

CAPE LIGHT COMPACT JPE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cape Light Compact JPE
South Yarmouth, Massachusetts

Report on the Audit of the Financial Statements

Opinion

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, 2021, and the related notes to the financial statements, which comprise the Cape Light Compact's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cape Light Compact, as of December 31, 2021, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cape Light Compact and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cape Light Compact's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cape Light Compact's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cape Light Compact's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain pension and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 that collectively comprise the Cape Light Compact's basic financial statements. The combining statements and reconciliation of audited energy efficiency GAAP expenses to Department of Public Utilities Report (collectively the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, 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 the 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 Cape Light Compact JPE's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
October 17, 2022

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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, 2021.

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 207,000 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).

Despite the challenges presented by the global COVID-19 pandemic, the Compact successfully accomplished the following during the 2019-2021 Plan Term:

- cost-effective programs with a benefit-cost ratio (BCR) of 1.75;
- net benefits of \$133 million (2019\$);
- annual energy savings of 108 GWh;
- lifetime energy savings of 985 GWh; and
- total benefits of \$312 million (2019\$).

In addition, the Compact was a recipient of the following awards during the 2019-2021 Plan Term:

- 2019 ENERGY STAR® Partner of the Year – Sustained Excellence Award
- 2019 Advanced Rooftop Unit (RTU) Campaign Award for Commercial and Industrial HVAC programs from the United States Environmental Protection Agency
- 2021 ENERGY STAR Partner of the Year Award

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.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

The Compact's Power Supply Program:

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, the Compact began receiving energy and RECs from the Farmington, Maine solar facility. The Compact has a long-term power purchase agreement (PPA) for both energy and RECs from this solar facility. 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.

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 2021, the Compact focused on the following regulatory proceedings at the Massachusetts Department of Public Utilities (DPU):

- Grid modernization (DPU docket 21-80):
 - The Compact participated in this docket with a focus on ensuring that customers on the Cape and Vineyard are able to benefit from Eversource's proposed grid modernization and advanced metering infrastructure (AMI) investments. The Compact's key concern is that municipal aggregations and their competitive suppliers be able to access the data available through smart meters in order to design and offer time varying electric rates to their customers. Customers need to be provided with meaningful access to their data as well. The docket remains open.
- Electric vehicles (DPU docket 21-90):
 - The Compact participated in this docket with a focus on ensuring that Cape and Vineyard customers are able to benefit from the Make Ready incentives available to customers for installing electric vehicle supply equipment. The docket remains open.
- Solar Massachusetts Renewable Target (SMART) (DPU docket 20-145):
 - The Compact participated in this docket with a focus on allowing customers of municipal aggregations to benefit from the SMART program's Low Income Community Shared Solar incentives. The docket remains open.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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 – 26 of this report.

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 27 – 28.

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 29 – 31.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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 \$8,876,592 at the close of the calendar year and are summarized as follows:

	2021	2020	Change (\$)	Change (%)
Assets				
Current Assets	\$ 24,779,879	\$ 22,521,080	\$ 2,258,799	10.0%
Noncurrent Assets	-	154,186	(154,186)	-100.0%
Total Assets	<u>24,779,879</u>	<u>22,675,266</u>	<u>2,104,613</u>	<u>9.3%</u>
Deferred Outflows of Resources	<u>1,551,083</u>	<u>1,692,040</u>	<u>(140,957)</u>	<u>-8.3%</u>
Liabilities				
Current Liabilities	10,371,636	6,927,347	3,444,289	49.7%
Noncurrent Liabilities	6,114,344	6,416,203	(301,859)	-4.7%
Total Liabilities	<u>16,485,980</u>	<u>13,343,550</u>	<u>3,142,430</u>	<u>23.6%</u>
Deferred Inflows of Resources	<u>968,390</u>	<u>625,873</u>	<u>342,517</u>	<u>54.7%</u>
Net Position				
Investment in Capital Assets	-	154,186	(154,186)	-100.0%
Restricted	75,000	-	75,000	#DIV/0!
Unrestricted	8,801,592	10,243,697	(1,442,105)	-14.1%
Total Net Position	<u>\$ 8,876,592</u>	<u>\$ 10,397,883</u>	<u>\$ (1,521,291)</u>	<u>-14.6%</u>

The Compact's assets consist primarily of cash and cash equivalents, accounts receivable and prepaid expenses. 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 increase in current liabilities is primarily due to timing of payment along with the increases in expenses for the energy efficiency program.

