

CAPE LIGHT COMPACT JPE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cape Light Compact JPE
South Yarmouth, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Cape Light Compact JPE (Cape Light Compact) as of and for the year ended December 31, 2020, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Cape Light Compact as of December 31, 2020, and the change in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (located on pages 4 through 8) and certain pension and other postemployment benefits information (located on pages 25 and 26) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The combining statements and reconciliation of audited energy efficiency GAAP expenses to Department of Public Utilities report (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Cape Light Compact JPE

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021, on our consideration of the Cape Light Compact's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cape Light Compact's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cape Light Compact's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
December 8, 2021

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

As management of the Cape Light Compact JPE (Compact), we offer readers of these financial statements this narrative overview and analysis of the Compact's financial activities for the calendar year ended December 31, 2020.

The management's discussion and analysis (MD&A) is presented in the following sections:

1. Background
2. Overview of the Financial Statements
3. Financial Statement Analysis

Please refer to the audited *Financial Statements* when reading the MD&A.

Cape Light Compact Joint Powers Entity:

The Compact's mission is to serve our over 200,000 customers through the delivery of proven energy efficiency programs, effective consumer advocacy, and renewable competitive electricity supply. The Compact is a Joint Powers Entity (JPE) pursuant to Massachusetts General Law Chapter 40, Section 4A ½, consisting of the 21 towns on Cape Cod and Martha's Vineyard, and Dukes County.

The Compact as Energy Efficiency Program Administrator and the 2019-2021 Energy Efficiency Plan:

The Compact's 2019-2021 Energy Efficiency Plan, its fourth three-year plan, was approved by the DPU on January 29, 2019 in compliance with the Massachusetts state energy efficiency goals and policies, including the Green Communities Act ("GCA"), (Chapter 169, Section 11 of the Acts of 2008). As a result of the COVID pandemic, the Compact temporarily shut down the delivery of almost all of its energy efficiency programs effective March 2020 and resumed the delivery of its services in late June of 2020. In response to COVID, the Compact implemented the following program changes:

- Offered customers a choice between Virtual Home Assessments or On-Site Home Assessments;
- Through September 30, 2020, offered a 100% incentive for recommended insulation for residences;
- Offered an enhanced refrigerator and freezer recycling incentive of \$125 through October 31, 2020;
- Offered up-to 100% incentive to small businesses through October 31, 2021 on LED lamps and fixtures, HVAC and lighting controls, water saving equipment, and pipe insulation.

Despite the extraordinary challenges faced in 2020 due to the pandemic, participation in the Compact's energy efficiency programs was higher than expected, and the Compact is on track to reach its three-year goals by the end of 2021. Including actual results from 2019 and 2020, the Compact achieved 73% of its three-year lifetime energy savings goal, achieved 47% of its three-year total benefit goal, and spent 61% of its planned three-year budget. Based on these results, in combination with the 2021 planned values, over the three-year term, the Compact expects to achieve:

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

- robustly cost-effective programs with a benefit-cost ratio (“BCR”) of 2.16,
- net benefits of \$184 million,
- annual energy savings of 110 gigawatt hours (“GWh”),
- lifetime energy savings of 942 GWh,
- total benefits of \$344 million, and
- program costs of \$129 million.

The Compact is committed to energy education outreach within its community and continues to be a regionally and nationally recognized leader in the design and implementation of its energy education programs. As a municipal aggregator with a unique service territory, the Compact supports the community’s efforts to develop a deeper and broader knowledge of energy efficiency technology and practices, moving towards an energy-literate society.

The Compact’s Power Supply Program:

During fiscal year 2021 (FY21), the Compact’s power supplier for all residential, commercial, and industrial customers was NextEra Energy Services of Massachusetts (NextEra). The Compact is pleased that our residential price in FY21 remained price-competitive with the utility’s basic service residential price while also being 100% renewable.

The Compact has been a green aggregation since January 2017, meaning 100% of Compact’s power supply customers’ annual electricity usage is met with renewable energy certificates (RECs). Because NextEra retires RECs to match the Compact’s customers’ usage, Compact customers are financially supporting renewable energy resources, including resources located on Cape Cod. In addition, NextEra deposits all premiums paid for voluntary RECs, plus their supplier and retail fees (expected to total over \$3 million per year), into a trust fund to be used solely for the development of new renewable energy resources. In 2020, construction began on the Farmington, Maine solar facility. The Compact has a long-term power purchase agreement (PPA) for both energy and RECs from this solar facility, which is scheduled to begin delivering energy to Compact customers in the last quarter of 2021. By purchasing electricity through the Compact, all Compact power supply customers are supporting renewable energy to combat climate change.

