

January 23, 2023

Sherry Arvanitakis, QPA  
Purchasing Agent  
County of Passaic  
495 River Street 2<sup>nd</sup> Fl  
Paterson, NJ 07524

Reference: County of Passaic Regional Energy Cooperative Pricing System SB21-059 Natural Gas Supply Contract

Hello Sherry,

The County of Passaic Regional Energy Cooperative Pricing System is currently under contract for natural gas supply service pursuant to SB-21-059, with the contract set to expire on November 30, 2024. The existing contract product structure is a Fixed Basis Upcharge Price that remains fixed, while the Nymex commodity is subject to monthly settle price. The County can fix the Nymex commodity at any time during the contract term for either the remaining term or specific months. This unique product structure has proven to be highly successful, particularly in capturing reductions in natural gas commodity pricing. Over the past two years, the Cooperative has realized reduced natural gas costs verses PSE&G through the implementation of this purchasing strategy.

The prevailing natural gas market conditions have experienced a substantial decline in Fixed Basis Upcharge pricing. The current pricing in the market presents a highly favorable opportunity for extending the current contract by an additional two years, encompassing the period from 12/1/2024 to 11/30/2026. Given these advantageous market circumstances, we have proactively reached out to existing suppliers, asking them to furnish extension pricing for the current contract, while maintaining all existing terms and conditions unchanged. This strategic move aligns with our commitment to capitalize on the current market dynamics and secure cost-effective arrangements for an extended duration.

Indicative Pricing was received for all Bid Groups from the contracted suppliers UGI for Bid Groups 2C and 3C, and Direct Energy for Bid Group 1C.

For Bid Group 2C, UGI's presented indicative pricing for a 24-month term at \$1.458/Dth signifies a significant reduction compared to the current contract price of \$2.17/Dth. This amounts to a

substantial decrease of \$.712/Dth, translating to a 32.8% reduction in costs. Over the 2-year term, this represents a savings of approximately \$200k, with \$118k specifically benefiting the County of Passaic accounts. Drawing on my extensive experience with natural gas and pricing for the County, I believe this marks the lowest Fixed Basis Upcharge price for natural gas in PSE&G service territory for cooperative members in the last decade.

UGI provided indicative Fixed Basis Upcharge pricing for Bid Group 3C for a 24m term at \$1.638/Dth which is slightly higher than the current contract price at \$1.626/Dth. There are no County of Passaic accounts in this Bid Group.

UGI also provided indicative Fixed Basis Upcharge pricing for Bid Group 3C, quoting \$1.638/Dth for a 24-month term which is slightly higher than the current contract price of \$1.626/Dth. The County of Passaic does not have any accounts in this bid group.


Direct Energy has submitted indicative Fixed Basis Upcharge pricing for Bid Group 1C. The current contracted rate for the Fixed Basis Upcharge is \$2.195/dth. The indicative pricing received is slightly lower than the current contracted rate, with the 24-month price at \$2.05786/Dth representing a decrease of \$0.13714/Dth. This equates to a 6% reduction in costs, amounting to approximately \$20k over the course of the 2-year term. It's worth mentioning that there are no County of Passaic accounts in this Bid Group.

The County's original Bid Specifications SB21-059 include provisions for extension in accordance with N.J.A.C 40A:11-15, outlined in both the Technical Specifications on page TS-12 and Appendix B – Master Contract in section title Article VI – Term and Termination page B-22. This extension language is formalized through the signed agreement between the County and the awarded Supplier, as detailed in Article VI Section 6.1 Term and Termination. The inclusion of this extension option is strategic, allowing the County to capitalize on favorable market rates swiftly, offering flexibility before market dynamics shift. Notably, the Natural Gas Commodity Market, being subject to rapid fluctuations driven by factors such as weather, demand, storage, and economic conditions, underscores the importance of this proactive approach. By having the flexibility to extend contracts during favorable market conditions, the County is positioned to make informed and advantageous decisions in a swiftly changing market environment.

Given that natural gas operates as a commodity traded on the stock market, strategic market timing is crucial for securing favorable rates. In my capacity as the consultant to the County of Passaic and on behalf of the Passaic County Regional Energy Cooperative Pricing System, I strongly recommend that the County seriously consider the option of extending the existing contract term for an additional 24 months should the extension pricing continue to be favorable. The extension pricing currently presented by suppliers is highly advantageous, benefiting both the County and participating members of the cooperative. This proactive approach aligns with our commitment to optimizing cost savings and ensuring a financially favorable outcome for all involved parties.

We would like the approval of the County to move forward to formally request and obtain natural gas extension pricing for all Bid Groups. This request would be made with the intention that the County may formally accept the pricing if it remains consistent with the current indicative pricing received. This proactive step aligns with our commitment to facilitating a smooth and efficient process, ensuring that the County can proceed seamlessly should the pricing meet expectations. We appreciate your consideration and look forward to the next steps in advancing this endeavor.

Sincerely,  
Concord Engineering Group, Inc. dba  
Concord Energy Services



Victoria Molloy, CEP  
Vice President, Energy Services

Cc: L. Stacevicz, QPA – County of Passaic  
K. Coulter – Concord Energy Services