



**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 )	ENERGY
BASIC GENERATION SERVICE FOR THE )	
PERIOD BEGINNING JUNE 1, 2006 - )	DECISION AND ORDER
AUCTION RESULTS )	
)	Docket No. EO05040317

(SERVICE LIST ATTACHED)

BY THE BOARD<sup>1</sup>:

By Order dated December 8, 2005, the Board of Public Utilities ("Board" or "BPU") approved, with modifications and clarifications, the joint Basic Generation Service ("BGS") proposal of Public Service Electric and Gas Company ("PSE&G"), Jersey Central Power & Light Company ("JCP&L"), Conectiv Power Delivery ("Conectiv") and Rockland Electric Company ("Rockland") (collectively the "EDCs"), for two descending clock auctions to secure the EDCs' BGS electricity requirements for the period beginning June 1, 2006 ("December 8 Order"). In an attempt to mitigate the risk to ratepayers, the Board directed the EDCs to procure approximately one-third of the EDCs' current fixed-price ("BGS-FP") BGS load for a 36-month period.<sup>2</sup> The Board also found that a 12-month procurement period for the EDCs' hourly load BGS customers ("BGS-CIEP") is appropriate and reasonable. In its December 8 Order, the Board also committed to review the results of the BGS-FP Auction and the BGS-CIEP Auction (collectively the "BGS Auctions") each in its entirety and certify the results of each auction for all of the EDCs, or for none of them, no later than the second business day after the last Auction closes.

The results of the BGS Auctions, if approved by the Board, would then be converted into revised BGS rates for customers beginning June 1, 2006. This is the fifth year that the Board has authorized a similar auction process to secure BGS supply.

The Auction Manager responsible for conducting the 2006 auction was National Economic Research Associates ("NERA"). NERA brings expertise in the conduct of simultaneous descending clock auctions in the energy and telecommunications industries, and was the Auction Manager for the four previous BGS Auctions. The Auctions were continuously monitored by Staff from the Division of Energy, as well as by the Board's consultant, CRA International ("CRA"). CRA was retained to assist the Board in this process. CRA has extensive experience with simultaneous descending clock auctions and energy industry experience, and has advised the Board and Staff during previous BGS Auctions.

<sup>1</sup> Commissioner Christine V. Bator abstained from voting on this matter

<sup>2</sup> Approximately two-third of the EDC's BGS-FP requirements are already under contract through May 31, 2007 and one-third through May 31, 2008 as a result of the 2004 and 2005 BGS-FP Auctions.

## BGS-CIEP AUCTION SUMMARY

The BGS-CIEP Auction began on February 3, 2006, and ended on February 6, 2006 after 15 rounds with 75 of the EDCs' 118 tranches<sup>3</sup> subscribed. For the 2006 BGS-CIEP Auction the bid product was changed from capacity (as it had been since 2003) to the Default Supply Service Availability Charge ("DSSAC"). The DSSAC is meant to represent the administrative cost of providing the service, including the cost of conducting the BGS-CIEP Auction and the cost of compliance with the Board's Renewable Portfolio Standards. A list of the three BGS-CIEP Auction winners is included in Attachment A to this Order.

During the auction, consistent with the Board-approved Auction Rules, the Auction Manager reduced the number of tranches available in order to maintain the competitiveness of the auction<sup>4</sup>. The EDCs will arrange to serve their unsold tranches in a manner consistent with each EDC's Contingency Plan, previously approved by the Board. Costs associated with serving the unsold CIEP tranches will be accounted for consistent with each EDC's previously approved Company-specific Addendum, and subject to review by the Board.

<u>EDC</u>	<u>Closing Price</u>	<u>Total Tranches</u>	<u>Total Tranches</u>
	<u>\$/Mwh</u>	<u>Available</u>	<u>Secured</u>
CONNECTIV	\$.3876	13	9
JCP&L	\$.4787	31	20
PSE&G	\$.4981	73	46
ROCKLAND	\$.6500	1	0

The one available Rockland tranche was not secured through the auction. The Board believes that this likely occurred because of the small number of BGS-CIEP customers in Rockland's service territory. The Board accordingly has determined that the Rockland DSSAC should be set at the highest closing price of the other three EDCs, \$.4981/Mwh. Rockland will arrange to provide this service and will account for the difference between costs and DSSAC revenues as a credit or debit to its reconciliation charge.

## BGS-FP AUCTION SUMMARY

The BGS-FP Auction began on February 6, 2006 and ended on February 7, 2006 after 17 rounds with all of the EDCs' 54 tranches<sup>5</sup> secured with the following closing prices for each EDC:

<sup>3</sup> A Tranche in the BGS-CIEP Auction is equivalent to approximately 25 Mw.

