



State of New Jersey

Department of the Treasury

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ENERGY AUCTION GENERATES SAVINGS

TRENTON - State Treasurer Bradley Abelow announced today that as a result of a recently-completed, online reverse auction, the Office of Energy Savings has secured \$2 million in net cost savings, which will be realized over the next three years from the new State energy supply contracts. The savings will be achieved through lower bulk electricity rates, as compared to current rates, and applied to participants in the New Jersey Consolidated Energy Procurement Program (NJCEPP) – a consortium of 16 State entities, including various departments, colleges, authorities and instrumentalities.

Five energy companies participated in the reverse auction, which was conducted on May 2nd with the Division of Purchase and Property. Contracts were awarded to the three lowest bidders: Amerada Hess, Constellation NewEnergy and Pepco Energy Services. The companies will supply 1.7 billion kilowatt hours of electricity over the next three years. The bid resulted in pricing that is 1.15 percent lower than existing contract prices. The new, aggregate volume weighted price is \$0.099472 per kilowatt hour, versus the current volume weighted price of \$0.100629. The power will also include an increasing amount of renewable supply in compliance with New Jersey's renewable portfolio standard, which is designed to reduce greenhouse gas emissions related to power generation. Specifically, the portion of the electricity supply purchases from renewable sources would grow from 5.5 percent in the first year of the contract to 6.5 percent in the second year and 7.4 percent by the third year.

“This auction was successful on multiple fronts,” noted Treasurer Abelow. “The Office of Energy Savings, working in partnership with the Purchase and Property team, was able to achieve a net cost savings while also strengthening New Jersey's commitment to combating greenhouse gases,” he said.

John Rhodes, Director of Energy Savings, added that the use of the reverse, web-based auction was a first for State agencies in New Jersey. “The auction inspired a dynamic and competitive bidding process among some of the largest electricity suppliers in the Northeast,” Rhodes said.

“In addition, by strategically consolidating accounts by rate class and load profile, the NJCEPP was able to meet significant value and cost avoidance objectives,” he said.

The new contacts will take effect June of 2007. The pacts will replace a group of expiring one-year contracts with Amerada Hess and Pepco. “Given how market prices have trended higher since the existing contracts were first executed, we are pleased with the outcome of a reverse auction which resulted in lower rates than those currently in effect,” Rhodes said.

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