



STATE OF NEW JERSEY
Board of Public Utilities
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www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PROVISION OF BASIC)
GENERATION SERVICE FOR THE PERIOD)
BEGINNING JUNE 1, 2013 - ROCKLAND ELECTRIC)
COMPANY'S REQUEST FOR PROPOSAL) Docket No. ER12060485

Parties of Record:

John L. Carley, Esq., Assistant General Counsel for Rockland Electric Company
Stefanie A. Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD:

By Order dated November 20, 2012, Docket No. ER12060485 the New Jersey Board of Public Utilities ("Board") approved a request for proposal ("RFP") process for Rockland Electric Company ("Rockland" or "Company") as part of its Company Specific Addendum, to acquire energy and capacity swap agreements to satisfy the supply requirements for its non-PJM service areas within New Jersey for the period of June 1, 2013 through May 31, 2016.¹

On December 18, 2012, Rockland conducted its RFP to satisfy the supply requirements for its non-PJM service areas located within New Jersey for the period of June 1, 2013 through May 31, 2016. At its public agenda meeting held on December 19, 2012, the Board reviewed the results of the Rockland energy and capacity RFP process. The Board's review of the Rockland RFP indicated that it had failed to attract the necessary number of bidders to have a competitive solicitation. Therefore, the Board directed Rockland to file a proposal to amend its Basic Generation Service (BGS) Company Specific Addendum by January 4, 2013, to remedy the failure of its RFP to obtain the intended energy and capacity swap agreements for the period of June 1, 2013 through May 31, 2016. Further, the Board directed Staff to propose a procedural schedule that provided all parties with the opportunity for discovery, and for submission of written comments.

¹ In this matter the Board approved the joint Electric Distribution Companies' BGS proposal for the period beginning June 1, 2013, including Auction Rules, BGS-FP and BGS-CIEP Supplier Master Agreements, and EDC-Company Specific Addenda.

An Auction proposal was received from Rockland on January 4, 2013 ("Rockland Filing").

Initial Comments on the Rockland Filing were due on or about January, 15, 2013.

Final Comments were due on January 22, 2013.

Neither Initial Comments nor Final Comments were filed with the Board by any party in response to the Rockland Filing.

ROCKLAND'S AUCTION PROPOSAL

In the Rockland Filing, the Company proposes to conduct an auction soliciting competitive bids from qualified bidders for "fixed for floating" financially settled NYMEX futures transactions with respect to: (i) an energy tranche ("Energy Transaction"); and (ii) an Unforced Capacity ("UCAP") tranche ("UCAP Transaction") (collectively, "Transactions"). Unlike its previously unsuccessful RFP, Rockland asserts that because these NYMEX transactions are futures, prospective bidders for this auction will not be required to have executed an International Swaps and Derivatives Association ("ISDA") Master Agreement with Rockland as a prerequisite for participating. Rockland expects that this change should foster increased participation in the proposed auction, because negotiating ISDAs is usually a complicated and time consuming process.

Rockland further proposes that prior to the commencement of the auction, Board Staff and the Company will agree on maximum prices for the Energy Transaction and UCAP Transaction, respectively. Under the Rockland Filing, so long as the winning bids are less than these maximum prices, they will be deemed acceptable by the Board without any further Board action. At the end of the auction for each of the Transactions, Rockland will evaluate the proposals submitted by bidders to determine which proposals are in the best economic interests of its BGS customers. Rockland reserves the right to reject any and all winning bids. Accepted winning bids will then be posted by Rockland or its designee, into NYMEX. Since, the Transactions will be settled with NYMEX, Rockland and winning bidders will have no further obligations to each other with respect to such Transactions.

In accordance with procedures previously approved by the Board, Rockland will continue to average the winning auction prices with Rockland's BGS-FP prices to determine the rates for those customers taking BGS-FP service.

Rockland also proposes to conduct the above-described auction for both the Energy Transaction and UCAP Transaction annually going forward. The terms of these Transactions would correspond with those of the BGS years (i.e., June 1st through May 31st). All positions above would be NYMEX futures.