<sup>4</sup> In order to determine whether the bidding environment is competitive, the Auction Manager uses a confidential set of guidelines approved by the Board that considers various factors such as the number of bidders, the volume required, the volume offered, and the characteristics of individual bids. No volume reductions are considered after round 10 of the bidding has been completed.

<sup>5</sup> A tranche in the BGS-FP Auction is approximately 100 Mw.

<u>EDC</u>	<u>Closing Price</u>	<u>Total Tranches</u>
	<u>¢/Kwh</u>	<u>Available</u>
CONNECTIV	10.399	7
JCP&L	10.044	17
PSE&G	10.251	29
ROCKLAND	11.114	1

A list of the ten BGS-FP Auction winners is included in Attachment A to this Order.

NERA has provided the Board with a confidential final report that includes an in-depth analysis on how the Auctions were conducted, and also includes a post-Auction evaluation form. The analysis in support of accepting the Auction results indicates, in part, that:

- no issues nor questions were left unresolved prior to the Auctions that created uncertainty for bidders;
- no procedural problems nor errors were observed during the Auctions; all communication protocols were followed;
- no hardware nor software problems with the Auctions and communication systems were observed;
- no security breaches were observed during the Auction process;
- all guidelines for setting or changing the Auction parameters were followed;
- there was no evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the Auctions in a material manner;
- communications between the Auction Manager and bidders was timely and effective;
- there was no evidence that bidders were rushed;
- no complaints were received from the bidders;
- the Auctions were carried out in a fair and transparent manner;
- there was no evidence of collusion nor gaming by the bidders;
- public and sensitive information were treated appropriately;
- there were no factors exogenous to the Auctions that materially affected the Auctions; and
- the Auctions appear to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-FP and BGS-CIEP loads.

NERA explains the volume reductions in the BGS-CIEP Auction and indicates that it is consistent with the Auction Rules.

CRA has also provided the Board with a confidential pre-certification report on how the Auctions were conducted, which includes a post-Auction evaluation form. CRA's analysis is consistent with NERA's analysis. CRA also highlights the BGS-CIEP volume reduction and indicates that this will require that the EDCs implement their Contingency Plans to serve their unsecured tranches. Both consultants recommend that the Board accept the final Auction results.

### **AUCTIONS' FINDINGS AND CONCLUSIONS**

The independent NERA and CRA analyses are consistent with each other and indicate that the Auctions proceeded without meaningful interruption, according to the Board-approved Auction Rules, in an acceptably fair and transparent manner and that the Board should certify the Auction

results. Staff assigned to oversee the Auctions has also briefed the Board on the conduct and results of each auction.

After reviewing the reports from NERA and CRA, and discussing the results and conduct of the Auctions with Staff, the Auction Manager and CRA, the Board FINDS that:

- bidders had sufficient information to prepare for the Auctions;
- information was generally provided to bidders in accordance with the published timetable, and the timetable was adjusted appropriately as needed;
- there were no Auction issues or questions left unresolved prior to the Auctions that created material uncertainty for bidders;
- from what could be observed, there were no procedural problems nor errors with the Auctions, including the electronic bidding process, the back-up bidding process, and communications between bidders and the Auction Manager;
- from what could be observed, communication protocols between bidders and the Auction Manager were adhered to;
- appropriate data back-up procedures were planned and carried out;
- no security breaches were observed during the Auction process;
- from what could be observed, communication protocols among the EDCs, NERA, Staff, the Board, and CRA were followed during the Auctions;
- protocols were followed for decisions regarding changes in the Auction parameters (e.g. volume, load cap, bid decrements);
- the calculations (e.g. for bid decrements or bidder eligibility) produced by the Auction software were double-checked or reproduced off-line by the Auction Manager;
- there was no evidence of confusion or misunderstanding on the part of bidders that delayed or impaired the Auctions;
- from what could be observed, the communications between the Auction Manager and bidders was timely and effective;
- there were no complaints received from the bidders about the process;
- the Auctions were carried out in an acceptably fair and transparent manner;
- there was no evidence of gaming on the part of bidders;
- there was no evidence of collusion among bidders;
- information was made public in an appropriate manner, and from what could be observed sensitive information was treated appropriately;
- there were no factors exogenous to the Auctions (e.g. changes in market environment) that materially affected the Auctions in unanticipated ways;
- there are no concerns with the Auctions' outcome with regard to any specific EDC(s);
- the Auctions appears to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS-FP and BGS-CIEP loads; and
- the volume reductions in the BGS-CIEP Auction were implemented in accordance with the Board-approved Auction Rules.

