



Montgomery Township

Community Energy Aggregation Program (“MCEA”)

Round 3

Program Update

April 2019

The Township has recently awarded a contract for the third round of the Montgomery Community Energy Aggregation (“MCEA”) program, under which it has signed a contract with Constellation New Energy (“CNE”) that will offer Township residents a renewed opportunity to save money on their electric bills! 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 CNE in the 2nd week of April 2019 providing program details. Provided below is a program description as well as answers to frequently asked questions.

➤ **Overview**

In an effort to realize electricity cost savings for its residents, several years ago the Township of Montgomery initiated the Montgomery Community Energy Aggregation (“MCEA”). The Township’s last contract with TriEagle Energy under Round 2 of the MCEA, which resulted in significant savings for participating Township residents, ended in December 2017. Changed energy market conditions in 2017 prevented the Township from being able to obtain a beneficial contract to replace the expiring contract with TriEagle, and all MCEA-participating residents were returned to the PSE&G tariff for power supply effective December 2017. During 2018 the Township again made attempts to access the marketplace but, due to continued poor market conditions, competitive bids conducted during 2018 did not provide favorable results.

With an improvement in market conditions this year, the Township launched a new competitive procurement process in February 2019 for Round 3 of the MCEA program. As a result of competing offers submitted on March 7, 2019, the Township of Montgomery has signed a contract with the low bidder, Constellation New Energy (“CNE”). The new contract with CNE will provide electric supply for a 15-month term beginning in June 2019, at a price

of \$.11530 per kilowatt-hour ("kWh"). This price is substantially 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 Township resident about \$100 over the 15-month contract term, with no change to the level of service.

Residential customers of PSE&G residing in the Township of Montgomery who do not currently have a third-party supply contract are eligible to be included in the program and will receive a mailing in the 2nd week of April 2019 describing program and providing the specifics of the Township's contract with CNE. 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 CNE 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 Township is pleased to provide you with this opportunity to save money on your energy costs. Please keep an eye out for specific information and mailings regarding the MCEA program in the 2nd week of April 2019, leading up to the program's implementation in June 2019.

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

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

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.

The Township of Montgomery retained Gabel Associates as the Township's Energy Consultant, (at no cost to the Township), 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 Montgomery to administer and implement the MCEA 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 CEA program in New Jersey. The firm has now successfully completed CEA 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, including in nearby Plainsboro, 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 MCEA-info@gabelassociates.com

➤ **Who is Constellation New Energy?**

Constellation New Energy has been a retail electric power supplier for over 20 years, and serves approximately 2 million residential customers nationwide, including more than 30,000 residential accounts in New Jersey.

Constellation New Energy can be contacted as follows:

Constellation New Energy (BPU License # ESL-0016) Toll Free Telephone Number: 1-833-626-9363 Website: www.constellation.com/nj-montgomery Address: 1310 Point Street, Baltimore, MD 21231 Email Address: vst@constellation.com
--

➤ **How does the MCEA Program work?**

The Township of Montgomery, with the assistance of Gabel Associates, issued a public, competitive bidding process in February 2019 following strict competitive contracting laws in an effort to select a Third Party Supplier ("TPS") of electricity at a price below the average PSE&G tariff price (or BGS tariff price) for power supply. Under State regulations, the Township can only award a contract to a supplier if their price offered through the competitive process produced energy savings as compared to the PSE&G tariff price. A contract award was made in March 2019 to the low bidder, Constellation New Energy, at a price substantially below the current PSE&G tariff price for power supply.

All eligible residents (all residential customers of PSE&G in the Township 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 MCEA program and will be sent a notice in the mail in the 2nd week of April 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.

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 **May 8, 2019**, those residents who do not opt-out of the program will be enrolled by the winning supplier (Constellation New 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 MCEA 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 MCEA program.

➤ **Will I receive two bills?**

No, you will always receive one bill from your utility. 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 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 MCEA 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?**

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 MCEA 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 MCEA, 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 MCEA, 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 MCEA 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 MCEA program you decided to join the Township’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 MCEA supplier directly to opt-in to the MCEA program.

Please note that, if you have an existing contract with a supplier not affiliated with the MCEA program, neither the Energy Consultant nor the Township 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 Township requires that the awarded MCEA 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 and then again at the end of the program.

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 MCEA 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 systems, 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 the Township will remove solar customers from the MCEA 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 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 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 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 several 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.