

Working Together Toward A Smarter Energy Future

Cape Light Compact

Annual Report

2013



Letter from the Chair

TOGETHER WE CAN SHAPE OUR FUTURE

Welcome to our 2013 annual report. The past year has been a very productive one. Early in the year we launched the demonstration phase of a project to change out more than 14,000 streetlights to LED bulbs. This is expected to yield an estimated \$800,000 in annual savings to our towns. Through the towns, all of our citizens get a share of the benefit. We also saw the start of the installation of 28 megawatts of solar arrays by the Cape and Vineyard Electric Cooperative (CVEC) which the Compact has proudly supported. The CVEC arrays are estimated to reduce costs to the towns by \$64 million over the next twenty years. The arrays mark the largest solar project undertaken by a group of small towns anywhere in the United States.

Our member communities—21 towns and two counties—have proven that by working together, we can achieve great things for all of our consumers.

What you will find in these pages is a description of Cape Light Compact services, key facts and financial information, and a summary of achievements. Between the lines is the story of how the use of new electric technology is steadily increasing on Cape Cod and Martha's Vineyard and delivering important benefits.

From the perspective of history, it is surprising that electric technology is now coming full circle. In the early days of electric use in our region, before there were electric distribution lines, the grand resort hotels of the 1890s used isolated independent generators to supply their own power. Those days are returning with the appearance of solar arrays and wind turbines to power businesses and homes. The difference is that we now have the technology to integrate independent generators with the security of a larger distribution system and energy efficiency. As energy systems become more local in the future, good things are in store. The Compact is very well positioned to encourage and share the benefits of emerging local technology and advance energy independence and regional sustainability. Together we can shape our future.

What we have accomplished since 1997 is no secret. The Compact has become a model for other communities in Massachusetts and across the country. There are now hundreds of municipalities with programs based on the Cape Light Compact.

We have a lot to be proud of, but at the same time, we have much work to do. Along with meeting the constant challenges of the electric industry, we seek to steadily improve ways to serve our region's consumers through proven energy efficiency programs, competitive power supply, and effective consumer advocacy.

The Compact governing board and our staff feel it is a privilege to carry on this work for people of Cape Cod and Martha's Vineyard.

Joyce Flynn, Chair of the Board

The Cape Light Compact is an award-winning energy services organization operated by the 21 towns and two counties on Cape Cod and Martha's Vineyard.

The Compact's mission is to serve its 200,000 customers through the delivery of proven energy efficiency programs, effective consumer advocacy, competitive electricity supply and green power options.

For more information visit www.capelightcompact.org.



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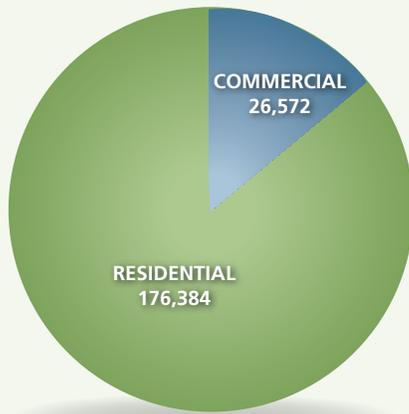
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Highland Light in Truro, which serves as the Cape Light Compact logo, was one of the first sites in the region to use electric technology—a telegraph system installed in 1855.

