

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
FRANK MOSSBURG
BOSTON PACIFIC COMPANY, INC.

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

April 21, 2011

1

2 Q. Please state your name, business position and business address.

3 A. My name is Frank Mossburg. I am a Managing Director at Boston Pacific
4 Company, Inc. Boston Pacific is the Monitoring Technical Consultant for this,
5 the 2011 Request for Proposal (RFP) by the four Maryland utilities. Boston
6 Pacific is located at 1100 New York Avenue NW, Suite 490 East, Washington,
7 DC 20005.

8

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

11 A. Boston Pacific has extensive hands-on experience monitoring many of the major
12 full requirements solicitations in the country, including our engagements for (a)
13 New Jersey's 2007 through 2011 Basic Generation Service (BGS) Auctions, (b)
14 the 2005 through 2011 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, 2006, and 2010 for all four utilities, (e) Allegheny Power's
17 2009 RFP for full requirements supply in Pennsylvania, (f) the 2006 Illinois
18 Auction and the 2008 through 2011 Illinois RFPs and (g) FirstEnergy's 2009 and
19 2010 Auctions for its Ohio load. In each of these cases we represented the State
20 Utility Commission. I personally have led our day-to-day efforts since 2007 for
21 our engagements in New Jersey, Maryland, Ohio, Pennsylvania, Delaware and the
22 District of Columbia.

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Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide a recommendation to the Maryland Public Service Commission (the Commission) as to whether to accept the results of this third bid day for the Maryland Utilities' 2011 Request for Proposals (RFP) for Standard Offer Service.

Q. What is your recommendation?

A. I recommend that the Commission accept the results of this most recent bid day. My recommendation is based on the following four points.

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

1 More broadly, I base this recommendation on Boston Pacific's independent
2 review and ranking of all of the submitted bids, my assessment of current market
3 conditions, and my substantial experience as a monitor for Standard Offer Service
4 RFPs. I also base this on our full participation in all phases of the RFP process.
5 This included: reviewing all RFP documents and data, monitoring the RFP
6 websites, reviewing all Q&A, attending the pre-bid conference, participating in
7 pre-bid dry runs to test bidding software, and discussions with Staff, the Maryland
8 Office of People's Counsel (OPC), and utilities regarding multiple issues.

9

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

12 A. This third bid day took place on Monday, April 18th. It solicited full requirements
13 service¹ for ten different products among four utilities.

14 For Baltimore Gas and Electric (BGE)

- 15 1. 845.2 MW of Residential supply covering the October 1, 2011 to
16 September 30, 2013 time frame
- 17 2. 52.6 MW of Type 1 supply covering the October 1, 2011 to September 30,
18 2013 time frame
- 19 3. 476.1 MW of Type II supply covering the June 1, 2011 to August 31,
20 2011 time frame

21 For Pepco

¹ 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 1. 334.2 MW of combined Residential and Type I supply covering the
- 2 October 1, 2011 to September 30, 2013 time frame
- 3 2. 264.7 MW of Type II supply covering the June 1, 2011 to August 31,
- 4 2011 time frame

5 For Allegheny Power

- 6 1. 45.9 MW of Residential supply covering the June 1, 2012 to May 31, 2013
- 7 time frame
- 8 2. 45.9 MW of Residential supply covering the June 1, 2012 to May 31, 2014
- 9 time frame
- 10 3. 130.0 MW of Type II supply covering the June 1, 2011 to August 31,
- 11 2011 time frame

12 For Delmarva Power and Light

- 13 1. 124.1 MW of combined Residential and Type I supply covering the
- 14 October 1, 2011 to September 30, 2013 time frame
- 15 2. 72.6 MW of Type II supply covering the June 1, 2011 to August 31, 2011
- 16 time frame

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18 The solicitation was a fixed-price pay as bid process. Supply was broken into

19 “blocks” of roughly 50 MW each, representing a percentage share of the total

20 product load. Bidders offered prices at which they would serve each product. All

21 bidders for a given product signed the same contract so selection was based solely

22 on which bidders offered the lowest price. Winners will be paid the prices that

23 they bid.

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

3 A. In evaluating Standard Offer Service procurements I generally like to look for
4 four standards: (a) Are winning prices consistent with broader market conditions?
5 (b) Was there sufficient competition? (c) Was the process open, fair, and
6 transparent? and (d) Did the process adhere to procedures as laid out in the RFP
7 and Commission Orders?

8

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

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

16

17 Q. Please describe your findings with respect to competitiveness.

18 A. I assessed several indicators of the competitiveness for the RFP. A full detailing
19 of the levels of participation for each of the ten products can be found in Exhibit
20 One.

21

22 Q. What information did you review regarding competitiveness?

1 A I first looked at the number of bidders. There were a total of eleven bidders who
2 submitted bids for one or more of the ten products available. This is a good
3 number of bidders, and the same as in October².

4
5 Another measure of competitiveness we examined was the ratio of MW bid to
6 MW needed. For the entire RFP we received approximately 4.6 MW bid for
7 every MW needed. For the Residential and Type I products alone the number
8 was 4.2 to 1. These represent an increase from last October's bid, which saw 3.8
9 MW bid for every block needed overall and 2.6 MW bid for every Residential
10 MW needed. I was pleased to see this increase since the ratio from October did
11 give us some concern.

12
13 Q. Did you examine any other measures of participation?

14 A. I examined the number of winners. There were seven winners, the same number
15 as last October's and the previous April's procurement.

16
17 Q. Please describe your findings with respect to prices.

18 A. The primary test for reasonable prices in this RFP is the Price Anomaly Threshold
19 or PAT. This serves as a "hard cap" on bids, meaning that it forces some bids to
20 be rejected if winning bids are higher than the PAT³. A PAT is developed for all
21 Residential and Type I products.

² We compare to the October bid day because it solicited a similar range of products. The bid day in January solicited mostly Type II supply.

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

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

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

4 All winning prices came in below the PAT.

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

7 A. In this the RFP was successful. All procedures were carried out as envisioned in

8 the RFP. This included: (a) all documents and data properly posted, (b)

9 conformance with the bid plan, and (c) a price-based method of determining

10 winners. All security procedures were properly observed. Most importantly,

11 Boston Pacific was able to independently review bids and determine the winners

12 and winning prices.

13

14 Q. Does this conclude your testimony?

15 A. Yes.

16

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				
BGE - Residential	11	8	845.2	3331.1	3.9	3
BGE - Type I	11	2	52.6	105.2	2.0	1
PEPCO - Residential and Type I	11	7	334.2	1671.0	5.0	3
APS - 12 Month Residential	9	5	45.9	229.5	5.0	1
APS - 24 Month Residential	9	4	45.9	183.6	4.0	1
DPL - Residential and Type I	10	5	124.1	496.4	4.0	3
Total	14	10	1447.9	6016.78	4.2	5

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	11	7	476.1	2475.7	5.2	4
PEPCO - Type II	11	7	264.7	1535.3	5.8	2
APS - Type II	9	5	130.0	650.0	5.0	1
DPL -Type II	10	6	72.6	435.6	6.0	1
Total	14	8	943.4	5096.6	5.4	4