



## **Borough of Glen Ridge Renewable Energy Aggregation Program Announcement May 2019**

### **Sustainable Essex Alliance Renewable Government Energy Aggregation ("SEA R-GEA")**

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We are pleased to announce that the Borough of Glen Ridge, in cooperation with several neighboring Essex County municipalities, has recently entered into a contract for the Sustainable Essex Alliance Renewable Government Energy Aggregation ("SEA R-GEA") program. Under this contract with Direct Energy Services ("Direct Energy"), Borough residents have the opportunity to save money on their electric bills while receiving power supply that has nearly double the renewable energy content (about 41% in total) of the standard power supply product currently provided by PSE&G! Residents are not obligated to participate in the program and may 'opt-out' if you so choose. Eligible residents will be receiving a package in the mail from Direct Energy in early May 2019 providing program details. Provided below is a program description as well as answers to frequently asked questions.

For residents seeking additional information, the Borough has scheduled a Public Information Session, taking place at 7:30 p.m. on Tuesday, May 7, 2019 at the Glen Ridge Municipal Building, located at 825 Bloomfield Ave., Glen Ridge, NJ. The Borough's energy consultant, Gabel Associates, will be making a presentation after which, the session will be opened up to questions from residents.

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

## ➤ **What is Community Energy Aggregation (CEA)?**

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**Community Energy Aggregation** is a State 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 energy savings on your behalf, and to also obtain energy supply that has a higher renewable energy content than State-required minimum green energy content (currently a little over 20%).

Gabel Associates was retained as the SEA R-GEA’s Energy Consultant, (at no cost to the Borough), to assist with the implementation of the procurement process for a Third-Party Supplier to provide power supply to residents.

## ➤ **How the Community Energy Aggregation Came to Be**

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In April 2018, the Borough passed Ordinance #1681, authorizing a Government Energy Aggregation (“GEA”) program in Glen Ridge. Under New Jersey’s GEA law, municipalities can aggregate their residents’ electric accounts together in a single buying pool to test the market in an attempt to obtain electric power supply at a lower price than offered by the electric utility. In addition, a GEA program allows a municipality the option of seeking power supply with a higher renewable energy content than offered through the utility’s ‘default supply’ service. To create even greater purchasing power in the marketplace, the Borough also formed the Sustainable Essex Alliance Energy Procurement Cooperative (“SEAEPC”) in conjunction with several other Essex County municipalities, with the aim of using joint purchasing to obtain the best possible price for renewable energy supply, in furtherance of our sustainability goals and our commitment to reduce the Borough’s carbon footprint. The participating Essex County municipalities, which include Glen Ridge, Maplewood, Montclair, South Orange, and Verona, jointly named the program the Sustainable Essex Alliance Renewable Government Energy Aggregation, or ‘SEA R-GEA.’

*A competitive procurement process was launched in March 2019 for the SEA R-GEA program. As a result of competing offers submitted on April 2, 2019, a contract was awarded to the low bidder, Direct Energy Services (“Direct Energy”). The contract with Direct Energy will provide electric supply to Borough residents, and residents of the other participating municipalities located in PSE&G territory, for a 17-month term beginning in July 2019, at a price of \$.11005 per kilowatt-hour (“kWh”). This price is more than 10% lower than the average tariff price being paid by those residents currently receiving supply through PSE&G and, although the PSE&G tariff price is expected to drop somewhat later this year, the contract is projected to save the typical resident about \$150 as compared to the average PSE&G tariff price-to-compare over the 17-month contract term, with no change to the level of service. In addition, the power supply being provided by Direct Energy under the SEA R-GEA program will include about 41% renewable energy, which is nearly double the renewable energy content of default supply service currently provided by PSE&G. As a result, participating residents have the opportunity to contribute to a reduction in carbon emissions while saving money at the same time!*

Residential customers of PSE&G residing in the Borough of Glen Ridge who do not currently have a third-party supply contract are eligible to be included in the program and will receive a mailing at the beginning of May 2019 describing program and providing the specifics of the SEA R-GEA program. If you do not wish to participate in the program for any reason, you may simply opt out, with no strings or penalties, by simply following the instructions on the Program Summary provided, or by contacting Direct Energy using the contract information provided below. If you do nothing, you will automatically be enrolled in the program and enjoy the electricity savings.