In March 2019, the Compact launched two new power supply options, CLC Local Green 50 and CLC Local Green 100. The CLC Local Green program gives customers an option to support local renewable energy development by paying a small premium on their monthly electric bill. The Compact uses this premium to purchase and retire Massachusetts Class 1 RECs to match either 50% or 100% of customers’ annual electricity usage, in addition to the RECs retired as part of the Compact’s standard power supply product. These RECs are sourced from renewable energy projects in New England, including several solar installations on Cape Cod. By participating in CLC Local Green, customers are driving the market to bring new renewable energy resources to New England.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

The Compact as Consumer Advocate:

Since 1997, Cape Light Compact has advocated for the ratepayers of Cape Cod and Martha's Vineyard at the local and state level.

In FY21, the Compact's primary consumer advocacy focus was on redesigning its Cape & Vineyard Electrification Offering (CVEO). The Compact expanded its coordination with Massachusetts stakeholders to redesign CVEO. The redesigned CVEO focuses on the following:

- Consistency with the 2018 amendments to the Green Communities Act and will advance the goals and objectives of these amendments while providing cost-effective energy savings and reducing greenhouse gas emissions.
- Serving low-and-moderate income members of the Cape and Vineyard community, a population that faces economic barriers to installing the three technologies proposed under CVEO.
- Address the economic barriers such as the high up-front costs and inability to qualify for a loan.
- Through the installation of cold climate air source heat pumps ("ccASHP" or "heat pump") CVEO advances the Commonwealth's goal of beneficial strategic electrification and the greening of the building sector.

The Compact filed its redesigned CVEO proposal in May 2020 and awaits an order from the Department of Public Utilities (DPU).

Overview

This discussion and analysis (required supplementary information) is intended to serve as an introduction to the financial statements, which consists of the following two components:

1. Financial statements
2. Notes to the financial statements

This report also contains additional pension and other postemployment benefits required supplementary information and additional information that supplements the financial statements.

Financial Statements

The Compact's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are presented on the accrual basis of accounting and include the following three basic financial statements: (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses and Change in Net Position, and (3) the Statement of Cash Flows.

The financial statements can be found on pages 9 – 11 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 – 24 of this report.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Required Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information are certain pension and other postemployment benefits information, which can be found on pages 25 – 26.

Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents supplementary information. Presented in this information are combining statements of net position and revenues, expenses and change in net position, as well as a reconciliation of audited energy efficiency GAAP expenses to the amounts reported to the DPU. The additional information can be found on pages 27 – 29.

Financial Statement Analysis

The following tables present current and prior year data on the financial statements.

Net Position

The Compact's assets and deferred outflows exceeded liabilities and deferred inflows by \$10,397,883 at the close of the calendar year and are summarized as follows:

	2020	2019	Change (\$)	Change (%)
Assets				
Current Assets	\$ 22,521,080	\$ 19,017,699	\$ 3,503,381	18.4%
Noncurrent Assets	154,186	308,372	(154,186)	-50.0%
Total Assets	<u>22,675,266</u>	<u>19,326,071</u>	<u>3,349,195</u>	<u>17.3%</u>
Deferred Outflows of Resources	<u>1,692,040</u>	<u>1,389,326</u>	<u>302,714</u>	<u>21.8%</u>
Liabilities				
Current Liabilities	6,927,347	7,840,742	(913,395)	-11.6%
Noncurrent Liabilities	6,416,203	5,879,587	536,616	9.1%
Total Liabilities	<u>13,343,550</u>	<u>13,720,329</u>	<u>(376,779)</u>	<u>-2.7%</u>
Deferred Inflows of Resources	<u>625,873</u>	<u>503,722</u>	<u>122,151</u>	<u>24.2%</u>
Net Position				
Investment in Capital Assets	154,186	308,372	(154,186)	-50.0%
Unrestricted	10,243,697	6,182,974	4,060,723	65.7%
Total Net Position	<u>\$ 10,397,883</u>	<u>\$ 6,491,346</u>	<u>\$ 3,906,537</u>	<u>60.2%</u>

The Compact's assets consist primarily of cash and cash equivalents, accounts receivable and capital assets. The increase in the Compact's current assets primarily reflects the decrease in the current year expenses related to the energy efficiency program.

Liabilities primarily consist of accounts payable, the net pension liability and total OPEB liability. The decrease in current liabilities is primarily due to decreases in energy efficiency program.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Changes in Net Position

The Compact's net position increased by \$3,906,537 for the year ended December 31, 2020 and is summarized as follows:

	2020	2019	Change (\$)	Change (%)
Operating Revenues	\$ 39,088,940	\$ 29,803,956	\$ 9,284,984	31.2%
Operating Expenses	41,091,252	44,177,839	(3,086,587)	-7.0%
Operating Income (Loss)	(2,002,312)	(14,373,883)	12,371,571	-86.1%
Nonoperating Revenues (Expenses), Net	5,908,849	6,717,382	(808,533)	-12.0%
Change in Net Position	3,906,537	(7,656,501)	11,563,038	-151.0%
Net Position - Beginning of Year	6,491,346	14,147,847	(7,656,501)	54.1%
NET POSITION (DEFICIT) - END OF YEAR	\$ 10,397,883	\$ 6,491,346	\$ 3,906,537	60.2%

Operating revenues primarily consist of mandatory energy efficiency charges (\$4,906,531) and energy efficiency reconciliation factor charges (\$33,171,304). The increase in operating revenues primarily reflects the increase of energy efficiency funds earned during 2020.

