



Township of South Orange Village

Energy Aggregation Program

Program Update

February 2021

ATTENTION PSE&G CUSTOMERS - Energy Aggregation Update!

As many will recall, two years ago, the Township of South Orange Village joined with neighboring Essex County towns Glen Ridge, Maplewood, Montclair and Verona to form the Essex County Sustainable Energy Alliance (“SEA”), for the purposes of seeking bids to purchase energy for residents with the twin goals of increasing residents’ access to high quality green energy and reducing the cost of electricity.

We achieved those goals in early 2019 and awarded a 17-month cooperative energy contract to Direct Energy Services to supply cheaper and greener electricity to thousands of our residential customers. By leveraging the bulk purchasing power of thousands of households we were able to get power supply with over 40% renewable energy content, nearly double the renewable energy content of PSE&G power supply, at a price that was cheaper than the average PSE&G tariff price of a kilowatt-hour of energy.

The contract with Direct Energy began in July 2019, with a 17-month term that ran through December 2020. In September 2020, with the end of the initial SEA electric supply contract approaching, the Sustainable Essex Alliance again went out to bid out for a new energy supplier. However, pricing on those returned bids was not favorable and the Sustainable Essex Alliance rejected them.

Subsequently, our contract with Direct Energy ended in December 2020, and letters were sent out by PSE&G in December explaining that PSE&G would again serve as the default energy supplier.

In an effort to further increase our bulk purchasing power, the Sustainable Essex Alliance reached out to other municipalities, and the Township of Livingston and the Borough of Glen Rock were recently added to the SEA. The expectation was that by including a larger group of households, there would be a better result in bid pricing. With Livingston and Glen Rock joining in, a total of seven towns would be working together.

New Contract Awarded for Round 2 of the SEA

The SEA remains committed to advancing green energy and using its marketing strength to obtain cheaper rates of electricity for the residents in the seven participating municipalities.

On November 4, 2020, after adding Livingston and Glen Rock to create additional purchasing power, observing market improvements and changing the start date for the contract to improve the chances for favorable pricing, the SEA accepted new bids for Round 2 of the program. The new bid prices were indeed significantly improved as compared to the bids received in September. As a result, the SEA is pleased to announce that it awarded a contract for Round 2 of the program to Energy Harbor, the low bidder, for a 17 month contract which will begin in April 2021.

Under the new contract with Energy Harbor, **the baseline product will again provide participating residents with power supply that has nearly double the renewable energy content required of PSE&G**, at a price of **\$0.12696/kWh**, which is below the current average Basic Generation Service tariff price of PSE&G. Therefore, residents can expect to receive power supply under Round 2 of the SEA program that is greener than utility-provided power supply, and at a cost that is expected to be lower than the cost of utility-provided power supply over the contract term.

In addition, **participating residents will have the ability to voluntarily OPT-UP to a 100% renewable energy product**, for a modest price premium of \$0.00741/kwh above the base contract price (i.e. \$0.13437/kwh vs. the baseline contract price of \$0.12696/kwh). While modestly higher than the PSE&G tariff price, this voluntary 100% renewable energy supply product is priced favorably against similar options currently available on the marketplace.

Expect Solicitations from Energy Providers

As you may have previously, you are likely to again receive solicitation phone calls and letters directly from 3rd party suppliers offering green energy and different electric rates. Be aware that these solicitations are not associated with the Sustainable Essex Alliance, are not leveraging the purchasing power of your municipality and may not include high quality renewable energy sources.

Going Forward

In early February 2021, all eligible residents will receive a mailing providing the details of the Round 2 contract with Energy Harbor. This will signify the beginning of the 30-day 'opt-out' period. As with the Round 1 program, the mailer will include information on how to opt-out of the SEA program, via phone, internet, or return of postage paid opt-out card, if you choose for any reason to remain with PSE&G supply and not to participate in the SEA program. If you wish to be in the SEA program, no action needs to be taken.

