



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

IN THE MATTER OF THE PROVISION OF) ENERGY
BASIC GENERATION SERVICE (BGS))
FOR THE PERIOD BEGINNING JUNE 1, 2009) DECISION AND ORDER
)
DOCKET NO. ER08050310

(SERVICE LIST ATTACHED)

BY THE BOARD:

By prior Board Orders, Docket No. EO06020119 dated December 22, 2006, and Docket No. ER07060379 dated January 25, 2008, the Board approved, with modifications, the joint Basic Generation Service (BGS) proposals of the State's electric distribution companies (EDCs), Conectiv Power Delivery (Conectiv), Jersey Central Power & Light Company (JCP&L), Public Service Electric and Gas Company (PSE&G) and Rockland Electric Company (Rockland), that used a descending clock auction format to procure two-thirds of the State's BGS requirements for Fixed-Price (FP) BGS customers through periods extending to May 31, 2010. In those prior Orders, the Board did not address how the remaining one-third of the State's BGS requirements for FP customers, as well as the State's annual BGS requirements for Commercial and Industrial Energy Pricing (CIEP) customers would be procured for the period beginning June 1, 2009.

The recently released Draft New Jersey Energy Master Plan (NJ EMP) discussed the BGS auction process employed by the Board and indicated that:

[s]ince 2002, the BPU has been overseeing auctions for the right to supply energy, capacity, and all other needs for BGS. The price resulting from the auctions has nearly doubled since 2002. Accordingly, the BPU will intensify its examination of the auction, thoroughly reviewing not only the details of the current auction process but also the concept of the auction itself. The process will be a transparent, public proceeding with all necessary expertise and will conclude before any auction in 2009.¹

The process adopted by the Board to determine how to procure BGS for the past seven years has provided an opportunity for participation by all interested parties through both written comments and at public hearings which resulted in a wide range of BGS suggestions, a timely Board decision and, ultimately, a successful procurement process. Accordingly, consistent with the Draft NJ EMP, the Board intends to initiate a proceeding to determine what type of process should be used to procure BGS FP and CIEP Service for the period beginning June 1, 2009, similar to the process that has been employed for the past seven years, including an invitation for all parties to propose how to procure BGS supply, the ability for all parties to issue discovery, provide comments to the Board, and provide oral testimony at both legislative and public hearings where the Board encourages the use of expert testimony. The proposed schedule anticipates a Board decision on the process in November 2008, and a BGS procurement process in February 2009.

Therefore, the Board DIRECTS the EDCs, Conectiv, JCP&L, PSE&G, and Rockland, to file proposals no later than July 1, 2008, addressing how to procure the remaining one third of the State's BGS FP requirements and the annual CIEP requirements for the period beginning June 1, 2009. In addition, the Board also invites all other interested stakeholders to file alternative BGS proposals with the Board by July 1, 2008.

Furthermore, the Board ADOPTS the preliminary procedural schedule contained in Attachment A to this Order. All discovery and comments must be filed with the Board's Secretary and should also be circulated electronically through the electric list server used by Staff for these types of communications (the "Listserv"). Parties who would like to subscribe to the Listserv can do so by going to the Board's BGS website at <http://www.nj.gov/bpu/divisions/energy/bgs.html>. Parties should adhere to the attached schedule unless otherwise directed. Parties will be advised of the time and place of the legislative-style hearing identified in Attachment A through the Listserv and through a posting on the Board's webpage. The Board and/or Staff will also notify parties through the Listserv and, when possible, through the BPU webpage, of the time and location of any meetings or hearings as well as of any schedule changes.

Further, as part of the 2008 BGS proceeding, the Board was asked to consider lowering the CIEP threshold from 1000 kw to 750 kw. In its Order dated January 25, 2008 in Docket No. ER07060379, the Board indicated that it needed additional information regarding the recently reclassified CIEP customers with a peak usage between 1000 kW and 1250 kW prior to any decision. The Board further stated that it believed that a cautious, gradual approach to any expansion of the BGS-CIEP class was the appropriate policy, and that the appropriate cutoff for mandatory inclusion in the CIEP class for the 2008 Auction was a continuation of the peak load share of 1,000 kW. Further, the Board directed that the Business Energy Ombudsperson's Office and other Board Staff, in conjunction with input from the Energy Master Plan, review this issue so a determination can be made in the 2009 BGS proceeding whether there should be any further mandatory expansion of the CIEP class. Therefore, to gain additional information on this issue, the Board DIRECTS the EDCs as well as interested stakeholders to comment on: 1) what barriers, if any, may exist that are limiting customers between 1250 kw and 1000kw from switching to third party suppliers (TPS), and 2) what are the potential problems or benefits if the CIEP threshold is lowered from 1000 kw to 750 kw. These comments shall be filed by July 1, 2008 with the Board, as part of the procedural schedule for this proceeding.