**CAPE LIGHT COMPACT JPE
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

Changes in Net Position

The Compact's net position decreased by \$1,521,291 for the year ended December 31, 2021 and is summarized as follows:

	2021	2020	Change (\$)	Change (%)
Operating Revenues	\$ 44,184,298	\$ 39,088,940	\$ 5,095,358	13.0%
Operating Expenses	51,651,112	41,093,074	10,558,038	25.7%
Operating Income (Loss)	(7,466,814)	(2,004,134)	(5,462,680)	272.6%
Nonoperating Revenues (Expenses), Net	5,945,523	5,910,671	34,852	0.6%
Change in Net Position	(1,521,291)	3,906,537	(5,427,828)	-138.9%
Net Position - Beginning of Year	10,397,883	6,491,346	3,906,537	60.2%
NET POSITION - END OF YEAR	\$ 8,876,592	\$ 10,397,883	\$ (1,521,291)	-14.6%

Operating revenues primarily consist of mandatory energy efficiency charges (\$5,023,792) and energy efficiency reconciliation factor charges (\$37,908,767). The increase in operating revenues primarily reflects the increase of energy efficiency funds earned during 2021.

Approximately 91% (or \$46,871,866) of the Compact's operating expenses relate directly to energy efficiency programs. This compares to approximately 89% in 2020.

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, 2021**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 17,898,271
Restricted Investments	75,000
Receivables:	
Energy Efficiency	613,430
Energy Efficiency Reconciliation Factor	5,228,867
Mil-Adder	82,084
Green Program	1,142
Forward Capacity Market	513,278
Other	32,937
Prepaid Expenses	334,870
Total Current Assets	24,779,879

DEFERRED OUTFLOWS

Related to Pensions	818,643
Related to OPEB	732,440
Total Deferred Outflows	1,551,083

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Expenses	10,284,759
Accrued Payroll	81,211
Compensated Absences, Current	5,666
Total Current Liabilities	10,371,636

Noncurrent Liabilities:

Compensated Absences, Net of Current	50,994
Total OPEB Liability	2,827,857
Net Pension Liability	3,235,493
Total Noncurrent Liabilities	6,114,344

Total Liabilities	16,485,980
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DEFERRED INFLOWS

Related to Pensions	614,656
Related to OPEB	353,734
Total Deferred Inflows	968,390

NET POSITION

Restricted	75,000
Unrestricted	8,801,592
Total Net Position	\$ 8,876,592

**CAPE LIGHT COMPACT JPE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2021**

OPERATING REVENUES

Energy Efficiency	\$ 5,023,792
Energy Efficiency Reconciliation Factor	37,908,767
Mil-Adder	1,034,745
Green Program	10,451
Intergovernmental	56,467
Intergovernmental (SMART)	32,726
Other	117,350
Total Operating Revenues	<u>44,184,298</u>

OPERATING EXPENSES

Salaries and Benefits (Excluding Pension and OPEB)	2,425,826
Pension and OPEB	196,792
Energy Efficiency Programs:	
Residential Programs	32,016,943
Low Income Programs	3,698,792
Commercial and Industrial Programs	10,329,569
Other Programs	826,562
Legal and Related Consulting Services	900,087
Other Professional Services	52,844
Marketing	400,744
Other Operating	648,767
Depreciation	154,186
Total Operating Expenses	<u>51,651,112</u>

OPERATING LOSS

(7,466,814)

NONOPERATING REVENUES

Forward Capacity Market	5,895,369
Renewable Energy Certificates, Net	26,315
Investment Income	23,839
Total Nonoperating Revenues	<u>5,945,523</u>

CHANGE IN NET POSITION

(1,521,291)

Net Position - Beginning of Year

10,397,883

NET POSITION - END OF YEAR

\$ 8,876,592

**CAPE LIGHT COMPACT JPE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 42,084,867
Payments to Vendors and Customers	(45,449,036)
Payments for Salaries and Benefits	(2,421,986)
Net Cash Used by Operating Activities	<u>(5,786,155)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from Sales of Renewable Energy Certificates	107,651
Purchase of Renewable Energy Certificates	(51,259)
Proceeds from Forward Capacity Market	5,862,510
Net Cash Provided by Noncapital Financing Activities	<u>5,918,902</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(75,000)
Investment Income	23,839
Net Cash Used by Investing Activities	<u>(51,161)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

81,586

Cash and Cash Equivalents - Beginning of Year

17,816,685

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 17,898,271

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES

Operating Loss	\$ (7,466,814)
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	65,680
Deferred Outflows Related to OPEB	(61,453)
Deferred Inflows Related to OPEB	201,070
Net Pension Liability	(352,362)
Deferred Outflows Related to Pension	202,410
Deferred Inflows Related to Pension	141,447
Effect of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(2,099,431)
Accounts Payable and Accrued Expenses	3,425,542
Accrued Payroll	20,433
Compensated Absences	(16,863)
Total Adjustments	<u>1,680,659</u>
Net Cash Used by Operating Activities	<u><u>\$ (5,786,155)</u></u>

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021, all amounts are considered 100% collectible.

