



The Township of Montgomery

Provides Tips for Small Businesses to Shop for Electric Power Supply

The Township has successfully procured energy supply for municipal electricity and natural gas accounts through a consortium of municipalities for many years, saving taxpayers tens of thousands of dollars. Montgomery has also successfully aggregated residential electric accounts to procure low-cost electricity supply for Township residents through the Montgomery Community Energy Aggregation (MCEA) program, savings 6,000+ residents several million dollars. Unfortunately, while Montgomery and a few other New Jersey municipalities have attempted to procure power supply for small businesses, this has been met with limited success. Based upon its experience, the Township is offering these tips to assist small businesses who may wish to shop for energy supply on their own.

Shopping for energy supply is the process whereby the business owner seeks a registered Third Party Supplier (TPS) to receive energy supply at lower rates than offered by Public Service Electric and Gas (PSE&G). Depending on the amount of energy used by your business and the months with the greatest usage, seeking a TPS may result in savings. With that being said, receiving electric supply from a TPS can also result in contract provisions that limit flexibility and increase risk related fluctuations in market prices. It is important to understand that PSE&G's tariff charges for power supply are regulated by the Board of Public Utilities, and are fixed on an annual basis. Conversely market prices are quite volatile, and change often. These daily fluctuations in natural gas prices do not impact your monthly bill unless you are on a month-to-month or variable price contract with a TPS.

Variable-priced or 'market-based' contracts can provide savings as compared to the utility tariff price for power supply, but they carry significant risk in the event of market volatility. Market-based rates therefore require a greater amount of time and oversight from the business owner to ensure risks are managed accordingly. In order to make an informed and equivalent comparison to PSE&G's tariff rates, the TPS's price offer must be fixed (or 'non-variable') for an extended period of time.

Please be sure to ask the following questions when discussing pricing with a prospective TPS and reviewing their proposed contract terms:

- What is the length of the contract? How long is the quoted price guaranteed?
- Is the price a fixed, non-variable, market-based or a combination of these?
- If the price is fixed, what factors if any may cause a mid-term price adjustment?
- What happens at the end of the contract? Automatic rollover at new price?
- Are there any fees associated with cancelling this contract early?

A power supplier must be licensed by the New Jersey Board of Public Utilities (NJBPU) in order to offer services to customers in PSE&G service territory. The following is a link to the list of NJBPU-approved suppliers:

http://www.bpu.state.nj.us/bpu/pdf/energy/shopping_forms/psegterritory.pdf