



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PROVISION OF BASIC)
GENERATION SERVICE FOR THE PERIOD)
BEGINNING JUNE 1, 2015 - ROCKLAND ELECTRIC)
COMPANY'S PROCUREMENT PROCESS) Docket No. ER140403370

Parties of Record:

Margaret Comes, Esq., Senior Attorney for Rockland Electric Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On July 1, 2014, the four New Jersey electric distribution companies ("EDCs"), consisting of Atlantic City Electric Company ("ACE"), Jersey Central Power & Light Company ("JCP&L"), Public Service Electric and Gas Company ("PSE&G"), and Rockland Electric Company ("RECO"), filed a Joint EDC Proposal for Basic Generation Service ("BGS") consisting of a generic proposal for BGS for the period beginning on June 1, 2015 and including proposed preliminary auction rules for the auctions to procure needed electric supply and related services a Supplier Master Agreement, and certain Company specific addenda.

RECO, as part of its Company specific addenda, proposed a separate process to secure the full service requirements for BGS customers in the Company's service territory outside of the area served through PJM - its Central and Western Divisions - for the period commencing June 1, 2015. The Central and Western Divisions of RECO's service territory are physically connected to the NYISO.

On November 24, 2014 the Board issued an Order ("November 24 Order") providing it would defer making a decision regarding how RECO should procure the full service requirements for BGS customers in its Central and Western Divisions. The Board explained that Staff was still in discussions with RECO on the procurement process, and would bring the issue back to the Board for its review at a future date.

On February 5, 2015, after discussions with Board Staff and the Board's BGS consultant, Boston Pacific Company, Inc. ("Boston Pacific"), RECO filed an amended proposal to secure the full service requirements for BGS customers in the Company's service territory lying outside of the area served through PJM for the period commencing June 1, 2015 ("RECO Filing").

Comments on the RECO Filing were due on March 13, 2015, while Reply Comments were due on March 20, 2015. Neither Comments nor Reply Comments were filed with the Board by any party.

ROCKLAND'S PROPOSAL

To address the capacity needs of its Central and Western Divisions, RECO proposes to purchase capacity from the NYISO monthly capacity market and blend its forecast of those prices into the BGS-RSCP price ("Capacity Transaction"). This is the same proposal approved by the Board in its November 22, 2013 Order, Docket No. ER13050378.

To address the energy needs of its Central and Western Divisions, RECO proposes to enter into a bi-lateral agreement or agreements to hedge the costs of energy purchases from the NYISO. The bi-lateral agreement or agreements may be either a financial hedge, where no energy commodity is provided by the counter party, or a physical hedge in which the counter party will provide the energy commodity ("Energy Transactions"). In the case of the energy financial hedge agreement, RECO must still purchase the physical electric supply needed to meet its full service obligations of its Central and Western Divisions. RECO intends to make such purchases from markets administered by the NYISO.

According to the proposal, RECO will seek bids on physical and financial transactions for NYISO ZONE G energy for the periods specified below. For the Energy Transactions, RECO is proposing to procure agreements to cover the period of June 1, 2015 to May 31, 2018 and will seek pricing for the following four periods:

1. Year 1: June 1, 2015 through May 31, 2016;
2. Year 2: June 1, 2016 through May 31, 2017;
3. Year 3: June 1, 2017 through May 31, 2018; and
4. Blended price: June 1, 2015 through May 31 2018.

RECO is proposing to review the bids received with Board Staff and Boston Pacific, and select a winning bid that is most competitive and consistent with market conditions. RECO is proposing to submit the winning bid(s) to the Board for approval by 2:00 p.m. the day before the Board agenda meeting to review the results of the RECO Energy and Capacity Transaction procurement.

Further, RECO is proposing that in the event that the bids RECO receives do not reflect market conditions, the Board does not approve the winning bidder, or the bidder defaults on the bid agreement, RECO will report the failed procurement, and proceed to implement the default procurement process. Under the default process as proposed by RECO, the company will purchase the energy needs of its BGS customers in the Central and Western Divisions in the

NYISO Day-Ahead and Real-Time Markets, and blend its forecast of those prices into the BGS-RSCP price obtained in the BGS Auction approved by Order dated February 12, 2015. RECO further proposes that in the event it has to make purchases from the NYISO market, it will make a monthly compliance filing with the Board indicating the actual prices paid for energy.

