

**CAPE LIGHT COMPACT JPE**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**CAPE LIGHT COMPACT JPE  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>STATEMENT OF NET POSITION</b>	<b>9</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>	<b>10</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>11</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>12</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>PENSION PLAN SCHEDULES</b>	<b>28</b>
<b>OTHER POSTEMPLOYMENT BENEFIT SCHEDULES</b>	<b>29</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>COMBINING STATEMENT OF NET POSITION BY PROGRAM</b>	<b>30</b>
<b>COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION BY PROGRAM</b>	<b>31</b>
<b>RECONCILIATION OF AUDITED ENERGY EFFICIENCY GAAP EXPENSES TO DEPARTMENT OF PUBLIC UTILITIES (DPU) REPORT</b>	<b>32</b>



## 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 (Compact), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the 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 Compact as of December 31, 2022, and the changes in its financial position and its cash flows 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 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.

#### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, effective January 1, 2022, the Compact adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use lease asset and corresponding lease liability for all leases with lease terms greater than twelve months. Our opinions were not modified with respect to this matter.

#### ***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 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 the 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 the 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 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 4, 2023, on our consideration of the 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 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 Compact's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
October 4, 2023

**CAPE LIGHT COMPACT JPE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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, 2022.

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 2022 Energy Efficiency Plan-Year Report:*

The Cape Light Compact JPE ("Compact" or "CLC") is pleased with the results for the first year ("2022 Plan-Year") of its 2022–2024 Three-Year Energy Efficiency Plan ("2022–2024 Three-Year Plan"), the fifth of such plans envisioned by the Green Communities Act and approved by the Department of Public Utilities ("Department" or "DPU"). The Compact and the other Massachusetts Energy Efficiency Program Administrators ("Program Administrators" or "PAs") diligently implemented their respective plans over the past year, making significant progress toward their three-year goals. The 2022 Plan-Year built on the nationally acclaimed accomplishments of the prior Three-Year Plans, showing remarkable success with respect to goal attainment and achievement of real benefits for the environment and the economy in the Commonwealth of Massachusetts. The Compact is on a trajectory to achieve our greenhouse gas ("GHG") reduction goals.

The results of the first year of the 2022–2024 Three-Year Plan indicate that the Compact is on track to reach its three-year goals by the end of 2024. In 2022, the Compact achieved 96% of its lifetime energy savings goal, achieved 80% of its total benefit goal, and spent 82% of its planned budget. Based on these results plus the planned values for 2023 and 2024, over the three-year term, the Compact expects to achieve:

- cost-effective programs with a benefit-cost ratio ("BCR") of 1.79
- net benefits of \$163 million
- avoided CO<sub>2e</sub> emission reductions of over 29,000 metric tons in 2030
- annual energy savings of 24 gigawatt hours ("GWh")
- lifetime energy savings of 211 GWh
- total benefits of \$368 million
- program costs of \$188 million

**CAPE LIGHT COMPACT JPE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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 2022 (FY22), 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 FY22 remained price-competitive with the utility's basic service residential and commercial 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 in New England and 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. The Compact has a long-term power purchase agreement (PPA) for both energy and RECs from a solar facility in Farmington, Maine which supplies a small percentage of the Compact's load. 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 voluntary RECs retired as part of the Compact's standard power supply product. These Class 1 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 FY22, the Compact's consumer advocacy efforts focused on the following Department of Public Utilities (DPU) regulatory proceedings:

- DPU 22-22, Eversource Rate Case: The Compact focused its review on the allocated cost of service (ACOS) study that was prepared by Eversource. The Compact's involvement resulted in Eversource making corrections to calculations for both ACOS and voltage allocations.
- DPU 22-55, Eversource Cape Cod Capital Investment Program: The Compact reviewed Eversource's filing for impacts to customers' electric bills and whether the proposed infrastructure upgrade would improve distributed generation and electrification opportunities for customers on Cape Cod and Martha's Vineyard.

**CAPE LIGHT COMPACT JPE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

- DPU 21-80, Grid Modernization: The Compact focused its review and involvement on Eversource's customer facing investments including advanced metering infrastructure (AMI), data access for customers and competitive suppliers, and time varying rates.
- DPU 21-90, Electric Vehicle Infrastructure: The Compact reviewed Eversource's filing to ensure that customers on Cape Cod and Martha's Vineyard would be able to benefit from electric vehicle infrastructure investments.