Approximately 89% (or \$36,409,380) of the Compact's operating expenses relate directly to energy efficiency programs. This compares to approximately 90% in 2019.

Requests for Information

This financial report is designed to provide a general overview of the Compact's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report should be addressed to the Compact Administrator, 261 Whites Path, Unit 4, South Yarmouth, Massachusetts, 02664.

**CAPE LIGHT COMPACT JPE
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 17,816,685
Receivables, Net of Allowance for Uncollectible Amounts:	
Energy Efficiency	470,165
Energy Efficiency Reconciliation Factor	3,258,036
Mil-Adder	80,405
Green Program	806
Forward Capacity Market	480,419
Other	49,617
Prepaid Expenses	364,947
Total Current Assets	<u>22,521,080</u>

Noncurrent Assets:

Capital Assets, Net of Accumulated Depreciation	154,186
Total Assets	<u>22,675,266</u>

DEFERRED OUTFLOWS

Related to Pensions	1,021,053
Related to OPEB	670,987
Total Deferred Outflows	<u>1,692,040</u>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Expenses	6,859,217
Accrued Payroll	60,778
Compensated Absences, Current	7,352
Total Current Liabilities	<u>6,927,347</u>

Noncurrent Liabilities:

Compensated Absences, Net of Current	66,171
Total OPEB Liability	2,762,177
Net Pension Liability	3,587,855
Total Noncurrent Liabilities	<u>6,416,203</u>

Total Liabilities	13,343,550
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DEFERRED INFLOWS

Related to Pensions	473,209
Related to OPEB	152,664
Total Deferred Inflows	<u>625,873</u>

NET POSITION

Investment in Capital Assets	154,186
Unrestricted	10,243,697
Total Net Position	<u>\$ 10,397,883</u>

See accompanying Notes to Financial Statements.

CAPE LIGHT COMPACT JPE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020

OPERATING REVENUES

Energy Efficiency	\$ 4,906,531
Energy Efficiency Reconciliation Factor	33,171,304
Mil-Adder	986,452
Green Program	7,192
Intergovernmental (SMART)	4,961
Other	12,500
Total Operating Revenues	<u>39,088,940</u>

OPERATING EXPENSES

Salaries and Benefits (Excluding Pension and OPEB)	2,218,791
Pension and OPEB	350,279
Energy Efficiency Programs:	
Residential Programs	26,301,184
Low Income Programs	2,103,303
Commercial and Industrial Programs	7,452,987
Other Programs	551,906
Legal and Related Consulting Services	772,049
Other Professional Services	77,811
Marketing	420,823
Other Operating	687,933
Depreciation	154,186
Total Operating Expenses	<u>41,091,252</u>

Operating Loss (2,002,312)

NONOPERATING REVENUES

Forward Capacity Market	5,798,630
Renewable Energy Certificates, Net	(186)
Investment Income	110,405
Total Nonoperating Revenues	<u>5,908,849</u>

CHANGE IN NET POSITION

3,906,537

Net Position - Beginning of Year 6,491,346

NET POSITION - END OF YEAR \$ 10,397,883

**CAPE LIGHT COMPACT JPE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 38,382,484
Payments to Vendors and Customers	(39,831,515)
Payments for Salaries and Benefits	(2,211,977)
Net Cash Used by Operating Activities	<u>(3,661,008)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from Sales of Renewable Energy Certificates	75,977
Purchase of Renewable Energy Certificates	(42,097)
Proceeds from Forward Capacity Market	5,786,545
Net Cash Provided by Noncapital Financing Activities	<u>5,820,425</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>110,405</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS

2,269,822

Cash and Cash Equivalents - Beginning of Year

15,546,863

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 17,816,685

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES

Operating Loss	\$ (2,002,312)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	154,186
Effect of Changes in Assets, Liabilities, Deferred Outflows and Inflows not Requiring Current Cash Flows:	
Total OPEB Liability	372,734
Deferred Outflows Related to OPEB	(139,180)
Deferred Inflows Related to OPEB	(27,074)
Net Pension Liability	158,108
Deferred Outflows Related to OPEB	(163,534)
Deferred Inflows Related to Pension	149,225
Accounts Receivable	(706,456)
Prepaid Expenses	(68,681)
Accounts Payable and Accrued Expenses	(1,394,838)
Accrued Payroll	6,415
Compensated Absences	399
Total Adjustments	<u>(1,658,696)</u>
Net Cash Used by Operating Activities	<u><u>\$ (3,661,008)</u></u>

See accompanying Notes to Financial Statements.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 REPORTING ENTITY

The Cape Light Compact (Compact) is a joint powers entity (JPE) pursuant to G.L. c. 40, §4A ½. The Compact was created for the purpose of providing competitive electric supply, green power options, energy efficiency programs and consumer advocacy for the residents and businesses of Cape Cod and Martha's Vineyard.