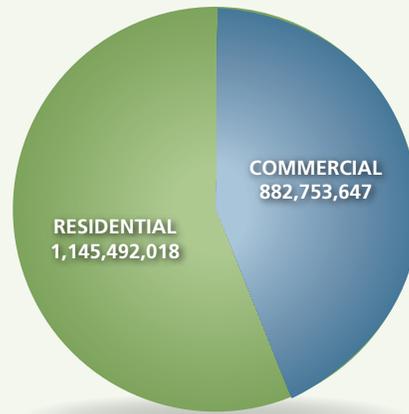
2013 Facts at a Glance

**Number of Electric Customers
in the 21 Member Towns**



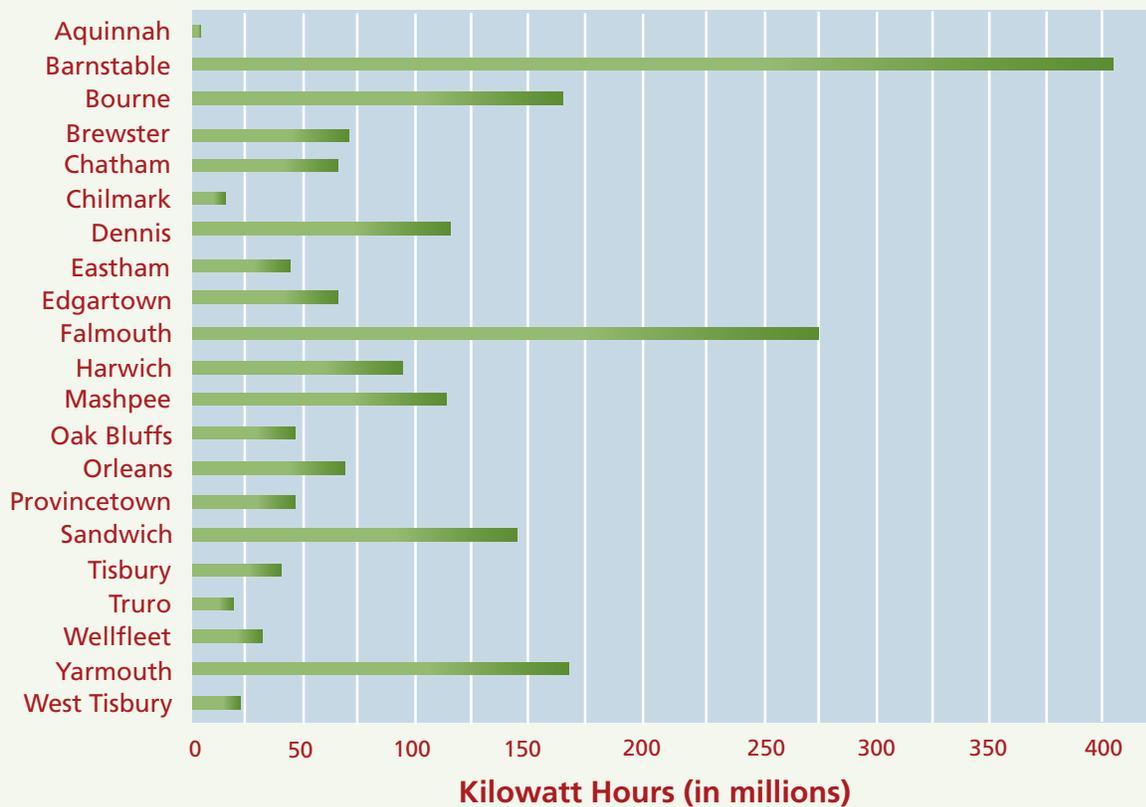
Total: 202,956

**Amount of Kilowatt Hours (kWh) used in 2013
in the 21 Member Towns**



Total: 2,028,325,665

Electric Use by 21 Member Towns in 2013



CAPE LIGHT COMPACT HISTORY

Innovation and Achievement

The National Context

Soaring utility bills in the 1980s sparked national proposals to deregulate the electric industry. The purpose was to open up electric utilities that served monopoly service territories and allow competition as a way to control prices. These proposals followed a decade old trend of federal deregulation of banking, airlines, telecommunications and natural gas.

In 1992, passage of the federal Energy Policies Act mandated broader access for utilities and independent power suppliers to transmission lines and helped increase competition at the wholesale level. The law did not mandate competition at the retail customer level for the nation, but it did amp up discussions in certain states about the form competition might take. As several states raced ahead, a primary question was how to level the playing field and make sure everyone would benefit. It was clear that large industrial and commercial electric customers might receive savings, but competitive suppliers were likely to leave small business and residential consumers behind because of relatively low individual consumption and the cost to service them.

The Local Picture—Pre-Cape Light Compact

On the Cape and Vineyard, high energy costs in the region led to development of the Barnstable County Energy Management Plan in 1993-94. To achieve the goals of that plan, Barnstable County began to examine the idea of coordinating the towns to combine their buying power and gain the benefits of a competitive electric market in Massachusetts. In May 1995, the County obtained US Department of Energy funding for a partnership to study local government options in competitive electric markets. The resulting report found that:

- ❖ Consumers needed to aggregate to gain the benefits of competitive electric markets;
- ❖ Local governments were natural aggregators, providing non-discriminatory access, and established competitive bidding procedures;
- ❖ Local governments had existing franchise powers under which they could contract for energy services;
- ❖ Goals of environmental protection and energy efficiency could be advanced through those contracts.

In December 1995, the Massachusetts Department Public Utilities (DPU) issued an order on retail competition (D.T.E. 95-30) that included the concept of using local government franchises to aggregate consumers. The following year the DPU conducted another round of hearings and formulated rules and draft legislation for retail electric competition. This resulting order (D.T.E. 96-100) included the option for municipalities to aggregate consumers.

Throughout 1996, the County held educational meetings with Boards of Selectmen, town managers, and local finance committees. In February 1997, the County formed the Cape Light Compact planning committee made up of representatives appointed by Cape towns. In November 1997, the Massachusetts Electric Industry Restructuring Act was passed by the legislature and signed into law. Massachusetts was the seventh state to mandate establishment of competitive retail markets for electricity. Pushing ahead of the market target dates established by other states, Massachusetts set March 1, 1998 as the opening date for the new market. The full transition to a competitive market required the state's electric utilities to sell off their generating plants and "restructure" to allow competitive use of their transmission and distribution networks, and provide billing services for competitors. The full transition to a restructured industry was expected to take seven years.

Formation of Cape Light Compact and Programs

To form the Compact, an Intergovernmental Agreement was drafted through a process of review and comment by county and town legal counsels. The proposed agreement was taken to Boards of Selectmen and approved by Town Meetings. Twelve Cape towns joined in 1997 and the three remaining towns in 1998. In 1998, the six Vineyard towns also voted to join the Compact. Given obvious cost efficiencies and the central role it had played in developing the concept, Barnstable County was selected to provide a variety of administrative and financial services for the Compact.

The Compact developed detailed plans for its Power Supply Program and Energy Efficiency Program, and embarked on consumer protection efforts.



Barnstable County Courthouse.

The first successful joint action of the Compact was to intervene in a DPU case concerning disbursement of funds from Commonwealth Electric's sale of the Canal Electric Plant. This type of intervention had not been undertaken by Barnstable County or the towns in the past. The Compact was able to ensure the return of \$25 million to Cape Cod and Martha's Vineyard electricity consumers. In the next major step the Compact's Aggregation Plan was prepared in consultation with the Massachusetts Division of Energy Resources and approved by the DPU in 2000. This spurred interest in municipal aggregation across Massachusetts and encouraged similar efforts in other states. However, the new competitive market was volatile in pricing and slow to develop for small retail consumers. As expected, most power suppliers were interested in serving large industrial and commercial customers. Despite the difficult market, in March 2000, the Compact reached a contract agreement with Select Energy, Inc. on a power supply contract to serve all customers. Continuing market volatility delayed startup of service, but having the power supply contract in place satisfied a state pre-condition that allowed the Compact to move ahead with a regional Energy Efficiency Program.