*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, 2022**

**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 \$28,842,287 at the close of the calendar year and are summarized as follows:

	2022	2021	Change (\$)	Change (%)
<b>Assets</b>				
Current Assets	\$ 43,645,248	\$ 24,779,879	\$ 18,865,369	76.1%
Noncurrent Assets	503,796	-	503,796	100.0%
Total Assets	<u>44,149,044</u>	<u>24,779,879</u>	<u>19,369,165</u>	<u>78.2%</u>
<b>Deferred Outflows of Resources</b>	<u>1,556,650</u>	<u>1,551,083</u>	<u>5,567</u>	<u>0.4%</u>
<b>Liabilities</b>				
Current Liabilities	9,622,717	10,371,636	(748,919)	-7.2%
Noncurrent Liabilities	4,946,721	6,114,344	(1,167,623)	-19.1%
Total Liabilities	<u>14,569,438</u>	<u>16,485,980</u>	<u>(1,916,542)</u>	<u>-11.6%</u>
<b>Deferred Inflows of Resources</b>	<u>2,293,969</u>	<u>968,390</u>	<u>1,325,579</u>	<u>136.9%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	25,457	-	25,457	100.0%
Restricted	76,257	75,000	1,257	1.7%
Unrestricted	<u>28,740,573</u>	<u>8,801,592</u>	<u>19,938,981</u>	<u>226.5%</u>
Total Net Position	<u>\$ 28,842,287</u>	<u>\$ 8,876,592</u>	<u>\$ 19,965,695</u>	<u>224.9%</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 increase in the current year revenues related to the energy efficiency program.

Liabilities primarily consist of accounts payable, the net pension liability and total OPEB liability. The decrease in noncurrent liabilities is primarily due to the decrease in liabilities related to net pension liability and OPEB liability.

**CAPE LIGHT COMPACT JPE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**Changes in Net Position**

The Compact's net position increased by \$19,965,695 for the year ended December 31, 2022 and is summarized as follows:

	2022	2021	Change (\$)	Change (%)
Operating Revenues	\$ 63,936,387	\$ 44,184,298	\$ 19,752,089	44.7%
Operating Expenses	50,055,597	51,651,112	(1,595,515)	-3.1%
Operating Income (Loss)	13,880,790	(7,466,814)	21,347,604	-285.9%
Nonoperating Revenues (Expenses), Net	6,084,905	5,945,523	139,382	2.3%
Change in Net Position	19,965,695	(1,521,291)	21,486,986	-1412.4%
Net Position - Beginning of Year	8,876,592	10,397,883	(1,521,291)	14.6%
<b>NET POSITION - END OF YEAR</b>	<b>\$ 28,842,287</b>	<b>\$ 8,876,592</b>	<b>\$ 19,965,695</b>	<b>224.9%</b>

Operating revenues primarily consist of mandatory energy efficiency charges (\$4,936,762) and energy efficiency reconciliation factor charges (\$57,702,504). The increase in operating revenues primarily reflects the increase of energy efficiency funds earned during 2022.

Approximately 90% (or \$45,074,404) of the Compact's operating expenses relate directly to energy efficiency programs. This compares to approximately 91% in 2021.

**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, 2022**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 35,452,942
Restricted Investments	76,257
Receivables:	
Energy Efficiency	617,590
Energy Efficiency Reconciliation Factor	6,715,546
Mil-Adder	79,215
Green Program	1,666
Forward Capacity Market	266,171
Other	133,104
Prepaid Expenses	302,757
Total Current Assets	<u>43,645,248</u>

Noncurrent Assets:

Capital Assets, Net of Accumulated Depreciation	34,256
Right-to-Use Lease Assets, Net of Amortization	469,540
Total Noncurrent Assets	<u>503,796</u>
 Total Assets	 44,149,044

**DEFERRED OUTFLOWS OF RESOURCES**

Related to Pensions	847,136
Related to OPEB	709,514
Total Deferred Outflows of Resources	<u>1,556,650</u>

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Expenses	9,451,839
Accrued Payroll	79,301
Compensated Absences, Current	2,016
Short-Term Lease Liability	89,561
Total Current Liabilities	<u>9,622,717</u>

Noncurrent Liabilities:

