



The Borough of Little Ferry Community Energy Aggregation

Little Ferry Community Energy Aggregation (LFCEA) is a new program designed to:

- Save residents money on their monthly power bills;
- Encourage energy conservation, and provide residents with tools and information to control their energy usage, and;
- Provide a foundation for future clean energy programs in Little Ferry;

Residents are invited to attend a public information sessions to be conducted, at which time an overview of the LFCEA program will be presented and residents will be provided the opportunity to ask questions. The public information sessions has been scheduled as follows: Wednesday, December 11, 2013 @7:00 pm at the Little Ferry Municipal Building.

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

This information will be updated based on the questions asked at the public meetings and will continue to be updated as questions are received from the community.

What is Community Energy Aggregation?

Community Energy Aggregation is a program that allows the municipality to conduct a “bulk purchase” of energy supply on behalf of its residents and businesses, **at prices lower than the average utility price**, with the possibility of added benefits, such as higher renewable energy content and other programs. New Jersey regulations allow municipalities to take this approach to procure savings on your behalf.

The Borough has hired a consultant to implement a procurement process for a Third Party Supplier to provide power supply to its residents.

How does the program work?

It is important to emphasize that this program covers only the power supply portion of your electric bill. Under New Jersey’s retail choice regulations, you may purchase power supply from the electric utility under its Basic Generation Service (“BGS”) tariff rates, or you may purchase your power supply from a third party supplier. Most residential electric customers in the State have not switched to a

third party supplier; therefore the majority of Little Ferry residents, like most residents across New Jersey, simply obtain their power supply from the utility “supplier” as they always have.

All Borough residents are automatically included in the LFCEA program unless they have already chosen a “third party supplier.”

The Borough has engaged an independent consultant to coordinate with the utility, prepare bid specifications, and seek pricing from third party suppliers through a public bid process. The aim is to leverage the bulk purchasing power of all of the Borough’s residents to obtain power supply that is less expensive than power supply provided by PSE&G.

Although all residential customers in the Borough not currently purchasing from a third party supplier are automatically included in the program, a resident may “opt-out” of the program if they wish to.

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

The only thing that will change is the billing and cost of the electricity provided.

What is the legal basis for the program?

The New Jersey Legislature approved the Government Energy Aggregation Act in 2003, to ensure that the benefits of energy deregulation were passed on to consumers, in the form of lower costs and greater choice of suppliers.

(“Energy deregulation” refers to legislation passed in 1999 that separates the provision of energy as a competitive arena from its distribution, which remains in the hands of the regulated utilities which have a monopoly on the “pipes and wires” that deliver the energy to your home or business. This means that companies are now free to compete to generate electricity (or supply natural gas), and consumers are free to choose who to buy it from.)

The 2003 law gives communities the right, after passage of an ordinance, to “aggregate” all of the residential accounts within their boundaries, and solicit bids from suppliers in order to get the best price and terms for everyone. On November 12, 2013 the Borough passed an ordinance authorizing the formation of a Government Energy Aggregation program.

Why is this happening now?

Energy prices were “capped” for several years after deregulation, so this kind of program was unnecessary. Since then, the prices charged by suppliers have frequently fluctuated, but the retail prices have generally continued to go up.

In the past few years a number of third party suppliers and independent brokers have entered the marketplace, mainly to address the needs of large-scale commercial users, but more recently also offering various plans and discounts to residential consumers. Since these competing plans can sometimes be confusing and have hidden clauses, consumers have been slow to accept them. State regulations have recently been modified to provide a clearer path for municipalities to offer

Borough Of Little Ferry - Community Energy Aggregation Frequently Asked Questions

community energy aggregation, and thereby use bulk purchasing power to obtain better pricing and better terms than residents can obtain on their own. In addition, energy market conditions have improved, thereby increasing the opportunity to obtain advantageous pricing from third party suppliers.

What has been the experience with this type of program?

In several states, including most notably Illinois, Ohio and Massachusetts, Community Energy Aggregation programs have been implemented successfully for a number years by literally hundreds of municipalities, savings residents millions of dollars. In the past year the program has begun to catch on in New Jersey.