The DPU approved a five-year plan prepared for the Energy Efficiency Program and services previously provided by Commonwealth Electric (now NSTAR/Northeast Utilities) were transferred to the Compact and began operation in July 2001. This was the first time in the

nation that a group of municipalities that did not have a municipal electric utility also owning the poles and wires initiated operation of a regional energy efficiency program.

The purpose of the program was to ensure that the \$5 million Cape and Vineyard electric consumers paid into energy efficiency funds on their bills each year under a state-mandated charge would be utilized on the Cape and Martha's Vineyard. The program would also eliminate a costly shareholder incentive (more than \$500,000) from being deducted from energy efficiency funds. The elimination of shareholder incentive put more money back into energy efficiency program services. To make a smooth transition, the Compact hired many of the same vendors who served standard utility programs, but it also included a number of innovative local features and was soon recognized as an award-winning effort.

For Power Supply, in 2002-04 the Compact developed a pilot program and negotiated a contract for 53,000 default service customers paying high prices to NSTAR. It resulted in an estimated savings of more than \$4.75 million. While this gave a start to the supply program, the Compact continued to face volatility in power pricing. When a window in the market opened, the Compact shifted its Power Supply contract to ConEdison Solutions which agreed to serve all 200,000 customers starting in 2004.

Following its goals to encourage the development of renewable energy and gain access to the benefits of wholesale markets, in September 2007, the Cape Light Compact helped to establish the Cape and Vineyard Electric Cooperative (CVEC). Nearly all of the towns on the Cape and Vineyard joined CVEC as members, and their representatives make up the board of directors. The strategy initially pursued was to build local renewable energy supplies to help stabilize and reduce power prices. The passage of the 2008 Green Communities Act and the introduction of virtual net metering altered this strategy.

In 2011, CVEC managed a procurement process for construction of 16 megawatts of solar photovoltaic (PV) capacity in its member towns. In contrast to controversial wind projects, this effort gained broad support. A second round of procurement for additional PV capacity was conducted in 2012. Another 12 megawatts was contracted for development.

The Compact supported CVEC's start-up with \$3.7 million in funding provided over a seven year period. The return on this investment over a twenty year period is

estimated at \$64 million. This is the largest amount of solar being developed by a small group of municipalities anywhere in the United States. Massachusetts officials regard the CVEC PV program as a model for communities in the rest of the state.

sustainability of the Cape and Vineyard through the combined energy efficiency, power supply, and renewable energy programs. The Compact looks forward to continuing its vital service and helping to shape the region's energy future to benefit consumers and the environment.

The Other Side of History—Looking Forward

There will undoubtedly be many challenges ahead in the energy field as markets and technologies and state and federal policies continue to evolve. Just emerging are new SmartGrid and Microgrid technologies that will focus on local energy development. The Compact member towns and counties are well positioned to advance energy

With the Cape Light Compact's support, the Harwich Landfill became one of several electricity-producing solar projects developed by the Cape and Vineyard Electric Cooperative.



Some of the Key Achievements of the Cape Light Compact Include

| | |
|------------------|--|
| 1999 | Secured the return of \$25 million to Cape and Vineyard consumers from the sale of the Canal Generating Plant. |
| 2001-2013 | Launched and operated the Energy Efficiency Program that has won several state and national awards and saved the region's consumers more than \$498 million through the lifetime of installed measures. |
| 2002 | Began the first Pilot Power Supply for "Default Service Customers"—new residents paying a higher price to NStar for electricity—saved \$4.75 million. |
| 2003/04 | Established a program for towns to purchase streetlights and reduce costs. |
| 2004 | Expanded the Pilot Power Supply program to serve all customers on Cape Cod and Martha's Vineyard. |
| 2005 | Launched an effort that installed solar panels on schools in the 21 member communities. |
| 2006 | Began offering a choice for "Green Power Supply" and dedicated funds to support local renewable energy development. |
| 2007-2013 | Provided \$3.7 million in support to Cape & Vineyard Electric Cooperative, an investment that will yield more than \$64 million in benefits over 20 years through 28 megawatts of new solar projects, the largest amount of solar developed by a small group of municipalities in the United States. |
| 2013 | Established a program to switch out 14,000 streetlights to high-efficiency LEDs with annual savings of \$800,000 anticipated. |
| 2013 | Succeeded in preventing a \$10 million increase in delivery costs for Cape Cod and Martha's Vineyard residential customers. |



Programs

Energy Efficiency Saving Energy and Money

The first customer served by the Compact's Energy Efficiency program was a family in Hyannis. Their home was a tidy two-story house built at a time when there was little interest in insulation. It was a banner day in August 2001. Reporters parked out front as a free energy assessment was conducted inside. The result was more insulation, new lighting fixtures and better pipe seals; their house would be warmer in the winter and cooler in the summer at less cost. The owners paid \$283 for \$1,805 in materials and labor, plus they received \$400 toward a new energy efficient refrigerator.



Fast-forward a dozen years and thousands of homes and businesses later and the Energy Efficiency program has built a solid legacy of service. From that first day in August 2001 to December 31, 2013, the Compact has re-invested \$127,577,477 in energy efficiency measures that will yield \$498,441,190 in lifetime benefits for residential and business customers. The lifetime energy savings from this period is 2,240,319,214 kilowatt hours—enough to power 31,115 homes over the lifetime of the measures.

More than just numbers, the impact of energy efficiency is widespread, reaching all the way from an individual home or business to the cumulative effect of reducing greenhouse gases emitted by power plants.

Energy efficiency incentives for residential and commercial customers address specific situations. There are incentives for constructing a new building, rehabbing an old one, installing new heating or cooling systems or production equipment, installing new lights, buying new efficient appliances, or adding insulation. An energy technician identifies improvements and estimated costs and savings, and the customer chooses what they want to do.