Compensated Absences, Net of Current	18,144
Total OPEB Liability	2,076,959
Net Pension Liability	2,462,840
Long-Term Lease Liability	388,778
Total Noncurrent Liabilities	<u>4,946,721</u>
 Total Liabilities	 14,569,438

**DEFERRED INFLOWS OF RESOURCES**

Related to Pensions	1,145,628
Related to OPEB	1,148,341
Total Deferred Inflows of Resources	<u>2,293,969</u>

**NET POSITION**

Net Investment in Capital Assets	25,457
Restricted - Financial Assurance Requirement	76,257
Unrestricted	28,740,573
Total Net Position	<u>\$ 28,842,287</u>

See accompanying Notes to Financial Statements

**CAPE LIGHT COMPACT JPE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2022**

**OPERATING REVENUES**

Energy Efficiency	\$ 4,936,762
Energy Efficiency Reconciliation Factor	57,702,504
Mil-Adder	1,017,468
Green Program	17,300
Intergovernmental	225,221
Intergovernmental (SMART)	14,632
Other	22,500
Total Operating Revenues	63,936,387

**OPERATING EXPENSES**

Salaries and Benefits (Excluding Pension and OPEB)	2,487,780
Pension and OPEB	(203,539)
Energy Efficiency Programs:	
Residential Programs	26,868,125
Low Income Programs	9,962,380
Commercial and Industrial Programs	7,611,364
Other Programs	632,535
Legal and Related Consulting Services	1,150,879
Other Professional Services	80,570
Marketing	340,163
Other Operating	1,026,727
Depreciation and Amortization	98,613
Total Operating Expenses	50,055,597

**OPERATING INCOME**

13,880,790

**NONOPERATING REVENUES & EXPENSES**

Forward Capacity Market	5,972,911
Renewable Energy Certificates, Net	(26,245)
Lease Interest Expense	(16,800)
Investment Income	155,039
Total Nonoperating Revenues & Expenses	6,084,905

**CHANGE IN NET POSITION**

19,965,695

Net Position - Beginning of Year

8,876,592

**NET POSITION - END OF YEAR**

\$ 28,842,287

**CAPE LIGHT COMPACT JPE  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers and Users	\$ 62,347,726
Payments to Vendors and Customers	(48,514,116)
Payments for Salaries and Benefits	(2,526,190)
Net Cash Provided by Operating Activities	<u>11,307,420</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Proceeds from Sales of Renewable Energy Certificates	54,126
Purchase of Renewable Energy Certificates	(46,305)
Proceeds from Forward Capacity Market	6,220,018
Net Cash Provided by Noncapital Financing Activities	<u>6,227,839</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal Paid on Leases Payable	(58,706)
Interest Paid on Leases Payable	(38,294)
Acquisition of Capital Assets	(37,370)
Net Cash Used for Capital and Related Financing Activities	<u>(134,370)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	153,782
Net Cash Provided by Investing Activities	<u>153,782</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

17,554,671

Cash and Cash Equivalents - Beginning of Year

17,898,271

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 35,452,942

**RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES**

Operating Income	\$ 13,880,790
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	98,613
Effect of Changes in Assets, Liabilities, Deferred Outflows, and Inflows not Requiring Current Cash Flows:	
Total OPEB Liability	(750,898)
Deferred Outflows Related to OPEB	22,926
Deferred Inflows Related to OPEB	794,607
Net Pension Liability	(772,653)
Deferred Outflows Related to Pension	(28,493)
Deferred Inflows Related to Pension	530,972
Effect of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(1,588,661)
Prepaid Expenses	(8,453)
Accounts Payable and Accrued Expenses	(832,920)
Accrued Payroll	(1,910)
Compensated Absences	(36,500)
Total Adjustments	<u>(2,573,370)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 11,307,420</u></u>

See accompanying Notes to Financial Statements

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 REPORTING ENTITY**

The Cape Light Compact (the 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. Implementation of New Accounting Principles**

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Compact adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption.

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. 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.

**D. 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, 2022, all amounts are considered 100% collectible.

**E. 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.

**F. 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.

Capital assets and right-to-use lease assets are depreciated/amortized on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Asset Type</u>	Estimated Useful Life (in Years)
Right-to-use Lease Building Asset	Shorter of 20 years or lease term
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.

**G. Compensated Absences**

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

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. 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.

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.



**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. 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.

**J. 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.

**K. 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.

**L. 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.

**M. Other 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.

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Leases**

The Compact determines if an arrangement is a lease at inception. Leases are included in right-to-use lease assets and lease liabilities in the statement of net position.

