Cape Light Compact Power Supply Program and Green Electricity: Frequently Asked Questions

1. **Why does the Cape Light Compact have a power supply program?**

   Consistent with the 1997 Massachusetts Restructuring Act, the Cape Light Compact (Compact) was established by the 21 towns and 2 counties of Cape Cod and Martha's Vineyard as a municipal aggregator to advance the interests of consumers in a restructured electricity market. To this end, one of the Compact's primary missions is to provide a safe and secure power supply choice for consumers.

   The Compact leverages the aggregated purchasing power of all our customers to negotiate competitive pricing with strong terms and conditions that protect our customers, which gives our customers a worry-free, competitively-priced power supply option from a community-founded public organization.

2. **How does the Cape Light Compact procure a competitive supplier?**

   The Compact uses a competitive selection process to select suppliers that are responsible for providing retail electricity for all the participants in the Compact's power supply program. Compact staff, board members, consultants, and counsel work together to ensure that the Compact secures contracts that are in the best interest of the Compact's consumers. The size of the Compact's aggregation gives it weight in conducting these negotiations that is not available to individual consumers.

   The Compact selected NextEra® Energy Services Massachusetts (NextEra Energy Services) through this competitive Request for Proposal (RFP) process in 2014 to provide electricity to commercial and industrial customers on Cape Cod and Martha's Vineyard. The RFP allowed for a contract extension through 2018. As part of its review of becoming a green aggregator, the Compact requested NextEra Energy Services and ConEdison Solutions to submit proposals for extending their contracts and to include a green aggregation element. After reviewing proposals from both entities, the Compact elected to extend its contract with NextEra Energy Services through December 2018 to provide electricity to all Compact electric customers.

3. **What is the meaning of "renewable electricity"?**

Renewable electricity is electricity that is generated by resources that are naturally replenished on a relatively short timescale, including wind, solar, geothermal, tidal, etc. For reasons discussed further below, a person is considered to be using renewable energy when their electric usage is matched with Renewable Energy Certificates.

4. **What are Renewable Energy Certificates (RECs)?**

A Renewable Energy Certificate is a tradable commodity that represents the clean energy attributes of 1 megawatt-hour (MWh), or 1,000 kilowatt-hours (kWh) of electricity generated by a renewable energy resource (e.g., a solar farm).

RECs were created for the purpose of tracing energy back to renewable generators. The electrons that power our homes and businesses can almost never be traced back to a specific generator – instead, the power from thousands of generators, large and small, of all different fuel types, flows in to a regionalized power grid and ultimately to the consumer's meter. Since it is impossible to know what kind of electricity ends up at the delivery point (i.e., the meter), electricity characteristics are tracked at the production point instead. In New England, and many other areas, for every MWh of electricity that is generated, a corresponding certificate is produced in a centrally-managed clearinghouse. This certificate includes all of the details of the source of the energy – when it was generated, by what kind of generator, associated emissions, etc. In effect, generators produce two commodities, which can be (and often are) tracked, traded, and consumed independently of each other; the electricity, which is delivered to the grid and ultimately the consumer, and the certificate. When the certificate is associated with a renewable energy generator, it is called a REC. Each REC has a unique identifier, allowing it to be tracked, traded, and ultimately, retired.

The result of this is that electricity, even though its source may be unknown, that is matched with a REC is considered to be renewable energy. The inverse is also true – that electricity not matched with a REC is not considered to be renewable energy. So, a consumer that uses 3,000 kWh a year and purchases three RECs to meet that usage would be using 100% renewable energy, even though the electrons that she uses may not all be from a renewable generator. This definition of what constitutes renewable energy has been confirmed time and time again, including by the Federal Trade Commission[1] and the National Association of Attorneys General[2].

5. **What is the Massachusetts Renewable Portfolio Standard?**

The Massachusetts Renewable Portfolio Standard (RPS) is a statutory requirement that Retail Electric Suppliers obtain a certain percentage of their yearly sales of electricity from qualified

[1] https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-issues-revised-green-guides/greenguides.pdf

[2] http://apps3.eere.energy.gov/greenpower/markets/pdfs/naag_0100.pdf

renewable energy sources. Suppliers meet their RPS obligations by acquiring RPS-qualified RECs and retiring them, so that they cannot be used for RPS compliance again in the future. The RPS creates demand for RECs, which encourages developers to build renewable energy resources that can provide the RECs, thereby enabling the expansion of renewable energy.

6. What kind of RECs are the Compact/NextEra Energy Services using to get to 100% renewable?

The Compact, through NextEra Energy Services as its supplier, will be acquiring both RPS-qualified RECs from New England sources and EarthEra™ RECs (more below) from sources in the U.S. outside of New England. The Compact is requiring NextEra Energy Services to purchase an additional 1% MA Class 1 RECs over the RPS requirement, and also to purchase enough EarthEra™ RECs to make all Compact customers' load 100% renewable or more.

The RPS-qualified RECs will include MA Class 1 RECs from local sources: seven rooftop solar photovoltaic (PV) systems located on Cape Cod, and the Greater New Bedford Landfill Gas Utilization Project in North Dartmouth, MA. The local solar PV systems were installed in 2010 through the Cape and Vineyard Electric Cooperative, a local electric cooperative that has helped municipalities across Cape Cod and Martha's Vineyard install 28 megawatts of solar PV to date. The Greater New Bedford Landfill Gas Utilization Project collects and burns landfill gas released by landfill waste to create energy. This landfill gas, which contains methane and carbon dioxide, would otherwise be released in to the atmosphere. Instead, it is utilized daily to generate 3.4 megawatts of electricity, enough to light about 3,500 homes per day.

