

State of New Jersey  
Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102  
[www.bpu.state.nj.us](http://www.bpu.state.nj.us)

I/M/O The Provision Of Basic	)	ENERGY
Generation Service Pursuant	)	
To The Electric Discount And	)	DECISION AND ORDER
Energy Competition Act,	)	
<u>N.J.S.A. 48:3-49 et seq.</u>	)	Docket No. EX01110754
Rockland Electric	)	
Company's Request For	)	
Proposal Results	)	

(Service List Attached)

BY THE BOARD:

By Order dated December 18, 2002, the Board approved with modifications, the joint auction proposal of Public Service Electric and Gas Company ("PSE&G"), GPU Energy ("JCP&L"), Conectiv Power Delivery ("Conectiv") and Rockland Electric Company ("RECO") (collectively the "EDCs"), as the best means to secure electricity for Basic Generation Service ("BGS") for Year One, as well as a portion of the electricity required for Years Two and Three of the post-Transition Period, beginning August 1, 2003. As part of that Order, the Board also approved with modifications, a request for proposal ("RFP") process for RECO to secure supplies for its non-PJM<sup>1</sup> load. The Order further provided that the RECO RFP proposal should be conducted prior to the BGS Auction.

Specifically, the Board approved RECO's proposal that an RFP be issued to secure a fixed price for RECO's supply needs for approximately 45 megawatts ("Mw") of load in its non-PJM areas. This represents approximately 10.1 % of RECO's total system-wide load and approximately 11.9% of its energy needs.

#### RFP SUMMARY

On December 11, 2002, the RFP was released to 27 potential bidders, and was also posted on the auction website. The list of bidders was developed by RECO, based on past business relationships with the potential bidder, or industry knowledge of the potential bidder as a possible interested party. The RFP requests competitive proposals from qualified parties ("Bidders") for two separate "fixed for floating" financially-settled swap transactions one for capacity and one for energy. This means that RECO will lock in a fixed price for the capacity and energy from the winning Bidder(s). However, the winning Bidder(s) will not actually provide the capacity or energy. Both will be obtained through New York Independent System Operator

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<sup>1</sup> PJM is the Pennsylvania-New Jersey- Maryland Interconnection

("NYISO") markets. Thus, in essence the winning bids will serve as a hedge, to lock in a fixed price for capacity and energy. Both the capacity and the energy transactions will have a term from August 1, 2003 through May 31, 2004. The winning prices from the RECO RFP process will be blended into the final basic generation service fixed price ("BGS-FP") obtained through the BGS-FP Auction, to determine RECO's system-wide BGS-FP rates.

On January 6, 2003, seven proposals for a fixed energy price and six proposals for a fixed capacity price were received electronically by RECO and Board Staff. A notarized copy of the proposals, signed by an official authorized to bind the supplying entity, was received on January 7, 2003. Pursuant to the schedule set forth in the Board's December 18, 2002 Order, the Board is acting on the results of the RFP process within two calendar days of the proposals having been submitted to the Board for its consideration.

RECO reviewed the proposals and completed the Board approved checklist. RECO has provided their checklist to Staff and the Division of the Ratepayer Advocate. RECO has also provided an affidavit attesting to the accuracy of the information provided in their checklist. The proposal process was monitored by Staff from the Economist's Office and the Division of Energy, to assure that a fair evaluation process was undertaken. Based on a review of the proposals and other information available, Staff also submitted a checklist with its recommendations on the RECO RFP process.

RECO and Staff's assessments are consistent and indicate the following in support of accepting the winning proposal prices: Bidders had sufficient information to prepare for the RECO RFP process; information was provided to Bidders in accordance with the published timetable; there were no issues nor questions left unresolved prior to the RECO RFP process that created material uncertainty for Bidders; all communication protocols were followed; the RECO RFP process took place according to schedule; no security breaches were observed during the RECO RFP process; there was no evidence of confusion nor misunderstanding on the part of the Bidders; there were no legitimate complaints from Bidders about the process; the RECO RFP process was carried out in a fair manner; there was no evidence of collusion nor improper coordination among Bidders; there were no factors exogenous to the RECO RFP process that materially affected the RECO RFP process; and finally, the RECO RFP process appears to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the RECO NYISO tranches.

The winning Bidders for RECO's energy and capacity for its NYISO load, are Constellation Power Source for energy at 4.775 cents/kwh, and Select Energy for capacity at \$1,750.00 /Mw-month It should be noted that these prices reflect only the cost of energy and capacity.<sup>2</sup>

## FINDINGS AND CONCLUSIONS

The independent RECO and Staff assessments are consistent with each other and indicate that the proposal process proceeded properly, according to the Board-approved RFP, in a fair manner and both recommend that the Board certify the proposal results. Staff assigned to oversee the proposal process has also briefed the individual Commissioners on the conduct of the process and on the final results.

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<sup>2</sup> Ancillary services, transmission service and other costs which will be reflected in rates are not included as part of this RFP process.

After reviewing the proposals, and discussing the results and conduct of the process with Staff and RECO, the Board FINDS that:

- Bidders had sufficient information to prepare for the RECO RFP process;
- Information was provided to Bidders in accordance with the published timetable;
- There were no issues nor questions left unresolved prior to the RECO RFP process that created material uncertainty for Bidders;
- All communication protocols were followed;
- The RECO RFP process took place according to schedule;
- No security breaches were observed during the RECO RFP process;
- There was no evidence of confusion nor misunderstanding on the part of the Bidders;
- There were no legitimate complaints from Bidders about the process;
- The RECO RFP process was carried out in a fair manner;
- There was no evidence of collusion nor improper coordination among Bidders;
- There were no factors exogenous to the RECO RFP process that materially affected the RECO RFP process.
- The RECO RFP process appears to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the RECO NYISO tranches;

Therefore, the Board hereby CERTIFIES the final results of the RECO RFP process in its entirety and subsequently APPROVES the winning bid prices for RECO's NYISO load, which will be rolled into the final BGS-FP price obtained through the BGS-FP Auction. Furthermore, the Board directs RECO to execute the necessary documents, including the transaction confirmation agreements, with the winning bidders, within two business days of the date of this Order.

DATED: 1/13/03

BOARD OF PUBLIC UTILITIES  
BY:

(SIGNED)

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JEANNE M. FOX  
PRESIDENT

(SIGNED)

\_\_\_\_\_  
FREDERICK F. BUTLER  
COMMISSIONER

(SIGNED)

\_\_\_\_\_  
CAROL J. MURPHY  
COMMISSIONER

(SIGNED)

\_\_\_\_\_  
CONNIE O. HUGHES  
COMMISSIONER

(SIGNED)

\_\_\_\_\_  
JACK ALTER  
COMMISSIONER

ATTEST:

(SIGNED)

KRISTI IZZO  
SECRETARY