The Compact's current membership consists of 21 towns and Dukes County and is governed by a 22 member board of directors appointed by each of the member towns and county.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The Compact accounts for its operations as an enterprise fund. The significant accounting policies are described herein.

A. Measurement Focus, Basis of Accounting and Basis of Presentation

The Compact's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of related cash flows.

The Compact distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

B. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

C. Accounts Receivable

Accounts receivable are recorded at the time of the underlying event. The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis. At December 31, 2020, all amounts are considered 100% collectible.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Capital Assets

Capital assets are recorded at historical cost. All individual purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Depreciable capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Asset Type</u>	<u>Estimated Useful Life (in Years)</u>
Vehicles	5
Software*	6

* Term of contract

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

E. Compensated Absences

Employees are granted vacation and sick leave. Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

F. Revenue Recognition

Energy efficiency revenues are derived from the Massachusetts Department of Public Utilities (DPU) mandatory charge of 2.5 mills (\$0.0025) per kilowatt hour to fund energy efficiency programs. These charges are initially collected by the electric distribution company and subsequently provided to the Compact. The Compact recognizes the energy efficiency charge as operating revenue on the accrual basis of accounting.

In addition to the mandatory charge, the Compact, and all Massachusetts energy efficiency program administrators, have an "Energy Efficiency Reconciliation Factor Charge" (EERF). The EERF is a fully reconciling funding mechanism designed to recover costs associated with energy efficiency programs by reconciling energy efficiency revenue amounts collected in electric rates with the total expense amounts incurred for energy efficiency programs, as approved by the DPU. These charges are initially collected by the electric distribution company and subsequently provided to the Compact. The Compact recognizes the EERF charge as operating revenue on the accrual basis of accounting.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Revenue Recognition (Continued)

Operational-adder revenues are derived from a 1 mil (\$0.001) per kilowatt hour surcharge used to fund the Compact's nonenergy efficiency operational expenses as provided in the Compact's form of competitive electric supply agreement (CESA) approved by the Massachusetts Department of Telecommunications and Energy, now the Department of Public Utilities. These funds are collected by the Compact's contracted electric supply company on behalf of the Compact as part of the Compact's electric rates and are subsequently remitted to the Compact. The Compact's Governing Board appropriates these funds through the annual budget process; in addition, funds are disbursed by the Compact's administrator based on contractual and regulatory obligations. Operational-adder charges are recognized as operating revenue on the accrual basis of accounting.

Green Program revenues are derived from a \$.013 and \$.027 per kilowatt hour premiums to support efforts to encourage new renewable energy project development in New England. These funds are collected by the Compact's contracted electric supply company on behalf of the Compact as part of the Compact's electric rates and are subsequently remitted to the Compact. Green Program charges are recognized as operating revenue on the accrual basis of accounting.

Various other grants are applied for and received annually. For nonexpense driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expense driven grants, revenue is recognized when the qualifying expenses are incurred, and all other grant requirements are met.

G. Forward Capacity Market

The Compact participates in ISO New England's forward capacity market. The Compact recognizes proceeds from the forward capacity market as nonoperating revenue on the accrual basis. These funds are used for energy efficiency projects.

H. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time.

Deferred outflows of resources related to pensions and OPEB are reported by the Compact.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows of resources related to pensions and OPEB are reported by the Compact.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Barnstable County Retirement Association (BCRA) and additions to/deductions from BCRA's fiduciary net position have been determined on the same basis as they are reported by BCRA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

K. Postemployment Benefits

In addition to providing pension benefits, the Compact provides health and life insurance coverage for current and future retirees and their spouses as more fully described in Note 7.

L. Net Position

Net Position is reported in three categories: investment in capital assets, restricted and unrestricted. Restricted net position represents restrictions by parties outside of the Compact. The Compact did not report any restrictions of net position at December 31, 2020.

During 2019, the Board voted to establish an operating contingency reserve fund in the amount of \$250,000 to be funded over three years. The funding will begin in 2021 and will be reported within unrestricted net position.

M. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits are governed by the Massachusetts General Laws and the Compact's by laws.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Compact's deposits may not be recovered. The Compact does not have a policy for custodial credit risk of deposits. As of December 31, 2020, \$2,243,278 of the Compact's bank balance of \$19,273,163 was uninsured and exposed to custodial credit risk.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Software	\$ 812,281	\$ -	\$ -	\$ 812,281
Vehicle	23,319	-	-	23,319
Total Capital Assets Being Depreciated	835,600	-	-	835,600
Accumulated Depreciation:				
Software	(503,909)	(154,186)	-	(658,095)
Vehicles	(23,319)	-	-	(23,319)
Total Accumulated Depreciation	(527,228)	(154,186)	-	(681,414)
Total Capital Assets Being Depreciated, Net	308,372	(154,186)	-	154,186
Total Capital Assets	<u>\$ 308,372</u>	<u>\$ (154,186)</u>	<u>\$ -</u>	<u>\$ 154,186</u>

NOTE 5 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the year ended December 31, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated Absences	<u>\$ 67,108</u>	<u>\$ 6,415</u>	<u>\$ -</u>	<u>\$ 73,523</u>	<u>\$ 7,352</u>

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 PENSION PLAN

Plan Description

Effective January 1, 2018, the Compact became a member of the Barnstable County Contributory Retirement Association (BCRA), a cost-sharing multiemployer defined benefit pension plan covering eligible employees of the 59 member units.