Lease assets represent the Compact's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use lease assets are recognized at the commencement date based on the initial measurement of the lease liability. Right-to-Use Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or useful life of the underlying asset.

Lease liabilities represent the Compact's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The Compact recognizes payments for short-term leases with a lease term of 12 months or less, including options to extend, as expenses when incurred, and these leases are not included in lease liabilities or right-to-use assets in the statement of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Compact has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

**O. Net Position**

Net Position is reported in three categories: net 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, 2022 of \$76,257.

**P. 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, 2022**

**NOTE 3 DEPOSITS AND INVESTMENTS**

Deposits are governed by the Massachusetts General Laws (MGL) and the Compact's bylaws.

**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, 2022, none of the Compact's bank balance of \$35,880,036 was exposed to custodial credit risk.

**Investments Summary**

The Compact's investments at December 31, 2022, consisted of a mutual funds with a maturity of less than one year in the amount of \$76,257.

**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, 2022, the Compact was not exposed to custodial credit risk.

**Investments – Fair Value Measurements**

The Compact categorizes its fair value measurements within the fair value hierarchy established by 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, 2022, 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, 2022**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated and Amortized:				
Software	\$ 812,281	\$ 37,370	\$ -	\$ 849,651
Right-to-Use Lease Asset Building	-	565,039	-	565,039
Total Capital Assets Being Depreciated and Amortized	812,281	602,409	-	1,414,690
Accumulated Depreciation and Amortization:				
Software	(812,281)	(3,114)	-	(815,395)
Right-to-Use Lease Asset Building	-	(95,499)	-	(95,499)
Total Accumulated Depreciation and Amortization	(812,281)	(98,613)	-	(910,894)
Total Capital Assets Being Depreciated, Net	-	503,796	-	503,796
Total Capital Assets	\$ -	\$ 503,796	\$ -	\$ 503,796

**NOTE 5 LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the year ended December 31, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated Absences	\$ 56,660	\$ -	\$ (36,500)	\$ 20,160	\$ 2,016
Lease Liabilities	-	556,414	(78,075)	478,339	89,561
Total	\$ 56,660	\$ 556,414	\$ (114,575)	\$ 498,499	\$ 91,577

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 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.barnstablecounty.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, 2022, amounted to \$3,365,566 and is reported in the Compact's net position at December 31, 2022.

**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 \$387,776 for the year ended December 31, 2022.

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 PENSION PLAN (CONTINUED)**

**Net Pension Liability**

At December 31, 2022, the Compact reported a liability of \$2,462,840 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2021, the measurement date, the Compact's proportion was 0.448%. At December 31, 2020, the Compact's proportion was 0.468%.

**Pension Expense**

For the year ended December 31, 2022, the Compact recognized pension expense of \$117,602.

The balances of deferred outflows and inflows at December 31, 2022, consist of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 862,356
Changes in Assumptions	308,857	-
Differences Between Expected and Actual Experience	-	17,283
Changes in Proportion	150,503	265,989
Contributions Made Subsequent to the Measurement Date	387,776	-
Total	<u>\$ 847,136</u>	<u>\$ 1,145,628</u>

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 PENSION PLAN (CONTINUED)**

Deferred outflows of resources totaling \$387,776 related to contributions made subsequent to the measurement date will be recognized as a reduction to the net pension liability in 2023. 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>
2023	\$ (139,539)
2024	(255,870)
2025	(133,450)
2026	(162,109)
2027	4,700
Total	<u>\$ (686,268)</u>

**Actuarial Method and Assumptions**

The total pension liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date of December 31, 2021:

Valuation Date	January 1, 2022
Actuarial Cost Method	Entry Age Normal Cost Method
Investment Rate of Return	6.90%, 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:	<p>Pre-Retirement: The RP-2014 Blue Collar Mortality Table projected generationally with a Scale MP-2021</p> <p>Healthy Retiree: The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with a Scale MP-2021</p> <p>Disabled Retiree: The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with a Scale MP-2021</p>

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 %	6.11 %
International Developed Markets Equity	11.5	6.49
International Emerging Markets Equity	4.5	8.12
Core Fixed Income	15.0	0.38
High-Yield Fixed Income	8.0	2.48
Real Estate	10.0	3.72
Timberland	4.0	3.44
Hedge Fund, GTAA, Risk Parity	10.0	2.63
Private Equity	15.0	9.93
Total	<u>100.0 %</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. 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. The discount rate for the measurement date December 31, 2020 was 7.15%.