DISCUSSION AND FINDING

The Board reviewed the RECO 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, 2015 to May 31, 2018. The Board **HEREBY FINDS** the RECO 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 at prices consistent with market conditions as required by N.J.S.A. 48:3-57, subject to the following modifications:

1. The Board **HEREBY DIRECTS** RECO to implement the Capacity Transaction for the period June 1, 2015 to May 31, 2016. Further, the Board **HEREBY DIRECTS** RECO to make a monthly compliance filing with the Board indicating the actual prices paid for capacity from the markets administered by the NYISO when RECO completes the Capacity Transaction for the BGS customers located in its Central and Western Divisions in the NYISO monthly capacity market.
2. In the event that the Energy Transaction as proposed by RECO causes the default procurement process to be implemented, the Board **HEREBY DIRECTS** RECO to purchase the physical electric supply needed to meet its full service obligations from markets administered by the NYISO on the NYISO Day-Ahead and Real Time Markets for the period from June 1, 2015 to May 31, 2016, and to flow those prices through to BGS-RSCP customers. Further, the Board **HEREBY DIRECTS** RECO to make a monthly compliance filing with the Board indicating the actual prices paid for energy from markets administered by the NYISO if the default process is implemented.

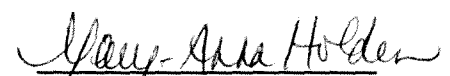
3. The Board **HEREBY DIRECTS** RECO to make a compliance filing, including tariff sheets reflecting BGS-RSCP rates to be implemented on June 1, 2015, within 5 business days of this Board Agenda meeting. The Board **HEREBY AUTHORIZES** Staff after reviewing RECO's compliance filing, including the required tariff sheets, to request that the Board Secretary issue a compliance letter of approval if Staff finds the filing satisfies the directives in this Order.

DATED: 4/13/15


BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT

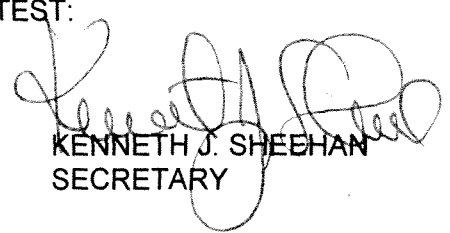

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

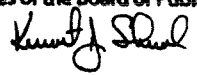

DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:


KENNETH J. SHEEHAN
SECRETARY

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



**In the Matter of the Provision of Basic Generation Service
For the Period Beginning June 1, 2015
Docket No. ER14040370
Service List**

BPU

Kenneth J. Sheehan, Secretary
New Jersey Board of Public Utilities
Post Office Box 350
44 South Clinton Ave., 9th Floor
Trenton, NJ 08625-0350
kenneth.sheehan@bpu.state.nj.us

Frank Perrotti
New Jersey Board of Public Utilities
Post Office Box 350
44 South Clinton Ave., 9th Floor
Trenton, NJ 08625-0350
frank.perrotti@bpu.state.nj.us

Jerome May, Director
New Jersey Board of Public Utilities
Post Office Box 350
44 South Clinton Ave., 9th Floor
Trenton, NJ 08625-0350
Jerome.may@bpu.state.nj.us

Mark Beyer, Chief Economist
New Jersey Board of Public Utilities
Post Office Box 350
44 South Clinton Ave., 9th Floor
Trenton, NJ 08625-0350
mark.beyer@bpu.state.nj.us

Stacy Peterson
New Jersey Board of Public Utilities
Post Office Box 350
44 South Clinton Ave., 9th Floor
Trenton, NJ 08625-0350
stacy.peterson@bpu.state.nj.us

Bethany Rocque-Romaine
New Jersey Board of Public Utilities
Post Office Box 350
44 South Clinton Ave., 9th Floor
Trenton, NJ 08625-0350
bethany.rocque-romaine@bpu.state.nj.us

