



The Township of Montgomery Community Energy Aggregation Program ("MCEA")

2015 Program Update

In 2013 the Township of Montgomery adopted an ordinance to create the Montgomery Community Energy Aggregation Program (MCEA), which is designed to save residents money on their electricity bills. Shortly thereafter, the MCEA Program conducted its first competitive bid and successfully awarded a power supply contract to ConEdison *Solutions* for a 24-month term. The contract began in December 2013 and is soon expiring in December 2015. ConEdison competitively bid a fixed price for electricity of \$0.10427/kWh. When the contract was initially awarded in late 2013, we anticipated that the contract would save customers about 8.5%, or about \$220 off of the PSE&G tariff price for power supply over the life of the contract. Because the PSE&G tariff prices have risen over the past two years, the actual savings for Montgomery households have been well over 10%, with average savings exceeding \$260!

Program Update! The Township is excited to announce that it is in the process of renewing the Ordinance that authorized the formation of the MCEA program, and that it will be issuing a bid in the near future for a new electric supply contract. Through the issuance of a new Request for Proposals, the Township will for a second time seek competitive bid prices from licensed suppliers and will aggregate the combined load of all residential customers in the Township. The Township will only award to another power supplier if the rate of electricity is lower than currently available from your electric utility.

The Township and its energy consultants have been closely monitoring energy market conditions and, due to the impact that the last two cold winters have had on energy pricing during the winter months, the Township has determined that it is in the best interest of the MCEA Program for residents that are currently supplied by ConEdison *Solutions* to be temporarily returned to PSE&G default tariff supply service upon the contract expiration this December.

As a result, **the MCEA Round II program will not take effect immediately in December, but is expected to take effect by Spring 2016. Since the current contract with ConEdison is set to expire in December 2015, all MCEA customers will be seamlessly returned to PSE&G's tariff and billed for the supply of electricity by PSE&G through**

the winter. Once the Township issues a new bid and, if market conditions permit, awards a new contract, customers will receive a notice in the mail containing the details of the new contract term and price.

In the meantime, MCEA participants will receive a notice from PSE&G in November notifying you that ConEdison is returning you to PSE&G power supply effective with your December 2015 meter read. There is nothing further that you need to do. Once the Township has conducted a bid and received favorable prices for the MCEA Round II program, you will receive further information and instructions concerning a new contract. Depending upon market conditions, we are hopeful that you will receive this notification in early 2016, and that the new, MCEA Round II contract will commence in Spring 2016.

In the meantime, we are aware that some residents have been receiving direct mailers and other solicitations from third party electric suppliers promoting a switch to these suppliers' services. While all residential electric customers are always free to select a supplier of their choosing, the Township wishes to advise you that any solicitations currently being received are not associated with the Township's MCEA program. Any communication from a Township-selected supplier will come with the Township seal. Please read any third party supplier solicitation very carefully, as such independent offers may not have the same protections and terms and conditions as provided by the MCEA program. Also, please be aware that if you sign-up with a third party supplier outside of the MCEA program, this may impact your ability to participate in the MCEA-Round II program.

More information will be posted once a winning bidder is selected by the Township as a result of the upcoming MCEA-Round II bid. In the meantime, here are answers to some frequently asked questions about the program:

➤ **What is Community Energy Aggregation?**

Community Energy Aggregation is a program that allows a municipality to conduct a "bulk purchase" of energy supply on behalf of its residents, **at prices lower than the average utility price**. New Jersey regulations allow municipalities to take this approach to procure savings on your behalf.

The Township of Montgomery hired and collaborated with its Energy Consultant, Gabel Associates, to implement a successful procurement process for a Third Party Supplier to provide power supply to its residents. After completing the first successful program, the Township is excited to pursue another round of the MCEA Program.

➤ **Who is Gabel Associates?**

Gabel Associates is a registered Energy Consultant that has been retained by Montgomery to administer and implement the MCEA program. The firm has helped pioneer energy procurement in New Jersey and has been supporting large scale aggregations (like this one) for over 15 years. We were also a key participant in the development of CEA rules and structure.

Gabel Associates was the first firm in the State to have successfully implemented a CEA Program in New Jersey, and the firm has successfully completed the most CEA programs in the State. These programs have saved millions of dollars for New Jersey residents!

➤ **How does the MCEA Program work?**

The Township, with the assistance of a qualified Energy Consultant, issued a competitive bid process in 2013 following strict competitive contracting laws in an effort to select a Third Party Supplier (“TPS”) of electricity at a fixed rate below the average PSE&G price (or BGS tariff price).

All residents were automatically included in the MCEA Round I program and sent a notice in the mail shortly thereafter indicating that ConEdison *Solutions* was selected as the successful bidder. This notice, known as the Opt-Out Notice, provided all the details of the program as well as the various ways to opt-out of the program, including ConEd’s toll free telephone number, email address, and a postage-paid opt-out card.

