



West Orange Township  
Community Energy Aggregation Program (“WOCEA”)  
Round 3  
Program Update  
July 2019

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**Round 3 of the WOCEA Program is Coming Soon!**

The Township of West Orange is excited to announce that it has recently approved a new contract for Round 3 of the West Orange Community Energy Aggregation (“WOCEA”) Program. The Township is also proud to announce that, in addition to providing electricity cost savings, this latest contract also requires that the selected supplier, Direct Energy Services, provide power supply that has **100% renewable energy content!**

The WOCEA Program was originally launched in 2014 and, under two prior contracts, the first ending in December 2015 and the second ending in December 2017, participating residents saved an estimated \$3 million collectively on their electricity bills. Upon the expiration of the WOCEA-Round 2 contract with Talen Energy in December 2017, participating residents were returned to PSE&G’s tariff for the supply portion of the electric bill. Energy market conditions fluctuate and, since the expiration of the WOCEA-Round 2 contract in December 2017, the Township has been waiting for another market opportunity. That opportunity recently presented itself, and the Township launched a competitive bid process in June 2019. A contract was awarded in July 2019 to the low bidder, Direct Energy Services (“Direct Energy”). Direct Energy will supply power to WOCEA-Round 3 participants for a 12-month contract beginning in October 2019 at a non-variable price of \$.11606/kwh. This new contract will offer Township residents a renewed opportunity to save money on their electric bills and, for the first time, the Township’s program will include 100%

**renewable energy content, which is more than quadruple the renewable energy content of PSE&G-provided supply as mandated by the State. Residents are not obligated to participate in the program and may 'opt-out' if they so choose. Eligible residents will be receiving a package in the mail from Direct Energy in the 2nd week of August 2019 providing program details. Provided below is a program description as well as answers to frequently asked questions.**

**In addition, the Township has arranged a Public Information Session to be held starting at 7:00 p.m. on August 20, 2019, in the Municipal Building – Council Chambers located at 66 Main Street., West Orange, NJ. The Township’s energy consultant, Gabel Associates, will be making a presentation after which, the session will be opened up to questions from residents.**

## ➤ Overview

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In an effort to realize electricity cost savings for its residents, in 2014 the Township of West Orange initiated the West Orange Community Energy Aggregation (“WOCEA”). The Township’s original contract with Con Edison Solutions under Round 1 of the WOCEA, which resulted in significant savings for participating Township residents, ended in December 2015. A subsequent contract which expired in December 2017 was awarded in June 2016 to Talen Energy. Changed energy market conditions in 2018 prevented the Township from being able to obtain a beneficial contract to replace the expiring contract with Talen, and all WOCEA-participating residents were returned to the PSE&G tariff for power supply effective December 2017.

*With an improvement in market conditions this year, the Township launched a new competitive procurement process in June 2019 for Round 3 of the WOCEA program. As a result of competing offers submitted on July 16, 2019, the Township of West Orange has signed a contract with the low bidder, Direct Energy Services (“Direct Energy”). The new contract with Direct Energy will provide electric supply for a 12-month term beginning in October 2019, at a price of \$.11606 per kilowatt-hour (“kWh”). This price is about 5% lower than the average PSE&G tariff price for power supply. The contract is projected to save the typical Township resident about \$45 over the 12-month contract term, with no change to the level of service. In addition, the power supply being provided by Direct Energy under Round 3 of the WOCEA program will include 100% renewable energy, which is more than 4x times higher than the State-mandated green power content of PSE&G’s power supply.*

Residential customers of PSE&G residing in the Township of West Orange 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 2<sup>nd</sup> week of August 2019 describing program and providing the specifics of the Township’s contract with Direct Energy. 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 power 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.

**For residents seeking additional information, the Township has arranged a Public Information Session to be held on August 20, 2019 at 7:00 p.m. in the Municipal Building – Council Chambers located at 66 Main Street., West Orange, NJ. The Township’s energy consultant, Gabel Associates, will be making a presentation after which, the session will be opened up to questions from residents.**

The Township is pleased to provide you with this opportunity to save money on your energy costs, while also reducing the Township’s carbon footprint and contributing to a more sustainable energy future. Please keep an eye out for specific information and mailings regarding the WOCEA program in the 2<sup>nd</sup> week of August 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)?**

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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. The program also provides municipalities with the flexibility to procure power supply for residents that has greater renewable energy content than State-mandated renewable content of utility-provided default supply service.

The Township of West Orange 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?**

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Gabel Associates is a State-registered Energy Consultant that has been retained by West Orange to administer and implement the WOCEA 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 which have been implemented statewide by more than 50 municipalities, including in nearby Livingston, Maplewood, Verona, South Orange, Glen Ridge and Montclair, 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) or via its dedicated program email address at [WOCEA-info@gabelassociates.com](mailto:WOCEA-info@gabelassociates.com)

### ➤ **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:wocea-westorange@directenergy.com">wocea-westorange@directenergy.com</a>
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### ➤ **How does the WOCEA Program work?**

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The Township of West Orange, with the assistance of Gabel Associates, issued a public, competitive bidding process in June 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 prevailing PSE&G tariff price. A contract award was made in July 2019 to the low bidder, Direct Energy Services, at a price about 5% below the current average PSE&G tariff price for power supply (so-called BGS tariff).

