

RESOLUTION NO. 2017 – 76

**RESOLUTION OF THE MAYOR AND BOROUGH COUNCIL OF THE
BOROUGH OF MOUNT ARLINGTON, COUNTY OF MORRIS, STATE OF NEW
JERSEY, AUTHORIZING EXECUTION OF GABEL ASSOCIATES PROPOSAL
TO PROVIDE ENERGY CONSULTING SERVICES TO
THE BOROUGH OF MOUNT ARLINGTON**

WHEREAS, on April 12, 2016, the Borough Council, acting in its capacity as a redevelopment entity for the Borough, adopted Resolution 2016-76 designating the HESP Solar, LLC as redeveloper of the Redevelopment Area (the "Redeveloper"); and

WHEREAS, the Borough wishes to obtain an economic evaluation of the solar offer presented by HESP Solar, LLC; and

WHEREAS, Gabel Associates has submitted a proposal to complete an economic evaluation of the solar offer.

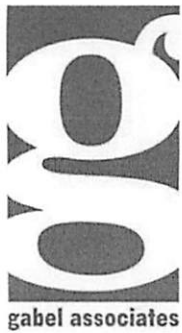
NOW, THEREFORE BE IT RESOLVED, by the Mayor and Borough Council of the Borough of Mount Arlington, in the County of Morris, New Jersey, duly assembled in public session, that they wish to execute the proposal submitted by Gabel Associates to complete an economic evaluation of the solar offer.

This Resolution shall take effect immediately.

I HEREBY CERTIFY this to be a true and correct Resolution of the Mayor and Borough Council of the Borough of Mount Arlington, adopted on May 2, 2017.



Linda DeSantis, RMC
Borough Clerk



Proposal to Provide Energy Consulting Services to the Borough of Mount Arlington

April 7, 2017

Introduction

Gabel Associates appreciates the opportunity to provide this proposal to the Borough of Mount Arlington (Mount Arlington or the "Borough") to support an economic evaluation of a solar offer submitted to the Borough.

Gabel Associates has strong expertise in solar project development activities and wholesale and retail energy transactions and analysis. The firm has supported over 200 renewable projects, including the first successful landfill-mounted solar project in New Jersey, as well as hundreds of wholesale and retail energy transactions.

This proposal includes the following:

1. Overview of Gabel Associates;
2. Scope of Services;
3. Fee Proposal; and
4. General Terms and Conditions.

1) Overview of Gabel Associates

Gabel Associates is a well-established energy consulting firm that provides economic, regulatory and technical analysis and advice to a wide range of energy clients. The firm has been providing analysis of wholesale and retail energy markets for over two decades.

Steven Gabel, the President of Gabel Associates, started the firm in 1993 with the goal of providing a wide range of economic, technical, regulatory and marketplace advice and analysis in the energy and environmental industries. He previously served as Electric Division Director at the New Jersey Board of Public Utilities (NJBPU) and as the Director of the Division of Solid Waste Management at the New Jersey Department of Environmental Protection and NJBPU. In March 2015, Mr. Gabel was named one of the top influencers of energy policy in New Jersey by NJ Spotlight.

For over 23 years, Gabel Associates has provided quality energy consulting services and strategic insight a highly diverse set of clients including power plant owners and operators, wholesale suppliers, utilities, public and federal agencies, individual commercial and industrial end users, aggregated groups of customers and public utility commissions. Providing our expertise to these clients places us in virtually every sector of the energy industry.

Unlike many other firms, Gabel Associates possesses specialized and complementary capabilities in a range of disciplines – economic, financial, technical, regulatory, and marketplace – all of which are crucial to project success and maximizing benefits. We use these skills to build a customized approach that aligns with the energy goals of each client.

In the arena of renewable energy, our experience is wide-ranging – including extensive work in project development for net metered and wholesale solar projects; price and benefit forecasting and analysis; and policy and regulatory matters related to renewable development nationally, with highly specialized expertise and insight on various grid and marketplace issues.

The firm has on-the-ground experience with all aspects of project development for a wide-range of projects including renewable (solar, wind, landfill gas-to-energy, waste-to-energy, biomass and geothermal), energy efficiency, cogeneration, and traditional energy sources such as natural gas and coal. Our services include feasibility studies, comprehensive economic and financial analysis, contract drafting and negotiation, and construction administration. Our “real world” expertise and long-standing experience with the development of various types of projects and technologies strengthens our ability to provide strategic advice and forecasts.

We provide consulting support for hundreds of wholesale and retail energy transactions. This includes energy procurement activities for end-use public and private customers and assisting with power, capacity, and renewable attribute sales strategies and natural gas purchasing strategies for wholesale generation projects. We also have sophisticated models that can provide long term power price forecasting for all regions of the country.