You will also receive information on how to 'OPT-UP' to the 100% renewable energy product should you not only wish to remain in the SEA program but also wish to pay the slightly higher price for the 100% product.

At the conclusion of the ‘opt-out’ period, Energy Harbor will enroll all residents who did not opt-out for power supply service beginning with April 2021 meter reads. If you do not opt-out, you will receive a notice from PSE&G in mid-March stating that Energy Harbor has enrolled your account for service. Service with Energy Harbor will begin effective with your April 2021 meter read, and you will begin seeing Energy Harbor charges on your May PSE&G bill. If you do opt-out, you will remain with PSE&G power supply.

For residents seeking additional information, we have scheduled a Public Information Session from **6:00 p.m. to 7:00 p.m. on February 18, 2021**. The Village’s energy consultant, Gabel Associates, will make a brief presentation and answer questions. In order to assure the public’s safety, the Session will be conducted electronically rather than in-person, using the same call-in instructions that are being employed for the Board of Trustees’ meetings: **Event number:** 179 885 8010; **Event Passcode:** soenergy; **By Phone:** 408-418-9388 (US Toll); **By Webex:** <https://southorange.webex.com/southorange/onstage/g.php?MTID=e2ee6d5b944bf00c59a64300192e92348>.

The Village is pleased to provide you with this opportunity to save money on your energy costs while contributing to a reduction in the Village’s carbon footprint. Please keep an eye out for specific information and mailings regarding the SEA program in early February 2021, leading up to the program’s implementation in April 2021.

Here are answers to some frequently asked questions about the program.

➤ **What is a Residential Energy Aggregation Program?**

Government Energy Aggregation is a State program, otherwise referred to as Community Energy Aggregation or simply a ‘residential energy aggregation program,’ that allows a municipality to conduct a “bulk purchase” of energy supply on behalf of its residents, with the goal of achieving **prices that are lower than the average utility price**. New Jersey regulations allow municipalities to take this approach to procure energy savings, and to also seek power supply with increased renewable energy content, on your behalf. New Jersey regulations also allow multiple municipalities to join together through a joint purchasing initiative to obtain greater purchasing power in this endeavor.

The Township of South Orange Village and the other member municipalities of the Sustainable Essex Alliance retained Gabel Associates as the program Energy Consultant, (at no cost to the Village), to assist with the implementation of the procurement process for a Third-Party Supplier to provide power supply to its residents.

➤ **Who is Gabel Associates?**

Gabel Associates is a State-registered Energy Consultant that has been retained by the municipalities of the SEA to administer and implement the SEA program. The firm has helped pioneer energy procurement in New Jersey and has been supporting large scale energy aggregations (like this one) for over 20 years. Gabel Associates was also a key participant in the development of the State’s rules under which these programs are run.

Gabel Associates is a well-respected Energy Consultant that has been in business in New Jersey for over 25 years, with its offices located in Highland Park, New Jersey. Gabel Associates was the first energy consulting firm in the State to have successfully implemented a residential energy aggregation program of this nature in New Jersey. The firm has now successfully completed residential energy aggregation programs for numerous municipalities in the State, many of which are in their second, third, fourth or even fifth iterations. These programs have also implemented in over 50 municipalities statewide and have saved millions of dollars for New Jersey residents.

Gabel Associates can be reached through its website at www.gabelassociates.com/GEA or via email at SEA-info@gabelassociates.com

➤ **Who is Energy Harbor?**

Energy Harbor is a retail electric power supplier licensed by the NJ Board of Public Utilities, and currently serves approximately 700,000 residential customers nationwide, with approximately half of those being served as part of residential energy aggregation programs similar to the SEA.