**The energy aggregation program is only for the energy supply portion of your electric service. 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 readings, billing and service restoration. If you are on a PSE&G budget billing plan, you will continue to receive that service.**

The Borough is pleased to provide you with this opportunity to save money on your energy costs while purchasing cleaner energy. Please keep an eye out for specific information and mailings regarding the SEA R-GEA program in early May 2019, leading up to the program's implementation in July 2019.

### ➤ **Who is Gabel Associates?**

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Gabel Associates is a State-registered Energy Consultant that has been retained by the SEA R-GEA municipalities to administer and implement the SEA R-GEA program. The firm has helped pioneer energy procurement in New Jersey and has been supporting large scale energy aggregations (like this one) for over 15 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 GEA program in New Jersey. The firm has now successfully completed GEA programs for numerous municipalities in the State, many of which are in their second, third or even fourth iterations. These programs, also implemented about 50 municipalities statewide, have saved millions of dollars for New Jersey residents.

Gabel Associates can be reached through its website at [www.gabelassociates.com/GEA](http://www.gabelassociates.com/GEA), via email at [SEA-info@gabelassociates.com](mailto:SEA-info@gabelassociates.com) or via their toll-free telephone line: 1-855-365-0770.

### ➤ **Who is Direct Energy Services?**

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Direct Energy Services is a retail electric power supplier licensed by the NJ Board of Public Utilities. Direct energy has been a retail supplier for many years, and currently serves approximately 4 million accounts nationwide, including about 130,000 residential energy aggregation accounts.

Direct Energy can be contacted as follows:

Direct Energy Services (BPU License # ESL-0078)
Toll Free Telephone Number: 1-866-968-8065
Website: <a href="http://www.directenergy.com/aggregations">www.directenergy.com/aggregations</a>
Address: P.O. Box 180, Tulsa, OK 74101
Email Address: <a href="mailto:sea@directenergy.com">sea@directenergy.com</a>

### ➤ **How does the SEA R-GEA Program work?**

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All eligible residents (all residential customers of PSE&G in the Borough 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 R-GEA program and will be sent a notice in the mail at the beginning of May 2019. 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.

There is a 30-day opt-out period during which customers can review the Opt-Out Notice and decide whether they wish to opt-out of the program. After that opt-out period concludes on **May 30, 2019**, those residents who do not opt-out of the program will be enrolled by the winning supplier (Direct Energy).

**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 R-GEA Program is 100% optional. There are no 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 R-GEA program.

### ➤ **Will I receive two bills?**

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**No, you will always receive one bill from your utility.** The only thing that changes in the SEA R-GEA program, or any GEA 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 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 R-GEA 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.**

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

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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 R-GEA Program?**

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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 R-GEA, 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 R-GEA, 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 R-GEA 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 R-GEA program you decided to join the 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 R-GEA supplier directly to opt-in to the SEA R-GEA program.

Please note that, if you have an existing contract with a supplier not affiliated with the SEA R-GEA program, neither the Energy Consultant nor the Borough 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)?**

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The Borough requires that the awarded SEA R-GEA 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. Because the selected supplier's contract price for power supply is lower than the PSE&G price for power supply, your total monthly budget amount (sum of monthly PSE&G delivery service budget amount and awarded supplier's budget amount for power supply) should be reduced. You may experience a "true-up" on your bill from PSE&G prior to enrollment in order to bring your current budget bill balance with PSE&G to zero, and then again at the end of the program to bring your current budget bill balance with the SEA R-GEA supplier to zero. The SEA R-GEA supplier may also implement a 'true-up' of your budget amount during the contract term if it appears that your actual usage levels have been varying significantly from the historical amount of usage used to set-up your budget payment, in order to avoid the need for a larger true-up at the end of the contract.