The BCRA is administered by five board members (Board) on behalf of all current employees and retirees. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by visiting <http://www.barnstablcounty.org/retirement/association/>.

The Compact has established a reserve fund for the advance accumulation of funding for pension benefits. However, this is not considered a qualifying trust for reporting purposes under GASB No. 67 and 68 and therefore is not reported as a reduction of the liability. The reserve balance at December 31, 2020 amounted to \$2,944,501 and is reported in the Compact's net position at December 31, 2020.

Benefits Provided

The BCRA provides retirement, disability, survivor, and death benefits to plan members and beneficiaries. Massachusetts contributory retirement system benefits are, with certain minor exceptions, uniform from system to system. The systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after 10 years of creditable service.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the BCRA a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. Contributions to the BCRA totaled \$325,793 for the year ended December 31, 2020.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 PENSION PLAN (CONTINUED)

Net Pension Liability

At December 31, 2020, the Compact reported a liability of \$3,587,855 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Compact's proportion of the net pension liability was based on a projection of the Compact's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2019, the measurement date, the Compact's proportion was 0.478%. At December 31, 2018, the Compact's proportion was 0.434%.

Pension Expense

For the year ended December 31, 2020, the Compact recognized pension expense of \$468,023. At December 31, 2020, the Compact reported deferred inflows of resources related to pensions of \$473,209 and deferred outflows of resources related to pensions of \$1,021,053.

The balances of deferred outflows and inflows at December 31, 2020 consist of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 214,415
Changes in Assumptions	417,113	-
Differences Between Expected and Actual Experience	-	30,242
Changes in Proportion	278,147	228,552
Contributions Made Subsequent to the Measurement Date	325,793	-
	<u>\$ 1,021,053</u>	<u>\$ 473,209</u>

Deferred outflows of resources totaling \$325,793 related to contributions made subsequent to the measurement date will be recognized as a reduction to the net pension liability in 2021. The remaining net deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 58,451
2022	33,890
2023	84,327
2024	(41,277)
2025	86,660
Total	<u>\$ 222,051</u>

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 PENSION PLAN (CONTINUED)

Actuarial Method and Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date of December 31, 2020:

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry Age Normal Cost Method
Investment Rate of Return	7.15%, net of pension plan investment expense, including inflation
Projected Salary Increases	3.25%
Cost of Living Adjustments	3.0% of the first \$18,000
Mortality Rates:	Pre-Retirement: The RP-2014 Blue Collar Mortality Table projected generationally with a Scale MP-2017 Healthy Retiree: The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with a Scale MP-2017 Disabled Retiree: The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with a Scale MP-2017

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.0 %	6.15 %
International Developed Markets Equity	13.0	6.78
International Emerging Markets Equity	5.0	8.65
Core Fixed Income	15.0	1.11
High-Yield Fixed Income	8.0	3.51
Real Estate	10.0	4.33
Commodities	4.0	4.13
Hedge Fund, GTAA, Risk Parity	11.0	3.19
Private Equity	13.0	9.99
	<u>100.0 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	\$ 4,718,212	\$ 3,587,855	\$ 2,638,225

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Compact's defined benefit OPEB plan provides health, dental, and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Compact and the employees. The Plan does not have an established trust and does not accumulate assets to offset the liability. The Plan does not issue a publicly available financial report.

The Compact has established a reserve fund for the advance accumulation of funding for postemployment benefits. However, this is not considered a qualifying trust for reporting purposes under GASB No. 74 and 75 and therefore is not reported as a reduction of the liability. The reserve balance at December 31, 2020 amounted to \$1,251,365 and is reported in the Compact's net position at December 31, 2020.

Benefits Provided

The Cape Light Compact provides health, dental, and life insurance coverage for its retirees and their survivors. The Compact contributes 75% of the cost of current-year health, dental, and life insurance premiums for eligible retired plan members and their dependents. Plan members receiving benefits contribute the remaining 25% percent of their premium costs. The required contribution is based on a pay-as-you-go financing requirement. For 2020, the Compact contributed approximately \$48,930 to the plan. The costs of administering the Plan are paid by the Compact.

