

Parsippany Will Benefit From a Renewable Energy Aggregation Program

(The following fully explains the Renewable Energy Aggregation program Parsippany is considering. It is important that all residents understand this program so they can make an educated decision when the township considers this. Please read it through and express your views using the survey link at the end.)

OVERVIEW

Renewable Energy Aggregation (REA) is an official New Jersey program supported by law¹ and rules created by the NJ Board of Public Utilities (NJBPU)² and is supported by Sustainable Jersey.³ This program enables a municipality to aggregate (combine together) the electricity use of the entire community and solicit competitive bids from third⁴ party electricity producers for electricity that is cleaner and less expensive than electricity we currently purchase from JCP&L. It makes consumer access to increased renewable energy content effortless, safe, convenient and affordable.

The key **benefits** of an REA program, often referred to as CCA (Community Choice Aggregation) are:

- Increases the portion of our electricity from clean renewable energy technologies such as wind and solar, automatically lowering our carbon footprints;
- Reduces residents' and businesses' costs for electricity by utilizing the combined purchasing power of many customers and purchasing from low cost third party providers;
- Reduces air pollution and associated risks of disease, death and increased health care costs;
- Increases residents' and businesses' choices and options for electricity purchase;
- Protects customers from price increases over the fixed contract period;
- Removes the risks of misleading contract terms (e.g., hidden fees, teaser rates, automatic transition to a variable rate plan, etc.) or problematic performance by providers that can occur when residents buy electricity from third parties on their own;
- Utilizes market forces, not government mandates, to increase the use of clean energy;
- Requires no action from residents who wish to participate;
- Provides the Parsippany Town Council and Administration with total control over the decision to accept any third party offers for electricity.

TODAY'S ENVIRONMENTAL ISSUES

Burning fossil fuels creates two enormous problems – air pollution and climate change. The only way to address these problems is to increase our use of energy from renewable technologies such as solar, wind and hydropower. New Jersey and Parsippany suffer from both problems.

Consider the following facts:

- New Jersey air is among the most polluted in the US;⁵
- Morris County has been rated 'F' for ground level ozone by the American Lung Association for years;⁶
- Parsippany's location and density make its air the worst in Morris County;
- 200,000 people die each year in the US from fossil fuel air pollution;⁷
- 12,000 people die each year in the US from excessive heat;
- NJ is one of the fastest warming states in the country;⁸

- Municipal costs and effects of climate change include excessive heat, storm destruction, power outages, flood prevention⁹/stormwater utility costs, drought, lake algae, insect infestations, vector borne diseases, increased insurance costs, increased public health costs, increased crime and prevention costs (statistically shown that crime increases with temperature rise);
- Consumer costs and effects of climate change include rising insurance costs (life, health property), health care costs, loss of income from sick days, increased crime, property devaluation, increased energy costs and increased frequency/longer duration power outages.

Air pollution is a silent killer. It makes us sick and contributes to premature death. Exposure to these pollutants is linked to **neurological, cardiovascular and respiratory disease (such as COPD and asthma), cancer, birth defects, increased susceptibility to infections as well as damage to lungs, liver, kidneys, reproductive, nervous and cardiovascular systems, increases in obesity, diabetes, Parkinson's disease, Alzheimer's and other forms of dementia and stroke. Developing fetuses and children are uniquely vulnerable.**¹⁰