D. Prepaid Expenses

Payments related to Solar Renewable Energy Credits (SREC) and Solar Massachusetts Renewable Target (SMART) programs reflect costs applicable to future accounting periods and are recorded as prepaid items.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

F. Compensated Absences

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

G. 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, 2021**

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.

H. 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.

I. 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, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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.

K. 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.

L. 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.

M. 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 reported restrictions of net position at December 31, 2021 of \$75,000.

During 2019, the Board voted to establish an operating contingency reserve fund in the amount of \$250,000 to be funded over three years. \$185,000 was funded during 2021 and has been reported within unrestricted net position.

N. 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 expenses during the fiscal year. Actual results could vary from estimates that were used.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021, \$769,423 of the Compact's bank balance of \$18,246,839 was uninsured and uncollateralized and exposed to custodial credit risk.

Investments Summary

The Compact's investments at December 31, 2021 consisted of a mutual funds with a maturity of less than one year in the amount of \$75,000.

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Compact does not have a policy for interest rate risk of debt securities.

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Compact will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Compact does not have a policy for custodial credit risk of investments. As of December 31, 2021, the Compact was not exposed to custodial credit risk.

Investments – Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Compact does not have a policy for credit risk of debt securities. As of December 31, 2021, the Compact's mutual fund investment is rated AAAM by S&P Global.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Compact's investment in a single issuer. The Compact does not have a policy for concentration of credit risk. As of December 31, 2021, 100% of the Compact's investments were in an institutional mutual fund with BlackRock.

Investments – Fair Value Measurements

The Compact categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of December 31, 2021, the investment in mutual funds was measured at Level 1 under the fair value hierarchy.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 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	-	(23,319)	812,281
Accumulated Depreciation:				
Software	(658,095)	(154,186)	-	(812,281)
Vehicles	(23,319)	-	23,319	-
Total Accumulated Depreciation	(681,414)	(154,186)	23,319	(812,281)
Total Capital Assets Being Depreciated, Net	154,186	(154,186)	-	-
Total Capital Assets	\$ 154,186	\$ (154,186)	\$ -	\$ -

NOTE 5 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the year ended December 31, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated Absences	\$ 73,523	\$ -	\$ (16,863)	\$ 56,660	\$ 5,666

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021 amounted to \$3,188,557 and is reported in the Compact's net position at December 31, 2021.

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 \$329,882 for the year ended December 31, 2021.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

Net Pension Liability

At December 31, 2021, the Compact reported a liability of \$3,235,493 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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, 2020, the measurement date, the Compact's proportion was 0.468%. At December 31, 2019, the Compact's proportion was 0.478%.

Pension Expense

For the year ended December 31, 2021, the Compact recognized pension expense of \$322,686. At December 31, 2021, the Compact reported deferred inflows of resources related to pensions of \$614,656 and deferred outflows of resources related to pensions of \$818,643.

The balances of deferred outflows and inflows at December 31, 2021 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	\$ -	\$ 377,539
Changes in Assumptions	284,556	-
Differences Between Expected and Actual Experience	-	17,714
Changes in Proportion	204,205	219,403
Contributions Made Subsequent to the Measurement Date	329,882	-
Total	<u>\$ 818,643</u>	<u>\$ 614,656</u>

Deferred outflows of resources totaling \$329,882 related to contributions made subsequent to the measurement date will be recognized as a reduction to the net pension liability in 2022. 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>
2022	\$ (36,017)
2023	13,384
2024	(109,342)
2025	16,881
2026	(10,801)
Total	<u>\$ (125,895)</u>

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 PENSION PLAN (CONTINUED)

Actuarial Method and Assumptions

The total pension liability in the January 1, 2020 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, 2021**

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	22.0 %	6.28 %
International Developed Markets Equity	12.0	7.00
International Emerging Markets Equity	5.0	8.82
Core Fixed Income	15.0	3.80
Value Added Fixed Income	8.0	2.97
Real Estate	10.0	3.50
Timberland	4.0	3.45
Hedge Fund, PCS	10.0	2.35
Private Equity	14.0	10.11
Total	<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	\$ 4,376,110	\$ 3,235,493	\$ 2,277,049

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 Postemployment 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, 2021 amounted to \$1,350,248 and is reported in the Compact's net position at December 31, 2021.