Energy Harbor can be contacted as follows:

Energy Harbor, LLC (BPU License # ESL-0246) Toll Free Telephone Number: 1-866-636-3749 Website: https://energyharbor.com/en/community-programs/find-your-program Address: 168 East Market Street, Akron, Ohio 44308 Email Address: firstchoice@energyharbor.com
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➤ **How does the SEA Program work?**

The municipalities of the Sustainable Essex Alliance, with the assistance of Gabel Associates, issued a public, competitive bidding process in Fall 2019 following strict competitive contracting laws in an effort to select a Third Party Supplier (“TPS”) of electricity with power supply with higher renewable energy content than available from PSE&G via Basic Generation Service (“BGS”) supply, and a price below the average PSE&G tariff price (or BGS tariff price) for power supply. A contract award was made in November 2020 to the low bidder, Energy Harbor, for power supply that has about 40% renewable energy content

(nearly double the renewable energy content of PSE&G Basic Generation Service supply) at a price below the current average PSE&G tariff price for power supply.

All eligible residents (all residential customers of PSE&G in the Village except for those that already have their own TPS contract or that have a solar electric generating system on their property that supplies power to their home) are automatically included in the SEA program and will be sent a notice in the mail in early February 2021. This notice, known as the Opt-Out Notice, provides all the details of the program as well as the various ways to opt-out of the program, including the awarded TPS's toll free telephone number, email address, and a postage-paid opt-out card.

Customers have 30 days to review the Opt-Out Notice and decide whether they wish to opt-out of the program. After that 30 day opt-out period concludes on **March 7, 2021**, those residents who do not opt-out of the program will be enrolled by the winning supplier (Energy Harbor).

Even after an electric account is enrolled, residents remain free to opt-out of the program at any time during the contract. Participation in the SEA Program is 100% optional. There are not any fees or penalties if you decide to opt-out.

As noted above customers that have their own, independent TPS contracts are not initially included but are given the option to join the SEA program.

➤ Will I receive two bills?

No, you will always receive one bill from your utility. The only thing that changes in the SEA program is the cost of the electricity provided, and the renewable energy content of the power supply.

Electric bills are comprised of two main components: power supply and distribution. It is important to emphasize that this program would cover **only** the power supply portion of the electric bill. Under New Jersey's retail choice regulations, you may purchase power supply from either the electric utility company under its Basic Generation Service ("BGS") tariff rates, or you may purchase your power supply from a Third-Party Supplier ("TPS"). The SEA program seeks to provide savings on the power supply portion of your bill.

Importantly, the delivery and distribution of electricity under this program would continue to remain the same, through the regulated utility (i.e. PSE&G) that serves your home. The utility continues to handle your account, addressing any outages and maintaining service.

Your PSE&G bill has two categories of charges: delivery service and supply service. If you participate in the SEA program, your bill will consist of PSE&G charges for delivery service

and Energy Harbor charges for supply service.

➤ **Do I have to be part of the program?**

No. Residential customers who are initially included in the program have the right to “opt-out,” during the initial, pre-enrollment 30-day ‘opt-out’ period, or at any time after enrollment.

However, it is advantageous for all residents to join and remain in the program, as this gives the community the “strength in numbers” to negotiate the best price for consumers. All residents would receive information about the program and be given the opportunity to opt-out.

➤ **Would I be able to Opt-In to the SEA Program?**

Yes. Residents who have their own third-party supply contract and who therefore would not be included in the initial eligibility pool, but would like to join the SEA, would have the opportunity to do so. Residents who move into their home after the start of the program and who therefore would not be included in the initial eligibility pool, but would like to join the SEA, would also have the opportunity to opt-in to the program.

For customers with their own TPS contracts: If you currently have your own third-party supply contract but were considering terminating that contract and joining the SEA program, it would be very important to first read your existing contracts very carefully, as there may be penalties for terminating the contract prematurely. Some third-party suppliers have automatic “roll over” provisions which renew your contract without affirmative consent or action from you. Please be sure to read your current agreement and if, after comparing your current deal to the SEA program you decided to join the Village’s program, you would simply need to alert your third-party supplier that you wish to terminate service at the end of your contract term, and then contact the awarded SEA supplier directly to opt-in to the SEA program.