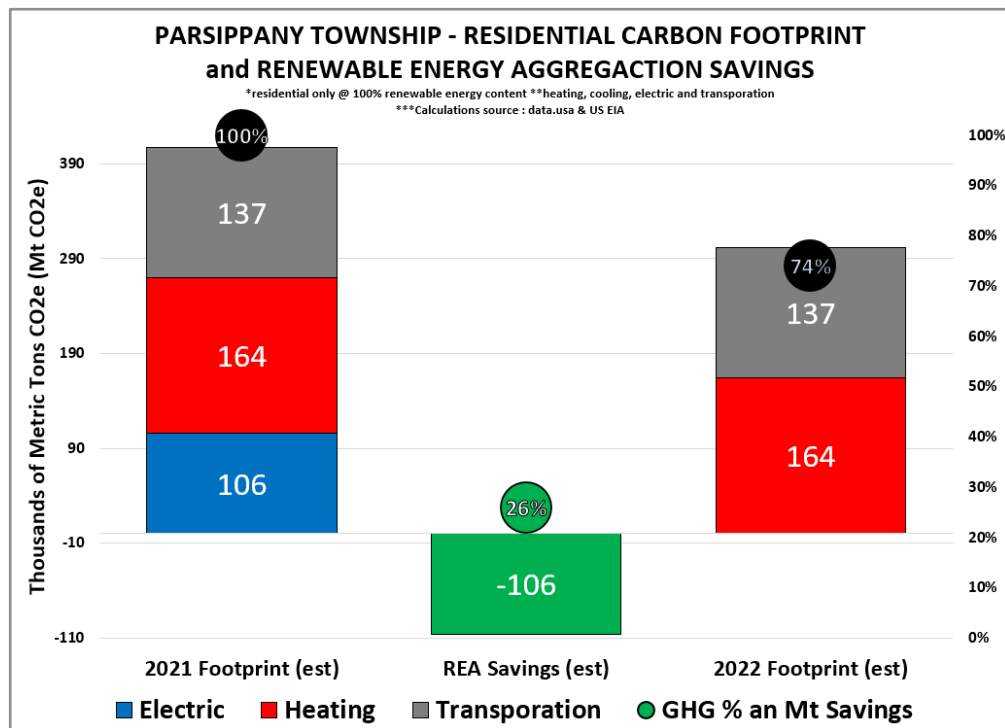
An article in the March 10, 2020 edition of Forbes¹¹ stated, **the loss of life expectancy globally "from air pollution surpasses that of HIV/AIDS, parasitic, vector-borne, and other infectious diseases by a large margin. It exceeds the [loss of life expectancy] due to all forms of violence by an order of magnitude and that of smoking by a third."**

REA IS A SAFE, PRACTICAL, COST EFFECTIVE, RISK FREE SOLUTION TO THESE PROBLEMS

Growing market demand for clean renewable energy is one of the most important strategies for developing a more sustainable approach to energy generation. By law,¹² all New Jersey energy providers must source at least 21% of their electricity from renewable energy sources, which is what JCP&L offers today. Third party providers offer much higher renewable energy content, up to 100%. When municipalities, such as Parsippany, aggregate their energy usage and ask for bids with high renewable energy content options they are communicating to the market that there is a strong preference for renewable-based energy. As more communities take this step to purchase clean energy it encourages the production of more clean renewable electricity, drives out dirty fossil fuel-based electricity from the electric grid and reduces air pollution and the impact of climate change across the region.

The annual reductions in carbon footprints from an REA program are very substantial. If 100% of Parsippany residents supported the program and increased their renewable energy usage to 40% it would remove over 24,000 tons of carbon from the atmosphere. If we all increased our renewable energy usage to 100% it would remove over 106,000 tons of carbon (see chart below).¹³ These reductions are equivalent to removing the CO2 emissions from 133 and 530 railcars of coal, respectively.

If 100% of Parsippany residents participated and all chose to use 100% renewable energy, this would reduce the total carbon footprint of all residents by 26% as shown in the chart below. Considering that the total carbon footprint includes the use of gas for heating/cooking and gasoline for transportation, this would be an extremely significant reduction.



There are absolutely no risks to residents and businesses that participate in an REA program.

- Parsippany aggregates its energy demand and asks third parties to provide bids through auctions held under the auspices of the NJBPU and PJM Interconnect (the organization that manages the power grid in NJ and many nearby states);
- Contracts have fixed rates for the duration of the contract (maximum duration is 24 months) and cannot increase;
- Contracts have no hidden fees or other charges;
- Any REA customer issues are handled by a consultant hired by Parsippany;
- The basic offer to residents must, by law, be below JCP&L rates;
- Customers can easily opt out at any time with no charge and no legal obligations;
- All residents will have sufficient time to opt out before the changeover takes place;
- Third party providers never see any customer names or records (Parsippany's consultant handles all interactions with JCP&L);
- There is no increased risk of blackouts from the use of renewable technologies. Electricity is provided from a network of utilities whose objective is to ensure all customers have sufficient electricity at all times. (Local JCP&L distribution network integrity is not affected by this program);
- Customers are alerted when new contracts start and old contracts are ending;
- The Parsippany Town Council and Administration are under no obligation to accept any unsatisfactory bids. If there are no satisfactory bids JCP&L will continue to supply our electricity and the municipality may choose to wait until market conditions become more favorable before requesting another round of bids.