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 R-GEA 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?**

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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?**

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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 panel system?**

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Customers with solar panel systems on their home, 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 are removed from the SEA R-GEA 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 R-GEA 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 R-GEA?**

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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 R-GEA 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 R-GEA 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?**

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Again, the SEA R-GEA 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 R-GEA Supplier Source the Renewable Energy Being Supplied?**

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The SEA R-GEA Supplier is required to provide an additional 20% 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 translates to an average renewable energy content of about 41% over the 17-month term of the SEA R-GEA power supply contract. This renewable energy content is provided through the purchase of renewable energy certificates ("RECs") by the SEA R-GEA supplier. Specifically, the current State-required 21% content consists of about 4.3% in-state solar, about 14.2% 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 R-GEA requires that its supplier procure an additional 20% renewable energy above and beyond the RPS requirements, through the purchase of additional Class I RECs (primarily wind power) from renewable projects in the regional power grid. As such, all of the 41% renewable energy content is sourced from renewable energy projects located either in New Jersey or within the regional power grid.

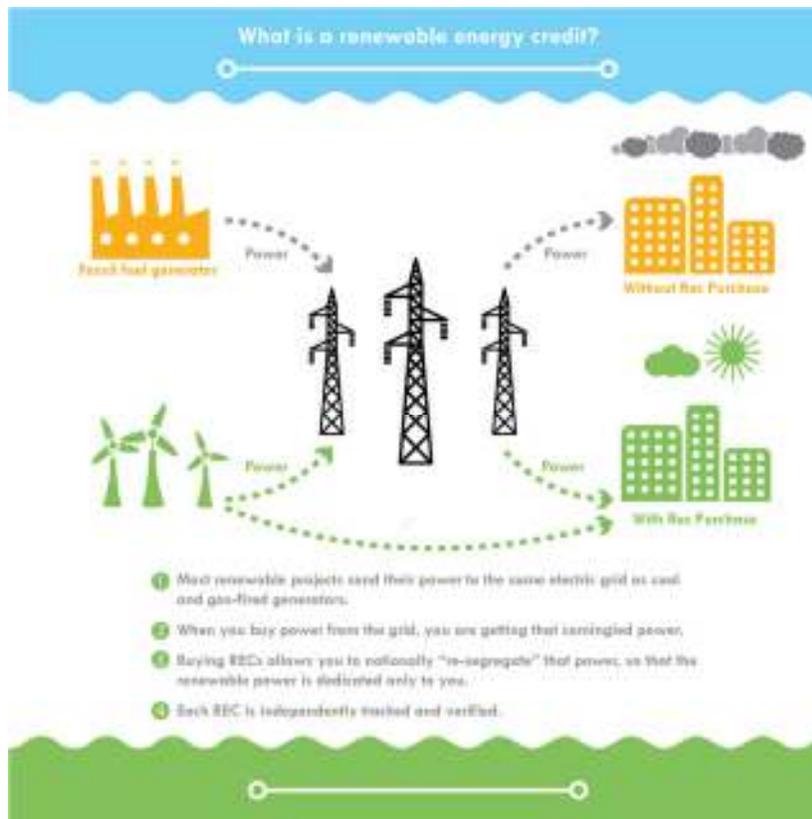
### ➤ **What are Renewable Energy Certificates and Why are they Used to Satisfy the Renewable Energy Requirements of the Program?**

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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, an entire municipality or a group of municipalities such as the SEA 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 20% additional PJM Class I RECs in the SEA R-GEA program enhanced renewable product conforms exactly to the Sustainable Jersey-endorsed product, and supports the development of new wind power projects in the region.