Please note that, if you have an existing contract with a supplier not affiliated with the SEA program, neither the Energy Consultant nor the Village would be responsible for informing your existing supplier or terminating your agreement with them. However, if you have any difficulty with them, please let us know and we would try to help you resolve issues.

➤ **Will I still be able to receive budget billing (Equal Payment Plan)?**

The Village requires that the awarded SEA program supplier provide budget billing for their power supply charges to those customers that currently have such arrangements with

PSE&G. PSE&G will continue to bill a levelized amount each month for delivery service, and the awarded supplier will also bill a levelized amount each month (through the PSE&G bill) for power supply. You may experience a “true-up” on your bill from PSE&G prior to enrollment and then again at the end of the program. Also, the monthly budget amount initially established by Energy Harbor may be adjusted up or down during the contract term to reflect changes in your actual usage as compared to historical usage levels, and there will be a final true-up on your last bill with Energy Harbor at the end of the SEA program contract in September 2021 to assure that you only pay for what you use over the entire contract term, no more and no less. You can also reach out to Energy Harbor at 1-866-636-3749 or firstchoice@energyharbor.com at any time after the contract starts should you wish to check on your equal payment plan true-up balance.

If you do not currently have budget billing with PSE&G but wish to receive an Equal Payment Plan from the awarded supplier for their power supply charges, you will be able to contact the awarded SEA program supplier and request that they establish this service for you.

Budget billing with PSE&G’s distribution portion of the bill and the awarded third-party supplier’s supply portion of the bill can be complicated. If you are to experience trouble with your budget billing, you may contact PSE&G, the winning supplier, or Gabel Associates for assistance.

➤ **Why is the program set as an opt-out program, rather than an opt-in program?**

The ‘opt-out’ model for community energy aggregation is established in the State laws and regulations governing these types of programs. The program is configured this way to ensure that a sufficient number of households will participate to obtain a meaningful bid, and to avoid the costly and time-consuming process of having everyone affirmatively sign up for the program. Starting with a large pool of eligible customers provides for an opportunity that attracts suppliers to bid, which creates robust competition for your business and also allows suppliers to reflect bulk purchasing discounts in their price bids.

The aggregation rules incorporate consumer protections and recognize the logistical challenges of a residential procurement program, while at the same time providing a structure that will attract bidders.

When the retail choice program was originally enacted in NJ in 1999, the rules required that government aggregators be required to obtain a so-called “wet signature” from each residential customer demonstrating the customer’s affirmative consent to join. After several years, it was recognized that this “opt in” approach put such a burden on programs that none got off the ground, and the model set forth in NJ law was changed to “opt-out” for residential customers. Unlike business customers, residential customers represent large numbers and (relatively) small usage/margins for each account. In order for an aggregation of residential

customers to work, it is necessary to get large volumes with the lowest transaction costs as possible. This results in the opt-out approach, which gives suppliers a firmer basis for the load they are bidding on, but still provides residential customers with the ability to opt out.

➤ **What about power outages?**

Power outages are **not** under the control of the third-party supplier. The delivery system is still under PSE&G's control, and there is no difference in delivery services whether you purchase the power supply from a third-party supplier or from PSE&G under its tariff. In the event of an outage, you would still contact PSE&G at 1-800-436-7734 (PSEG).

➤ **What if I have a solar system?**

Customers with solar-power generating systems installed on their home or property, especially those that are larger in size, typically result in solar production in some months exceeding your monthly electric consumption. In such cases, the monthly utility bill is usually very low.

For these customers, the savings attributable to Energy Aggregation programs would be very minimal on average. It is for this reason that solar customers will be removed from the SEA program.

However, if you believe based upon a review of your past bills that your solar system is NOT producing excess energy that is being 'banked' on your PSE&G bill, you may consider opting-in to the SEA program. You are encouraged to contact the selected supplier or PSE&G for further information.