Funding for these services comes from a state-mandated energy efficiency charge and a portion of the distribution charge that is on everyone's monthly electric bill. The state takes part in shaping three-year plans for Energy Efficiency programs and reviews all plans and annual reports for the Cape Light Compact and the other energy efficiency programs operated by utilities in other areas of the state.

Below is a summary of facts on participation in the Compact's energy efficiency programs by residential and business consumers in 2013.

Residential Consumers

- ❖ Number of residential customers who participated: 6,211 residential consumers (including low-income) participated in the Compact's "Whole House" programs. A larger group purchased or received 48,240 residential efficiency products, primarily lighting, but also appliances and heating and cooling equipment.
- ❖ Total estimated annual kWh saved: 13,159,000 kWh
- ❖ Total estimated lifetime kWh savings: 115,891,000 kWh
- ❖ Total estimated lifetime \$ savings: \$14,778,252 (energy and capacity only)
- ❖ Total environmental savings: Annual greenhouse gas emissions savings equivalent to taking 1,910 passenger vehicles or passenger cars off the road, or eliminating CO₂ emissions from 1,021,020 gallons of gasoline.

Commercial & Industrial Consumers

- ❖ Number of commercial customers who participated: 1,423
- ❖ Total estimated annual kWh saved: 13,639,000
- ❖ Total estimated lifetime kWh savings: 159,994,000
- ❖ Total estimated lifetime \$ savings: \$25,650,249 (energy and capacity only)
- ❖ Total environmental savings: Annual greenhouse gas emissions savings equivalent to taking 1,980 passenger vehicles or passenger cars off the road, or eliminating CO₂ emissions from 1,058,263 gallons of gasoline.

Among our 2013 Customer Highlights:

LED Streetlight Retrofit Program: We saw the start of over 14,000 streetlights being changed out to light emitting diode (LED) bulbs. As a first step, eight demonstration LED lights were installed in each participating town to gain feedback for the program. Installations will be completed in 2014. The massive LED retrofit is expected to save the towns \$800,000 annually in maintenance and energy costs.

An Award Winner: We celebrated the 2013 Northeast Energy Efficiency Partnerships (“NEEP”) Business Leaders Award for Energy Efficiency for our customer, Cape Cod Commercial Linen Services (“CCLS”), the largest on-Cape provider of commercial laundering services for the Cape and South Shore’s large hospitality industry. The state-of-the-art “tunnel” batch washer that CCLS installed is a 40 foot long, multi-chambered system, estimated to save annually more than 100,000 kWh of electricity, 80,000 therms of natural gas, and over 20 million gallons of water annually.

Main Streets Initiative: In late 2013, the Cape Light Compact launched the Main Streets Initiative which focuses on a target commercial area in a particular town. This can facilitate high participation among micro-businesses and reduces program costs. The Provincetown effort was very successful. The Compact is expanding this initiative to other communities.

ENERGY EDUCATION

In addition to savings for our current consumers, the Compact is also focused on assisting future consumers. The Energy Education program maintains a year-round busy schedule working with teachers and students. The goal is to encourage the development of deeper and broader understanding of energy science. This includes energy conservation, renewable and efficiency technology and practices, and moving toward an energy-literate society.

For the high quality of its work, the Compact’s education program has been recognized with national and state awards for each of the past ten years.

From 2002 to December 2013, the Energy Education program has reached teachers and students in every town of the Cape and Vineyard through both K-12 public and private schools, our regional Vocational Technical Schools, Cape Cod Community College, informal education programs, and home school networks.

As evidenced in requested programs from year-to-year, public schools have utilized the Compact’s education outreach program to meet their state mandated goals outlined in the state frameworks science standards. Many education programs have moved toward adopting energy education into their yearly scope of classroom activities. Thus, each year we continue to reach more individuals throughout our communities.

Highlights of 2013 Energy Education program include:

- ❖ More than 100 education-based presentations, field trips, and all-school Energy Carnivals in which more than 6,000 students and teachers participated.
- ❖ A standards-based graduate level course to introduce and reinforce energy science and technology concepts for the classroom as well as in-service and general teacher workshops for professional development.
- ❖ For the 10th consecutive year, several participating schools were recognized by the National Energy Education Development Project (“NEED”) and the State DOER for outstanding work in energy education outreach to their communities:
 - Brooke Reagan (Upper Cape Regional Technical School), CLC Intern – Student of the Year
 - Eastham Elementary School – National Elementary Level Finalist
 - Harwich Middle School – MA Junior Level School of the Year
 - Bourne Middle School – MA Junior Level Finalist
 - Forestdale School – MA Junior Level Finalist
 - Cape Cod Regional Technical High School – MA Senior Level Finalist
 - Sandwich High School – MA Senior Level School of the Year Finalist

POWER SUPPLY

Stability, Security, Choice and Green Power Options

Fifteen years after the competitive electricity market first opened in Massachusetts, price spikes can still make the future uncertain for consumers and suppliers.

During the winter of 2012/2013, New England first experienced dramatic price impacts of a constrained natural gas transmission system that lacked needed pipeline capacity. While the region has been steadily increasing its use of natural gas for space heating and electricity generation, little work has been done to increase the capacity of pipelines that bring gas into the region. When cold weather hits, the pipeline constraints create incredibly volatile winter electric prices. Consumers on plans with competitive suppliers that were fixed pricing, and then were switched to variable rates in the winter, saw prices double or more. The Compact's price, however, remained fixed for six months at a time, buffering customers from the volatility that rocked those on variable plans, or others who had accepted a low promotional rate that expired.