DAG

Babette Tenzer, Esq.
Deputy Attorney General
Division of Law
Board of Public Utilities Section
124 Halsey Street
P.O. Box 45029
Newark, New Jersey 07101
babette.tenzer@dol.lps.state.nj.us

BPU's BGS CONSULTANTS

Craig R. Roach
Boston Pacific Company, Inc.
1100 New York Avenue, NW
Suite 490 east
Washington, DC 2005
croach@bostonpacific.com

Frank Mossburg
Boston Pacific Company, Inc.
1100 New York Avenue, NW
Suite 490 east
Washington, DC 2005
fmossburg@bostonpacific.com

DIVISION OF RATE COUNSEL

Stefanie A. Brand, Esq., Director
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, New Jersey 08625
sbrand@rpa.state.nj.us

Ami Morita
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, New Jersey 08625
amorita@rpa.state.nj.us

Diane Schulze
Division of Rate Counsel
140 East Front Street, 4th Floor
Post Office Box 003
Trenton, New Jersey 08625
dschulze@rpa.state.nj.us

PSE&G

Alexander C. Stern, Esq.
Assistant General Regulatory Counsel
Law Department
80 Park Plaza, T-05
Newark, New Jersey 07102-4194
Alexander.Stern@pseg.com

Tony Robinson
Public Service Electric & Gas Co.
80 Park Plaza, T-8
Newark, NJ 07101
Anthony.Robinson@pseg.com

ATLANTIC CITY ELECTRIC CO.

Joseph F. Janocha, Manager,
Regulatory Affairs
Atlantic City Electric Co. – 63ML38
5100 Harding Highway
Atlantic Regional Office
Mays Landing, NJ 08330
joseph.janocha@pepcoholdings.com

Gregory R. Marquis
Pepco Holdings, Inc.
701 Ninth Street NW
Washington, DC 20068-0001
grmarquis@pepco.com

Philip J. Passanante,
Assistant General Counsel
Atlantic City Electric Co. - 89KS42
800 King Street, 5th Floor
PO Box 231
Wilmington, DE 19899-0231
philip.passanante@pepcoholdings.com

JCP&L

Kevin Connelly
First Energy
300 Madison Avenue
Morristown, NJ 07960
kconnelly@firstenergycorp.com

Greg Eisenstark
Windels Marx & Mittendorf, LLP
120 Albany Street, 6th Floor
New Brunswick, NJ 08901
geisenstark@windelsmarx.com

Sally J Cheong
First Energy
300 Madison Avenue
P. O. Box 1911
Morristown, NJ 07962-1911
scheong@firstenergycorp.com

ROCKLAND

John L. Carley, Esq.
Consolidated Edison Co. of NY
Law Dept., Room 1815-S
4 Irving Place
New York, NY 10003
carleyj@coned.com

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

William A. Atzl, Jr.
Rockland Electric Company
4 Irving Place - 2nd Floor SE
New York, NY 10003
atzlw@coned.com

Margaret Comes, Esq.,
Consolidated Edison Co. of NY
Law Department, Room 1815-S
4 Irving Place
New York, NY 10003
comesm@coned.com

NERA

Gene Meehan
NERA Economic Consulting
1255 23rd St. NW
Washington, DC 20037
Gene.Meehan@NERA.com

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Docket No. ER14040370
Service List**

Chantale LaCasse
NERA Economic Consulting
1255 23rd St. NW
Washington, DC 20037
Chantale.LaCasse@NERA.com

Third Party Suppliers

Murray E. Bevin, Esq.
Bevan, Mosca, Giuditta & Zarillo, P.C.
776 Mountain Blvd.
Suite 202
Watchung, NJ 07069
mbevan@bmgzlaw.com

SueAnne I. Harrel
Pepco Energy Services
39 Crestview Drive
Asset Mgmt Group
Clinton, NJ 08809
sharrel@pepcoenergy.com

Dana Swieson
EPEX
717 Constitution Drive
Suite 110
Exton, PA 19341
Dana.swieson@epex.cc

Marc A. Hanks
Senior Manager, Government &
Regulatory Affairs
Direct Energy Services, LLC
Marc.Hanks@directenergy.com