➤ **Will the LIHEAP and Lifeline benefit programs for low-income residents still apply if I participate in the SEA?**

LIHEAP (Low Income Home Energy Assistance Program) is a federally funded program, administered by the NJ Department of Community Affairs, to assist low-income households with paying their heating bills (whether electric, gas, oil, etc.). There should be no impact of participation in the SEA program on customers' eligibility. Lifeline or Universal Service programs are state-funded through State taxes and societal benefits charges, again with eligibility based upon several factors tied to income. Bill credits of up to \$225 are provided to assist eligible customers with electric and gas utility bills. The SEA will provide consolidated billing through the utility; as such the bill credits would be unaffected.

➤ **Is There any Impact on My ‘Worry-Free’ Appliance Repair Contract with PSE&G?**

Again, the SEA program only impacts the power supply portion of your bill. PSE&G remains the power delivery company, and there is no impact on your relationship with PSE&G. PSE&G still reads your meter, provides the monthly bill, and is responsible for maintaining the reliability of the distribution grid. In addition, if you have a ‘Worry-Free’ appliance repair contract with PSE&G, that contract will be unaffected and will remain in effect, and any related charges will still appear on your monthly PSE&G bill.

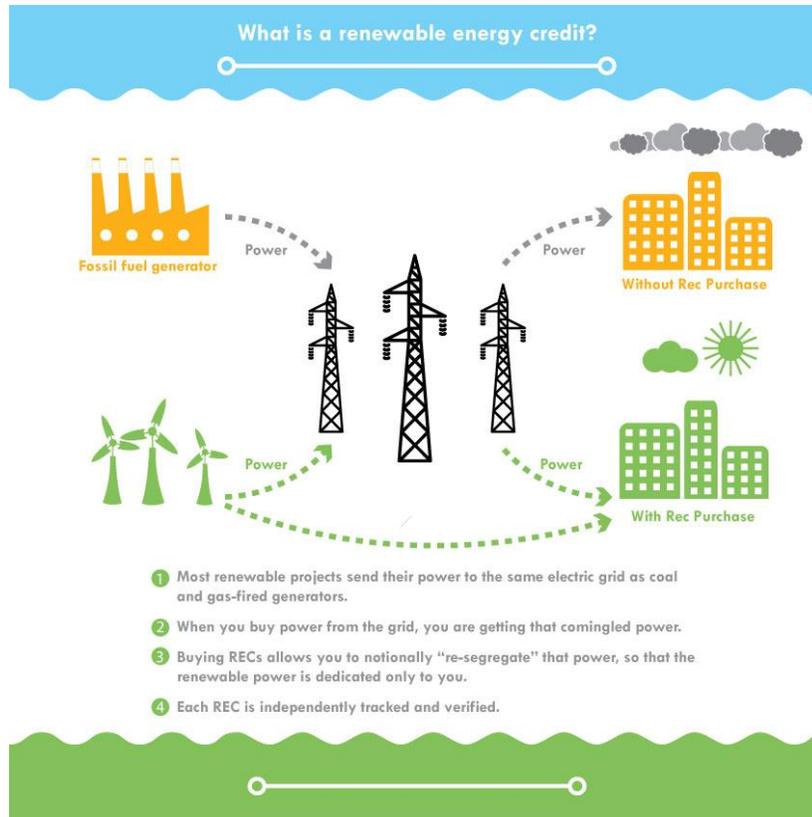
➤ **From Where does the SEA Supplier Source the Renewable Energy Being Supplied?**

