

BEFORE THE PUBLIC SERVICE COMMISSION OF MARYLAND

IN THE MATTER OF THE COMMISSION'S )  
INVESTIGATION INTO DEFAULT SERVICE ) CASE NO: 9056  
FOR TYPE II STANDARD OFFER SERVICE )  
CUSTOMERS )

IN THE MATTER OF THE COMPETITIVE )  
SELECTION OF ELECTRICITY )  
SUPPLIER/STANDARD OFFER OR ) CASE NO: 9064  
DEFAULT SERVICE FOR INVESTOR OWNED )  
UTILITY SMALL COMMERCIAL )  
CUSTOMERS AND FOR THE POTOMAC )  
EDISON COMPANY D/B/A ALLEGHENY )  
POWER'S, BALTIMORE GAS & ELECTRIC'S, )  
DELMARVA POWER AND LIGHT COMPANY'S )  
AND POTOMAC ELECTRICAL POWER )  
COMPANY'S RESIDENTIAL CUSTOMERS. )

DIRECT TESTIMONY

OF  
CRAIG R. ROACH, Ph.D.  
AND  
FRANK MOSSBURG  
BOSTON PACIFIC COMPANY, INC.

ON BEHALF OF THE STAFF OF THE  
PUBLIC SERVICE COMMISSION OF MARYLAND

APRIL 22, 2010

1

2 Q. Please state your names, business positions and business address.

3 A. Our names are Craig Roach and Frank Mossburg. We are, respectively, the  
4 President and Managing Director at Boston Pacific Company, Inc. Boston Pacific  
5 is the Monitoring Technical Consultant for this, the 2010 Request for Proposal  
6 (RFP) by the four Maryland utilities. Boston Pacific is located at 1100 New York  
7 Avenue NW, Suite 490 East, Washington, DC 20005.

8

9 Q. Please briefly summarize your qualifications as monitoring consultants for full  
10 requirements RFPs.

11 A. We have extensive hands-on experience monitoring many of the major full  
12 requirements solicitations in the country, including our engagements for (a) New  
13 Jersey's 2007 through 2010 Basic Generation Service (BGS) Auctions, (b) the  
14 2005 through 2009 Standard Offer Service (SOS) RFPs for the District of  
15 Columbia, (c) Delaware's 2006 through 2009 SOS RFPs, (d) Maryland's SOS  
16 RFPs in 2004, 2005, and 2006 for all four utilities, (e) Allegheny Power's 2009  
17 RFP for full requirements supply in Pennsylvania, (f) the 2006 Illinois Auction  
18 and the 2008, 2009 and 2010 Illinois RFPs and (g) FirstEnergy's 2009 Auction  
19 for its Ohio load. In each of these cases we represent the State Utility  
20 Commission.

21

22 Q. What is the purpose of your testimony?

1 A. The purpose of our testimony is to provide a recommendation to the Maryland  
2 Public Service Commission (the Commission) as to whether to accept the results  
3 of this third bid day for the Maryland Utilities' 2010 Request for Proposals (RFP)  
4 for Standard Offer Service.

5  
6 Q. What is your recommendation?

7 A. We recommend that the Commission accept the results of this most recent bid  
8 day. Our recommendation is based on the following four points.

- 9 1. The winning prices were consistent with broader market conditions. No  
10 winning bids were rejected due to implementation of the Price Anomaly  
11 Threshold.
- 12 2. The RFP was sufficiently competitive. Thirteen bidders participated in at  
13 least one of the product offerings and 7 bidders won some share of supply.  
14 Ultimately, the entire supply of each product was fully subscribed.
- 15 3. The RFP was open, fair and transparent. All bidders, including utility  
16 affiliates signed the same contract and all bids were judged solely on the  
17 basis of price.
- 18 4. There were no violations of RFP rules or regulations. All bids were  
19 properly evaluated in a manner laid out in the RFPs.

20

21 More broadly, we base this recommendation on our independent review and  
22 ranking of all of the submitted bids, our assessment of current market conditions,  
23 and our substantial experience as monitors for Standard Offer Service RFPs. We

1 also base this on our full participation in all phases of the RFP process. This  
2 included: reviewing all RFP documents and data, monitoring the RFP websites,  
3 reviewing all Q&A, attending the pre-bid conference, participating in pre-bid dry  
4 runs to test bidding software, and discussions with Staff, the Maryland Office of  
5 People’s Counsel (OPC), and utilities regarding multiple issues.

6

7 Q. When did the solicitations take place and what products were solicited in this  
8 third bid day?

9 A. This third bid day took place on Monday, April 19<sup>th</sup>. It solicited full requirements  
10 service<sup>1</sup> for ten different products among four utilities.

11 For Baltimore Gas and Electric (BGE)

- 12 1. 828 MW of Residential supply covering the October 1, 2010 to September  
13 30, 2012 time frame
- 14 2. 64 MW of Type 1 supply covering the October 1, 2010 to September 30,  
15 2012 time frame
- 16 3. 624 MW of Type II supply covering the June 1, 2010 to August 31, 2010  
17 time frame

18 For Pepco

- 19 1. 457 MW of combined Residential and Type I supply covering the October  
20 1, 2010 to September 30, 2012 time frame
- 21 2. 298 MW of Type II supply covering the June 1, 2010 to August 31, 2010  
22 time frame

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<sup>1</sup> Full requirements (also known as Standard Offer or Basic Generation Service) is electricity service for customers who choose not to use a third-party supplier. It is comprised of several components including: energy, capacity, ancillary services, and renewable portfolio obligations.