Employees Covered by Benefit Terms

The number of covered participants in the Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Active Employees	14
Retirees and Survivors	<u>7</u>
Total	<u><u>21</u></u>

Total OPEB Liability

The Compact's total OPEB liability of \$2,762,177 was measured as of December 31, 2020, which was rolled forward from an actuarial valuation as of June 30, 2018.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability as of December 31, 2020 was measured by an actuarial valuation as of June 30, 2018 actuarial valuation (rolled forward to the measurement date) and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.12% (20-Year Municipal Bond Index Rate)
Health Care Trend Rates	Medicare: 7.25% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Non-Medicare: 0% for one year, then 7.0% decreased by 0.25% each year to an ultimate level of 4.5% per year.
Mortality Rates:	Pre-Retirement: The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017 Postretirement: Healthy: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017; Disabled: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2019	\$ 2,389,443
Changes for the Year:	
Service Cost	118,817
Interest	68,061
Changes in Assumptions	234,786
Benefit Payments	(48,930)
Net Changes	<u>372,734</u>
Balance at December 31, 2020	<u>\$ 2,762,177</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, calculated using the discount rate of 2.12%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current rate:

	1% Decrease (1.12%)	Current Discount Rate (2.12%)	1% Increase (3.12%)
Total OPEB Liability	\$ 3,319,067	\$ 2,762,177	\$ 2,323,805

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, calculated using the healthcare cost trend rates, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,196,563	\$ 2,762,177	\$ 3,539,424

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Compact recognized OPEB expense of \$255,410.

At December 31, 2020, the Compact reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 670,987	\$ 45,108
Differences Between Expected and Actual Experience	-	107,556
Total	<u>\$ 670,987</u>	<u>\$ 152,664</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 68,529
2022	68,529
2023	68,529
2024	68,529
2025	68,535
Thereafter	175,672
Total	<u>\$ 518,323</u>

NOTE 8 RELATED PARTY TRANSACTIONS

Cape and Vineyard Electric Cooperative (CVEC)

The Compact is a Member of CVEC, whose purpose is to develop and/or own renewable electric generation facilities and procure and/or sell long-term electric supply or other energy-related goods or services at competitive prices to its Members and consumers within its Member communities.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 RELATED PARTY TRANSACTIONS (CONTINUED)

Renewable Energy Certificates

RECs purchased by CVEC are sold to the Compact for an amount equal to CVEC's cost for the Compact's Green Power Supply Program. Purchases for the year ended December 31, 2020 totaled \$42,097.

NOTE 9 OPERATING LEASES

The Compact is committed under operating lease agreements for office space and vehicles used by the Compact. Future minimum payments under these operating leases are as follows:

<u>Calendar Year</u>	<u>Vehicles</u>	<u>Office Space</u>
2021	\$ 3,140	\$ 90,000

Lease expenses for the agreements for the year ended December 31, 2020 totaled \$93,140 and are reported as other operating expenses.

NOTE 10 COMMITMENTS

The Compact participates in ISO New England's forward capacity market and has made commitments to deliver specified units of energy efficiency at a fixed price per unit. If the Compact fails to deliver its capacity supply obligation it is subject to penalties determined by the rules of the forward capacity market. The Compact has obtained a \$1,400,000 letter of credit to meet the financial assurance requirements of ISO New England, which is secured by a \$1,400,000 line of credit.

The Compact's line of credit is unused as of December 31, 2020.

On November 20, 2018, the Compact entered into a Power Purchase Agreement (PPA) with Farmington Solar, LLC to purchase 5 megawatts of energy and REC's generated by a photovoltaic solar electric energy generating facility (Facility) to be constructed and owned by Farmington Solar, LLC.

The term of the PPA is 20 years following and including the commercial operation date (as defined in the PPA), which is anticipated to be sometime during 2021. All energy delivered to the Compact under the PPA will be at a fixed contract price. To support the Compact's obligations under the PPA, the Compact must provide a letter of credit (ranging from \$5,000,000 in the first year of operation to \$219,000 in the last year of operation) in accordance with the terms of the PPA.

Subsequent Event:

On June 21, 2021, the Compact obtained a \$5,000,000 letter of credit to meet the financial assurance requirements of Farmington Solar, LLC, which is secured by cash balance.

**CAPE LIGHT COMPACT JPE
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN SCHEDULES
YEAR ENDED DECEMBER 31 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

PENSION PLAN SCHEDULES

**SCHEDULE OF THE COMPACT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (1)(2)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Compact's Proportion of the Net Pension Liability	0.478%	0.434%	0.471%	0.493%
Compact's Proportionate Share of the Net Pension Liability	\$ 3,587,855	\$ 3,429,747	\$ 3,202,074	\$ 3,467,247
Compact's Employee Payroll	\$ 1,468,732	\$ 1,217,527	\$ 1,423,681	\$ 1,340,875
Compact's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	40.94%	35.50%	44.46%	38.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.34%	57.63%	61.86%	57.28%

(1) Data is being accumulated annually to present 10 years of the reported information

