



State of New Jersey
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE PROVISION)
OF BASIC GENERATION SERVICE)
FOR YEAR TWO OF THE POST-)
TRANSITION PERIOD – ROCKLAND)
ELECTRIC COMPANY'S REQUEST)
FOR PROPOSALS – BID RESULTS)

ENERGY
DECISION AND ORDER
Docket No. EO03050394

(Service List Attached)

BY THE BOARD:

By Order dated December 2, 2003, 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 ("Rockland"), as the best means to secure electricity for Basic Generation Service ("BGS") for Year Two, as well as a portion of the electricity required for Years Three and Four of the post-Transition Period, beginning June 1, 2004. As part of that Order, the Board also approved with modifications a request for proposal ("RFP") process for Rockland to secure supplies for its non-PJM¹ load. The Order further provided that the Rockland RFP process should be conducted prior to the BGS Auction.

Specifically, the Board approved Rockland's proposal that an RFP be issued to secure a fixed price for Rockland's supply needs for approximately 45 megawatts ("Mw") of load in its non-PJM areas. This represents approximately 10% of Rockland's total system-wide load and approximately 12% of its energy needs.

RFP SUMMARY

On December 12, 2003, the RFP was released to 28 potential bidders, and was also posted on the BGS Auction website. The list of bidders was developed by Rockland, 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 Rockland 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 ("NYISO") markets. Thus, in essence, the winning bids will serve as a hedge, to lock in a fixed price for capacity and energy. Rockland has requested that Bidders provide a quotation for

¹ PJM is the Pennsylvania-New Jersey- Maryland Interconnection

capacity and for energy, for one-year and three-year terms. The winning prices from the Rockland RFP process will be blended into the final price obtained from the Basic Generation Service Fixed Price ("BGS-FP") Auction, to determine Rockland's system-wide BGS-FP rates.

On January 22, 2004, six proposals for a one year fixed energy price, four proposals for a three year fixed energy price, five proposals for a one year fixed capacity price, and four proposals for a three year fixed capacity price, were received electronically by Rockland and Board Staff. A notarized copy of the proposals, signed by an official authorized to bind each supplying entity, was received on January 22, 2004. Pursuant to the schedule set forth in the Board's December 2, 2003 Order, the Board is acting on the results of the RFP process within two business days of the proposals having been submitted to the Board for its consideration.

Rockland reviewed the proposals and completed the Board approved checklist. Rockland has provided their checklist to the Board and the Division of the Ratepayer Advocate. Rockland 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 Rockland RFP process.

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

Staff and Rockland each recommend that the Board approve energy and capacity contracts for a three-year term.

FINDINGS AND CONCLUSIONS

The independent Rockland 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.

Since the BGS Auction is scheduled to begin on February 2, 2004, and since disclosing the Board's analysis in reaching this decision, including disclosure of the names of the winning bidders and/or the winning prices, may prejudice the BGS Auction, the Board will release further details

concerning the Rockland RFP results once the BGS Auction is concluded.

After reviewing the bid proposals and the recommendations of Staff and Rockland, the Board FINDS that:

- Bidders had sufficient information to prepare for the Rockland RFP process;
- Information was provided to Bidders in accordance with the published timetable;
- There were no issues or questions left unresolved prior to the Rockland RFP process that created material uncertainty for Bidders;
- All communication protocols were followed;
- The Rockland RFP process took place according to schedule;
- No security breaches were observed during the Rockland RFP process;
- There was no evidence of confusion or misunderstanding on the part of the Bidders;
- There were no legitimate complaints from Bidders about the process;
- The Rockland RFP process was carried out in a fair manner;
- There was no evidence of collusion or improper coordination among Bidders;
- There were no factors exogenous to the Rockland RFP process that materially affected the Rockland RFP process;
- The Rockland RFP process appears to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the Rockland NYISO tranches;
- The recommendations of Staff and Rockland as to the successful bidders for energy and capacity are acceptable to the Board and have the potential to provide the best rates for customers; and
- The complete rationale for this decision and the winning bidders and price needs to remain confidential until the 2004 BGS Auction is concluded.

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

DATED: **1/28/04**

BOARD OF PUBLIC UTILITIES

BY:

SIGNED

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