1 For Allegheny Power

2 1. 48 MW of Residential supply covering the June 1, 2011 to May 31, 2012

3 time frame

4 2. 48 MW of Residential supply covering the June 1, 2011 to May 31, 2013

5 time frame

6 3. 143 MW of Type II supply covering the June 1, 2010 to August 31, 2010

7 time frame

8 For Delmarva Power and Light

9 1. 163 MW of combined Residential and Type I supply covering the October  
10 1, 2010 to September 30, 2012 time frame

11 2. 77 MW of Type II supply covering the June 1, 2010 to August 31, 2010

12 time frame

13

14 The solicitation was a fixed-price pay as bid process. Supply was broken into  
15 “blocks” of roughly 50 MW each, representing a percentage share of the total  
16 product load. Bidders offered prices at which they would serve each product. All  
17 bidders for a given product signed the same contract so selection was based solely  
18 on which bidders offered the lowest price. Winners will be paid the prices that  
19 they bid.

20

21 Q. Please explain the criteria used in making your recommendation

22 A. In evaluating Standard Offer Service procurements we generally like to look for  
23 four components: (a) prices consistent with market conditions, (b) sufficient

1 competition, (c) an open, fair, and transparent process, and (d) proper adherence  
2 to procedures as laid out in the RFP and Commission Orders.

3

4 Q. Please explain your findings with respect to fairness and transparency

5 A. This RFP process was structurally open, fair, and transparent because it (a) had a  
6 well defined product that could be offered by multiple parties, (b) used standard  
7 contracts – so there was no discretion on non-price factors in choosing winners,  
8 and (c) featured a simple price-only bid evaluation. Additionally, the utilities  
9 were prompt in answering question from bidders and distributing information to  
10 all bidders.

11

12 Q. Please describe your findings with respect to competitiveness

13 A. We assessed several indicators of the competitiveness for the RFP. A full  
14 detailing of the levels of participation for each of the ten products can be found in  
15 Exhibit One.

16

17 Q. What information did you review regarding competitiveness?

18 A We first looked at the number of bidders. There were a total of 13 bidders who  
19 submitted bids for one or more of the ten products available. This is identical to  
20 the number of bidders that participated in the first bid day this past October<sup>2</sup>.

21 Each product category had acceptable participation.

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<sup>2</sup> We compare to the October bid because it solicited a similar range of products, the second bid day in January solicited mostly Type II supply.

1 Another measure of competitiveness, we examined was the ratio of MW bid to  
2 MW needed. For the entire RFP we received approximately 5.6 MW bid for  
3 every MW needed. For the Residential products alone the number was 5.9 to 1.  
4 These represent increases from last October's bid, which saw 5 MW for every  
5 block needed overall and 5 MW bid for every Residential MW needed.

6  
7 Finally, we examined the number of winners. There were seven winners, slightly  
8 down from the October procurement which saw eight winners.

9

10 Q. Please describe your findings with respect to prices

11 A. The primary test for reasonable prices in this RFP is the Price Anomaly Threshold  
12 or PAT. This serves as a "hard cap" on bids, meaning that it forces bids to be  
13 rejected if they are higher than the PAT<sup>3</sup>. A PAT is developed for all residential  
14 and Type I products.

15

16 Q. Did the implementation of the PAT cause any bids to be rejected?

17 A. The implementation of the PAT did not lead to the rejection of any winning bids.

18 All winning prices came in below the PAT.

19

20 Q. Please describe your findings with respect to rules and regulations

21 A. In this the RFP was successful. All procedures were carried out as envisioned in  
22 the RFP. This included: (a) all documents and data properly posted, (b)

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<sup>3</sup> Technically, the PAT is compared against the *average* price of winning bids, so some individual bids may exceed the PAT.

1 conformance with the bid plan, and (c) a price-based method of determining  
2 winners. All security procedures were properly observed. Most importantly,  
3 Boston Pacific was able to independently review bids and determine the winners  
4 and winning prices.

5

6 Q. Does this conclude your testimony?

7 A. Yes.

8

9

10

**Results for Residential and Type I Products**

Product	Number of Bidders		MW Solicited /Awarded	MW Bid	Ratio of MW Bid to Solicited	Number of Winners
	Qualified	Actual				
APS - 12 Month Residential	10	4	47.8	191.2	4.0	1
APS- 24 Month Residential	10	4	47.8	191.2	4.0	1
BGE - Residential	16	11	827.8	4674.7	5.6	4
BGE - Type 1	16	5	63.6	318.0	5.0	1
DPL - Residential and Type 1	13	7	162.6	921.4	5.7	2
PEPCO - Residential and Type 1	15	12	457.2	3200.4	7.0	2
<b>Total</b>	<b>18</b>	<b>13</b>	<b>1606.8</b>	<b>9496.9</b>	<b>5.9</b>	<b>6</b>

## Results for Type II Products

Product	Number of Bidders		MW Solicited /Awarded	MW Bid	Ratio of MW Bid to Solicited	Number of Winners
	Qualified	Actual				
BGE - Type II	16	7	624.0	3120.0	5.0	3
PEPCO - Type II	15	7	298.2	1689.8	5.7	3
APS - Type II	10	5	143.1	715.5	5.0	2
DPL -Type II	13	6	76.8	422.4	5.5	1
Total	18	8	1142.1	5947.7	5.2	5