(2) Measurement date is December 31 of the prior year

SCHEDULE OF COMPACT CONTRIBUTIONS (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Required Contribution	\$ 325,793	\$ 315,737	\$ 337,761	\$ 277,827	\$ 293,912
Contributions in Relation to the Actuarially Required Contribution	<u>(325,793)</u>	<u>(315,737)</u>	<u>(337,761)</u>	<u>(277,827)</u>	<u>(293,912)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Compact's Employee Payroll	\$ 1,468,732	\$ 1,217,527	\$ 1,423,681	\$ 1,340,875	\$ 1,340,875
Contributions as a Percentage of Employee Payroll	22.18%	25.93%	23.72%	20.72%	21.92%

(1) Data is being accumulated annually to present 10 years of the reported information

**CAPE LIGHT COMPACT JPE
REQUIRED SUPPLEMENTARY INFORMATION
POSTEMPLOYMENT BENEFIT SCHEDULES
YEAR ENDED DECEMBER 31 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

SCHEDULE OF CHANGES IN THE COMPACT'S TOTAL OPEB LIABILITY (1) (2)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 118,817	\$ 80,400	\$ 103,165
Interest	68,061	76,203	64,339
Differences Between Expected and Actual Experience	-	-	(176,002)
Changes in Assumptions	234,786	479,684	145,966
Benefit Payments	<u>(48,930)</u>	<u>(49,611)</u>	<u>(29,366)</u>
Change in Total OPEB Liability	372,734	586,676	108,102
Total OPEB Liability - Beginning	<u>2,389,443</u>	<u>1,802,767</u>	<u>1,708,578</u>
Total OPEB Liability - Ending	<u>\$ 2,762,177</u>	<u>\$ 2,389,443</u>	<u>\$ 1,816,680</u>

- (1) Data is being accumulated annually to present 10 years of the reported information.
- (2) Measurement date is December 31, with the exception of 2018 which was a measurement date of June 30, 2018. It was not practical to restate the 2018 amounts as the rollforward was performed for 6 months to bring to the new measurement date.

CAPE LIGHT COMPACT JPE
COMBINING STATEMENT OF NET POSITION BY PROGRAM
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Energy Efficiency	Power Supply Reserve	OPEB/Pension Reserve Fund	Operating	Green/Solar Programs	Total
Current Assets:						
Cash and Cash Equivalents	\$ 12,029,731	\$ 1,445,306	\$ 4,195,867	\$ 67,367	\$ 78,414	\$ 17,816,685
Receivables, Net of Allowance for Uncollectible Amounts:						
Energy Efficiency	470,165	-	-	-	-	470,165
Energy Efficiency Reconciliation Factor	3,258,036	-	-	-	-	3,258,036
Mil-Adder	-	80,405	-	-	-	80,405
Green Program	-	-	-	-	806	806
Forward Capacity Market	480,419	-	-	-	-	480,419
Other	49,617	-	-	-	-	49,617
Prepaid Expenses	-	-	-	-	364,947	364,947
Total Current Assets	<u>16,287,968</u>	<u>1,525,711</u>	<u>4,195,867</u>	<u>67,367</u>	<u>444,167</u>	<u>22,521,080</u>
Noncurrent Assets:						
Capital Assets Not Being Depreciated	154,186	-	-	-	-	154,186
Total Assets	<u>16,442,154</u>	<u>1,525,711</u>	<u>4,195,867</u>	<u>67,367</u>	<u>444,167</u>	<u>22,675,266</u>
DEFERRED OUTFLOWS						
Related to Pensions	990,421	-	-	30,632	-	1,021,053
Related to OPEB	628,857	-	-	42,130	-	670,987
Total Deferred Outflows	<u>1,619,278</u>	<u>-</u>	<u>-</u>	<u>72,762</u>	<u>-</u>	<u>1,692,040</u>
LIABILITIES						
Current Liabilities:						
Accounts Payable and Accrued Expenses	6,803,772	-	-	55,445	-	6,859,217
Accrued Payroll	49,710	-	-	11,068	-	60,778
Compensated Absences, Current	6,839	-	-	513	-	7,352
Total Current Liabilities	<u>6,860,321</u>	<u>-</u>	<u>-</u>	<u>67,026</u>	<u>-</u>	<u>6,927,347</u>
Noncurrent Liabilities:						
Compensated Absences, Net of Current	61,550	-	-	4,621	-	66,171
Total OPEB Liability	2,588,745	-	-	173,432	-	2,762,177
Net Pension Liability	3,480,217	-	-	107,638	-	3,587,855
Total Noncurrent Liabilities	<u>6,130,512</u>	<u>-</u>	<u>-</u>	<u>285,691</u>	<u>-</u>	<u>6,416,203</u>
Total Liabilities	<u>12,990,833</u>	<u>-</u>	<u>-</u>	<u>352,717</u>	<u>-</u>	<u>13,343,550</u>
DEFERRED INFLOWS						
Related to Pensions	459,012	-	-	14,197	-	473,209
Related to OPEB	143,078	-	-	9,586	-	152,664
Total Deferred Inflows	<u>602,090</u>	<u>-</u>	<u>-</u>	<u>23,783</u>	<u>-</u>	<u>625,873</u>
NET POSITION						
Investment in Capital Assets	154,186	-	-	-	-	154,186
Unrestricted	4,314,323	1,525,711	4,195,867	(236,371)	444,167	10,243,697
Total Net Position	<u>\$ 4,468,509</u>	<u>\$ 1,525,711</u>	<u>\$ 4,195,867</u>	<u>\$ (236,371)</u>	<u>\$ 444,167</u>	<u>\$ 10,397,883</u>