Mark S. Kumm
Pepco Energy Services, Inc.
1300 N. 17th, Suite 1600
Arlington, VA 22209
mkumm@pepcoenergy.com

Stacey Rantala
National Energy Marketers Association
3333 K Street, N.W., Suite 110
Washington, D.C. 20007
srantala@energymarketers.com

David B. Applebaum
Director, Regulatory Affairs
NextEra Energy Resources, LLC
21 Pardee Place
Ewing, New Jersey 08628
david.applebaum@nexteraenergy.com

David Gil
Manager, Regulatory Affairs
NextEra Energy Resources, LLC
700 Universe Boulevard
Juno Beach, Florida 33408
david.gil@nexteraenergy.com

Kathleen Maher
Constellation NewEnergy
810 Seventh Avenue, Suite 400
New York, NY 10019-5818
kathleen.maher@constellation.com

Bob Blake
VP Elec. Operations & Regulatory
Affairs
MXenergy
10010 Junction Dr, Suite 104S
Annapolis Junction, MD 20701
rblake@mxenergy.com

NJLEUC

Paul F. Forshay, Partner
SUTHERLAND
1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2415
paul.forshay@sutherland.com

Steven S. Goldenberg, NJLEUC, Esq.
Fox Rothschild LLP
Princeton Corporate Center
997 Lenox Drive, BLDG. 3
Lawrenceville, NJ 08648-2311
SGoldenberg@foxrothschild.com

BGS SUPPLIERS

Steven Gabel - IEPNJ
Gabel Associates
417 Denison Street
Highland Park, NJ 08904
steven@gabelassociates.com

James Laskey, Esq. - IEPNJ
Norris McLaughlin & Marcus
721 Route 202-206
Bridgewater, NJ 08807
jlaskey@nmmlaw.com

Mark Baird, Director, Regulatory Affairs
RRI Energy, Inc.
7642 West 450 North
Sharpsville, IN 46068
mbaird@rrienergy.com

Raymond Depillo
PSEG Energy Resources & Trade
80 Park Plaza, T-19
P.O. Box 570
Newark, NJ 07101
raymond.depillo@pseg.com

Shawn P. Leyden, Esq.
PSEG Energy Resources & Trade
80 Park Plaza, T-19
P. O. Box 570
Newark, NJ 07101
shawn.leyden@pseg.com

David K Richter, Esq.
PSEG
Regulatory Department
80 Park Plaza, T-5C
P. O. Box 570
Newark, NJ 07101
david.richter@pseg.com

Ken Gfroerer
RRI Energy
RRI Box 246
Stahlstown, PA 15687
kgfroerer@rrienergy.com

Craig S. Blume
Director, Power Marketing
UGI Energy Services / UGI
Development Company
One Meridian Boulevard, Suite 2C01
Wyomissing, PA 19610
cblume@ugies.com

Robert O'Connell,
VP & Compliance Manager
J.P. Morgan Ventures Energy Corp.
1033 Squires Drive
West Chester, PA, 19382
robert.oconnell@jpmorgan.com

Deborah Hart, Vice President
Morgan Stanley Capital Group
2000 Westchester Avenue
Trading Floor
Purchase, NY 10577
deborah.hart@morganstanley.com

Marcia Hissong, Director, Contract
Administration/Counsel
DTE Energy Trading, Inc.
414 South Main Street
Suite 200
Ann Arbor, MI 48104
hissongm@dteenergy.com

Don Hubschman
American Electric Power
155 W. Nationwide Blvd.
Columbus, OH 43215
dmhubschman@aepes.com

Christine McGarvey
AEP Energy Partners, Inc.
Energy Trader
155 W Nationwide Blvd
Suite 500
Columbus, OH 43215
clmgarvey@aepes.com

Glenn Riepl
AEP Energy Services
1 Riverside Plaza
14th Floor
Columbus, OH 43215-2373
gfriepl@aep.com

Jean-Paul St. Germain
Sempra Energy Trading
58 Commerce Road
Stamford, CT 06902
jean-paul.st.germain@rbssempra.com