Our high level of activity in diverse energy and regulatory matters, our knowledge of wholesale and retail power markets and project development, and our utility tariff and wholesale market expertise provide the firm with unmatched economic and rigorous analytical and forecasting capabilities – a differentiating factor of Gabel Associates.

Renewable Project Development Expertise

Gabel Associates has been deeply involved in all stages of renewable project development. We provide support to clients for project development activities, including feasibility studies; comprehensive evaluation of financial, economic, marketplace, environmental and regulatory issues; refined economic modeling; the development of financing and procurement administration; contract negotiations; project management and construction administration; and renewable attribute sales.

A multitude of clients, including hundreds of regional, county, and local governments, rely on our firm to take on a project facilitator role to ensure that projects happen successfully and efficiently. Throughout the process, the firm provides wide-ranging consulting services to assist our clients in bringing their renewable energy initiative from concept to reality.

Gabel Associates has been involved in the development activities of over 200 renewable projects including assisting in the development of some of the region’s most significant solar projects such as the New Jersey Meadowlands Commission Landfill Project, the Atlantic City Convention Center, Rutgers University, over 125 county facilities as well as a host of landfill

gas, resource recovery, wind and biomass projects. The firm supported the development of landfill gas-to-energy projects throughout New Jersey including Burlington, Salem, Cape May, Atlantic, Ocean, and Middlesex Counties and also provides expert consulting services for many waste-to-energy projects. We have also supported various wind projects including a 24 MW offshore wind project to be located off the coast of Atlantic City, NJ.

In addition, the firm has completed over 50 renewable and CHP feasibility studies for the Department of Veterans Affairs and also supported large-scale renewable project development for the Department of Defense.

It is also important to note that Gabel Associates has been a pioneer in the development of creative and progressive renewable projects. Specifically, the firm supported the development of the first landfill-mounted solar project in New Jersey. We are also working on behalf of the Delaware Sustainable Energy Utility to develop, implement and grow a solar resiliency program – one that brings the benefits of solar and batteries under a third party ownership structure to facilities throughout the State of Delaware.

Gabel Associates is directly involved in SREC and REC sales activity and can help clients develop and implement a marketing strategy that capitalizes on renewable attribute value. We maintain active communication with renewable buyers and can successfully manage the sale process including request for bid drafting, bid analysis, and contract negotiation.

In addition, the firm maintains a supply/demand analysis to forecast SREC and REC values and trends. Specifically, the firm prepares a strategic report that provides in-depth analysis and insight on New Jersey's current and future solar market. The report utilizes wide-ranging market intelligence and expertise, coupled with market data and other key factors, to formulate a comprehensive view of the evolving solar market. The report also provides information on current regulatory, legislative, and policy developments that have the ability to affect the solar market thereby giving our clients significant insight when investigating future business initiatives.

Energy Price Forecasting

Gabel Associates provides expert market analysis with advanced modeling and forecasting for electric, natural gas, renewable energy certificates, and environmental markets, helping our clients more clearly assess projects and energy transactions. The firm monitors the wholesale electric and natural gas markets on a daily basis and maintains extensive databases that track historical market prices and current market trends. Our daily participation in energy markets, and involvement in policy development, adds to our unique understanding of market fundamentals and dynamics.

Our work includes "bottom-up" cost analysis to determine fundamental levels of power supply costs.

The firm draws on its long experience with utility tariff rate design to provide long term utility rate forecasting. Our advanced modeling programs and access to historical and real time energy data allow us to provide our clients with detailed analysis of energy markets, all customized to each client's particular needs.

Our advanced in-house capabilities are also heightened through the utilization of AURORAxmp® -- an established energy model that accounts for all fundamental market drivers, such as transmission constraints, unit-level dispatching, fuel prices, emission constraints, and more. This resource is leveraged with our existing abilities to provide a wide-range of rigorous modeling activities and forecasting including:

- In-depth electric market price forecasts throughout North America;
- Market trend and sensitivity analysis;
- Cost/benefit/risk analysis;
- Independent, third party due diligence reports for project financing;
- Valuation studies;
- Scenario analysis, and;
- Plant repowering analysis

AURORAxmp® provides a highly effective modeling platform that supplements our extensive knowledge of project development, energy economics, energy markets, RTOs, and economic and environmental issues. Through the use of this tool, Gabel Associates can deliver sophisticated analytics and comprehensive forecasts for all regions of the country.

The firm has conducted hundreds of long term price utility rate and/or wholesale forecasts during its assessment of energy projects, studies, and procurement programs. We also have a strong national presence through our forecasting work completed around the country.