In addition to procuring 1% more than the required amount of RPS-qualified RECs as described above, NextEra Energy Services will be allocating voluntary EarthEra™ RECs from renewable projects outside of New England sufficient to make all Compact customers' load 100% renewable. By way of example, if the RPS requires that 27% of retail electric sales be met with RPS-qualified RECs, NextEra Energy Services will meet 28% of Compact customers' retail electric sales with RPS-qualified RECs, and will then also procure the amount of EarthEra™ RECs required to bring the total renewable energy content to 100% or more of retail sales.

7. What is the EarthEra™ Trust?

The EarthEra™ Renewable Energy Trust (Trust) is a fund established by EarthEra, LLC, an affiliate NextEra Energy Services for the purpose of developing renewable energy projects in the United States, in order to accelerate the addition of clean energy sources. The Trust is overseen by an independent third-party trustee, which ensures that 100% of the funds deposited in the Trust are used solely for the development of new renewable energy projects. All revenue from the sale of the EarthEra™ RECs that NextEra Energy Services will use to match Compact customers' usage will be deposited in the Trust.

8. Why did the Cape Light Compact choose to become a green aggregation by matching 100% of customers' usage with renewable energy?

As stated in its approved 2015 Aggregation Plan, one of the purposes of the Cape Light Compact's power supply program is to utilize and encourage renewable energy development.

One of the ways in which to accomplish this purpose is to become a green aggregation. Green aggregations are municipal aggregations that make an affirmative decision to meet more than the RPS-required amount of their aggregated electricity usage with renewable energy, usually through the purchase of additional RECs. This "greener" power supply option is the default option for customers participating in the aggregated supply. There are several municipal aggregations in Massachusetts offering higher renewable content products, notably the Town of Dedham and City of Melrose, among others.

After discussions over the course of several meetings on renewable electricity and the impacts, both environmental and economic, of becoming a green aggregation, the Compact Governing Board asked Compact staff to hold stakeholder input sessions to provide insight in to the importance of renewable energy to our customers, and what concerns they may have that the Board should be aware of. The Compact held three public input forums (West Tisbury, Mashpee and Harwich) in the fall of 2016, and attended a forum sponsored by the Brewster Community Network. Those in attendance agreed that supporting renewable energy through the Compact's power supply program was an important step in combating climate change, but that it must come at a reasonable price, and it is important for consumers to understand which projects they are supporting through the program.

Compact staff presented findings from the input sessions in open session at the November 9th Compact Governing Board meeting, and the Board voted to become a green aggregation by (1) requiring NextEra Energy Services to purchase 1% more MA Class 1 RECs than the RPS-required amount, (2) in addition to RPS-qualified RECs, requiring NextEra Energy Services to meet 100% of the Compact customers' usage with EarthEra™ RECs, (3) requiring NextEra Energy Services to deposit the funds from the sale of the EarthEra™ RECs in to the EarthEra™ Renewable Energy Trust, and (4) requesting that NextEra Energy Services direct the proceeds deposited in to the Trust from Compact customers to developing renewable energy projects in New England.

9. How does becoming a green aggregation and teaming up with NextEra Energy Services help the environment and fight climate change?

Becoming a green aggregation utilizes the vehicle of municipal aggregation to achieve renewable energy purchasing at scale, which makes a tangible impact on accelerating renewable energy development by creating more demand for renewable energy. The way this is accomplished is threefold:

a. The Compact has directed NextEra Energy Services to procure an additional 1% of RPS-qualified MA Class 1 RECs on an annual basis. When aggregated across the combined usage of all of the Compact's customers, this represents a significant number of RECs. Since the RPS requirement for Class 1 RECs increases year-over-year, there is built-in growing demand, for which new projects must be built in order to produce the RECs required to meet the growing demand. By taking an extra 1% of those RECs off of the market every year above the already-growing requirement, Compact customers are creating an additional incentive for new renewable projects to be developed.

b. In addition to exceeding the procurement requirement for RPS-qualified RECs as described above, the Compact has also directed NextEra Energy Services to purchase enough EarthEra™ RECs to make all Compact customers' load 100% renewable or more, and to deposit those funds in to the EarthEra™ Renewable Energy Trust. Funds from the Trust, which is administered by an independent third party, can only be used for renewable energy project development. NextEra Energy Services has made a commitment to direct those funds to projects in New England to the extent possible.

c. NextEra Energy Services has also made a commitment to direct its own funds in to the Trust in addition to those proceeds from the sale of the EarthEra™ RECs, which leverages the Trust contributions of Compact customers.

The result is that customers who participate in the Compact's green aggregation power supply program will be purchasing renewable energy, creating an increased demand for renewable energy projects, and directly funding the construction of new renewable energy projects through the EarthEra Trust.

10. What will happen to the current *Cape Light Compact Green℠* program?

The current opt-in *Cape Light Compact Green℠* program will be discontinued effective on January 2017 meter read dates. At that time, the current *Cape Light Compact Green℠* customers will transition to the regular Green Aggregation power supply product. The *Cape Light Compact Green℠* customers have been notified of this upcoming transition.