REA also provides protection against problems that can arise with individual contracts in the third party market such as hidden fees, teaser rates, automatic transition to a variable rate plan, misleading claims on renewable energy content or billing problems. The purchase is made

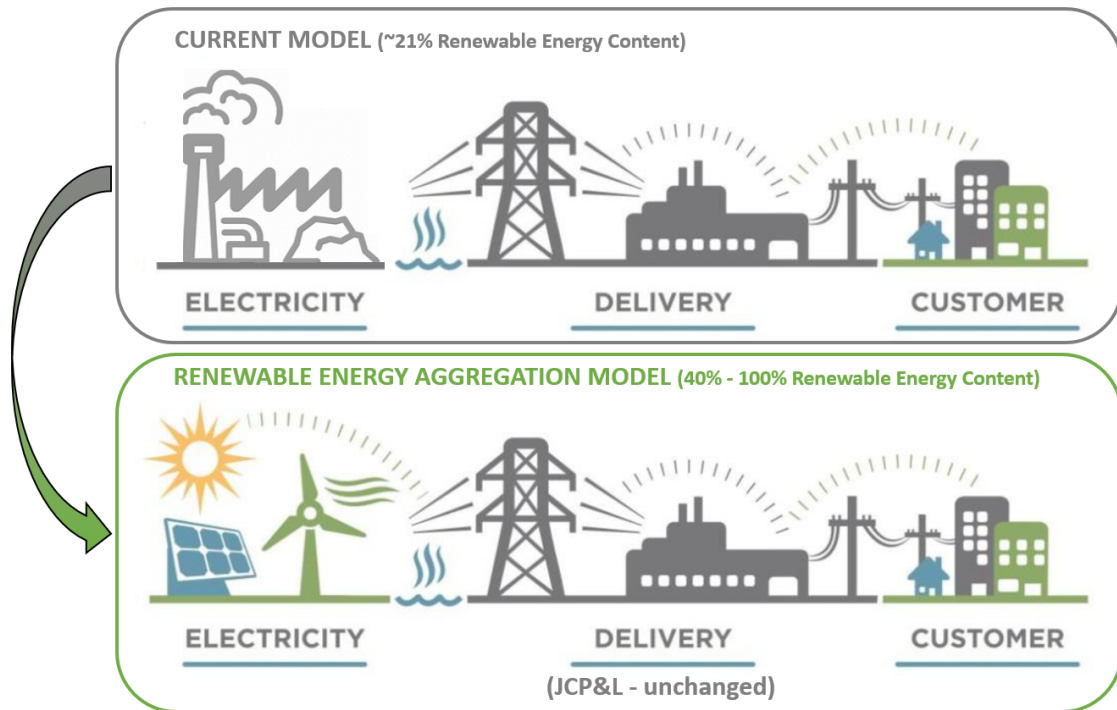
through a well-defined, transparent public process, which is reviewed by the municipal attorney, town council and the NJBPU. This provides great rigor and oversight of the terms and conditions as well as performance. The energy consultant also provides a very experienced and well-known partner-type resource to address any consumer issues.

Many of us are very aware of the threats from climate change and look for ways to reduce our carbon footprints. We know this is not often easy or cost-free and takes some effort. Convincing every resident to take such actions is virtually impossible. By contrast, we can achieve the carbon footprint reductions described above and save money by doing *absolutely nothing* when asked if we want to “opt out” to the REA program. **It is hard to imagine a more elegant solution than this, to the problem of convincing each individual to take action on climate change.**

WHAT ACTUALLY HAPPENS IN AN REA TRANSACTION?