The Compact's power supply is focused on price, stability, security and choice. The program is strongly committed to provide competitive electricity prices and worry-free service to customers on Cape Cod and Martha's Vineyard. The goal is to offer the reassurance of fixed rates and stable power supply options despite the uncertainty of volatile energy markets. The combined market leverage of more than 140,000 residential and business customers provides leverage to secure competitive bids and negotiate the best contract terms from well-established suppliers.

The supplier selected to provide Basic Service for 2013 was ConEdison Solutions (CES), a subsidiary of Consolidated Edison of New York. The CES electricity was supplied from regional power plants in New England.

Cape Light Compact GREENSM

For consumers who want to go beyond Basic Service electric supply from regional power plants and want to reduce environmental impacts of power supply and support the development of local renewable energy, the Compact offers "Green Power" choices.

When a customer chooses Cape Light Compact GreenSM, 50% or 100% of the electricity used each month will be matched with renewable energy sources such as solar, wind, small hydro and landfill gas. Unlike many other suppliers offering "green" options, all of the renewable generation from the Cape Light Compact is located in New England including a large portion in Massachusetts. We also support local renewable energy development through the purchase of Renewable Energy Certificates (RECs) from the Cape and Vineyard. All of these sources can dramatically reduce air pollution and environmental damage. Customers using Cape Light Compact GreenSM avoided more than six million pounds of carbon dioxide in 2013 alone. It costs just a few extra cents each day to help build a market for cleaner, healthier, local energy projects. Plus 100% of the premium a customer pays for Cape Light Compact GreenSM is deductible from federal income taxes as a charitable contribution. The premium is the difference between the price of the Cape Light Compact GreenSM 100% (or Cape Light Compact GreenSM 50%) and the price for Cape Light Compact Basic Service.

Measuring Success

The Compact's energy pricing is frequently compared to NSTAR's pricing. Despite market volatility, the Compact's Basic Service price has been lower than NSTAR's two-thirds of the time since the start of the program in 2002. Events such as Hurricane Sandy put Compact prices above NSTAR's. However, the effect of those periods of higher prices has been tempered by other work that benefits monthly electric bills. As noted in the description of the Compact's

Consumer Advocacy, millions of dollars in charges have been saved or avoided. The Compact's support for renewable energy projects of the Cape and Vineyard Electric Cooperative will also help to bring savings and stability to the region's consumers. The same is true for energy efficiency.

Volatility in energy markets underscores the usefulness of the Compact's supply goals of stability and security. Until the pipeline constraints are resolved, we are likely to continue to see much higher electricity prices in the winter season. The Compact's long term commitment to a total program to benefit consumers is what sets it apart from other suppliers.

Basic Service and CLC Green Prices in 2013

| Cents/kilowatt hour | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec |
|-----------------------|---------|---------|---------|---------|
| Residential | 7.672 | 7.672 | 8.129 | 8.129 |
| Commercial | 7.689 | 7.689 | 8.044 | 8.044 |
| CLC Green 50% | | | | |
| Residential | 8.572 | 8.572 | 9.029 | 9.029 |
| Commercial | 8.589 | 8.589 | 8.944 | 8.944 |
| CLC Green 100% | | | | |
| Residential | 9.272 | 9.272 | 9.729 | 9.729 |
| Commercial | 9.289 | 9.289 | 9.644 | 9.644 |

CONSUMER ADVOCACY

Committed to Consumer Interests

Consumer advocacy has been a high priority for the Compact since the outset of the program and remains a critical part of shaping the cost and choices for our energy future on the Cape Cod and Martha's and Vineyard.

The electric industry is in a constant state of evolution—changing technology, changing markets, and changing rules and laws all affect pricing and how the industry will develop. Decisions made by legislators and state regulators can have far-reaching impacts on our electric bills. The Compact keeps pace with it all to ensure that the changes taking place result in benefits for the region's consumers. Most of the activity is with Department of Public Utilities (DPU) where issues are often complex and highly technical and make it difficult for the average consumer to participate. The Compact is able to utilize experts to effectively advocate for the region on issues such as regulation of electric distribution companies, promotion of competitive markets, common-sense rules that promote sustainability, access for distributed resources to the grid, and grid modernization.

One of the first efforts undertaken by the Compact in 1999 was a successful intervention to ensure that \$25 million—from Commonwealth Electric's sale of the Canal Electric Plant came back to consumers. The Compact has built upon this success over time with additional savings and avoided costs of more than \$10 million. The program is committed to maintaining a steady vigilance on proposals that will affect our region. During 2013:

DPU 12-126 The Compact participated in a review of NSTAR's rate-setting mechanisms. We found that NSTAR's proposed methodology unfairly increased costs charged to residential customers. The Compact's proposed alternative, which was accepted by the DPU, prevented an accounting change that would have shifted delivery charges from commercial to residential customers. This prevented an increase in delivery charges of more than \$10 million for Cape and Vineyard residential consumers.

The Compact was also very involved in far-reaching proceedings related to "grid modernization". This involves issues such as how to properly incentivize utilities to modernize the grid, what kinds of technologies should be deployed, and the impacts on increased development of renewables and system reliability. We worked hard to make sure that utilities would be appropriately incentivized to achieve the right goals—and that there isn't an incentive for utilities to spend without paying attention to just how their investments benefit consumers. The Cape Light Compact's long-term interests for the region bring a unique and important perspective to these proceedings. This type of work will play a critical role in how we generate, distribute and use electricity in the future—and the price we will pay.