Customers had 30 days to review the Opt-Out Notice, which contained program details, and decide whether they wish to opt-out of the program. After 30 days, those residents who did not opt-out of the program were enrolled by the winning supplier.

Even after an electric account was enrolled, residents were free to opt-out of the program at any time during the contract! Participation in the MCEA Program is 100% optional!

Customers that have their own, independent TPS contracts were given the option to join the MCEA program once their current contract expired.

➤ **Will the MCEA Round II Program be structured the same way?**

Yes! Once the new supplier is selected, residents will again receive an Opt-Out Notice in the mail containing the details of the Round II program as well as the various ways to opt-out, including the new supplier's toll free telephone number, email address, and a postage-paid opt-out card.

Customers will again 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, those residents who do not opt-out of the program will be enrolled by the winning supplier.

Even after an electric account is enrolled, if you change your mind and no longer wish to

participate, residents are free to opt-out of the program at any time during the contract! There are no any fees or penalties if you decide to opt-out.

➤ **Will the MCEA Round II Program include both gas and electricity?**

The law allows for a community energy aggregation to cover electricity and natural gas. However, similar to the initial program, Montgomery has elected to conduct the MCEA Round II Program for electricity only. In consultation with our Energy Consultants, we have concluded that the utility tariff prices for natural gas supply are more beneficial to residents than products and pricing being offered by third party suppliers in the marketplace. The Township intends to continue to study the results of the electricity program and monitor utility tariff prices and market conditions, and to decide at a later date whether to expand the program to cover natural gas supply.

➤ **Will I receive two bills?**

No, you will always receive one bill from PSE&G. The only thing that changes in the MCEA Program, or any CEA Program, is the cost of the electricity provided.

Electric bills are comprised of two main components: power supply and distribution. It is important to emphasize that this program covers **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 goal of the MCEA program is to provide savings on the power supply portion of your bill.

As with the MCEA Round I, the delivery portion will continue to be provided by PSE&G at regulated rates and PSE&G will continue to provide all emergency and safety services. PSE&G will also continue to provide customer services such as meter reading, billing and service restoration. Furthermore, you will continue to have all existing consumer protections and rights.

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

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

No. Residential customers who are automatically included in the program have the right to "opt-out."

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 will receive information about the program and be given the opportunity to opt-out.

➤ **Can I Opt-In to the MCEA Program?**

Yes. Residents who have their own third party supply contract but would like to join the next round of the MCEA program will be given the opportunity to join.

For customers with their own TPS contracts, it is very important to read your existing contracts very carefully, as there may be penalties for terminating the contract prematurely. Some third party suppliers have automatically "roll over" provisions which renew your contract without consent or action from you. Please be sure to read your current agreement and take the necessary actions to alert your third party supplier that you wish to terminate service at the end of your contract term in order to join the MCEA.

Please note that neither the Energy Consultant nor the Township are 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'll try to help you resolve issues. Contact Information Provided Below.

➤ **Will I be able to keep my budget billing (or equalized payment plan)?**

The Township requires that the selected 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 provide budget billing for their delivery charges. Therefore, the consolidated bill issued by PSE&G will continue to contain equalized payments.

Nonetheless, 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 experiencing trouble with your budget billing, please contact PSE&G, the winning supplier, or Gabel Associates (contact information below) for assistance.

➤ **Why is the program set up so that residents can only opt-out, rather than having it so that residents may opt-in if they wish to join?**

The program is set up 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.

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 a number of years it was recognized that this “opt in” approach put such a burden on the programs that none got off the ground, and the model 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 as low 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.

The regulations also require that an aggregation program show savings versus the utility-provided rates. Each residential customer will receive a written notification after the bid, informing them of the price, the comparison to the utility price, and their right to opt out. As such, each resident will be fully apprised of all pertinent information necessary to make an informed decision.

➤ **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.

➤ **What if I have a solar system?**

Customers with solar systems, especially 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 the MCEA program would be very minimal. It is for this reason that the Township has elected to remove solar customers from the MCEA Round II supply contract.

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 MCEA 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 MCEA Round II?**

LIHEAP (Low Income Home Energy Assistance Program) is a federally funded program, administered by the Dept. 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 MCEA program on customers' eligibility. Lifeline or Universal Service programs are state-funded through State taxes and societal benefits charges, again with eligibility based upon a number of factors tied to income. Bill credits of up to \$225 are provided to assist eligible customers with electric and gas utility bills. The MCEA will provide consolidated billing through the utility; as such the bill credits would be unaffected.

➤ **Where can I get more information or answers to additional questions?**

You can contact Gabel Associates, the Township's Energy Consultant at 855-365-0770 or by email at MCEA-info@gabelassociates.com.