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 or that are on a Do Not Disturb list from

prior rounds of the program) are automatically included in the WOCEA program and will be sent a notice in the mail in the 2<sup>nd</sup> week of August 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 supplier'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 **September 9, 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 WOCEA 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 WOCEA 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 WOCEA 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 WOCEA 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. 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 WOCEA 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 WOCEA, 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 WOCEA, 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 WOCEA 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 WOCEA 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 WOCEA supplier directly to opt-in to the WOCEA program.

Please note that, if you have an existing contract with a supplier not affiliated with the WOCEA 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)?**

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The Township requires that the awarded WOCEA 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.

Your initial monthly budget payment set-up by the WOCEA supplier will be based upon the contract price and your recent 12 months' electricity usage history. Through the contract, the supplier will monitor your usage as compared to historical, and may periodically adjust your monthly budget amount if a large discrepancy between historical and actual usage develops, in order to avoid the need for a large true-up at the end of the contract. By the end of the contract, you will only be charged for what you actually use, at the contract price, no more and no less.

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 WOCEA 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 system?**

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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 WOCEA 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 WOCEA 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 WOCEA?**

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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 WOCEA 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 are provided to assist eligible customers with electric and gas utility bills. The WOCEA 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 WOCEA 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 WOCEA Supplier Source the Renewable Energy Being Supplied?**

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The WOCEA Supplier is required to provide participating West Orange residents an additional ~77% renewable energy content above and beyond the level of renewable energy



content required by the State of New Jersey’s Renewable Portfolio Standard (“RPS”) to achieve a renewable energy content of 100% over the 12-month term of the WOCEA power supply contract. This renewable energy content is provided through the purchase and retirement of renewable energy certificates (“RECs”) by the WOCEA supplier. Specifically, the State-required 23% content over the contract term consists of about 5% in-state solar, about 15.5% 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 WOCEA requires that its supplier procure an additional 80% renewable energy above and beyond the RPS requirements, through the purchase of 20% additional Class I RECs (primarily wind power) from renewable projects in the regional power grid with the balance from Wind RECs sourced from all over North America. As such, 43% renewable energy content is sourced from renewable energy projects located either in New Jersey or within the regional power grid, while the remainder of the renewable content is sourced nationally.

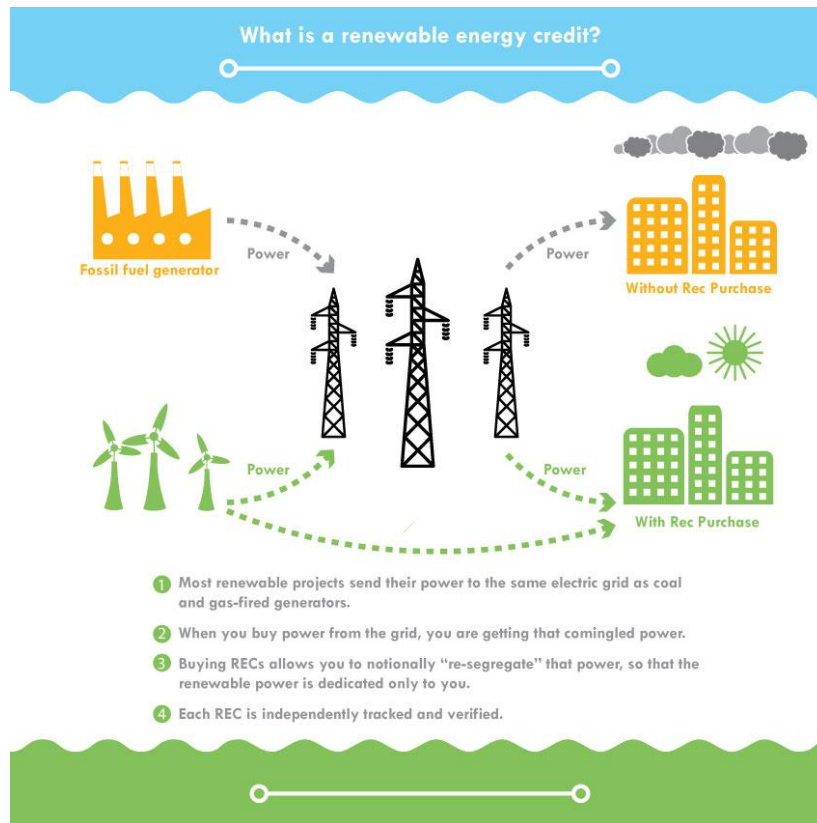
### ➤ **What are Renewable Energy Certificates and Why are they Used to Satisfy the Renewable Energy Requirements of the Program?**

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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 such as West Orange 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 renewable energy projects.

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 inclusion of 20% additional PJM Class I RECs in the WOCEA program enhanced renewable product conforms exactly to the Sustainable Jersey-endorsed product, and supports the development of new wind power projects in the region.