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Service List**

Howard O. Thompson - BGS
Russo Tumulty Nester Thompson
Kelly, LLP
240 Cedar Knolls Road
Suite 306
Cedar Knolls, NJ 07927
htompson@russotumulty.com

Sharon Weber
PPL Energy Plus
2 North 9th Street TW 20
Allentown, PA 18101
sjweber@pplweb.com

Stephen Wemple
Con Edison Energy
701 Westchester Avenue
Suite 201 West
White Plains, NY 10604
wemples@conedenergy.com

Glen Thomas
The P³ Group
GT Power Group LLC
1060 First Avenue
Suite 400
King of Prussia, PA 19406
Gthomas@gtpowergroup.com

Divesh Gupta
Senior Counsel
Constellation Energy
100 Constellation Way, Suite 500C
Baltimore, Maryland 21202
divesh.gupta@constellation.com

Tom Hoatson
LS Power Development, LLC
2 Tower Center
East Brunswick, NJ 08816
thoatson@lspower.com

John Citrolo
Conectiv Energy Supply, Inc.
PO Box 6066, MS 92DC69
Newark, DE 19714
john.citrolo@connectiv.com

Adam Kaufman
Executive Director
Independent Energy Producers of NJ
Five Vaughn Drive, Suite 101
Princeton, NJ 08540
akaufman@kzgrp.com

Stuart Ormsbee
TransCanada Power Marketing Ltd.
110 Turnpike Road, Suite 300
Westborough, MA 01581
Stuart_ormsbee@transcanada.com

Gregory K. Lawrence
Cadwalader, Wickersham & Taft LLP
One World Financial Center
New York, NY 10281
greg.lawrence@cwt.com

Victoria M. Lauterbach
Cadwalader, Wickersham & Taft LLP
700 Sixth Street, N.W.
Washington, DC 20001
tory.lauterbach@cwt.com

Anthony Pietranico
ConEdison Solutions Inc.
Electricity Supply Specialist
Tel: 732-741-5822 x204
pietranicoa@conedsolutions.com

Aundrea Williams
Director Regulatory Affairs
NextEra Power Marketing LLC
700 Universe Boulevard
Juno Beach, Fl. 33408
aundrea.williams@nexteraenergyservices.com

Ira G. Megdal
Cozen O'Connor
457 Haddonfield Road
Suite 300 P.O. Box 5459
Cherry Hill, NJ 08002
imegdal@cozen.com

Christi L. Nicolay
Division Director
Macquarie Energy LLC
500 Dallas St., Level 31
Houston, TX 77002
Christi.Nicolay@macquarie.com

OTHER PARTIES

Sara Bluhm
NJBIA
102 West State Street
Trenton, NJ 08608-1199
sbluhm@njbja.org

John Holub
NJ Retail Merchants Assoc.
332 West State Street
Trenton, NJ 08618
John@njirma.org

Judy Misoyianis, Administrator
New Jersey Retail Merchants Assoc.
332 West State Street
Trenton, NJ 08618
judy.njirma@verizon.net

Holly Minogue
Gabel Associates
Energy, Environmental, and Public
Utility Consulting
417 Denison Street
Highland Park, NJ 08904
holly.minogue@gabelassociates.com

Larry Spielvogel, PE
L. G. Spielvogel, Inc.
190 Presidential Blvd # 310
Bala Cynwyd, PA 19004-1151
spielvogel@comcast.net

Robert Macksoud, Jr, CEP
Director Energy Procurement
EnergySolve
One Executive Dr, Suite 401
Somerset, NJ 08873
rmacksoud@energysolve.com

Lyle Rawlings
Mid-Atlantic Solar Energy Industries
Association
Rutgers EcoComplex, Suite 208-B
1200 Florence-Columbus Road,
Bordentown, NJ 08505
lrawlings@mseia.net

Katie Bolcar
Mid-Atlantic Director
Solar Energy Industries Association
575 7th Street, NW, Suite 400,
Washington DC 20005
kbolcar@seia.org

Bruce H. Burcat, Esq.
Executive Director
Mid-Atlantic Renewable Energy Coalition
208 Stonegate Way
Camden, DE 19934
bburcat@marec.us