



## Township of South Orange Village Sustainable Essex Alliance Renewable-GEA SEA R-GEA)

### Program Update Contract Price Adjustment

Around the middle of March 2020, South Orange residents who are participating in the SEA R-GEA program will be receiving a letter from Direct Energy about a contract price adjustment. This bulletin is intended to explain that letter.

In 2019 the Township of South Orange Village, together with neighboring Essex County communities Glen Ridge, Maplewood, Montclair and Verona, launched an exciting new program called the Sustainable Essex Alliance Renewable Government Energy Aggregation ('SEA R-GEA' or, 'SEA' for short). This new program was initiated under a State law called the 'Government Energy Aggregation' law that gives municipalities with the opportunity to access the competitive energy marketplace to try to procure electricity supply for their residents that has a higher renewable energy content and with a lower cost than the electricity supply provided by the local utility.

In early 2019 a competitive procurement process was conducted that resulted in the award of a contract to Direct Energy. Under that contract, which began in June 2019, residents participating in the SEA program receive power supply that has approximately double the renewable energy content of standard energy supply provided by PSE&G, at a contract price of \$0.11005 per kilowatt-hour ('kwh'), which was more than 10% below the average posted PSE&G tariff price for power supply. Thus, since July 2019 participating residents have been receiving power supply from Direct Energy with higher renewable energy content and at a lower average price than power supply they would have otherwise received from PSE&G.

Under the terms of the contract between the Village and Direct Energy, the price offered to residents is a 'non-variable' price, meaning that it does not change due to market conditions; in fact the price cannot be changed for any reason other than an unanticipated change in cost imposed due to a change in law or other governmental action. At the beginning of 2020, the Federal Energy Regulatory Commission approved a large increase in the cost power suppliers pay for use of the high voltage transmission grid which moves electricity from power plants throughout the eastern U.S. to the local PSE&G distribution system. This transmission cost increase has impacted all suppliers in the PSE&G service territory, including Direct Energy as well as PSE&G itself. While the contract the Village signed with Direct Energy allows Direct Energy to adjust the SEA contract price to recover this cost increase, *the contract language we negotiated puts a cap on any such price adjustment, such that the SEA contract price adjustment can go up by no more than the increase in PSE&G's tariff price caused by that same government action.* **The Village insisted**

**on that contract condition in order to ensure that any contract price change caused by an unanticipated government action such as this would not adversely impact the level of savings under the SEA program.**

The transmission cost increase approved by the federal government is impacting PSE&G's tariff prices for power supply by about 1.2 cents per kilowatt-hour (\$.012/kwh), in two steps. About 1/3 of that increase already took effect on February 1<sup>st</sup> 2020, and the remaining 2/3 of the PSE&G tariff price increase will take effect beginning June 2020. Under the Village's contract with Direct Energy, the adjustment in the SEA contract price is capped at those amounts. Therefore, the SEA contract price will be adjusted in two steps, matching the changes in the PSE&G tariff.

Specifically, in your April PSE&G bill you will notice that the SEA program contract price will increase from the current \$.11005/kwh to \$.11448/kwh. This price adjustment exactly matches the 1<sup>st</sup> step increase in PSE&G's tariff price that took effect on February 1<sup>st</sup>. Effective June 1<sup>st</sup>, the SEA contract price will increase to \$.12230/kwh, again, matching the 2<sup>nd</sup> step of the PSE&G tariff increase that will be occurring at that time. Because these contract price adjustments match the increases in the PSE&G tariff price for power supply, as required under the terms of the contract required by the Village, ***the cost savings that you are currently enjoying under the SEA program will not be impacted, and you will still receive power supply with renewable energy content that has approximately double the renewable energy content of standard energy supply provided by PSE&G.***

Residents who are participating in the SEA program are reminded that, under the contract the Village negotiated with Direct Energy, you have the open-ended ability to 'opt-out' of the SEA program at any time, for any reason, without penalty. You may do so by contacting Direct Energy via phone at 1-866-968-8065 or by email at [aggregationsupport@directenergy.com](mailto:aggregationsupport@directenergy.com). If you choose to opt-out, your account will be returned to PSE&G for power supply under its 'Basic Generation Service' tariff.

However, as described above, PSE&G's tariff price is being increased by the same amount as the price. Therefore, if you opt-out of the SEA program and return to PSE&G for power supply, you will be subject to these higher charges, and will no longer receive the enhanced renewable energy content provided under the SEA program.