The closing prices in the 2006 BGS-FP Auction are, on average, 55% above the closing prices in the 2005 BGS-FP Auction. This will result in increases to BGS-FP residential customers ranging from 12.0% to 13.7%<sup>6</sup>. While the increase in the BGS-FP Auction closing prices and the resultant rate increases are significant and troubling, they appear to reflect the price increases experienced in the underlying fuel markets as well as the uncertainty in these markets on a

<sup>6</sup> For the average residential customer, beginning June 1, 2006, the monthly electric bill will increase 12.54% for customers of ACE, 12.4% for JCP&L, 13.7% for PSE&G and 12.0% for Rockland.

prospective basis. Fortunately, the current rate structure that averages 3 years of auction results has limited the short-term impact on customers for the coming year.

Based on the foregoing, the Board HEREBY CERTIFIES the final results of the BGS-FP and BGS-CIEP Auctions in their entirety and subsequently APPROVES the closing prices for each EDC. As explained herein, service for Rockland BGS-CIEP customers will be provided through Rockland and the Board DIRECTS Rockland to set its DSSAC at \$.4981/Mwh beginning June 1, 2006. Furthermore, the Board ORDERS the EDCs to execute the necessary documents, including the BGS Master Supply Agreements with the winning bidders, to implement the BGS rates resulting from the Auctions beginning June 1, 2006 and to file tariff sheets reflecting those rates by March 1, 2006.

Consistent with past Board practice, the Board is releasing the names of the winning bidders at this time. The Board, however will not, at this time, release the specific tranche and service area details for each successful bidder, so as not to compromise the position of the winning bidders in the marketplace. The Board plans to make this additional information public prior to June 1, 2006.

DATED: 2/23/06

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
CONNIE O. HUGHES  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

## **ATTACHMENT A**

### **I/M/O The Provision Of Basic Generation Service For The Period Beginning June 1, 2006 Docket No. EO05040317**

Auction Winners Approved by the Board of Public Utilities on February 9, 2006.

#### ***BGS-FP Auction Winners***

Conectiv Energy Services  
Consolidated Edison Energy  
Constellation Energy Commodities Group  
Energy America  
J.P. Morgan Ventures Energy Corp.  
Morgan Stanley Capital Group  
NRG Power Marketing  
PPL EnergyPlus  
PSEG Energy Resources & Trade  
Sempra Energy Trading Corp.

#### ***BGS-CIEP Auction Winners***

Constellation Energy Commodities Group  
DTE Energy Trading  
FPL Energy Power Marketing

Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

Kenneth Welch  
Division of Energy  
Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

Rene Demuynck  
Division of Energy  
Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

John Garvey  
Office of the Economist  
Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

Alice Bator, Chief  
Division of Energy  
Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

Dennis Moran, Asst. Director  
Division of Energy  
Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

**DAG**

Helene Wallenstein  
Division of Law  
Dept. of Law & Public Safety  
124 Halsey Street  
P.O. Box 45029  
Newark, New Jersey 07102

Newark, New Jersey 07101

Kurt Lewandowski  
Division of Ratepayer Advocate  
31 Clinton Street, 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, New Jersey 07101

Diane Schulze  
Division of Ratepayer Advocate  
31 Clinton Street, 11<sup>th</sup> Floor  
P.O. Box 46005  
Newark, New Jersey 07101

John Stutz  
Tellus Institute  
11 Arlington Street  
Boston, MA 02116-3411

**ACE**

Randall Griffen, Esq.  
Pepco Holdings, Inc.  
Legal Dept.  
800 King Street  
PO Box 231  
Wilmington, DE 19899-0231

Mark Mucci, Esq.  
Saul Ewing LLP  
One Riverfront Plaza, 5<sup>th</sup> Floor  
Newark, NJ 07102-5490

Joe Janocha  
Atlantic City Electric Co.  
5100 Harding Highway  
Mays Landing, NJ 08330

Peter Schaub  
Pepco Holdings, Inc.  
701 Ninth Street NW  
Washington, DC 20068-0001

**FRANCIS DELANY & PTESL, LLP**  
200 Campus Drive, St. 210  
Florham Park, NJ 07932

**PSE&G**

Francis E. Delany, Jr., Esq.  
Public Service Electric & Gas Co.  
80 Park Plaza, T8C  
Newark, NJ 07101

Frances I. Sundheim, Esq.  
Public Service Electric & Gas Co.  
80 Park Plaza T8C  
Newark, NJ 07101