Cape Light Compact
Combining Statement of Net Position by Program
for the year ended December 31, 2013

| | Energy Efficiency Fund | Power Supply Reserve | Operating | Green Program | TOTAL |
|---|------------------------------|----------------------------|----------------|------------------|-------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 5,383,418 | \$ 1,091,191 | \$ 338,360 | \$ 183,241 | \$ 6,996,210 |
| Receivables, net of allowance for uncollectible amounts | | | | | |
| Energy efficiency | 478,670 | | | | 478,670 |
| Energy efficiency reconciliation factor | 3,234,578 | | | | 3,234,578 |
| Mil-adder | | 78,415 | | | 78,415 |
| Green program | | | | 15,546 | 15,546 |
| Intergovernmental (RGGI) | 468,235 | | | | 468,235 |
| Other | 89,891 | | | | 89,891 |
| Intangible assets | | 58,262 | | 38,475 | 96,737 |
| Total Assets | 9,654,792 | 1,227,868 | 338,360 | 237,262 | 11,458,282 |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | 3,374,321 | | | | 3,374,321 |
| Accrued payroll | 39,843 | | 6,873 | | 46,716 |
| Compensated absences. | 5,684 | | 977 | | 6,661 |
| Total current liabilities | 3,419,848 | | 7,850 | | 3,427,698 |
| Noncurrent liabilities | | | | | |
| Compensated absences | 51,157 | | 8,795 | | 59,952 |
| Due to Barnstable County | 402,575 | | 65,797 | | 468,372 |
| Total noncurrent liabilities | 453,732 | | 74,592 | | 528,324 |
| Total Liabilities | 3,873,580 | | 82,442 | | 3,956,022 |
| NET POSITION | | | | | |
| Unrestricted | \$ 5,781,212 | \$ 1,227,868 | \$ 255,918 | \$ 237,262 | \$ 7,502,260 |

Information from the Cape Light Compact Independent Auditors' Report on Financial Statement and Additional Information
for the Year Ended December 31, 2013.

Cape Light Compact
Combining Statement of Revenues, Expenses and Change in Net Position by Program
for the year ended December 31, 2013

| | Energy Efficiency Fund | Power Supply Reserve | Operating | Green Program | TOTAL |
|---|------------------------------|----------------------------|--------------------|-------------------|---------------------|
| OPERATING REVENUES | | | | | |
| Energy efficiency | \$ 5,062,003 | | | | \$ 5,062,003 |
| Energy efficiency reconciliation factor | 23,051,079 | | | | 23,051,079 |
| Mil-adder | | \$ 1,000,404 | | | 1,000,404 |
| Green program | 2,176,462 | | | \$ 109,334 | 109,334 |
| Intergovernmental (RCCI) | | | | | 2,176,462 |
| Total Operating Revenues | 30,289,544 | 1,000,404 | | 109,334 | 31,399,282 |
| OPERATING EXPENSES | | | | | |
| Salaries and benefits | 1,425,156 | | \$ 216,511 | | 1,641,667 |
| Energy efficiency programs | | | | | |
| Residential programs | 14,986,050 | | | | 14,986,050 |
| Low income programs | 2,450,015 | | | | 2,450,015 |
| Commercial and industrial programs | 5,849,960 | | | | 5,849,960 |
| Other programs | 197,301 | | | | 197,301 |
| Grants to Cape & Vineyard Electric Cooperative | | | 402,745 | | 402,745 |
| Legal | 350,495 | | 304,013 | | 654,508 |
| Other professional services | | | 123,434 | 1,237 | 124,671 |
| Marketing | 185,299 | | | | 185,299 |
| Other operating | 274,330 | 21,501 | 54,800 | | 350,631 |
| Total Operating Expenses | 25,718,606 | 21,501 | 1,101,503 | 1,237 | 26,842,847 |
| Operating Income (Loss) | 4,570,938 | 978,903 | (1,101,503) | 108,097 | 4,556,435 |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Forward capacity market | 954,584 | | | | 954,584 |
| Renewable energy certificates | | 346,003 | | (50,389) | 295,614 |
| Investment income | 2,645 | 1,070 | | | 3,715 |
| Interest expense | (7,541) | | | | (7,541) |
| Total Nonoperating Revenues (Expenses), Net Income (Loss) Before Transfers | 949,688 | 347,073 | (1,101,503) | (50,389) | 1,246,372 |
| | 5,520,626 | 1,325,976 | (1,101,503) | 57,708 | 5,802,807 |
| TRANSFERS | | | | | |
| Transfers in | | 26,023 | 1,124,783 | | 1,150,806 |
| Transfers out | | (1,124,783) | (26,023) | | (1,150,806) |
| Total Transfers | | (1,098,760) | 1,098,760 | | |
| CHANGE IN NET POSITION | 5,520,626 | 227,216 | (2,743) | 57,708 | 5,802,807 |
| NET POSITION AT BEGINNING OF YEAR | 260,586 | 1,000,652 | 258,661 | 179,554 | 1,699,453 |
| NET POSITION AT END OF YEAR | \$ 5,781,212 | \$ 1,227,868 | \$ 255,918 | \$ 237,262 | \$ 7,502,260 |

Board Members Past and Present



Front L to R:

Richard Toole, Tom Mayo, Peter Cocolis, Sue Hruby, Joyce Flynn, Ron Zweig, Fred Fenlon, Barry Worth, Peter Cabana, Deane Keuch, Peter Fontecchio

Back L to R:

Brad Crowell, David Anthony, Tom Donegan, Everett Horn, Robert Schofield, Richard Elkin