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 \$60,083 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, 2020, the date of the latest actuarial valuation:

Active Employees	11
Retirees and Survivors	<u>9</u>
Total	<u><u>20</u></u>

Total OPEB Liability

The Compact's total OPEB liability of \$2,827,857 was measured as of December 31, 2021, which was rolled forward from an actuarial valuation as of June 30, 2020.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability as of December 31, 2021 was measured by an actuarial valuation as of June 30, 2020 actuarial valuation (rolled forward to the measurement date) and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate 2.06% (20-Year Municipal Bond Index Rate)

Health Care Trend Rates Medicare: 2.50% for 1 year, then 6.75% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Non-Medicare: 2.50% for one year, then 6.5% 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, 2020	\$ 2,762,177
Changes for the Year:	
Service Cost	144,745
Interest	60,993
Differences between expected and actual experience	176,687
Changes in Assumptions	(256,662)
Benefit Payments	(60,083)
Net Changes	65,680
Balance at December 31, 2021	\$ 2,827,857

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 2.06%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.06%) or 1-percentage-point higher (3.06%) than the current rate:

	1% Decrease (1.06%)	Current Discount Rate (2.06%)	1% Increase (3.06%)
Total OPEB Liability	\$ 3,396,885	\$ 2,827,857	\$ 2,381,655

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 2,282,401	\$ 2,827,857	\$ 3,570,943

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

For the year ended December 31, 2021, the Compact recognized OPEB expense of \$265,380.

At December 31, 2021, the Compact reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 575,384	\$ 265,734
Differences Between Expected and Actual Experience	157,056	88,000
Total	\$ 732,440	\$ 353,734

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

Year Ending December 31,	Amount
2022	\$ 59,643
2023	59,643
2024	59,643
2025	59,649
2026	61,312
Thereafter	78,816
Total	\$ 378,706

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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.

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, 2021 totaled \$47,250.

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>
2022	\$ 6,404	\$ 103,500
2023	10,007	103,500
2024	10,007	103,500
2025	4,870	103,500
2026	-	103,500
Thereafter	-	103,500

Lease expenses for the agreements for the year ended December 31, 2021 totaled \$94,600 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. On December 17, 2021, the Compact entered into a security agreement to meet the financial assurance requirements of ISO New England (secured party), of which the secured party has continuing security interest in the investment collateral.

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.

**CAPE LIGHT COMPACT JPE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 10 COMMITMENTS (CONTINUED)

The term of the PPA is 20 years following and including the commercial operation date (as defined in the PPA). 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 \$4,978,000 in the first year of operation to \$218,000 in the last year of operation) in accordance with the terms of the PPA.

On July 12, 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 balances.

**CAPE LIGHT COMPACT JPE
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN SCHEDULES
YEAR ENDED DECEMBER 31 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

PENSION PLAN SCHEDULES

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

	2021	2020	2019	2018	2017
Compact's Proportion of the Net Pension Liability	0.468%	0.478%	0.434%	0.471%	0.493%
Compact's Proportionate Share of the Net Pension Liability	\$ 3,235,493	\$ 3,587,855	\$ 3,429,747	\$ 3,202,074	\$ 3,467,247
Compact's Employee Payroll	\$ 1,501,375	\$ 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	46.40%	40.94%	35.50%	44.46%	38.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.82%	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)