**ROCKLAND**

John L. Carley, Esq.  
Consolidated Edison Co. of NY, Inc.  
4 Irving Place  
New York, NY 10003

James C. Meyer, Esq.  
Riker, Danzig, Scherer, Hyland &  
Perretti, LLP  
Headquarters Plaza  
One Speedwell Avenue  
Morristown, NJ 07962

David Hernandez  
Orange & Rockland Utilities  
390 West Rt. 59  
Spring Valley, NY 10977-5320

Kevin Jones  
Orange & Rockland Utilities  
390 West Rt. 59  
Spring Valley, NY 10977-5320

**PJM**

Jackie Huges  
PJM Interconnection, L.L.C.  
955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

Murry Weaver  
Entergy Power Marketing Corp.  
Parkwood Two Building, Suite 500  
10055 Grogan's Mill Road  
The Woodlands, TX 77380

David Samuels  
Morgan Stanley Capital Group, Inc.  
2000 Westchester Ave.  
Purchase, NY 10577

Deborah Hart  
Morgan Stanley Capital Group, Inc.  
2000 Westchester Ave.  
Trading Floor  
Purchase, NY 10577

Catherine Flax  
Morgan Stanley Capital Group, Inc.  
1585 Broadway, 4<sup>th</sup> Floor  
New York, NY 10036

Sharon Weber  
PP&L Energy Plus  
2 North 9<sup>th</sup> Street TW 20  
Allentown, PA 18101

Gary Sorenson  
PSEG Power  
80 Park Plaza, T-21A  
Newark, NJ 07102

Shawn P. Leyden  
PSEG Energy Resources & Trade  
80 Park Place, T-19  
Newark, NJ 07102

Ken Salamone  
Sempra Energy Trading Corp.  
58 Commerce Road  
Stamford, CT 06902

Bonnie Graziano  
Pepco Energy Services, Inc.  
543 Valley Road  
Montclair, NJ 07043

Board of Public Utilities  
Basic Generation Service for the Period Beginning June 1, 2006  
Docket No. EO05040317  
Service List