2013 Board Members

| | | | |
|-------------------|----------------------------------|--------------|-----------------------------|
| Aquinnah | Michael Hebert | Mashpee | Tom Mayo |
| Barnstable | David Anthony | Oak Bluffs | Richard Toole |
| Barnstable County | William Doherty | Orleans | Kenneth Rowell |
| Bourne | Robert Schofield (Vice Chairman) | Provincetown | Chris Galazzi (Alternate) |
| | Liz Caporelli (Alternate) | Sandwich | David Gardner |
| Brewster | Deane Keuch | | Everett Horn |
| Chatham | Peter Cocolis (Treasurer) | Tisbury | Bud Dunham (Alternate) |
| Chilmark | Timothy Carroll | Truro | William Straw |
| Dennis | Brad Crowell | Wellfleet | Peter Fontecchio |
| Dukes County | Peter Cabana (Member at Large) | | Richard Elkin |
| Eastham | Fred Fenlon | West Tisbury | Marcus Springer (Alternate) |
| Edgartown | vacant | Yarmouth | Sue Hruby |
| Falmouth | Ronald Zweig | | Joyce Flynn (Chairman) |
| Harwich | Barry Worth (Secretary) | | |
| | Valerie Bell (Alternate) | | |

Past Board Members

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|-------------------|---------------------------|--------------|-----------------------------------|
| Barnstable | Audrey Loughnane | Provincetown | Heather Wishik |
| | Bud Breault (Alternate) | | Amy Germain |
| | Richard Elrick | | Susan Donegan (Alternate) |
| Barnstable County | Robert O’Leary | | E. Winn Davis |
| Bourne | Haydon Coggeshall | Sandwich | Robert Jones (Chairman) |
| Brewster | James Foley | | John S Jillson |
| | John Cunningham | | Charles Kleekamp (Alternate) |
| Chatham | Tom Bernardo | | James Voelxen (Alternate) |
| | Neil Doherty | West Tisbury | John Early |
| | Cameron Koblish | Tisbury | Peter Cabana |
| Dennis | Robert Mahoney (Chairman) | | Peter Fohlin |
| Dukes County | Carol Borer | Truro | Bud Breault |
| | Tim Carroll | | Don Mack |
| | John Alley | | William Worthington |
| | Peter Hefler | | Suzanne Grout Thomas |
| Eastham | Vickie Bebout | Wellfleet | Olga Kahn |
| Edgartown | Kitt Johnson (Treasurer) | | Kathy Hubby |
| Falmouth | Matt Patrick | | Michael May |
| | Robert Bigelow | | Peter Hal |
| | Megan Amsler (Alternate) | | Lawrence Gallagher |
| Harwich | Larry Cole (Alternate) | | James Sexton (Alternate) |
| Mashpee | Joe Dellagalla | West Tisbury | Shelton Bank |
| | Jim Marr | | Kate Warner |
| | Steven Lempitski | | Jennifer Rand (Alternate) |
| | Arnold Wallenstein | Yarmouth | Charlotte Stribel (Vice-Chairman) |
| Oak Bluffs | Alice Butler (Alternate) | | Jack Howard (Alternate) |
| | Kenneth Rusczyk | | |
| | Maryann Casey Sharpe | | |
| Orleans | Richard Philbrick | | |
| | John Hodgkinson | | |

Cape Light Compact Staff



Maggie Downey
Compact Administrator



Margaret Song
Residential Program
Manager



Gail Azulay
EM&V Analyst



Stephan Wollenburg
Senior Power Supply Planner



Briana Kane
Senior Residential
Program Coordinator



Lindsay Henderson
Communications &
Data Analyst



Meredith Miller
Commercial & Industrial
Program Manager



Matthew Dudley
Residential Program
Coordinator



Karen Loura
Administrative
Assistant



Vicki Marchant, CEM
Commercial & Industrial
Program Analyst



Debbie Fitton
Energy Education
Administrator



Kim Deisher
Customer Service
Coordinator



Nicole Price Voudren, CEM
Commercial & Industrial
Program Planner



Phil Moffitt
EM&V Manager

Not shown:
Kathy Stoffle,
Customer Service Coordinator

Frequently Asked Questions

What is the Cape Light Compact?

The Compact is an award-winning energy services program formed in 1997. It is operated by an intergovernmental organization authorized by votes of town meeting, boards of selectmen, town council and county commissioners. The Compact consists of 21 towns and Barnstable and Dukes Counties and serves 200,000 customers on the Cape and Martha's Vineyard. As the first municipal aggregation program of its kind, the Compact has served as a model for hundreds of similar organizations across the country.

Why was the Cape Light Compact formed?

Soaring electric rates in the late 1980s and early 1990s drove an interest in developing more energy efficiency for the region. Restructuring of the electric industry in Massachusetts in 1997 created an opportunity to pursue that energy efficiency, use the market leverage of the region's customers for competitive power supply, and undertake important consumer advocacy measures.

What are the Cape Light Compact goals?

The goals set out in the Intergovernmental Agreement approved by town meetings, local boards, and county commissioners in 1997 and 1998 include development of energy efficiency, consumer advocacy, renewable energy, and competitive power supply. These same goals are outlined in the Compact Aggregation Plan approved by the Massachusetts Department of Public Utilities in 2000.

What is the Aggregation Plan?

The Aggregation Plan is a document required by state law for public aggregation of electric consumers. It includes information on the purposes of the program and its structure, services, operations and funding. The Compact prepared its original Aggregation Plan in cooperation with the Massachusetts Department of Energy Resources. It was subject to local public review and comment and approved by the Department of Public Utilities in August 2000 in a state proceeding that included participation of the Massachusetts Attorney General and NSTAR.

In August 2013, the Department of Public Utilities sent a letter to the Compact asking that the Compact review its original Aggregation Plan and to update elements that no longer accurately described the program and market as

they had evolved. The Compact proceeded to prepare an updated plan to file with the DPU.

What services does the Cape Light Compact provide?

The Compact operates an energy efficiency program, provides effective consumer advocacy, supports renewable energy efforts, and contracts for competitive power supply for the region. Monthly bills for services are issued by NSTAR Electric which owns the region's distribution system and conducts metering and billing. Charges for the Compact's power supplier are identified and included on those bills.

