



Montgomery Community Energy Aggregation

April 2018 Program Update

The Township launched the Montgomery Community Energy Aggregation (MCEA) program in 2013, for the purpose of creating purchasing leverage and providing an opportunity for residents of the Township to save money on their electric bills. Through two rounds of the MCEA program it is estimated that Township residents have saved about \$3 million in aggregate.

The contract with TriEagle under Round 2 of the MCEA program had a duration of 18-months that expired in December 2017. The contract is estimated to have resulted in about \$250 in electricity cost savings for the average participating residence, producing aggregate savings for Township residents of over \$1 million.

Prior to the expiration of the MCEA-Round 2 contract, the Township renewed the Montgomery Community Energy Aggregation in Summer 2017 and conducted a public bid to solicit a new round of price proposals from independent energy suppliers, initially accepting bids for a new contract in August 2017, and then again in December 2017. However, the Township determined that the price offers received did not produce sufficient savings as compared to the PSE&G tariff price and therefore, the Township did not award a new contract and came to the conclusion that the residents' interests were best served by allowing residents to return to PSE&G for power supply at the end of the current contract in December 2017. Accordingly, starting with your January bill, MCEA-participating Montgomery residents have been receiving PSE&G's 'Basic Generation Service' power supply.

The Township started a new bidding process for Round 3 of the MCEA program in March 2018, and accepted bids in April 2018. The bid resulted in pricing that provided a small amount of savings but, when taking into account an anticipated June 2018 drop in PSE&G's tariff price for power supply, the amount of savings was deemed insufficient to warrant a contract award. The Township has kept the bid process open and will be accepting refreshed price offers from suppliers in Summer 2018. If the Township awards a new contract for Round 3 of the Montgomery Community Energy Aggregation program as a result of those refreshed prices, the new contract would likely start in Fall 2018. Intermittently, residents may receive communications from non-program third-party suppliers; however, residents are reminded that any future communication from the Township will come affixed with the Township seal and will involve no solicitation via phone.

Please be aware that while residents are always free to choose their own 3rd-party energy supplier without penalty, suppliers not affiliated with the Township's program may not be able to provide you with the level of savings and consumer protections (non-variable prices over the full contract term; no automatic rollovers of the contract; no penalties for early termination, etc.) offered by the Township. Additionally, the terms of a third-party supply contract may interfere with your ability to enroll with the MCEA cost-effectively.

In such event, eligible residents (all residents except those that have their own solar generating system or their own third party supply contract, or those who chose to opt-out of previous rounds of the program and expressed a desire to be placed on a Do Not Disturb list), will be sent a mailing informing them of the details of the new contract, after which residents would have the choice of opting-out of the new program if they do not wish to participate. Again, no further action will be necessary for residents who want to enjoy supply savings through the program.

We appreciate your understanding and look forward to working diligently with our consultant in the coming months to achieve savings for our residents. Should you have any further questions, please feel free reach out to Gabel Associates at mcea-info@gabelassociates.com.

Here are answers to some frequently asked questions from when the current round began...

➤ **What is Community Energy Aggregation?**

Community Energy Aggregation is a program that allows municipalities 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 their Energy Consultant, Gabel Associates, to implement a successful procurement process for a Third-Party Supplier to provide power supply to their residents.

➤ **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. They were also a key participant in the development of CEA rules and programs state-wide.

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!

Gabel associates can be reached by e-mailing mcea-info@gabelassociates.com

➤ **How does the MCEA Program work?**

The Township, with the assistance of Gabel Associates, issued a competitive bid process in early 2016 following strict competitive contracting laws in an effort to select a Third Party Supplier (“TPS”) of electricity at a non-variable rate below the average PSE&G price (or BGS tariff price).

All residents who are not shopping independently, or who opted-out of the first round program were automatically included in the MCEA program and were sent a notice in the mail in April 2016. 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 TriEagle’s toll free telephone number, email address, and a postage-paid opt-out card.

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

Future rounds of the MCEA program will work in the same way. You would receive an Opt-Out Notice with program details and contact information for the selected MCEA program supplier, and a 30-day opt-out period would ensue.

Even after an electric account is enrolled, residents are free to opt-out of the program at any time during the contract! Participation in the MCEA Program is 100% optional! There are still no any fees or penalties if you decide to opt-out.

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

➤ **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. The new, lower power supply charges assessed by the selected MCEA program supplier appear on your PSE&G bill in place of the BGS tariff charges for power supply. PSE&G delivery charges remain the same.

The delivery portion continues to be provided by PSE&G at regulated rates and PSE&G continues to provide all emergency and safety services. PSE&G also continues 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 remains 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.

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

The Township requires the selected MCEA program supplier to 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 MCEA program 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 received 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 is 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, please 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 elected to remove solar customers from the MCEA 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?**

LIHEAP (Low Income Home Energy Assistance Program) is 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 provides consolidated billing through the utility; as such the bill credits should be unaffected.