates. Bidders first enter into the spreadsheet their estimates of the auction prices for each EDC's tranches in the 2017 Auction, their estimate of the incremental RPM cost resulting from PJM's Incremental Auctions for Capacity Performance, as well as the average cost for RECO bi-lateral contracts resulting from the 2015 RECO RFP, they then click on the calculate box to view the retail rates that would result if the 2017 BGS-RSCP Auction were to clear at the entered price levels. Retail rates may be important to bidders for the purpose of assessing the likelihood and degree of migration to and from BGS-RSCP as customers are free to leave and return to BGS with no restrictions other than practical restrictions related to metering and billing, with switching generally occurring on scheduled meter reading dates and requiring 20 days' notice prior to this date.

Retail BGS-RSCP rates are proposed to be a function of the auction prices for an EDC's tranches from the 2017 Auction, the auction prices for the tranches in the 2016 Auction, and the auction prices for the tranches in the 2015 Auction, as well as seasonal payment factors for 2015, 2016, and 2017. For RECO, costs resulting from bi-lateral contracts resulting from that EDC's 2015 RFP for the New York ISO ("NYISO") load will also affect RECO retail rates. Additionally, costs assessed to Load Serving Entities related to PJM's Capacity Performance Incremental Auctions will be reflected in retail rates.

Contemplated Use of Pricing Spreadsheets

It is contemplated that bidders will use these spreadsheets in two ways. First, in preparation for the BGS-RSCP Auction, bidders can examine a wide variety of scenarios of potential auction prices and analyze the retail rates that result from those scenarios. These analyses can be used to examine how potential migration from a given set of retail rates may affect the bidder's valuation of the auction opportunity. Second, as the auction is in progress, bidders will be able to enter going prices and update their analyses of potential migration and the auction opportunity.

Principles Underlying the Spreadsheet

The spreadsheet reflects the methodology that the EDCs will use to set retail rates. This methodology has been approved by the New Jersey Board of Public Utilities ("Board"). The first step in the methodology 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. For PSE&G, JCP&L, and ACE, the incremental RPM cost is added to the auction price for the 2015 BGS-RSCP Auction. The incremental RPM cost is intended to represent the impact of PJM's Capacity Performance Incremental Auction and the amount that will be paid to suppliers that won tranches in the 2015 BGS-RSCP Auction under Appendix E of the 2015 BGS-RSCP Supplier Master Agreement. The incremental RPM cost is stated in $/MW-Day of capacity obligation.[1] The spreadsheet converts the $/MW-Day value to $/MWh before adding the value to the auction prices and the result is multiplied by the EDC-specific seasonal payment factor to obtain the 2015 seasonally-adjusted price that would be paid to 2015 BGS-RSCP suppliers. The 2016 and 2017 seasonally-adjusted price prices that would be paid to the BGS-RSCP suppliers are obtained by multiplying the auction price (or estimated auction price) by the EDC-specific seasonal payment factor for that year. 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. The associated number of tranches for the 2015 Auction (with one year of supply remaining), for the 2016 Auction (with two years of supply remaining), and for the tranches from the 2017 Auction, are such that each receives approximately a one-third weighting. 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 incremental RPM cost input by the spreadsheet user. The rate adjustment factors are equal to the dollar differences between the anticipated billed revenue and 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. For PSE&G, the multiplicative factors and the rate adjustment factors are applied directly to the average cost. For JCP&L, the multiplicative factors resulting from the rate design methodology are applied directly to the average cost. For ACE and RECO, the multiplicative factors and the rate adjustment factors are applied to the average cost less estimated average transmission revenue. This will be done as ACE and RECO have calculated factors on that basis. The weighted average transmission revenue is $10.162 /MWh for ACE and $7.56/MWh for RECO.

Reporting of Rate Results

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[1] For purposes of this spreadsheet the user should develop a view as to the impact of the incremental RPM cost and, if necessary, convert that estimate to dollars per MW day of capacity obligation. The user must make the conversion to dollars per MW day as that is what the impact will be reflected in for use in the rate design calculations.

Rate results are reported by actual rate components (billing determinants) that will be charged to customers. That is energy charges by block; energy charges by time of use and demand (or obligation) charges are shown separately. 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 (all except those exempt from SUT) will result in an upward adjustment of seven percent.

Bidders that wish to determine an average class rate can do so by using these rates and their assumptions as to customer usage patterns and load factors.

Other Factors That May Influence Retail Rates

Retail rates may also be influenced by other factors. First, each EDC has a tariff provision that provides for periodic adjustments to retail rates in order to reconcile revenues billed to customers with payments to BGS-RSCP suppliers. These adjustments can be found in the Company Specific Addenda and are somewhat different for each EDC. These adjustments could increase or decrease rates. The EDCs intend for these adjustments to be small, but provide no representation that they will be small and each bidder must independently evaluate the potential 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 that a bidder defaults, the EDCs will procure power under each EDC's contingency plan. The EDCs would intend to flow the costs associated with these purchases to customers through the retail rates on as current a basis as practical. This flow through would affect retail rates. Precise mechanisms for developing retail rates in this situation have not been developed or approved by the Board.

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

Bidders are not required to use this spreadsheet. It is provided as a 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 EDC filings and the Board Order and should do so if they have any concern over the accuracy of the formulas or data in the spreadsheet.