**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 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability	\$ 3,621,802	\$ 2,462,840	\$ 1,487,965



**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022, amounted to \$1,759,035 and is reported in the Compact's net position at December 31, 2022.

**Benefits Provided**

The 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 2022, the Compact paid benefits of \$58,887 through 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, 2022, the date of the latest actuarial valuation:

Active Employees	14
Retirees and Survivors	10
Total	<u>24</u>

**Total OPEB Liability**

The Compact's total OPEB liability of \$2,076,959 was measured as of December 31, 2022, which was rolled forward from an actuarial valuation as of June 30, 2022.

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Actuarial Assumptions**

The total OPEB liability as of December 31, 2022, was measured by an actuarial valuation as of June 30, 2022, actuarial valuation (rolled forward to the measurement date) and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.72% (20-Year Municipal Bond Index Rate), 2.06% as of December 31, 2021.
Health Care Trend Rates	Medicare: 7.00% decreasing by 0.25% each year to an ultimate level of 4.5% per year. Non-Medicare: 3.86% for one year, then 6.75% 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-2021  Postretirement: Healthy: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021; Disabled: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2021

**Changes in Total OPEB Liability**

	Total OPEB Liability
Balance at December 31, 2021	\$ 2,827,857
Changes for the Year:	
Service Cost	114,144
Interest	60,002
Differences between expected and actual experience	105,495
Changes in Assumptions	(971,652)
Benefit Payments	(58,887)
Net Changes	<u>(750,898)</u>
Balance at December 31, 2022	<u>\$ 2,076,959</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 3.72%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.72%) or 1-percentage-point higher (4.72%) than the current rate:

	1% Decrease (2.72%)	Current Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB Liability	\$ 2,438,735	\$ 2,076,959	\$ 1,786,690

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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	\$ 1,737,523	\$ 2,076,959	\$ 2,523,503

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

For the year ended December 31, 2022, the Compact recognized OPEB expense of \$125,522.

At December 31, 2022, 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	\$ 479,781	\$ 1,079,897
Differences Between Expected and Actual Experience	229,733	68,444
Total	\$ 709,514	\$ 1,148,341

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
2023	\$ (48,627)
2024	(48,627)
2025	(48,621)
2026	(46,958)
2027	(37,769)
Thereafter	(208,225)
Total	\$ (438,827)

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022, totaled \$46,305.

**NOTE 9 LEASES**

The Compact leases office space under a five-year, noncancelable lease agreement. The lease expires in December 31, 2027.

Total future principal and interest payments under lease agreements are as follows:

<u>Fiscal Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 89,561	\$ 13,939
2024	92,515	10,985
2025	95,567	7,933
2026	98,720	4,780
2027	101,976	1,524
Total Minimum Lease Payments	<u>\$ 478,339</u>	<u>\$ 39,161</u>

Right-to-Use assets acquired through outstanding leases are shown below, by underlying asset class.

Buildings	\$ 565,039
Less: Accumulated Amortization	<u>(95,499)</u>
Total	<u>\$ 469,540</u>

**CAPE LIGHT COMPACT JPE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 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). 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  
(SEE INDEPENDENT AUDITORS' REPORT)**

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

	2022	2021	2020	2019	2018	2017
Compact's Proportion of the Net Pension Liability	0.448%	0.468%	0.478%	0.434%	0.471%	0.493%
Compact's Proportionate Share of the Net Pension Liability	\$ 2,462,840	\$ 3,235,493	\$ 3,587,855	\$ 3,429,747	\$ 3,202,074	\$ 3,467,247
Compact's Employee Payroll	\$ 1,446,565	\$ 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	58.74%	46.40%	40.94%	35.50%	44.46%	38.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.07%	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.

Notes to Schedule:

*Changes of assumptions:*

December 31, 2022 – Discount rate decreased to 6.90% from 7.15%, mortality improvement scale was updated from Scale MP-2017 to Scale MP-2021.