How does a consumer receive services from the Cape Light Compact?

All new electric consumers are automatically enrolled in the Cape Light Compact power supply program. Consumers are also free to "opt-out" of this automatic enrollment and contract for their own power supply. Those who wish to return to the Compact's supply may do so, but, depending on market conditions, may be placed on a different rate from that being charged to other Compact customers. All electric consumers are eligible for energy efficiency services regardless of whether they receive the Compact power supply.

How is the Cape Light Compact governed?

The Compact's Governing Board is made up of one representative appointed by each of the member municipalities and the two counties. The Governing Board, and through them the towns and counties, are responsible for establishment of policies and oversight of Compact budgets. The Compact programs are also subject to oversight by various regulatory bodies such as the Massachusetts Department of Public Utilities and the Department of Energy Resources. All Governing Board meetings are open to the public.

How is the Cape Light Compact funded?

The Compact Energy Efficiency program is funded primarily through a state-mandated energy efficiency charge paid by all electric customers, as well as by additional state-approved distribution charges. The power supply and consumer advocacy programs are funded by an oper-

ational charge of up to one-tenth of one cent per kilowatt hour (\$0.001) for Compact power supply customers. This adder is part of the power supply price paid on customer monthly bills. The use of an adder was included in the Compact's original Aggregation Plan approved in August 2000.

Who oversees the Cape Light Compact's budget?

The staff and Governing Board have direct oversight of the budget. The Massachusetts Department of Public Utilities also reviews energy efficiency budgets. Although it is not required, the Compact also files each of its power supply contracts with the Department of Public Utilities.

How are public records made available?

The Compact has focused on making all public documents available. Documents regarding meetings, budgets, policy and other matters are posted on the Compact website. Updates are regularly provided to the towns and the media. Copies of documents may also be requested through a formal state-approved document request process. Consistent with state law, document requests may require fees to compile and prepare the desired information.

How do I sign up for a free energy efficiency assessment or learn more about energy savings opportunities available to me?

Detailed information on the Compact Energy Efficiency Programs and savings for consumers can be found on the Compact website, or through a call to the Energy Efficiency phone line 1-800-797-6699.

How does the Cape Light Compact contract for electricity supply?

The Compact uses a competitive bidding process to select a power supplier or suppliers. With the support of technical and legal consultants, the staff and board members work to ensure that the Compact secures contracts that are in the best interest of Compact customers. In addition to "Basic Service" supplied by a mix of New England generating plants, the Compact also secures "Green" power supply from renewable energy sources on the Cape Cod and Martha's Vineyard and in Massachusetts and the New England region.

Where can I find the most current power supply prices?

The Compact's most recent power supply prices can be found on the Compact web site at www.capelightcompact.org/power-supply.

What choices do I have for energy supply?

Every electric customer on the Cape and Vineyard has the option to "opt out" of Compact energy supply and choose their own supplier. However, it is important to review the terms of individual power supply offers carefully. Always ask for written literature and never sign up over the phone. In written documents make sure of the length of the contract, short-term promotional rates, entrance or exit fees, and other terms that may affect the price. Consumers may also want to ask for documentation on where the power is generated and by what types of sources.

What support does the Cape Light Compact provide for renewable energy?

Consistent with its original goals, the Cape Light Compact has supported development of solar on school rooftops in the region, and through the purchase of locally generated Renewable Energy Credits, and most significantly through support of the Cape and Vineyard Electric Cooperative (CVEC), an organization of nearly all towns in the region. The Compact has invested \$3.7 million in CVEC over a seven year period. This support has resulted in 28 megawatts of solar facilities being installed. This is the largest amount of solar developed by a group of small towns anywhere in the United States. The Compact's investment will yield a return of more than \$64 million to the towns, and through them to all residents, over a period of 20 years.

What does the Cape Light Compact do to advocate for consumers?

The Compact participates at the state level in matters critical to our region's consumers. Decisions made by legislators or state regulators can have far-reaching impacts on what consumers pay for electricity. In 1999, the Compact ensured the return of \$25 million to the region's consumers. Building on this effort the Compact has succeeded in preventing more than \$10 million in charges from being added to residential consumer delivery charges on monthly bills.

Cape Light Compact

Working Together Toward A Smarter Energy Future

INNOVATION & ACHIEVEMENT

STABILITY

SECURITY

CHOICE

GREEN POWER SUPPLY

COMMITMENT TO CONSUMERS

SOLID LEGACY OF SERVICE



"It was a substantial amount of money my company would save in using the Cape Light Compact program to convert over to energy efficient fixtures and bulbs...I would recommend this as a wise business investment for any business owner, whether you own your building or are a lessee, you are definitely going to save money with the program."

Jack Kelliher, General Manager, Sportsite Health & Racquet Club, Sandwich

"It's really a win-win situation. The Compact, in my opinion, is looking out for my interest. Your electrical component of running a property like this is a big expense. Imagine...if I didn't take advantage of these programs, it might even be cost prohibitive to stay open year-round, but because of this we are able to stay open twelve months and employ people twelve months. I'm looking forward to taking advantage of more programs if available."

Paul Swartz, President, Dockside Hotel Group, Yarmouth

"We had a great experience. Not only did the project deliver substantial savings, but we got to work with very professional staff who really knew their stuff and were a pleasure to work with."

Clark Guinn, Seacrest Beach Hotel, Falmouth

"I have been very happy with the Cape Light Compact Program and how it has worked for us as a business. The savings matched what they estimated and has allowed us to make other investments in our business. It's great to do our part in 'being green' and saving energy for our community."

Jim Junkins, Owner, Friend's Market, Orleans