There are two transactions in REA, one is a paper transaction that identifies residents who participate and instructs JCP&L to lower their billing rate. The second is a physical transaction in which the third party provider of electricity sells their power into the PJM Interconnect network. This is described in the table and chart below:

<u>Paper Transaction</u>	<u>Physical Transaction</u>
<ul style="list-style-type: none">• JCP&L sends list of all Parsippany residents to consultant.• Consultant indicates which residents want to receive new price.• JCP&L changes its billing records to apply new prices to bills for those residents. For example, JCP&L prices average 9.2 ¢– 9.3¢/kWh. Third party may charge 9.1¢/kWh.• Third party provider never sees any customer names or records.• Next customer bill shows new price.	<ul style="list-style-type: none">• At resident’s home – No actual change of service. JCP&L delivers the same electrons it would have delivered without REA.• In PJM network – third party sells contracted amount of clean energy into the PJM grid from which all customers are served.• Net effect over time is that PJM pool of electricity gets cleaner as more towns use REA and residents receive higher proportion of electrons from clean energy sources.



PROGRAM RULES

New Jersey law requires REA participation to be structured as an “opt out” program for residential customers and as an “opt in” program for commercial customers. Residential customers are automatically enrolled in the program unless they elect to “opt out” of the program, or are already with a third party supplier. Residential customers are able to easily “opt out” of the program at any time prior to or during the term of the contract without penalty via a variety of media (prepaid return mail, email, 800#, web sites). Commercial companies are also able to “opt out” of the program at any time without penalty.

The reason this program requires an “opt out” approach is that previous programs that used the “opt in” process never achieved the volume of customers needed to receive the best prices and cost savings available. When offered the ability to “opt in” to such a program many residents tend to ignore the request or delay responding, making this approach impractical. For the majority of residents the “opt-out” approach makes participation very convenient. It is the only way to bring the significant benefits of such a program to residents. The energy consultant makes the “opt out” process very easy.

Utility bills in New Jersey have two components, delivery and supply:

- Delivery refers to the distribution of the energy to users. The delivery amount on the bill represents the cost of the power grid that transports the energy to homes and businesses. This portion of the utility bill is not subject to competition and cannot be changed. The delivery provider is government mandated based on a customer’s location. **All residents of Parsippany will continue to have billing and electric service delivered by JCP&L and will call JCP&L for service problems and emergencies, regardless of their preferred source of electricity. (Like it or not, this is government**

mandated).

- The Supply portion of a utility bill represents the actual electricity purchased by customers. This is the portion of the bill that is subject to competition for which the customer may shop for alternative sources. **REA only impacts the supply portion. When a customer participates in an REA program the new billing rate in the third party contract will be applied by JCP&L and will appear on the JCP&L bill.**

POTENTIAL COST SAVINGS

Examples of cost savings other municipalities have achieved from their REA programs are:

- Livingston offers residents 100% renewable electricity. Residents expect to see a total of \$1.125 million in savings;
- Maplewood, Montclair, Glen Ridge, Millburn, Verona and South Orange formed the Sustainable Essex Alliance. In Maplewood, the 8,000 households enrolled will save \$1M. Montclair residents expect to save \$1.8M.
- Glen Rock offers residents 100% renewable energy for less than the current PSE&G rate for the area.
- **Every town has continued its participation after its first contract expired.**

The savings described above are significant but market conditions vary over time and savings in JCP&L areas are expected to be more modest than those in PSE&G territory. Nevertheless, Parsippany's program will always offer prices below JCP&L's average annual rate.

Residents should be aware that in October 2020, the NJBPU granted JCP&L a rate increase of 4%, which translates into a raise of \$4/month for the average resident.¹⁴ This will start appearing on customer bills in November 2021. The charge is likely to be in the delivery portion of customer bills, which means that we cannot avoid it, but adopting REA to reduce the cost of the electricity supply part of the bill will reduce the impact of this increase. While our town council and administration in Parsippany are limited in what they can do to minimize residents' direct tax burden, REA will enable Parsippany to further reduce residents' expenses.

In order to implement REA, Parsippany will put out a bid for a consultant experienced with this program and the electricity market. The consultant will prepare Parsippany's offer on which third party providers will bid. This means that the consultant is the only entity, other than the third party provider, who will receive compensation. There will be no door-to-door salespeople or any other third party salespeople involved. There will be no commissions paid to anyone.