	2021	2020	2019	2018	2017	2016
Actuarially Required Contribution	\$ 329,882	\$ 325,793	\$ 315,737	\$ 337,761	\$ 277,827	\$ 293,912
Contributions in Relation to the Actuarially Required Contribution	(329,882)	(325,793)	(315,737)	(337,761)	(277,827)	(293,912)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compact's Employee Payroll	\$ 1,501,375	\$ 1,468,732	\$ 1,217,527	\$ 1,423,681	\$ 1,340,875	\$ 1,340,875
Contributions as a Percentage of Employee Payroll	21.97%	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 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 144,745	\$ 118,817	\$ 80,400	\$ 103,165
Interest	60,993	68,061	76,203	64,339
Differences Between Expected and Actual Experience	176,687	-	-	(176,002)
Changes in Assumptions	(256,662)	234,786	479,684	145,966
Benefit Payments	<u>(60,083)</u>	<u>(48,930)</u>	<u>(49,611)</u>	<u>(29,366)</u>
Change in Total OPEB Liability	65,680	372,734	586,676	108,102
Total OPEB Liability - Beginning	<u>2,762,177</u>	<u>2,389,443</u>	<u>1,802,767</u>	<u>1,708,578</u>
Total OPEB Liability - Ending	<u>\$ 2,827,857</u>	<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 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Energy Efficiency	Power Supply Reserve	OPEB/Pension Reserve Fund	Operating	Green/Solar Programs	Grant Funds	Contingency Reserve Fund	Eliminations	Total
Current Assets:									
Cash and Cash Equivalents	\$ 11,423,258	\$ 1,601,662	\$ 4,538,805	\$ 7,693	\$ 141,853	\$ -	\$ 185,000	\$ -	\$ 17,898,271
Restricted Investments	75,000	-	-	-	-	-	-	-	75,000
Receivables, Net of Allowance for Uncollectible Amounts:									
Energy Efficiency	613,430	-	-	-	-	-	-	-	613,430
Energy Efficiency Reconciliation Factor	5,228,867	-	-	-	-	-	-	-	5,228,867
Mil-Adder	-	82,084	-	-	-	-	-	-	82,084
Green Program	-	-	-	-	1,142	-	-	-	1,142
Forward Capacity Market	513,278	-	-	-	-	-	-	-	513,278
Other	13,196	-	-	-	-	19,741	-	-	32,937
Due from Other Funds	-	-	-	18,887	-	-	-	-	18,887
Prepaid Expenses	-	-	-	-	334,870	-	-	-	334,870
Total Current Assets	17,867,029	1,683,746	4,538,805	26,580	477,865	19,741	185,000	-	24,798,766
DEFERRED OUTFLOWS									
Related to Pensions	765,132	-	-	53,511	-	-	-	-	818,643
Related to OPEB	686,451	-	-	45,989	-	-	-	-	732,440
Total Deferred Outflows	1,451,583	-	-	99,500	-	-	-	-	1,551,083
LIABILITIES									
Current Liabilities:									
Accounts Payable and Accrued Expenses	10,262,659	-	-	22,100	-	-	-	-	10,284,759
Due to Other Funds	-	-	-	-	-	18,887	-	-	18,887
Accrued Payroll	76,732	-	-	4,479	-	-	-	-	81,211
Compensated Absences, Current	5,326	-	-	340	-	-	-	-	5,666
Total Current Liabilities	10,344,717	-	-	26,919	-	18,887	-	-	10,390,523
Noncurrent Liabilities:									
Compensated Absences, Net of Current	47,934	-	-	3,060	-	-	-	-	50,994
Total OPEB Liability	2,650,299	-	-	177,558	-	-	-	-	2,827,857
Net Pension Liability	3,024,002	-	-	211,491	-	-	-	-	3,235,493
Total Noncurrent Liabilities	5,722,235	-	-	392,109	-	-	-	-	6,114,344
Total Liabilities	16,066,952	-	-	419,028	-	18,887	-	-	16,504,867
DEFERRED INFLOWS									
Related to Pensions	574,479	-	-	40,177	-	-	-	-	614,656
Related to OPEB	331,523	-	-	22,211	-	-	-	-	353,734
Total Deferred Inflows	906,002	-	-	62,388	-	-	-	-	968,390
NET POSITION									
Restricted	75,000	-	-	-	-	-	-	-	75,000
Unrestricted	2,270,658	1,683,746	4,538,805	(355,336)	477,865	854	185,000	-	8,801,592
Total Net Position	\$ 2,345,658	\$ 1,683,746	\$ 4,538,805	\$ (355,336)	\$ 477,865	\$ 854	\$ 185,000	\$ -	\$ 8,876,592

**CAPE LIGHT COMPACT JPE
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET POSITION BY PROGRAM
YEARS ENDED DECEMBER 31 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