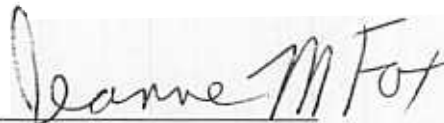
To aid the Board with the BGS process, the Boston Pacific Company, Inc. (BP) was retained in December 2006 to oversee and monitor the 2008 Auction process proposed by the four EDCs in New Jersey to procure supplies for BGS FP and CIEP customers as that process was approved by the Board. Among the many related tasks, BP provided a Final Report on the

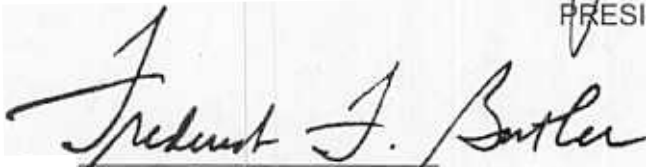
auction results with recommendations to improve future auctions. At its May 23, 2007 agenda meeting the Board acknowledged receipt of the BP Final Report. The BP Final Report is available on the Board's website at the following link:
<http://www.nj.gov/bpu/pdf/energy/bgs/bostonpacific.pdf>.

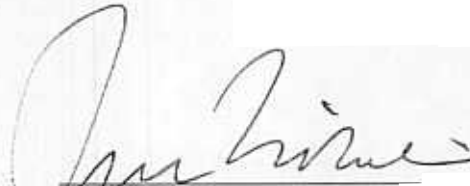
In its BGS Final Report, BP provided recommendations for changes to be considered by the EDCs, stakeholders and the Board through the BGS proceedings² process in an attempt to improve future BGS Auctions, should the Board approve that process for the upcoming procurement. These include recommendations pertaining to CIEP Price Levels, Round One Bidding, Disclosure, and Web-Ex Conferences. As part of the July 2008 EDCs' BGS filings, the Board DIRECTS that the EDCs, as well as interested stakeholders, address the listed recommendations in the BP BGS Final Report.

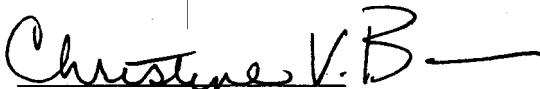
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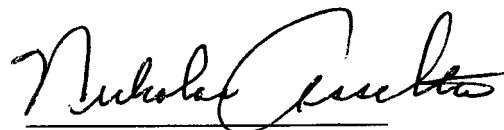
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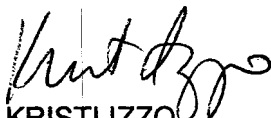

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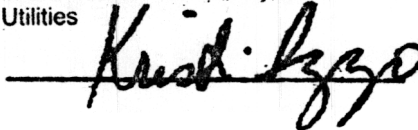

CHRISTINE V. BATOR
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

ATTEST:

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


KRISTI IZZO
SECRETARY



² The issue relating to RPM and its impact on prices is being addressed by the State of New Jersey Board of Public Utilities in its Petition for Review of PJM Interconnection LLC et al under EL05-148 et al. filed on August 23, 2007. That appeal is now pending in the Court of Appeals of the D.C. Circuit in Docket No. 07-1336 et al. Also the NJBPU participated in a complaint recently filed at the Federal Energy Regulatory Commission (FERC) in Docket No. EL08-67-000, seeking review of RPM payments and possible refunds.

ATTACHMENT A
ER08050310

Preliminary 2009 BGS Schedule

DATE	Activity or Decision Point
7/01/2008	Filing of Proposals and/or Modifications for BGS 2009
7/18/2008	Discovery request deadline
8/01/2008	Discovery response deadline
8/22/2008	Deadline for Initial Comments on all proposals
TBA	Legislative-type Board Hearing
TBA	Public Hearing*
9/26/2008	Deadline for Final Comments
10/10/2008	Deadline for Reply Comments**
Mid November	Expected Board decision on BGS proposals
End of November	EDC Compliance Filing
Mid December	Expected Board decision on Compliance Filing
Feb 2009	Procurement Process for BGS Supply requirements

* This is a placeholder for public hearings (time and place to be scheduled by the EDCs in conjunction with the BPU), as required.

** Reply comments should only be used to respond to issues raised either in the Final comments, Legislative-type hearing or Final Comments. They should not be used to raise new issues in this proceeding.

Board of Public Utilities
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Period Beginning June 1, 2009
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