

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

ENERGY

ORDER

I/M/O The Provision of Basic)
Generation Service Pursuant)
To The Electric Discount And)
Energy Competition Act,)
N.J.S.A. 48:3-49 et seq.)
BGS Auction Results)

Docket Nos. EX01050303, EO01100654
EO01100655, EO01100656 and EO01100657

(Service List Attached)

BY THE BOARD:

By Order dated December 11, 2001, the Board approved with modifications and clarifications the BGS auction proposal of Public Service Electric and Gas Company ("PSE&G"), GPU Energy ("GPU"), Conectiv Power Delivery ("Conectiv") and Rockland Electric Company ("RECO") (collectively the "EDCs") for Year 4 of the Transition Period (August 1, 2002 thru July 31, 2003). At that time, the Board also indicated that it would address the auction results by the end of the second day after the close of the auction and accept or reject the auction results for all four EDCs in their entirety. The Board further directed the EDCs to make compliance filings consistent with that Order by December 12, 2001.

At its special public agenda meeting held on December 14, 2001, the Board approved the EDCs' compliance filings after finding them to be consistent with the Board's December 11, 2001 Order.

By letter of February 8, 2002, the EDCs filed with the Board a correction to Article 14.1 Section (b) of the EDCs' BGS Master Supply Agreement (Attachment 1). The correction is intended to rectify a drafting error that materially changed the paragraph's meaning.

AUCTION SUMMARY

The auction began on February 4, 2002 and ended on February 13, 2002 in round 73. The EDCs' auction manager, responsible for conducting the auction, was National Economic Research Associates ("NERA"). NERA brings expertise in the conduct of simultaneous descending clock auctions in the energy and telecommunications industries. The auction was continuously monitored by Staff from the Economist's Office and the Division of Energy, as well as by the Board's consultant Charles River Associates ("CRA"). CRA was retained to assist the Board in this process, due to both its extensive experience with simultaneous descending clock auctions and its vast energy industry experience.

The auction concluded with all of the EDCs' 170 tranches filled and with the following closing prices for each EDC: PSE&G- 5.11; GPU- 4.87; Conectiv- 5.12; RECO- 5.82.

The Auction Manager, NERA, has independently provided the Board and the Ratepayer Advocate with a confidential in-depth analysis on how the auction progressed leading to the final results. The analysis indicated the following in support of accepting the auction results closing prices: bidders had sufficient information to prepare for the auction; no procedural problems nor errors were observed during the auction; all communication protocols were followed; no hardware nor software problems with the auction and communication systems were observed; no security breaches were observed during the auction process; all guidelines for setting the auction volume were followed; there was no evidence of confusion nor misunderstanding on the part of the bidders, nor were any complaints received from the bidders; the auction was carried out in a fair and transparent manner; there was no evidence of collusion nor gaming by the bidders; and finally the auction appears to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS load.

CRA has also provided a similar confidential analysis to the Board, which is consistent with the NERA analysis.

FINDINGS AND CONCLUSIONS

The independent NERA and CRA analyses are consistent with each other and indicate that the auction 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 auction has also briefed the Board on the conduct of the auction and on the auction results.

In its December 11, 2001 Order, the Board indicated that it would accept or reject the auction results for all four EDCs in their entirety.

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

- bidders had sufficient information to prepare for the auction;
- no procedural problems nor errors were observed during the auction;
- all communication protocols were followed;
- no hardware nor software problems with the auction and communication systems were observed;
- no security breaches were observed during the auction process;
- all guidelines for setting the auction volume were followed;
- there was no evidence of confusion nor misunderstanding on the part of the bidders, nor were any complaints received from the bidders;
- the auction was carried out in a fair and transparent manner;
- there was no evidence of collusion nor gaming by the bidders;
- the auction generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the BGS load; and
- the correction to Article 14.1 Section (b) of the BGS Master Supply Agreement be accepted and made part of the document.

Therefore, the Board hereby CERTIFIES the final results of the BGS auction in their entirety and subsequently APPROVES the closing prices for each EDC. Furthermore, the Board directs the EDCs to execute the necessary documents, including the BGS Master Supply Agreements, with the winning bidders within two business days of the date of this Order.

DATED: February 15, 2002

BOARD OF PUBLIC UTILITIES
BY:

Signed

JEANNE M. FOX
ACTING PRESIDENT

Signed

FREDERICK F. BUTLER
COMMISSIONER

Signed

CAROL J. MURPHY
COMMISSIONER

Signed

CONNIE O. HUGHES
COMMISSIONER

ATTEST:

Signed

HENRY M. OGDEN
ACTING SECRETARY

Attachment