**CAPE LIGHT COMPACT JPE
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET POSITION BY PROGRAM
YEAR DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	Energy Efficiency	Power Supply Reserve	OPEB/Pension Reserve Fund	Operating	Green/Solar Programs	Eliminations	Total
OPERATING REVENUES							
Energy Efficiency	\$ 4,906,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,906,531
Energy Efficiency Reconciliation Factor	33,171,304	-	-	-	-	-	33,171,304
Mil-Adder	-	986,452	-	-	-	-	986,452
Green Program	-	-	-	-	7,192	-	7,192
Intergovernmental (SMART)	-	-	-	-	4,961	-	4,961
Other	-	12,500	-	-	-	-	12,500
Total Operating Revenues	38,077,835	998,952	-	-	12,153	-	39,088,940
OPERATING EXPENSES							
Salaries and Benefits (Excluding Pension and OPEB)	2,079,177	-	-	139,614	-	-	2,218,791
Pension and OPEB	232,213	-	-	118,066	-	-	350,279
Energy Efficiency Programs:							
Residential Programs	26,301,184	-	-	-	-	-	26,301,184
Low Income Programs	2,103,303	-	-	-	-	-	2,103,303
Commercial and Industrial Programs	7,452,987	-	-	-	-	-	7,452,987
Other Programs	551,906	-	-	-	-	-	551,906
Legal and Related Consulting Services	544,046	-	-	228,003	-	-	772,049
Other Professional Services	65,499	-	-	12,312	-	-	77,811
Marketing	343,939	-	-	76,884	-	-	420,823
Other Operating	384,011	-	-	295,256	8,666	-	687,933
Depreciation	154,186	-	-	-	-	-	154,186
Total Operating Expenses	40,212,451	-	-	870,135	8,666	-	41,091,252
Operating Income (Loss)	(2,134,616)	998,952	-	(870,135)	3,487	-	(2,002,312)
NONOPERATING REVENUES (EXPENSES)							
Forward Capacity Market	5,798,630	-	-	-	-	-	5,798,630
Renewable Energy Certificates, Net	-	(135)	-	-	(51)	-	(186)
Investment Income	67,336	14,078	7,565	21,426	-	-	110,405
Total Nonoperating Revenues (Expenses), Net	5,865,966	13,943	7,565	21,426	(51)	-	5,908,849
Income (Loss) Before Transfers	3,731,350	1,012,895	7,565	(848,709)	3,436	-	3,906,537
TRANSFERS							
Transfers In	-	-	456,927	449,043	-	(905,970)	-
Transfers Out	(428,237)	(449,043)	-	(28,690)	-	905,970	-
Total Transfers	(428,237)	(449,043)	456,927	420,353	-	-	-
CHANGE IN NET POSITION	3,303,113	563,852	464,492	(428,356)	3,436	-	3,906,537
Net Position - Beginning of Year (as Restated)	1,165,396	961,859	3,731,375	191,985	440,731	-	6,491,346
NET POSITION (DEFICIT) - END OF YEAR	\$ 4,468,509	\$ 1,525,711	\$ 4,195,867	\$ (236,371)	\$ 444,167	\$ -	\$ 10,397,883

**CAPE LIGHT COMPACT JPE
RECONCILIATION OF AUDITED ENERGY EFFICIENCY GAAP
EXPENSES TO DEPARTMENT OF PUBLIC UTILITIES (DPU) REPORT
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

Energy Efficiency Operating Fund Expenses Reported on 2020 Combining Statement Revenues, Expenses and Change in Net Position by Program (Page 28)	\$ 40,212,451
<u>Reconciling Items:</u>	
To Record Net Change in Accrued Expenses	6,711
To Record Net Change in Accrued Payroll	(6,676)
To Record Net Pension Liability, Net of Deferred Outflows and Inflows	(98,460)
To Record Total OPEB Liability, Net of Deferred Outflows and Inflows	(133,753)
To Record Net Change in Accrued Compensated Absences	(5,712)
Transfers Made to the OPEB and Pension Reserve Fund	428,237
Depreciation of Capitalized Expenses	<u>(154,186)</u>
Total Reconciling Items	<u>36,161</u>
2020 Energy Efficiency Expenses Reported on the 2020 Annual Report	<u>\$ 40,248,612 (A)</u>

(A) This amount is reported on the modified accrual basis of accounting and reviewed annually by the DPU