Gabel Associates is also involved with rate forecasting and regulatory issues on a national level through its work for the Department of Veteran's Affairs, the US Army and the U.S. Department of Energy's (USDOE) Office of Energy Efficiency and Renewable Energy (EERE).

Gabel Associates has internal resources to conduct short and long term energy and environmental attribute price forecasts, which include the effects of a changing generation mix; changes in environmental policy and permitting; cap and trade policies, and changes in allowance prices; changes in capacity markets and changing utility distribution charges. Our tariff and rate forecasts are sensitive to specific customer usage patterns. As a result, our forecasts are well grounded, realistic and do not overstate savings that would lead to disappointing results.

RTO and Wholesale Market Expertise

Gabel Associates has extensive expertise in the operations, procedures, and rules of regional transmission organization (RTOs), which operate transmission systems and wholesale energy markets in different regions of the United States and serve as the foundation of competitive wholesale electricity markets. Since we understand the fundamentals and intricacies of these systems and power markets, we are able to advise clients on the most effective way to address wholesale and retail power market issues. The firm is knowledgeable on various RTOs within the country such as PJM Interconnection (PJM), New York (NYISO), New England (ISO-NE), Midcontinent Independent System Operator (MISO), Electric Reliability Council of Texas

(ERCOT), California ISO (CAISO), Southwest Power Pool (SPP), and Western Electricity Coordinating Council (WECC).

Using this knowledge, Gabel Associates is able to translate the technical complexities of RTOs into the business plans of our clients. This enables clients to develop strategic plans that effectively address the operational and technical characteristics and constraints of the applicable RTO.

Gabel Associates maintains specialized knowledge on PJM Interconnection (PJM), the transmission operator that ensures the reliability of the largest centrally dispatched grid in North America. The firm is active in a number of PJM committees and working groups including those addressing energy markets, capacity markets, renewable markets and transmission interconnection issues. As a result, Gabel Associates maintains up-to-date detailed expertise on PJM operations and wholesale energy markets, which provide the basis for electricity costs and reliability. Gabel Associates is also "on the ground" at MISO and ISO-NE.

Our position on the "front lines" of RTO issues gives us special insight on energy issues. We regularly assist clients in understanding the impact that potential changes to RTO rules and state, regional and federal regulations will have on existing or future investments. We also closely monitor the power market and maintain extensive databases on energy pricing data in various wholesale power markets.

Our participation in regulatory and legislative activity and our place on RTO committees gives Gabel Associates a unique ability to anticipate energy market trends and foresee major developments that may impact our clients. Our foresight - coupled with our work in all sectors of the industry - enables us to provide our clients with accurate and in-depth analysis of the energy industry.

Policy, Regulatory and Ratemaking Expertise

The firm is active in policy and regulatory matters related to renewable development nationally and in the Mid-Atlantic region, which informs our project development and analytical work. We have provided expert testimony on solar and ratemaking issues, and have been directly involved in many proceedings around the country.

The firm is directly involved in national policy development as a contractor to the U.S. Department of Energy (DOE). Bill Babiuch, Vice President of Gabel Associates, works closely with federal programs to provide planning, analysis, and evaluation support to advance the development and deployment of clean energy technologies. Gabel Associates has also been directly involved in every significant renewable, energy efficiency and industry restructuring activity in New Jersey since 1993; was directly involved in the establishment of the PJM RTO; and has been involved in "default service" policy development in New Jersey, Pennsylvania, and Illinois.

In addition, Gabel Associates' two principals, Mr. Steven Gabel and Mr. Robert Chilton, each have over 30 years of experience in the energy industry and were active in electric and natural gas utility regulatory and ratemaking for many years as regulators before entering private

practice, as Director of the Electric Division and the Director of Energy, respectively, at the NJBPU. Both are economists with extensive utility rate design and tariff expertise, including preparation and review of cost of service studies, expert testimony and the development and review of utility tariffs including energy, demand and customer charges, and standby service and net metering provisions. Both Messrs. Gabel and Chilton have been responsible for reviewing every aspect of public utility rate cases and, where necessary, sponsoring testimony in that regard.

Working on behalf of The Alliance for Solar Choice (TASC) and the Delaware Sustainable Energy Utility as the energy expert serving in several rate and merger cases in the Mid-Atlantic and Northeast, Gabel Associates has won significant improvements to the interconnection process and the clarification of treatment of solar and storage in several jurisdictions. The firm has also provided expert testimony in FERC proceedings with respect to wholesale power issues.

This experience provides an important foundation for the firm's deep understanding of rate and regulatory issues and informs our analytical and forecasting work.

More information on our services can be found on our website at:
www.gabelassociates.com.