December 31, 2020 – Discount rate decreased to 7.15% from 7.375%

**SCHEDULE OF THE COMPACT'S CONTRIBUTIONS (1)  
Last Ten Fiscal Years**

	2022	2021	2020	2019	2018	2017	2016
Actuarially Required Contribution	\$ 387,776	\$ 329,882	\$ 325,793	\$ 315,737	\$ 337,761	\$ 277,827	\$ 293,912
Contributions in Relation to the Actuarially Required Contribution	(387,776)	(329,882)	(325,793)	(315,737)	(337,761)	(277,827)	(293,912)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compact's Covered Payroll	\$ 1,446,565	\$ 1,501,375	\$ 1,468,732	\$ 1,217,527	\$ 1,423,681	\$ 1,340,875	\$ 1,340,875
Contributions as a Percentage of Covered Payroll	26.81%	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  
OTHER POSTEMPLOYMENT BENEFIT SCHEDULE  
(SEE INDEPENDENT AUDITORS' REPORT)**

**SCHEDULE OF CHANGES IN THE COMPACT'S TOTAL OPEB LIABILITY (1)(2)**  
Last Ten Measurement Periods

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>					
Service Cost	\$ 114,144	\$ 144,745	\$ 118,817	\$ 80,400	\$ 103,165
Interest	60,002	60,993	68,061	76,203	64,339
Differences Between Expected and Actual Experience	105,495	176,687	-	-	(176,002)
Changes in Assumptions	(971,652)	(256,662)	234,786	479,684	145,966
Benefit Payments	(58,887)	(60,083)	(48,930)	(49,611)	(29,366)
Change in Total OPEB Liability	<u>(750,898)</u>	<u>65,680</u>	<u>372,734</u>	<u>586,676</u>	<u>108,102</u>
Total OPEB Liability - Beginning	<u>2,827,857</u>	<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>\$ 2,076,959</u>	<u>\$ 2,827,857</u>	<u>\$ 2,762,177</u>	<u>\$ 2,389,443</u>	<u>\$ 1,816,680</u>
Covered-Employee Payroll	\$ 1,815,915	\$ 1,854,932	\$ 1,762,238	\$ 1,217,527	\$ 1,423,681
Total OPEB Liability as a percentage of covered-employee payroll	114.38%	152.45%	156.74%	196.25%	127.60%

(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.

Notes to Schedule:

*Changes of assumptions:*

December 31, 2022 – Discount rate increased to 3.72% from 2.06%, mortality assumptions were updated.