Municipalities do not pay energy consultants. Their fees are included in the monthly electric bills paid by residents and businesses. Even with this fee, the basic plan price for electricity under REA will still be less than the price charged by JCP&L.

NEXT STEPS

The first step needed to start the REA program is enactment of an ordinance creating the REA entity by the Parsippany Town Council. The Parsippany Green Team has discussed the program with the town council and the council asked that we educate the public and provide feedback as to the level of public support for REA. Toward that end we are conducting a series of educational presentations to various groups in the community.

It is very important that residents who participate in these presentations and/or read this article provide feedback by taking the short survey we have created at <https://s.surveypal.com/ciReenYC5>

We need to demonstrate to the Town Council that there are many residents in favor of this program. One of the best ways to do this is to fill out this online survey.

Presentations on the REA program are scheduled at the Parsippany Library on:

- Tuesday March 23 at 7:55PM

Anyone can sign up to attend these sessions and ask questions by going to the main library calendar site for March

(<http://www.libraryinsight.net/calendare.asp?xc=5&dp=&sm=&jx=j3p&nMonth=3&nYear=2021&x=3>)

and clicking on the program name (REA) at the above dates and filling out the pop up form.

You can also view a recent REA video presentation at this site (the presentation is only 30 minutes, the rest of the video is Q&A):

<https://us02web.zoom.us/rec/share/JN9udbia5pw7KLCINotUgJqYeXbpLnHhODT0LSiCK6uD0lWxfeEswwrF138nSDPf.L4V1pgw0ALQV-aBg>

Other actions that residents should take are:

- Speak to neighbors and friends about the REA program
- Contact members of the Town Council via email to express your view on the program
<http://www.parsippany.net/165/Elected-Officials>
- Express your views at Town Council meetings
- Submit letters to Parsippany Focus & Patch
- Invite the Parsippany Green Team to speak to your organization

If anyone has any questions or wishes to schedule a meeting to discuss the REA program in more detail please contact Ken Dolsky at kdolsky at [at] optonline dot net (optonline.net).

The REA program is supported by the Parsippany Green Team. Its mission is to collaborate with our residents, town government and business community to identify and implement programs that improve our quality of life and the physical, environmental and financial sustainability of our community. See https://www.facebook.com/ParsippanyGreenTeam/?ref=page_internal

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https://www.sustainablejersey.com/fileadmin/media/Actions_and_Certification/Actions/Energy/NJ_legislation_authorizing_GEA_Law.pdf

² https://www.state.nj.us/bpu/pdf/energy/NJ_Gov_Energy_Aggregation_Summary.pdf

³ <https://www.sustainablejersey.com/actions/#open/action/517>

⁴ https://www.state.nj.us/bpu/pdf/energy/shopping_forms/energyagents.pdf

⁵ <https://patch.com/new-jersey/montclair/n-j-has-among-nations-worst-air-american-lung-association-study-says>

⁶ <https://www.stateoftheair.org/city-rankings/states/new-jersey/morris.html>

⁷ <https://www.forbes.com/sites/rogerpielke/2020/03/10/every-day-10000-people-die-due-to-air-pollution-from-fossil-fuels/?sh=421b89e92b6a>

⁸ https://www.nj.com/news/2019/04/nj-is-warming-at-an-alarming-rate-and-its-making-our-air-harder-to-breathe.html?utm_medium=social&utm_content=nj_facebook_njcom&utm_campaign=njcom_sf&utm_source=facebook

⁹ As of February 2021, Morris County has spent \$9M purchasing flood prone private properties. <https://morriscountynj.gov/2021/02/morris-county-flood-mitigation-program-purchases-80th-property/>

¹⁰ <https://www.sciencenews.org/article/list-diseases-linked-air-pollution-growing>

¹¹ <https://www.forbes.com/sites/rogerpielke/2020/03/10/every-day-10000-people-die-due-to-air-pollution-from-fossil-fuels/?sh=421b89e92b6a>

¹² New Jersey Clean Energy Act, https://www.njleg.state.nj.us/2018/Bills/AL18/17_.PDF

¹³ <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

¹⁴ <https://www.njspotlight.com/2020/10/jcpl-rate-increase-4-monthly-customer-bills-next-november-bpu/>