2) Scope of Services

It is our understanding that Mount Arlington has engaged a developer to develop a grid supply solar project on the Borough's landfill. The energy from the project will be sold to the wholesale power grid and Mount Arlington will receive lease payments for hosting the site. However, the developer has also presented an option for the Borough to consider in which the Borough would purchase the wholesale energy from the project on a long-term basis at a fixed price, and as consideration, would realize an increased lease payment. It has been requested that Gabel Associates help evaluate this option to help Mount Arlington get a better understanding of the full value proposition under this scenario, and determine whether to trigger the option, or negotiate alternative terms to the option.

Specifically, Gabel Associates proposes to provide the following services to Mount Arlington:

- Review and evaluate the option provided by the solar developer to Mount Arlington to determine if the proposed option arrangement is in the Borough's best interest. In order to calculate the economic value of the option, we will perform the following:
 - Develop a 20-year long-term wholesale energy market forecast using AURORAxmp®, a fundamental market-based dispatch and simulation model that produces a zonal forward market energy price forecast. This forecast provides the market value of the energy from the project in the wholesale power market. We can also run sensitivity analysis for a range of scenarios.
 - Assess the economic impact or benefit to Mount Arlington of the proposed increased lease payment and the fixed wholesale energy price option and provide a general assessment of the benefits, cost, and risk exposure to the Borough.

- Recommend whether to trigger the option or negotiate an alternative approach, and assist Mount Arlington in its interactions with the solar developer.

In terms of the deliverable, Gabel Associates will prepare a memorandum that presents our findings to Mount Arlington. We are also available to review our results, or assist in negotiations.

2) Fee Proposal

Gabel Associates proposes to charge the following fees, which is based on a two-tiered approach:

1. For our review of the offer and overall economic evaluation, we propose to charge on an hourly basis in accord with the fee schedule found below in Attachment 1. Please note that these rates represent an average discount of over 30% from our standard commercial rates. Invoices will be rendered on a monthly basis and are due in full upon receipt.
2. For the long term wholesale power forecast, which will utilize the AURORAxmp® modeling software, we propose to charge a fixed fee of \$3,500. If the Borough desires for us to conduct any sensitivity analysis around the forecast, it would be an extra \$1,500 per scenario. This represents a discount of over 40% from our commercial fees. Our fee would be due and payable upon delivery of the forecast.

3) General Terms and Conditions

Liability

Gabel Associates, Inc. is acting in a consulting capacity and any opinions, advice, forecasts, or analysis presented by Gabel Associates, Inc. are based on its professional judgment and do not constitute a guarantee. In no event shall damages payable to Mount Arlington exceed the amount of fees paid. In no event shall Mount Arlington or Gabel Associates, Inc. be responsible for any special, indirect, third party or consequential damages arising under or in connection with the services provided pursuant to this proposal.

Confidentiality

In the course of its performance under this Agreement, each party may acquire certain confidential information from the other in regard to the nature of the services performed. All such confidential information shall not be disclosed or revealed by Gabel Associates or Mount Arlington, as applicable, to any other person or entity, nor shall any such information be utilized in any way in the performance of any work for any other person or entity, without prior written approval from the other Party or by order of a government agency with jurisdiction.

Termination

Either party may terminate this agreement upon the giving of not less than thirty (30) days notice in writing (which may be via email). All payment obligations and the confidentiality provision shall survive termination. Upon termination, Gabel Associates, Inc. will render a final invoice for the compensation and expenses due for the actual period of time that services were performed, and such invoice will be paid by Mount Arlington and will be due upon receipt.

Please countersign below to indicate your agreement with this proposal. We appreciate the opportunity to provide these services to Mount Arlington.

Sincerely,

A handwritten signature in black ink, appearing to read "SG Gabel", written in a cursive style.

Steven Gabel
President

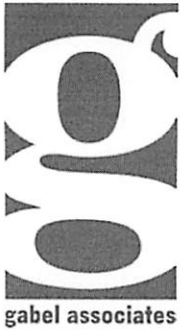
Countersign by official with authority to bind the Borough of Mount Arlington:

Signature

Date

Name

Title



Attachment 1 – Fee Schedule

Gabel Associates

Fee Schedule

Principal Level Steven Gabel Robert Chilton	\$265 per hour
Executive Level	\$225 per hour
Senior Associate Level	\$200 per hour
Associate level	\$140 per hour

The Consulting rates represent an average discount of over 30% from our standard commercial rates.

Time charges: all time is billed on an hourly basis at the rates set forth above. All time is rounded to the nearest quarter hour. Bills are due on receipt.

Expenses: all direct expenses incurred are billed at cost. Direct expenses include travel, overnight expenses, Federal Express, and bulk copying as well as other expenses approved in advance by the client.