	Energy Efficiency	Power Supply Reserve	OPEB/Pension Reserve Fund	Operating	Green/Solar Programs	Grants Funds	Contingency Reserve Fund	Eliminations	Total
OPERATING REVENUES									
Energy Efficiency	\$ 5,023,792	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,023,792
Energy Efficiency Reconciliation Factor	37,908,767	-	-	-	-	-	-	-	37,908,767
Mil-Adder	-	1,034,745	-	-	-	-	-	-	1,034,745
Green Program	-	-	-	-	10,451	-	-	-	10,451
Intergovernmental	-	4,630	-	-	-	51,837	-	-	56,467
Intergovernmental (SMART)	-	-	-	-	32,726	-	-	-	32,726
Other	-	105,907	-	11,443	-	-	-	-	117,350
Total Operating Revenues	42,932,559	1,145,282	-	11,443	43,177	51,837	-	-	44,184,298
OPERATING EXPENSES									
Salaries and Benefits (Excluding Pension and OPEB)	2,225,604	-	-	149,239	-	50,983	-	-	2,425,826
Pension and OPEB	76,946	-	-	119,846	-	-	-	-	196,792
Energy Efficiency Programs:									
Residential Programs	32,016,943	-	-	-	-	-	-	-	32,016,943
Low Income Programs	3,698,792	-	-	-	-	-	-	-	3,698,792
Commercial and Industrial Programs	10,329,569	-	-	-	-	-	-	-	10,329,569
Other Programs	826,562	-	-	-	-	-	-	-	826,562
Legal and Related Consulting Services	642,830	-	-	257,257	-	-	-	-	900,087
Other Professional Services	45,808	-	-	7,036	-	-	-	-	52,844
Marketing	384,715	-	-	16,029	-	-	-	-	400,744
Other Operating	372,236	45,000	-	212,072	19,459	-	-	-	648,767
Depreciation	154,186	-	-	-	-	-	-	-	154,186
Total Operating Expenses	50,774,191	45,000	-	761,479	19,459	50,983	-	-	51,651,112
OPERATING INCOME (LOSS)	(7,841,632)	1,100,282	-	(750,036)	23,718	854	-	-	(7,466,814)
NONOPERATING REVENUES (EXPENSES)									
Forward Capacity Market	5,895,369	-	-	-	-	-	-	-	5,895,369
Renewable Energy Certificates, Net	-	16,335	-	-	9,980	-	-	-	26,315
Investment Income	16,151	2,430	1,628	3,630	-	-	-	-	23,839
Total Nonoperating Revenues (Expenses), Net	5,911,520	18,765	1,628	3,630	9,980	-	-	-	5,945,523
INCOME (LOSS) BEFORE TRANSFERS	(1,930,112)	1,119,047	1,628	(746,406)	33,698	854	-	-	(1,521,291)
TRANSFERS									
Transfers In	-	-	341,310	843,068	-	-	185,000	-	1,369,378
Transfers Out	(192,739)	(961,012)	-	(215,627)	-	-	-	-	(1,369,378)
Total Transfers	(192,739)	(961,012)	341,310	627,441	-	-	185,000	-	-
CHANGE IN NET POSITION	(2,122,851)	158,035	342,938	(118,965)	33,698	854	185,000	-	(1,521,291)
Net Position - Beginning of Year	4,468,509	1,525,711	4,195,867	(236,371)	444,167	-	-	-	10,397,883
NET POSITION (DEFICIT) - END OF YEAR	\$ 2,345,658	\$ 1,683,746	\$ 4,538,805	\$ (355,336)	\$ 477,865	\$ 854	\$ 185,000	\$ -	\$ 8,876,592

**CAPE LIGHT COMPACT JPE
RECONCILIATION OF AUDITED ENERGY EFFICIENCY GAAP
EXPENSES TO DEPARTMENT OF PUBLIC UTILITIES (DPU) REPORT
YEAR ENDED DECEMBER 31 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

Energy Efficiency Operating Fund Expenses Reported on 2021 Combining Statement Revenues, Expenses and Change in Net Position by Program (Page 30)	\$ 50,774,191
<u>Reconciling Items:</u>	
To Record Net Change in Accrued Expenses	27,018
To Record Net Change in Accrued Payroll	(27,022)
To Record Net Pension Liability, Net of Deferred Outflows and Inflows	115,459
To Record Total OPEB Liability, Net of Deferred Outflows and Inflows	(192,405)
To Record Net Change in Accrued Compensated Absences	15,129
Transfers Made to the OPEB and Pension Reserve Fund	192,739
Depreciation of Capitalized Expenses	<u>(154,186)</u>
Total Reconciling Items	<u>(23,268)</u>
2021 Energy Efficiency Expenses Reported on the 2019 - 2021 Term Report	<u><u>\$ 50,750,923</u></u> (A)

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