December 31, 2021 – Discount rate decreased to 2.06% from 2.12%

December 31, 2020 – Discount rate decreased to 2.12% from 2.74%

**CAPE LIGHT COMPACT JPE  
COMBINING STATEMENT OF NET POSITION BY PROGRAM  
DECEMBER 31 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Energy	Power	OPEB/Pension	Operating	Green/Solar	Grant	Contingency	Eliminations	Total
	Efficiency	Supply	Reserve		Programs	Funds	Reserve Fund		
<b>Current Assets:</b>									
Cash and Cash Equivalents	\$ 28,215,234	\$ 1,685,324	\$ 5,124,601	\$ 4,311	\$ 172,460	\$ -	\$ 251,012	\$ -	\$ 35,452,942
Restricted Investments	76,257	-	-	-	-	-	-	-	76,257
Receivables, Net of Allowance for Uncollectible Amounts:									
Energy Efficiency	617,590	-	-	-	-	-	-	-	617,590
Energy Efficiency Reconciliation Factor	6,715,546	-	-	-	-	-	-	-	6,715,546
Mil-Adder	-	79,215	-	-	-	-	-	-	79,215
Green Program	-	-	-	-	1,666	-	-	-	1,666
Forward Capacity Market	266,171	-	-	-	-	-	-	-	266,171
Other	60,217	-	-	-	-	72,887	-	-	133,104
Due from Other Funds	-	-	-	57,798	-	-	-	(57,798)	-
Prepaid Expenses	-	-	-	-	302,757	-	-	-	302,757
<b>Total Current Assets</b>	<b>35,951,015</b>	<b>1,764,539</b>	<b>5,124,601</b>	<b>62,109</b>	<b>476,883</b>	<b>72,887</b>	<b>251,012</b>	<b>(57,798)</b>	<b>43,645,248</b>
<b>Noncurrent Assets:</b>									
Capital Assets Not Being Depreciated	34,256	-	-	-	-	-	-	-	34,256
Right-of-Use Asset	441,368	-	-	28,172	-	-	-	-	469,540
<b>Total Noncurrent Assets</b>	<b>475,624</b>	<b>-</b>	<b>-</b>	<b>28,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>503,796</b>
<b>Total Assets</b>	<b>36,426,639</b>	<b>1,764,539</b>	<b>5,124,601</b>	<b>90,281</b>	<b>476,883</b>	<b>72,887</b>	<b>251,012</b>	<b>(57,798)</b>	<b>44,149,044</b>
<b>DEFERRED OUTFLOWS</b>									
Related to Pensions	796,308	-	-	50,828	-	-	-	-	847,136
Related to OPEB	666,942	-	-	42,572	-	-	-	-	709,514
<b>Total Deferred Outflows</b>	<b>1,463,250</b>	<b>-</b>	<b>-</b>	<b>93,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,556,650</b>
<b>LIABILITIES</b>									
<b>Current Liabilities:</b>									
Accounts Payable and Accrued Expenses	9,372,933	-	-	44,671	20,000	14,235	-	-	9,451,839
Due to Other Funds	-	-	-	-	-	57,798	-	(57,798)	-
Accrued Payroll	61,863	-	-	17,438	-	-	-	-	79,301
Compensated Absences, Current	1,895	-	-	121	-	-	-	-	2,016
Short-Term Lease Liability	84,187	-	-	5,374	-	-	-	-	89,561
<b>Total Current Liabilities</b>	<b>9,520,878</b>	<b>-</b>	<b>-</b>	<b>67,604</b>	<b>20,000</b>	<b>72,033</b>	<b>-</b>	<b>(57,798)</b>	<b>9,622,717</b>
<b>Noncurrent Liabilities:</b>									
Compensated Absences, Net of Current	17,055	-	-	1,089	-	-	-	-	18,144
Total OPEB Liability	1,952,339	-	-	124,620	-	-	-	-	2,076,959
Net Pension Liability	2,315,070	-	-	147,770	-	-	-	-	2,462,840
Long-Term Lease Liability	365,451	-	-	23,327	-	-	-	-	388,778
<b>Total Noncurrent Liabilities</b>	<b>4,649,915</b>	<b>-</b>	<b>-</b>	<b>296,806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,946,721</b>
<b>Total Liabilities</b>	<b>14,170,793</b>	<b>-</b>	<b>-</b>	<b>364,410</b>	<b>20,000</b>	<b>72,033</b>	<b>-</b>	<b>(57,798)</b>	<b>14,569,438</b>
<b>DEFERRED INFLOWS</b>									
Related to Pensions	1,076,890	-	-	68,738	-	-	-	-	1,145,628
Related to OPEB	1,079,439	-	-	68,902	-	-	-	-	1,148,341
<b>Total Deferred Inflows</b>	<b>2,156,329</b>	<b>-</b>	<b>-</b>	<b>137,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,293,969</b>
<b>NET POSITION</b>									
Net Investment in Capital Assets	25,986	-	-	(529)	-	-	-	-	25,457
Restricted	76,257	-	-	-	-	-	-	-	76,257
Unrestricted	21,460,524	1,764,539	5,124,601	(317,840)	456,883	854	251,012	-	28,740,573
<b>Total Net Position</b>	<b>\$ 21,562,767</b>	<b>\$ 1,764,539</b>	<b>\$ 5,124,601</b>	<b>\$ (318,369)</b>	<b>\$ 456,883</b>	<b>\$ 854</b>	<b>\$ 251,012</b>	<b>\$ -</b>	<b>\$ 28,842,287</b>