To date, four municipalities in New Jersey (1. Plumsted Township, Ocean County, 2. Toms River, Ocean County, 3. Montgomery Township, Somerset County, and 4. Monroe Township, Middlesex County) have successfully implemented and awarded contracts to third party suppliers. Municipalities across the state are achieving power supply savings in excess of 10% (over \$100 annually). In fact, based upon its experience and the program's success, Plumsted Township has already completed the bidding process again for its second power supply contract. Many other municipalities in the State have passed ordinances in the past several months authorizing the implementation of a Community Energy Aggregation program, and are in various stages of implementing their bidding process to obtain a supplier for residents.

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.

How do I know that I'm getting a good deal?

By law, the price to the consumer must always be equal to or less than the regular retail price charged by the utility company. Little Ferry has hired an independent consultant to conduct the bid process and perform detailed bid analysis in order to ensure that the participants receive the best offer available.

Will this include both gas and electricity?

NJ Law allows for a community energy aggregation to cover electricity and natural gas. Little Ferry has elected to conduct the initial program for electricity only, as greater opportunities for immediate savings exist in the electricity market. The Borough intends to study the results of the electricity program and decide at a later date whether to expand the program into natural gas supply.

As a consumer, what action do I need to take?

As a resident currently being served by the utility, **you do not need to take any action** in order to be automatically included in the program. If you do not want to join this program, you can return the form that will be sent to you by the selected supplier, or call the toll-free phone number that will be provided, to indicate that you wish to opt out of the program.

If you are *already* purchasing energy through a third party supplier, you will be given the opportunity to join the LFCEA at the end of the existing contract with your present supplier.

I currently receive budget/equalized billing from PSE&G. If I participate in the Community Energy Aggregation program, will I be able to keep my budget or equalized billing?

The Borough 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.

Do programs like this take jobs away from union workers in New Jersey?

No. The power plants that operate in New Jersey will continue to operate regardless of whether you purchase your energy from the utility or a third party supplier. Local jobs and generation are not affected by this program; it is really more of a financial transaction than a physical transaction that impacts which power plants run or the way the power grid is operated.

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.

Based on the experience in other states as well as recently-implemented GEA programs in New Jersey, it is anticipated that a small percentage of households will opt out.

Does the program require a certain percentage of revenues in order to go into effect?

No. The program is structured so that the third party suppliers bid a price per kilowatt hour and, if selected, must hold that bid regardless of the number of residents who opt-out. The suppliers will have built the risk of some residents opting out into their bid price.

What level of savings have been achieved through this type of program?

There are several states in the country which have adopted community aggregation programs. Other states have different regulations and restrictions which they must abide by, and set different goals as part of their programs; as such their savings experiences may not be directly comparable. For example in Marin County, California, the community decided to their energy from 100% 'green' sources, which is generally more expensive. As such, that program did not achieve any cost savings, but improved the community's carbon footprint. Conversely in Ohio, the purchase was for 'standard' energy supply, and savings have been roughly 6%.

In October 2012, Plumsted Township in Ocean County became the first community in New Jersey to successfully complete a bid and award a contract to a supplier under the State's government energy aggregation rules. Power supply savings that are being realized by Plumsted's residents will be approximately 14% over the contract term (January 2013 through January 2014), resulting in annual savings for a typical residential customer of about \$165.

Most recently, the Township of Toms River, the Township of Montgomery, and the Township of Monroe completed a successful bidding processes that will save each residence upwards of \$110 dollars (11%) annually. Because energy market prices change over time, we cannot be assured of replicating the results in other municipalities; however we still anticipate savings of 5-10%, and the Borough will not (and cannot) award a contract to a supplier unless residents will save money as compared to the PSE&G tariff price for power supply.

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?

Your solar system produces electricity that offsets the amount of power you need to purchase from the power grid. Each month, your electric meter measures your 'net' usage purchased from the utility grid (consumption less solar power). Under the program, the aim will be to lower the price for the 'net' usage purchased from the grid. As such, having a solar system does not preclude you from participating.