DISCUSSION AND FINDING

The Board has reviewed the Rockland Filing as part of the method of satisfying the Company's supply requirements for its non-PJM service areas within New Jersey for the supply period of June 1, 2013 to May 31, 2014. The Board **HEREBY FINDS** the Rockland Filing to be an acceptable means to satisfy the Company's obligation to obtain the energy and capacity needs of its customers located outside of PJM, subject to the following modifications:

1. Rockland has proposed that prior to the commencement of the auction, Board Staff and the Company will agree on maximum prices for the Energy Transaction and UCAP Transaction, and as so long as the winning bids are less than these maximum prices, they will be deemed accepted by the Board without further Board action. The Board **HEREBY DIRECTS** Rockland to modify its proposal to provide that upon conclusion of the auctions:
 - a) Rockland will evaluate the proposals submitted by bidders to determine which proposals are in the best economic interests of its BGS customers; and
 - b) Rockland will then submit these results to the Board for its approval. Upon Board approval, Rockland will then enter into the necessary agreements with the winning bidders.
2. Rockland proposes to conduct the above-described auction for both the Energy Transaction and UCAP Transaction annually going forward. As proposed, the terms of the Transactions would correspond with those of the BGS years (i.e., June 1st through May 31st). Rockland has made this proposal in response to the Board's directive to attempt to resolve a situation in the process previously implemented by the Company to obtain supply for its non-PJM BGS customers that resulted in the failure to attract the necessary number of bidders to have a competitive solicitation.

Until the revised auction process proposed by the Rockland Filing can be considered for continued implementation, the Board believes that an evaluation of a competed auction and its results is warranted. Therefore, the Board **HEREBY FINDS** that this auction proposal shall be limited to the period June 1, 2013 to May 31, 2014.

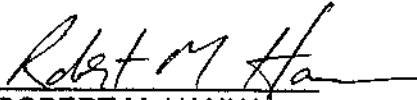
Further, the Board **DIRECTS** that Rockland file a revised proposal as part of its 2014 BGS filing for procuring the supply requirements for its non-PJM service areas within New Jersey. As part of that filing, an examination will take place of the best process to be implemented by Rockland for its supply requirements for its non-PJM service areas within New Jersey. Rockland, at its choosing, may submit the current auction proposal for Energy Transactions and UCAP Transactions to be considered by the Board.

3. In the event that this proposal by Rockland, as modified by this Order, fails to attract the necessary number of bidders to have a competitive solicitation, after notice to the Board, Rockland, as proposed in its revised Company Specific Addendum dated November 28, 2012, **IS HEREBY DIRECTED** to purchase the physical electric supply needed to meet its full service obligations for BGS customers outside of PJM from markets administered by the NYISO. Rockland shall purchase the energy needs of BGS customers located in

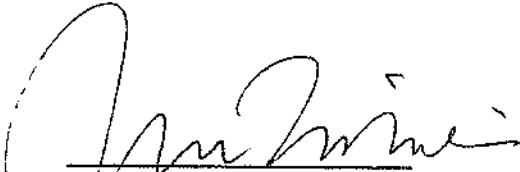
Rockland's Central and Western Divisions on the NYISO Day-Ahead and Real time Markets, and flow those prices through to BGS customers. Similarly, Rockland shall purchase the capacity needs of BGS customers located in Rockland's Central and Western Divisions in the NYISO monthly capacity market, and flow those prices through to BGS customers. As part of this process, the Board **HEREBY DIRECTS** Rockland to make a monthly compliance filing with the Board indicating the actual prices paid for energy and capacity from markets administered by the NYISO.

DATED: 3/20/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT

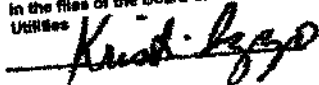

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ATTEST: 
KRISTI IZZO
SECRETARY

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



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