



ADVISORY
ELECTRIC SUPPLY CONTRACT PRICE ADJUSTMENT BY DIRECT ENERGY
FOR ELECTRIC ACCOUNTS IN JCP&L TERRITORY
FEBRUARY 2021

ATTENTION MEMBERS IN JCP&L TERRITORY: In your most recent or next electric bill (depending upon your meter read cycle) you will notice a small adjustment to the contract price applicable to your (non-lighting) electric accounts in JCP&L territory. This price adjustment reflects the pass-through of higher costs for the high voltage transmission system approved by the Federal Energy Regulatory Commission for the JCP&L territory. These new costs impact all suppliers in JCP&L territory, are beyond the control of our supplier Direct Energy, and are also being passed through the JCP&L tariff price for power supply. The cost impact quantifications have been reviewed by the NJSEM.

The power supply contract between NJSEM and Direct Energy Business (and other NJSEM power suppliers) permits the supplier to pass-through the impact of changes in law or tariffs during the term of the contract that were not known or anticipated at the time the supplier submitted a bid and was awarded a contract. There has been such a recent development that has impacted Direct Energy's cost of providing power supply.

Effective January 2021, the Federal Energy Regulatory Commission (FERC) approved an increase in the cost of transmission service charged to retail suppliers in JCP&L territory for transport of power over the high voltage regional transmission grid. This increase to the cost of providing power supply to JCP&L customers was not known or anticipated at the time (April 2020) that Direct Energy submitted its bid to NJSEM and was awarded the current contract.

In accordance with the provisions of its contract with NJSEM, Direct Energy provided notification to NJSEM of this unanticipated cost increase and provided back-up calculations in support of the specific contract price adjustment proposed. NJSEM has reviewed those calculations and determined them to accurately reflect the increase in transmission costs being experienced by Direct Energy to provide power supply service to NJSEM members in JCP&L territory – there is no 'mark-up' for Direct Energy included in the contract price adjustment.

The specific NJSEM contract price adjustment is as follows: You will continue to see the original contract price of \$0.07376/kWh on your bill, now along with two additional line items: a Transmission Cost Adjustment charge of \$0.010686/kW-day and a TEC Adjustment charge of \$0.00325/kW-day. These two charges will be multiplied by your Transmission kW, also listed on your bill, to determine cost. These transmission cost line items represent a price increase of slightly over 1%. It is important to note that the increase in transmission costs in the JCP&L territory is being imposed on all suppliers serving customers in JCP&L territory, including JCP&L's wholesale suppliers that provide power supply to customers that do not have a third-party supply contract, and JCP&L's wholesale supply contracts also permit their suppliers to recover such unanticipated costs. As a result, JCP&L's tariff price for power supply has also recently been increased to recover these higher transmission costs. In fact, the JCP&L tariff price for power supply has recently been increased by about 2.5% to reflect transmission cost increases, which is a much larger price adjustment than the adjustment that NJSEM negotiated with Direct Energy. As such, despite the modest increase in the NJSEM contract price, member savings will actually be *increasing*.

We also wish to remind members that the NJSEM power supply contract includes an Enhanced Renewable Energy Product and, as such, all NJSEM Members are currently receiving power supply that has nearly 30% renewable energy content. This product has been designed to meet the Sustainable Jersey ("SJ") standard to qualify municipal entities for additional points towards SJ certification under the 'Buy Electricity from a Renewable Source' action. As such, in addition to realizing cost savings, NJSEM members are promoting sustainability and helping to achieve reductions in carbon emissions. For additional information on how to apply for Sustainable Jersey certification points for this NJSEM renewable energy product, please contact NJSEM's Energy Consultant, Gabel Associates, at carol.friedman@gabelassociates.com.

Questions

Should you have any questions, please feel free to contact Carol Friedman of Gabel Associates at (732) 296-0770 or carol.friedman@gabelassociates.com