**CAPE LIGHT COMPACT JPE  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGE IN NET POSITION BY PROGRAM  
YEAR ENDED DECEMBER 31 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Energy Efficiency	Power Supply Reserve	OPEB/Pension Reserve Fund	Operating	Green/Solar Programs	Grants Funds	Contingency Reserve Fund	Eliminations	Total
<b>OPERATING REVENUES</b>									
Energy Efficiency	\$ 4,936,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,936,762
Energy Efficiency Reconciliation Factor	57,702,504	-	-	-	-	-	-	-	57,702,504
Mil-Adder	-	1,017,468	-	-	-	-	-	-	1,017,468
Green Program	-	-	-	-	17,300	-	-	-	17,300
Intergovernmental	-	-	-	-	-	225,221	-	-	225,221
Intergovernmental (SMART)	-	-	-	-	14,632	-	-	-	14,632
Other	-	22,500	-	-	-	-	-	-	22,500
Total Operating Revenues	62,639,266	1,039,968	-	-	31,932	225,221	-	-	63,936,387
<b>OPERATING EXPENSES</b>									
Salaries and Benefits (Excluding Pension and OPEB)	2,328,431	-	-	148,622	-	10,727	-	-	2,487,780
Pension and OPEB Adjustments	(168,232)	-	-	(35,307)	-	-	-	-	(203,539)
Energy Efficiency Programs:									
Residential Programs	26,868,125	-	-	-	-	-	-	-	26,868,125
Low Income Programs	9,962,380	-	-	-	-	-	-	-	9,962,380
Commercial and Industrial Programs	7,611,364	-	-	-	-	-	-	-	7,611,364
Other Programs	632,535	-	-	-	-	-	-	-	632,535
Legal and Related Consulting Services	754,590	-	-	396,289	-	-	-	-	1,150,879
Other Professional Services	75,736	-	-	4,834	-	-	-	-	80,570
Marketing	248,410	-	-	91,753	-	-	-	-	340,163
Other Operating	525,900	44,999	-	197,430	43,904	214,494	-	-	1,026,727
Depreciation and Amortization	92,883	-	-	5,730	-	-	-	-	98,613
Total Operating Expenses	48,932,122	44,999	-	809,351	43,904	225,221	-	-	50,055,597
<b>OPERATING INCOME (LOSS)</b>	13,707,144	994,969	-	(809,351)	(11,972)	-	-	-	13,880,790
<b>NONOPERATING REVENUES (EXPENSES)</b>									
Forward Capacity Market	5,972,911	-	-	-	-	-	-	-	5,972,911
Renewable Energy Certificates, Net	-	(17,235)	-	-	(9,010)	-	-	-	(26,245)
Lease Interest Expense	(15,792)	-	-	(1,008)	-	-	-	-	(16,800)
Investment Income	117,579	17,617	18,831	-	-	-	1,012	-	155,039
Total Nonoperating Revenues (Expenses), Net	6,074,698	382	18,831	(1,008)	(9,010)	-	1,012	-	6,084,905
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	19,781,842	995,351	18,831	(810,359)	(20,982)	-	1,012	-	19,965,695
<b>TRANSFERS</b>									
Transfers In	-	31,786	566,965	946,344	-	-	65,000	(1,610,095)	-
Transfers Out	(564,733)	(946,344)	-	(99,018)	-	-	-	1,610,095	-
Total Transfers	(564,733)	(914,558)	566,965	847,326	-	-	65,000	-	-
<b>CHANGE IN NET POSITION</b>	19,217,109	80,793	585,796	36,967	(20,982)	-	66,012	-	19,965,695
Net Position - Beginning of Year	2,345,658	1,683,746	4,538,805	(355,336)	477,865	854	185,000	-	8,876,592
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	\$ 21,562,767	\$ 1,764,539	\$ 5,124,601	\$ (318,369)	\$ 456,883	\$ 854	\$ 251,012	\$ -	\$ 28,842,287

**CAPE LIGHT COMPACT JPE  
RECONCILIATION OF AUDITED ENERGY EFFICIENCY GAAP  
EXPENSES TO DEPARTMENT OF PUBLIC UTILITIES (DPU) REPORT  
YEAR ENDED DECEMBER 31 2022  
(SEE INDEPENDENT AUDITORS' REPORT)**

Energy Efficiency Operating Fund Expenses Reported on 2022 Combining Statement of Revenues, Expenses and Change in Net Position by Program (Page 33)	\$ 48,932,122
<u>Reconciling Items:</u>	
To Record Net Change in Accrued Expenses	(10,660)
To Record Net Change in Accrued Payroll	14,869
To Record Net Pension Liability, Net of Deferred Outflows and Inflows	237,697
To Record Total OPEB Liability, Net of Deferred Outflows and Inflows	(69,465)
To Record Net Change in Accrued Compensated Absences	34,310
Transfers Made to the OPEB and Pension Reserve Fund	564,733
To Capitalize Software	37,370
To Record Lease Liability Activity	61,295
Depreciation of Capitalized Expenses	<u>(92,883)</u>
Total Reconciling Items	<u>777,266</u>
2022 Energy Efficiency Expenses Reported on the 2022 Term Report	<u>\$ 49,709,388</u> (A)

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