



Township of
PLAINSBORO
New Jersey

Important Message on the Plainsboro Community Energy Aggregation (PCEA)

Program Update Contract Price Adjustment

Around the middle of March 2020, Plainsboro residents who are participating in the Plainsboro Community Energy Aggregation (PCEA) program will be receiving a letter from Direct Energy about a contract price adjustment. This bulletin is intended to explain that letter (a sample of the letter is included at the end of this bulletin).

In 2019 the Township of Plainsboro launched the second round of the PCEA. This program was initiated under a State law called the ‘Government Energy Aggregation’ law that gives municipalities 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 the Township conducted a competitive procurement process that resulted in the award of a contract to Direct Energy. Under that contract, which began in June 2019, residents participating in the PCEA program receive power supply with 42% renewable energy content at a contract price of \$0.10977 per kilowatt-hour (‘kwh’), which was more than 10% below the average posted PSE&G tariff price for power supply. Thus, since June 2019 participating residents have been receiving power supply from Direct Energy with higher renewable energy content and at a lower average price than you would have otherwise received from PSE&G.

There has been a significant cost increase recently imposed on all suppliers serving customers in the PSE&G territory. This cost increase impacts PSE&G as well as Direct Energy. As a result, PSE&G tariff prices for power supply are rising, and Direct Energy is forced to raise their prices for the PCEA program as well. However, contract terms that the Township negotiated with Direct Energy ensure that the savings that residents are enjoying under the PCEA program will not be impacted, and that the power supply being provided under the PCEA will still contain 42% renewable energy.

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Under the terms of the PCEA program contract between the Township and Direct Energy, the price offered to residents is a ‘non-variable’ price, meaning that it 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. While the contract the Township signed with Direct Energy allows Direct Energy to adjust the PCEA contract price to recover this type of cost increase, *the contract language we negotiated puts a cap on any such price adjustment, such that the PCEA 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 Township insisted on that contract condition 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 PCEA 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, 2020, and the remaining 2/3 of the PSE&G tariff price increase will take effect beginning June 2020. Under the Township's contract with Direct Energy, the adjustment in the PCEA contract price is capped at those amounts. Therefore, the PCEA 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 PCEA program contract price will increase from the current \$.10977/kwh to \$.11420/kwh. This price adjustment exactly matches the first step increase in PSE&G's tariff price that took effect on February 1st. Effective June 1, the PCEA contract price will increase to \$.12187/kwh, again, matching the second 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 Township, the cost savings that you are currently enjoying under the PCEA program will not be impacted, and you will still receive over 40% renewable energy supply.

Residents who are participating in the PCEA program are reminded that, under the contract the Township negotiated with Direct Energy, you have the open-ended ability to 'opt-out' of the PCEA 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. 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 PCEA price; as a result, the PCEA contract price will remain below the PSE&G tariff price for power supply. **Therefore, if you opt-out of the PCEA program and return to PSE&G for power supply, you will be subject to greater rate increases than if you stayed in the PCEA, and you will no longer receive the enhanced renewable energy content provided under the PCEA program.**



Marchxx, 2020

XXXXXXXXXX

XX XXXXXXXXX St./Rd./Ave
Plainsboro, NJ 08536



Dear XXX XXX:

Direct Energy is proud to serve as the electric power supplier for the Plainsboro Community Energy Aggregation (PCEA) program, under a contract that provides power supply with greater renewable energy content and at a lower price than PSE&G's Basic Generation Service (BGS) tariff.

The cost of transmission is a significant part of the cost of power supply. Recently, the Federal Energy Regulatory Commission (FERC) increased transmission rates. This action, which is beyond the control of Direct Energy, has increased costs for PSE&G, Direct Energy, and all electric power suppliers serving customers in PSE&G territory, and has materially increased Direct Energy's cost of providing power supply under our contract with Plainsboro Township.

Our contract with the Township allows Direct Energy to pass-through only the costs of an unanticipated regulatory action in the price that we charge Plainsboro residents, without any 'mark-up,' *however the Township's contract limits any such price adjustments to the same amount that PSE&G will raise its tariff price for power supply because of this federal regulatory action.*

As a result of this federal action, the PSE&G tariff price for power supply is being increased in two steps; the first PSE&G tariff price increase has already taken effect, and the 2nd step of PSE&G's price increase will take effect on June 1st. Therefore, consistent with the terms of our contract with the Township, Direct Energy will also be implementing a two-step price adjustment. In your April PSE&G bill you will notice that our PCEA program contact price will increase from the current \$.10977/kwh to \$.11420/kwh. This price adjustment exactly matches the 1st step increase in PSE&G's tariff price that has already been put in place. Effective June 1st, and appearing starting on your July bill, the PCEA contract price will increase to \$.12187/kwh, again, matching the 2nd step of 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 Township, the cost savings that you are currently enjoying under the PCEA program will not be impacted. Therefore, if you were not in the PCEA program and returned to the PSE&G tariff for power supply, you would be paying a higher price than under the PCEA program.

Direct Energy truly values our business relationship with the Township and Plainsboro residents, and we look forward to continuing to provide you with energy cost savings and enhanced renewable energy content under the PCEA program. As a participant in a New Jersey aggregation program, you have the right to opt-out of the program at any time. You may do so by contacting us via phone at 1-866-968-8065 or by email at aggregationsupport@directenergy.com. If you choose to opt-out, your account will be returned to PSE&G service. However, we remind you that PSE&G's BGS tariff has increased already and will be increasing further to reflect the pass-through of these transmission charges, as discussed above.

Direct Energy will continue to serve your account if you choose not to opt-out.

Should you have any questions please feel free to contact our Customer Care team toll-free at **1-866-968-8065**, Monday - Friday, 8 a.m. - 8 p.m., and Saturday 8 a.m. - 5 p.m., EST.

Sincerely,

Direct Energy



TOWNSHIP OF PLAINSBORO
PLAINSBORO COMMUNITY ENERGY AGGREGATION (PCEA)
C/O DIRECT ENERGY SERVICES
PO Box 180
Tulsa, OK 74101-0180

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First-Class Mail
U.S. Postage
PAID
APLUS
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Do not discard. Important notice regarding electricity rates.

