

# NEW JERSEY MUNICIPALITIES

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## Know Your Energy Options

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Plumstead Inks  
the First Municipal  
Aggregation Contract

Municipal Electric Service  
in Light of Hurricane Sandy

The Costs of Legislating  
Utility Infrastructure

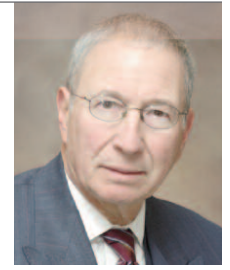
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Energy Aggregation

# An Idea Whose Time Has Come



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The New Jersey State League of Municipalities has been a leader in advocating policy and legislation to promote the production and importation of clean fuels, while recognizing the importance of renewable energy, energy efficiency and conservation. The League's goal is to improve air quality, reduce greenhouse gas emissions and save local government money, with the ultimate goal of improving the quality of health and life for New Jersey's residents.

One of its major accomplishments in this regard was the passage of energy aggregation legislation. The law enables municipalities to negotiate a bulk purchase of energy supply on behalf of its residents and businesses at prices lower than the average utility price.

The state's energy aggregation movement started 15 years ago, when Mayor Richard Pucci of Monroe Township, Middlesex County helped local governments realize that their involvement in the soon-to-be world of energy deregulation was no longer optional. His philosophy, which the League adopted, was clear: "Government, in the public interest, must allow consumers to form aggregation groups as numerous, broad and diverse as is reasonably possible. For, the more extensive and balanced the aggregation group, the more savings for consumers. Only with this market power can consumers, particularly residential consumers, have the requisite bargaining power to fairly contend in the deregulated marketplace."

With this in mind, the Monroe Township Pilot Program, with the approval of the Board of Public Utilities, was created. The township aggregated all electricity users—residential, commercial, industrial and governmental—into a buying group and went out to bid. A new supplier was chosen. Substantial savings were had. New Jersey became a leader in municipal aggregation. But, not for long.

In 1999, the misnamed "Electric Discount and Energy Competition Act," stifled competition and put an end to municipal aggregation. The act's 10 percent rate reduction, which initially shielded consumers from the true market cost of electricity, ultimately discouraged conservation and aggregation. Artificially low generation costs for incumbent companies kept internal markets closed to competition. Thus, the state's promise that municipalities would be able to pool their energy purchases for government facilities as well as for businesses and residents and save money for all involved proved to be bogus. With politics trumping common sense, the successful Monroe

model was scrapped, and neither of the two methods for municipal aggregation included in the Act worked. The effort to legislatively protect the state's incumbent utilities from outside competition failed. And today only one is left standing.

THE SUPPLIER CHOSEN,  
CON EDISON RESOURCES,  
PROVIDED A 14 PERCENT SAVINGS  
(FOR THE AVERAGE RESIDENT),  
OVER THE CONTRACT PERIOD  
STARTING IN JANUARY 2013.

In August 2003, the potential for municipal aggregation was restored, thanks to a new Administration and the efforts of the League to secure amendments to the act. Or, I should say, the tools were put in place to make it possible. The Act was amended and rules were adopted by the BPU which pretty much mirrored the successful, but now defunct, Monroe Pilot.

Unfortunately, inertia and economic uncertainty took hold. No municipality moved forward. And, when the BPU established an auction for the purchase of electricity (representing the largest single aggregation of residents and businesses in the state) municipal aggregation became a distant memory.

But, the idea did not die. Cooling America thru Local Leadership (Cooling America), a small 501(c)(3) non-profit organization which was established with the goal of working with local governments to help reduce greenhouse gas emissions, and to

their pitch for energy aggregation. They met with Peter Ylvisaker, the Executive Director, and other members of the local utility authority, who after careful analysis and study recommended the program to then Mayor Ronald S. Dancer and the Township

savings (for the average resident), over the contract period starting in January 2013. At the end of a 30-day, "opt-out" period, 93 percent of eligible township residents were enrolled in the program.

Ed Weirsky, vice chair of the local authority, summed it up when he said, "Once we had completed our research, we could not come up with a single reason why the township should not create a Government Energy Aggregation program. We were confident the program would save our residents money, which in these times is especially important, and all of our administrative and professional costs would be reimbursed. The process was virtually seamless to implement and there is very little the Authority or Township have to do now that the program is established. Everything is the same as it was except the savings to Plumstead residents in the cost of electricity. Our next goal is to see if we can attract other municipalities to join us in a regional effort to achieve even lower electric costs."

Laurie Wiegand-Jackson, who in 2003 served as the consultant to the Board of Public Utilities in the drafting of the Government Energy Aggregation Rules, and is now President of Utility Advantage, was "pleased to see that the program design was able to achieve its intended goal of widespread participation, ease of implementation and of course, energy cost savings. I hope that other municipalities will be encouraged to implement aggregations for the purchase of energy commodity and other energy services for their constituents to promote cleaner, greener cities across New Jersey."

Some say it's not good to be a pioneer—high death rate. But the pioneering days are done. Governmental aggregation works; it makes folks happy by saving them money without effort. And when you make your constituents happy—well, you know. So let's get to it—aggregate. ▲

GOVERNMENTAL AGGREGATION WORKS;  
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explore novel approaches for energy procurement, took up the cause of energy aggregation. Johnny Appleseed style, starting in late 2010, they visited municipalities touting the benefits of aggregation. They reminded local leaders that the risk was low: (1) municipalities only act as agents for the end users and are held harmless from any liability; (2) set-up costs are fully refunded by the new energy supplier; (3) the local utility retains responsibility for delivering the power, the metering, and the billing; (4) residents are free to opt out at any time for any reason; and, (5) the program is strictly regulated by the Board of Public Utilities.

But, the seeds did not bear fruit. There was the fear of being the first under the 2003 legislation. Why hasn't anyone else done it yet? There was fear of constituent retribution. If the power goes out, will I be blamed? But, with a pioneering spirit, Cooling America persisted.

In early 2011, this pioneering group arrived in Plumstead Township with

Committee. Like Mayor Pucci before him, Mayor Dancer was not afraid to be the first to try something different to benefit his constituents.

Thereafter, Plumstead's aggregation went smoothly. A RFP was issued in the fall of 2011. The resulting contract, to Cooling America and its partner Gabel Associates, would help the municipality choose a Third Party Supplier, through competitive bidding.

Plumstead Township kept the public informed throughout the process. The program features were detailed in a mass mailing sent to all residential accounts and businesses and then discussed at a public meeting held by the municipality in May 2012. Participants at that meeting were generally aware of the possibility of procuring energy from a different supplier, but appreciated the township's efforts to secure the best possible price by screening potential suppliers and aggregating the requirements of the community.

The supplier chosen, Con Edison Resources, provided a 14 percent