As described above, the SEA Supplier is required to provide all participating South Orange residents an additional 16.5% renewable energy content above and beyond the level of renewable energy content required by the State of New Jersey’s Renewable Portfolio Standard (“RPS”) – that currently translates to a renewable energy content of about 40%. As well, individual residents are provided the ability to voluntarily ‘OPT-UP’ to a 100% renewable energy content product, at a modest price premium of \$0.00741/kWh above the baseline SEA contract price. This renewable energy content is provided through the purchase and retirement of renewable energy certificates (“RECs”) by the SEA supplier. Specifically, the current State-required 23.5% content consists of about 5.1% in-state solar, about 15.9% Class I renewable (primarily wind power but also landfill gas-to-energy and small hydro) located within the regional power grid, and 2.5% Class II renewable (waste-to-energy) located within the regional power grid. Suppliers meet this State-mandated content through the purchase of RECs. In addition, the SEA requires that its supplier procure an additional 16.5% renewable energy above and beyond the RPS requirements, for all participating residents, through the purchase of additional Class I RECs (primarily wind power) from renewable projects in the regional power grid. For those individual residents that voluntarily ‘OPT-UP’ to the 100% product, the SEA also requires that its supplier procure all of the additional renewable energy above and beyond the RPS requirements for these OPT-UP residents through the purchase of additional Class I RECs (primarily wind power) from renewable projects in the regional power grid. As such, all of the enhanced renewable energy content, for either the baseline SEA product or the ‘OPT-UP’ product, is sourced from renewable energy projects located either in New Jersey or within the regional power grid.

➤ **What are Renewable Energy Certificates and Why are they Used to Satisfy the Renewable Energy Requirements of the Program?**

The power grid is a complex operation, with high voltage transmission lines and power plants of all types, shapes and sizes. The regional power grid for this part of the country is the PJM Interconnection (“PJM”). PSE&G’s distribution system is interconnected at various points with PJM’s high-voltage transmission system, and electricity flows from the PJM grid to PSE&G’s delivery system and, ultimately, to individual customers via local substations, wires, transformers, service drops and meters. Electricity produced at hundreds of individual power plants throughout the region is injected into the high-voltage power grid, is intermingled, and flows to the PSE&G delivery system and to customers according to the laws of physics. As such, unless individual customers are physically connected via a direct line to a particular power plant, there is not a physical means of assuring that electricity produced by a specific facility, like a renewable energy project, is flowing to a particular customer or group of customers.

New Jersey, as well as a majority of states in the PJM power grid, including DE, MD, PA, OH, MI, IL and NC, and the District of Columbia, have adopted mandatory Renewable Portfolio Standards (“RPS”) that establish a floor amount of renewable energy (“RE”) that each supplier, whether utility or third-party supplier, must have in their supply portfolio. Under New Jersey law, Renewable Energy Certificates (“RECs”) are the actual environmental attribute associated with energy produced by a renewable facility. Since the actual electricity produced by a renewable energy facility is no different than energy produced from more traditional types of power plants like nuclear, coal, or natural gas-fired power plants, etc., a system has been created whereby renewable energy facilities essentially produce two commodities: 1) energy and 2) RECs. These commodities can be sold together or separately. New Jersey and other state Renewable Portfolio Standards rely upon purchase and retirement RECs by suppliers as the means for suppliers to achieve compliance with the RPS standards. This is shown in the graphic below.



RECs are part of a market-based system that provides a source of revenue for existing renewable energy projects and is intended to provide a market signal for the development of new renewable energy projects. The RPS requirements established by NJ and other states create a demand for RECs. When individual states increase their RPS requirements for all suppliers, this increases demand for RECs. When individual customers, or an entire municipality or group of municipalities such as South Orange and the other SEA member towns require an enhanced renewable product (above and beyond the State-required amount) via the procurement and retirement of RECs by the supplier, this creates additional demand for RECs, helping create a price signal in the marketplace to incentivize the development of new wind projects in the region.

It is important to note that Sustainable Jersey, an organization whose purpose is to promote sustainability and sustainable practices by local government entities in New Jersey, has endorsed the reliance upon the purchase and retirement of RECs as a means of providing enhanced renewable energy content for government energy aggregation programs, recognizing that, while perhaps imperfect, it is currently the most feasible mechanism available to allow municipalities to push the renewable energy market through energy aggregation programs. The required inclusion of 16.5% additional PJM Class I RECs in the SEA program enhanced renewable product conforms exactly to the Sustainable Jersey-endorsed product and supports the development of new wind power projects in the region.