Some people may have a solar system on their home that are larger in size, resulting in solar production in some months that actually exceeds your monthly consumption. You are advised to review your bills to determine if the system is large enough that the production of the solar system exceeds your usage in any months, in which case your bill would show zero measure consumption and the 'excess' solar energy (kilowatt-hours or "kwh") banked, for application as a credit to future months. If you believe based upon a review of your past bills that your solar system is producing excess energy that is being 'banked' on your PSE&G bill, you should consider opting-out of the program and remaining with PSE&G power supply, in order to maximize the savings from your solar system. Also, you are encouraged to contact the selected supplier or PSE&G for further information.

Will the chosen supplier be able to charge penalties for deviating from an average historical usage?

No. The Borough will not allow for any provisions in the contract signed with the third party supplier which penalize residents for variances in usage.

Is it possible to opt out at any time?

Residents will be sent a Notification Letter by the selected supplier advising them of the contract price and the comparison to the utility price, and will be given a 30-day window once the contract is awarded and the price is known, to decide to opt out of the contract. After the 30-day 'opt-out' period expires, the supplier will enroll all remaining eligible residents in the program for power supply beginning in May 2014. However, even after the initial enrollment, a Little Ferry resident that is enrolled in the program may change his or her mind and opt-out of the program at any time, without penalty or fees.

Will the chosen supplier be able to charge penalties if I decide to opt-out of the program?

No. The Borough will not allow for any provisions in the contract signed with the third party supplier which penalize residents exercising their right to opt-out of the program.

Can we ensure that legitimate companies bid on this? How many bidders should we expect?

Only third party suppliers licensed by the State will be eligible to bid. The Borough and its consultants will make sure that each licensed power supplier in the State is aware of the bid. The bid specifications will contain specific, additional qualifying criteria that bidding suppliers must meet to demonstrate their experience and capabilities, and the Borough and its consultants will review the qualification documents submitted by each prospective bidder. There are dozens of licensed suppliers in New Jersey, and a percentage of those are active in the residential market at this time. However, not all

have the necessary experience and qualifications to conduct a government energy aggregation program. The number of suppliers that we get to submit a bid will depend partly on how attractive the bid package is for suppliers. In the recent Plumsted, Toms River, Montgomery and Monroe program bids, there were seven to eight qualified suppliers who bid to serve residential customers, resulting in substantial competition.

Will the Borough monitor the energy prices for changes?

The contract will require that the supplier bid a fixed price and maintain that price for the full contract term; therefore the price you pay per kilowatt hour will not change over the course of the contract term.

Will the LIHEAP and Lifeline benefit programs for low income residents still apply if I participate in the MTCEA?

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 LFCEA 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 LFCEA will provide consolidated billing through the utility; as such the bill credits would be unaffected.

What happens if I am already purchasing electricity through a third party supplier?

If you currently receive power supply from PSE&G under its tariff, you will be included in the program (subject to your right to 'opt-out'). However, if you are already purchasing energy through another third party supplier, you will *not* be included; however you will be given the opportunity to join the LFCEA at the end of the existing contract with your present supplier. If you wish to join the Little Ferry Community Energy Aggregation, you should send us an email indicating the date that you wish to join, and inform your existing supplier that you are switching. We will take care of informing PSE&G of the change.

It is very important that residents currently purchasing energy from a third party supplier read their existing contracts very carefully, as there may be penalties for terminating the contract prematurely, and 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 LFCEA.

Please note that we are not 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.

Is this a long-term contract similar to those in other states?

The length of the contract is limited by Local Public Contracts Law in the State of New Jersey. The Borough would also like to keep the initial contract terms at twelve to twenty-four months in order to

see what happens with this bid and leave room to learn, grow and improve after the initial period. In future years we may decide to go out to bid for a longer term fixed price.

How will the bid be conducted?

The Borough will issue a Request For Proposals (RFP) to all licensed third party suppliers in the State. The bid will be conducted in accordance with Department of Community Affairs guidelines as well as Local Public Contracts Law.