



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
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[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE LONG-TERM CAPACITY )  
AGREEMENT PILOT PROGRAM )  
 )  
 ) DOCKET NO. EO11010026

(SERVICE LIST ATTACHED)

BY THE BOARD:

On January 28, 2011, Governor Chris Christie signed into law P.L. 2011, c.9, amending and supplementing P.L. 1999, c. 23, which law establishes a long-term capacity agreement pilot program (“LCAPP”) to promote the construction of qualified electric generation facilities, hereinafter referred to as the LCAPP Law.<sup>1</sup> Pursuant to the LCAPP Law, on February 10, 2011, the New Jersey Board of Public Utilities (“Board”) initiated this proceeding and also approved the retention, as recommended by the electric distribution companies (“EDCs”), of an agent (“LCAPP Agent”) to assist the Board in this proceeding.<sup>2</sup> On March 29, 2011, the Board approved the recommendations in the LCAPP Agent’s report dated March 21, 2011. The Board also approved the form of the Standard Offer Capacity Agreement (“SOCA”) as modified for technical corrections, and ordered the EDCs to execute the SOCA with each recommended generator.

**BACKGROUND:**

Pursuant to the LCAPP Law, the Board was mandated to immediately commence a proceeding to establish an LCAPP.<sup>3</sup> The LCAPP seeks offers for financially-settled SOCAs with eligible generators.<sup>4</sup> The LCAPP Law requires selected eligible generators, with Board approved and

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<sup>1</sup> The provisions of the LCAPP Law have been codified in the following sections of the New Jersey Statutes: N.J.S.A. 48:3-51, 48:3-60.1, 48:3-98.3—98.4.

<sup>2</sup> N.J.S.A. 48:3-98.3(b).

<sup>3</sup> N.J.S.A. 48:3-98.3(a).

<sup>4</sup> “Eligible generator” means a developer of a base load or mid-merit electric power generation facility including, but not limited to, an on-site generation facility that qualifies as a capacity resource under PJM criteria and that commences construction after 1/28/2011. N.J.S.A. 48:3-51.

executed SOCAs, to participate in and be accepted as a capacity resource in the base residual auction conducted by PJM.<sup>5</sup>

The SOCA, as defined in the LCAPP Law, is a financially settled transaction agreement that allows eligible generators to receive payments from or make payments to the EDCs for a defined amount of electric capacity for a term specified by the Board not to exceed fifteen (15) years. Pursuant to the LCAPP Law, these payments are implemented through a fully non-bypassable irrevocable charge.<sup>6</sup>

### **EXECUTION OF THE SOCAs**

The LCAPP Law requires eligible generators to enter into a SOCA with each of the State's four EDCs providing that each EDC shall pay or receive refunds pursuant to an annually calculated load-ratio share of the capacity of the SOCA based upon each EDC's annual forecasted peak demand as determined by PJM.<sup>7</sup> The resulting SOCA shall bind the EDCs to the Board approved SOCAs with selected eligible generators for the term of the SOCA; the selected eligible generators with executed SOCAs shall offer the capacity, energy, and ancillary services into the PJM wholesale markets as required by the PJM market rules; and selected eligible generators with executed SOCAs shall participate in and clear the annual base residual auction conducted by the PJM as part of its reliability pricing model for each delivery year of the entire term of their respective Agreements<sup>8</sup>.

N.J.S.A. 48:3-98.3 (a) directs the Board to award the SOCA(s) within thirty (30) days after the Board's approval of the form of the SOCA, in this case by April 28, 2011. In its March 29, 2011 Order, the Board ordered each of the State's four (4) EDCs, namely Public Service Electric & Gas Company, Jersey Central Power & Light Company, Rockland Electric Company and Atlantic City Electric Company, to individually execute the SOCAs, as approved by the Board, with each of the qualified generators as recommended in the Agent's March 21, 2011 report, namely, the Hess Newark Energy Project, the NRG Old Bridge Clean Energy Center, and the CPV Woodbridge Energy Center.

In compliance with the March 29, 2011 Order, each of the EDCs has executed a SOCA with each qualified generator approved by the Board, and has submitted a confidential executed SOCA that includes the respective generator's SOCA bid price, and a public, redacted executed SOCA that does not disclose the respective generator's SOCA bid price<sup>9</sup>. The SOCA bid prices submitted will not be publicly disclosed at this time, and will remain confidential for a limited period of time. Upon a generator submitting a bid and participating in the respective PJM Base Residual Auction as set forth in its SOCA, the SOCA bid price for that generator will be made publicly available, and will no longer be treated as confidential information.

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<sup>5</sup> N.J.S.A. 48:3-98.3(a).

<sup>6</sup> N.J.S.A. 48:3-51.

<sup>7</sup> N.J.S.A. 48:3-98.3 ( c )(9).

<sup>8</sup> N.J.S.A. 48:3-98.3 ( c ) 10—12.

<sup>9</sup> Each EDC submitted a similar cover letter with the executed SOCAs stating that it executed the SOCAs under protest, reserving its rights to various challenges to the LCAPP proceeding and the terms of the SOCA.

Based on its review of the executed SOCAs, and after consideration of the comments of the EDCs, the Board **HEREBY FINDS** that the executed SOCAs comply with the requirements of the March 29 Order, and **HEREBY APPROVES** each of the executed SOCAs.

DATED: 5/4/11

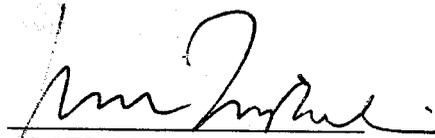
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BY:



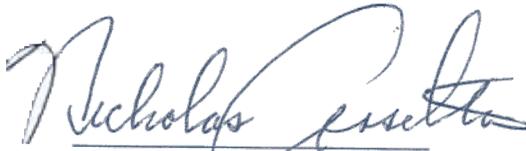
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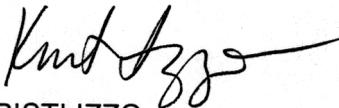


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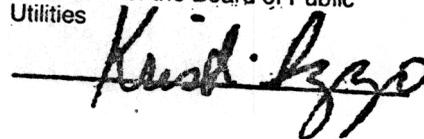
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ATTEST:



KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
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BPU DOCKET NO.: EO11010026**

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