Marilena Marrelli Sempra Energy Trading Corp. 58 Commerce Road Stanford, CT 06902	Gary Ferenz Conectiv Energy Supply Inc. Christiana Bldg. 252 Chapman Road P. O. Box 6066 Newark, DE 19714-6066	Kevin Laguardia Amerada Hess Corporation One Hess Plaza Woodbridge, NJ 07095	Marc Hanks Select Energy, Inc. 107 Selden Street Berlin, CT 06037
Ike Gibbs Reliant Energy, Inc. 379 Thornal Street Fifth Floor Edison, NJ 08837	Katharine Olinchak Conectiv Power Delivery 401 Eagle Run Rd. PO Box 9239 Newark, DE 19714-9239	Stephen Fernands Customized Energy Solutions (for AES New Energy) 215 South Broad Street, 10 <sup>th</sup> Fl. Philadelphia, PA 19107	Tom Kinnane Direct Energy 3 Bethesda Metro Center st. 700 7450 Wisconsin Ave. Bethesda, MD 20814
Ken Gfroerer Reliant Energy RR1 Box 246 Stahlstown, PA 15687	Rose Burke Conectiv Energy Supply Inc. Christiana Bldg. 252 Chapman Road P. O. Box 6066 Newark, DE 19714-6066	Sara O'Neill Constellation NewEnergy 810 7 <sup>th</sup> Ave., Ste. 400 New York, NY 10019	Tom Michelman Xenergy 3 Burlington Woods, 4 <sup>th</sup> fl. Burlington, MA 01803-4543
Bill Rice Reliant Energy 1111 Louisiana Street Houston, TX 77002	Maria Robinson Con Edison Energy 701 Westchester Avenue Suite 201 West White Plains, NY 10604	Steven Gabel Gabel Associates 417 Denison Street Highland Park, NJ 08904	Marjorie Philips Constellation Energy 111 Market Place Suite 500 Baltimore, MD 21202
Shalin Shah Reliant Energy 1111 Louisiana Street Location 1971D Houston, TX 77002	Stephen Wemple Con Edison Energy 701 Westchester Avenue Suite 201 West White Plains, NY 10604	John Holtz Green Mountain Energy Co. 3000 Atrium Way Mail Box 275 Mount Laurel, NJ 08054	<b><u>OTHER PARTIES</u></b> Jack Johnson President Geophonic, Inc. P.O.Box 580 Summit, NJ 07901
Glenn Riepl AEP Energy Services 1 Riverside Plaza, 14 <sup>th</sup> Fl. Columbus, OH 43215-2373	Igor Gonta J. Aron & Co. 85 Broad Street, 9 <sup>th</sup> Floor New York, NY 10004	Paul Dwyer Green Mountain Energy Co. 123 Bloomingdale Ave. Suite 202 Wayne, PA 19087	Nathaniel Greene NRDC 40 W. 20 <sup>th</sup> Street, 11 <sup>th</sup> fl. New York, NY 10011
Angelo Chambrone Select Energy NY, Inc. 507 Plum Street Syracuse, NY 13204	Christian Hnat Edison Mission Marketing & Trading 160 Federal Street, 4 <sup>th</sup> Floor Boston, MA 02110	Trent Smith First Energy Services 395 Ghent Road Akron, OH 44333	Sara Bluhm NJBIA 102 West State Street Trenton, NJ 08608-1199
Kuljinder Chase Energy Trading Merril Lynch Capital Services 4 World Financial Center 7 <sup>th</sup> fl. New York, NY 10080	Robert Viola Edison Mission Mktg. & Trading 160 Federal Street, 4 <sup>th</sup> Floor Boston, MA 02110	Jay Kooper Amerada Hess Corp. One Hess Plaza Woodbridge, NJ 07095	Melanie Willoughby, VP NJBIA 102 West State Street Trenton, NJ 08608-1199
Leonard E. Navitsky Select Energy, Inc. 3301 Cherokee St. Emmaus, PA 18049	Gordon Sanderson Suez Energy Marketing NA 1990 Post Oak Blvd. Suite 1900 Houston, TX 77056-3831	Tom Michelman Senior Professional - XENERGY 3 Burlington Woods - 4th Floor Burlington, MA 01803-4543	Stephen Dilts Director/Government Affairs Chemical Industry Council of New Jersey 150 W. State Street Trenton, NJ 08608
John Llodra UBS Warburg Energy, LLC 82 Smith Street Groton, MA 01450	Ira Megdal Cozen, O'Connor Libertyview, St. 300 457 Haddonfield Road P.O. Box 5459 Cherry Hill, NJ 08002-2220	Lisa Ferguson Duke Energy North America 5400 Westheimer Court Houston, TX 77056	Kate McNamara Delaware River Port Authority Port Authority Transit Corp. One Port Center 2 Riverside Drive Camden, NJ 08101
Bob Trejo UBS 677 Wawshington Blvd. Stamford, CT 06901	<b><u>MARKETERS</u></b> Michael Drago Direct Energy Services One Gateway Center, st. 2600 Newark, NJ 07102	Michael G. Briggs Reliant Resources, Inc. 801 Pennsylvania Ave. NW Washington, DC 20004-2604	Roger M. Schwarz Governmental Affairs (RESA) 1 Benjamin Rush Lane Princeton, NJ 08540
Steve Sheppard DTE Energy Trading 414 S. Main St., Suite 200 Ann Arbor, MI 48104	D. Michael Cornwell Dominion Retail, Inc. 120 Tredegar Street Richmond, VA 23219	SueAnne I. Harrel Pepco Energy Services 101 Castle Pointe Blvd. Piscataway, NJ 08854	Marvin Spira Food Policy Institute 71 Lipman Drive New Brunswick, NJ 08901
William Barkas Dominion Retail, Inc. 625 Liberty Ave., 21 <sup>st</sup> Floor Pittsburgh, PA 15222		Dana Swieson EPEX 102 Pickering Way, Suite 102 Exton, PA 19341-1330	Jack O'Connor Rutgers Food Policy Institute ASB III, 3 Rutgers Plaza New Brunswick, NJ 08901
		Dale Kanterman, VP Eastern Energy Services 60 Fostertown Road Medford, NJ 08055	



East Hanover, NJ 07936

Gregory Lawrence  
McDermott Will & Emery  
28 State Street  
Boston, MA 02109-1775

Paul Forshay  
Sutherland Asbill & Brennan  
1275 Pennsylvania Ave. NW  
Washington, DC 20004-2415

Steven S. Goldenberg, Esq.  
Fox Rothschild  
997 Lenox Drive, Bldg. 3  
Lawrenceville, NJ 08648

Howard Thompson  
Russo Tumulty Nester  
Thompson & Kelly LLP  
One Exchange Place, Suite 501  
Jersey City, NJ 07302

Daniel O'Hern, Jr.  
Becker Meisel, LLC  
The Galleria  
2 Bridge Ave., Bldg. 1  
Red Bank, NJ 07701

Morris R. Altman & Marcus  
721 Rt. 202-206  
Bridgewater, NJ 08807