NJSEM - Energy Supply Aggregation and Sustainability Services

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NJSEM MEMBERSHIP

► New Jersey Sustainable Energy Joint Meeting (NJSEM) - Over 180 municipalities, other local government units (housing authorities, MUAs, etc.).

► Membership is statewide
  ► Electric accounts in PSE&G, JCP&L, ACE and RECo
  ► Natural gas accounts in PSE&G, NJNG, Etown and SJG

► Economies of scale
  ► Electricity: over 4,500 individual electric accounts and over 230 million kilowatt-hours of electricity usage annually
  ► Natural Gas: approximately 1,000 individual natural gas accounts and 5 million therms of natural gas usage annually
THE BID PROCESS FOR ENERGY

- All members are provided a Notice of Bid at least 30 days prior to the release of the RFB.
- Account usage data is gathered for all member accounts, and usage patterns (including peak demands, etc. for electric accounts) are analyzed against the applicable utility tariff for default service supply, to determine the ‘price-to-compare.’
- “Solar” accounts analyzed and removed from bid where member best served by staying on utility default supply service.
- Accounts are broken into ‘bid groups’ by utility service territory, load profile, price-to-compare, etc., so that we have large groups of relatively homogenous accounts.
- Pricing is accepted in a manner that mimics the utility tariff price structure. Where necessary and appropriate, pricing structure is ‘unbundled’ - thus assuring that all members benefit similarly.

THE BID PROCESS (cont’d)

- ‘Strike Price’ established for each Bid Group, set as a minimum discount below the utility tariff price-to-compare. Strike Prices are distributed to members; Members given the option to opt-out of the bid if they so choose.
- Bid is issued which includes RFB, Master Performance Agreement (MPA) and standard terms and condition of supply service. In addition to typical commercial business terms for supply, the specifications and terms include a number of protections for members that we can offer, and that suppliers accept, by virtue of our large size; ex:
  - Usage bandwidth provisions applied in aggregate across entire bid group
  - No penalties for closed accounts
THE BID PROCESS (cont’d)

- The evening before the acceptance of electronic bids, an ‘Expected Price’ (Cost Estimate) is developed for each Bid Group, based upon the latest market prices - serves as an ‘update’ to the Strike Price.

- The Expected Price can be applied by the NJSEM Executive Committee to set a lower benchmark price for award of a contract; however, notwithstanding the Expected Price, NJSEM cannot award a contract for any Bid Group at a price higher than the Strike Price originally distributed to Members.

- Contract award, at or below the Strike Price, is binding upon all members (except those that previously opted-out). Decision made same day as acceptance of bids.

- Bids typically accept prices for multiple contract lengths to test market; selected contract typically 12 - 24 months, depending upon results.

NJSEM MEMBER $AVINGS

- Savings under any particular contract will vary depending upon utility tariff prices and market conditions. Under the its Strike Price protocol, NJSEM will not award a contract unless the savings are 5% or greater as compared to the utility tariff price.

- Won’t put you in a bad contract. If savings insufficient for a particular bid group, (unfavorable market conditions and/or low utility tariff price), will defer contract award and accept refreshed prices later.

- Depending upon contract cycle, utility territory and Bid Group, savings have ranged from about 7% to 30% off the utility tariff price.

- Low bids for the most recently-awarded power supply contracts were 18% - 30% below the prevailing utility tariff price for power.

- Total energy cost savings provided to NJSEM Members since program inception already exceeds $25 million, and will grow to well over $30 million by the end of the most recently-awarded electric power and natural gas supply contracts.
ENERGY MARKET MOVEMENT

JCP&L ATC Electric Energy Futures
Calendar 2019 Strip

Latest market prices are reflected in the ‘Expected Price’ the evening prior to the bid

ENERGY MARKET CONDITIONS

JCP&L ATC Electric Energy Futures
Calendar 2019 Strip

Trends in the market can impact bid prices, length of contract awarded, etc.
**VALUE OF COMMODITY HEDGING**

Natural Gas Supply - NJSEM leverages large volumes to obtain lower pipeline capacity costs than utility pipeline costs, and strategically hedges commodity price to protect against volatility inherent in the utility gas supply tariff. Provide cost savings and budget certainty.

**POST-AWARD SERVICES**

- Assisting Members with questions concerning account energy usage
- Working with Members and suppliers to add new accounts to existing supply contract (ex. new facilities), and removing accounts (ex. building/facility that is no longer in use)
- Generate and provide account savings reports for Members
- Review and resolution of Member billing questions and issues (ex. utility changes meter or account number, accounts gets dropped)
- Provide periodic blasts to members regarding topical energy issues
SUSTAINABILITY SERVICES

- Many NJ municipalities have established sustainability as a priority
- Some NJSEM member municipalities have passed resolutions forming Green Teams and registered with Sustainable Jersey (SJ), and a significant number have received achieved SJ certification:
  - Approximately 15% of NJSEM Members have achieved bronze certification status
  - Approximately 5% of NJSEM Members have achieved silver certification status
  - Another 20% of NJSEM Members have registered with SJ, and are currently working towards certification

Sustainability is at the core of NJSEM’s mission, NJSEM provides support to Members in achieving their sustainability objectives, and is currently expanding sustainability support services and offers to Members.

SUSTAINABILITY SERVICES (cont’d)

Renewable Energy Supply:

- For its past 3 electricity bid cycles, NJSEM has included in its specifications a requirement that the power supply for NJSEM Members include at least 20% renewable energy, relying upon NJ RPS-compliant Class I RECs.
- The product meets the requirements of Sustainable Jersey’s ‘Buy Electricity From A Renewable Source’ action, including verification criteria, qualifying all members for 10 points towards SJ certification. NJSEM renewable energy product has been featured on SJ’s website.
- For its next power supply contract which will start in June 2018, the renewable energy content has been increased to 25%.
- Contract prices for the 24-month contract starting in June 2018 provide 18-30% savings below current utility tariff prices, inclusive of the 25% renewable component.
SUSTAINABILITY SERVICES (cont’d)

Sustainable Jersey Certification Support:
- NJSEM consultants assist Member municipalities in their submission for points towards SJ certification for the ‘Buy Electricity From A Renewable Source’ action, including necessary verification documentation as required by SJ.

Solar Energy Project - Preliminary Assessment/Screening:
- NJSEM consultants assist Member municipalities, utilizing facility energy usage history on-hand and remote imaging tools, to review a prospective site and determine whether a solar project might be a beneficial option.

Clean Energy Program and Energy Efficiency Incentive Support:
- NJSEM consultants provide Member municipalities with information and advice on available incentive programs for energy audits, energy efficiency and load reduction measures.

Strategic Advice Concerning Maximizing Existing Solar Project Benefits:
- NJSEM consultants analyze usage data for Member electric accounts with solar project in development or already installed to advise on the correct power supply procurement strategy given load profile, solar system size, utility tariff.

ADDITIONAL SUSTAINABILITY SUPPORT

- NJSEM is currently exploring additional ways that it can support Member’s sustainability initiatives:
  - Electric Vehicle (EV) charging stations and vehicle acquisition
  - LGEA Audit Review
  - Support for compliance with additional Sustainable Jersey Actions in order to achieve certification.

- Expanding the value provided to Member municipalities, and marrying energy procurement with sustainability policy and projects.
FOR MORE INFORMATION:

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