Cape Light Compact

2012 and 2013 Audit Exit Conferences

Date: October 8, 2014

Presented by: Chris Rogers, CPA, Principal
Agenda

- Financial statements
  - Structure
  - Reporting entity
  - Opinions
  - 2012 and 2013 Summaries
  - Financial highlights
  - Significant footnotes
  - Additional Information

- Reports on Internal Control Over Financial Reporting and
  Compliance and Other Matters

- Governance Communication

- Questions
Financial Statement Structure

- Auditors’ opinion
- Management’s discussion and analysis
- Financial statements and notes
- Additional information
  - Combining statement of net position by program
  - Combining statement of revenues, expenses and changes in net position by program
  - Reconciliation of Audited Energy Efficiency GAAP Expenses to DPU Report
Reporting Entity

- Financial statements include the direct financial activities of the Compact, such as:
  - Energy efficiency programs funded by:
    - Energy efficiency/system benefit charges
    - EERF charges
    - RGGI proceeds received via the Commonwealth
    - Forward capacity market
  - Opt-in green program

- Financial statements do not include:
  - Federal and state grants received by Barnstable County but administered by the Compact
    - These funds are reported as governmental funds in Barnstable County’s annual audited financial statements
Opinions

- Opinions (p 2-3)
  - Unmodified opinion for 2012 and 2013
    ◇ FS presented fairly, in all material respects, the financial position and results of operations and cash flows in accordance with GAAP (GASB)
    ◇ Best opinion available
## Financial Highlights - 2012

<table>
<thead>
<tr>
<th>Statement of Net Position</th>
<th>2012</th>
<th>2011</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$1.4M</td>
<td>$2.2M</td>
<td>($0.8M)</td>
<td>(36.4%)</td>
</tr>
<tr>
<td>Receivables</td>
<td>$11.6M</td>
<td>$2.0M</td>
<td>$9.6M</td>
<td>480.0%</td>
</tr>
<tr>
<td>Other (IA)</td>
<td>$0.0M</td>
<td>$0.0M</td>
<td>$0.0M</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>$8.7M</td>
<td>$2.9M</td>
<td>$5.8M</td>
<td>200.0%</td>
</tr>
<tr>
<td>Due to BC (Current)</td>
<td>$2.2M</td>
<td>$0.0M</td>
<td>$2.2M</td>
<td>N/A</td>
</tr>
<tr>
<td>Due to BC (Noncurrent)</td>
<td>$0.4M</td>
<td>$0.3M</td>
<td>$0.1M</td>
<td>33.3%</td>
</tr>
<tr>
<td>Other</td>
<td>$0.1M</td>
<td>$0.1M</td>
<td>$0.0M</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td>$1.7M</td>
<td>$0.9M</td>
<td>$0.8M</td>
<td>88.9%</td>
</tr>
</tbody>
</table>
Financial Highlights - 2012

- Components of net position by Program
  - Energy Efficiency - $261K
  - Power Supply Reserve - $1.1M
  - Operating Fund - $259K
  - Green Program - $180K
## Financial Highlights - 2012

### Statement of Revenues, Expenses and Changes in Net Position

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>$24.7M</td>
<td>$16.5M</td>
<td>$8.2M</td>
<td>49.7%</td>
</tr>
<tr>
<td>Mil-adder</td>
<td>$1.0M</td>
<td>$1.0M</td>
<td>$0.0M</td>
<td>0.0%</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$0.9M</td>
<td>$0.7M</td>
<td>$0.2M</td>
<td>28.6%</td>
</tr>
<tr>
<td>Other</td>
<td>$0.1M</td>
<td>$0.2M</td>
<td>($0.1M)</td>
<td>(50.0%)</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$1.4M</td>
<td>$1.1M</td>
<td>$0.3M</td>
<td>27.3%</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>$24.0M</td>
<td>$14.9M</td>
<td>$9.1M</td>
<td>61.1%</td>
</tr>
<tr>
<td>Grants to CVEC</td>
<td>$0.4M</td>
<td>$0.7M</td>
<td>($0.3M)</td>
<td>42.9%</td>
</tr>
<tr>
<td>Legal</td>
<td>$0.7M</td>
<td>$0.7M</td>
<td>$0.0M</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>$0.4M</td>
<td>$0.6M</td>
<td>($0.2M)</td>
<td>(33.3%)</td>
</tr>
</tbody>
</table>
## Financial Highlights - 2012

### Statement of Revenues, Expenses and Changes in Net Position (Continued)

<table>
<thead>
<tr>
<th>Nonoperating Revenues (Expenses)</th>
<th>2012</th>
<th>2011</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward Cap Market</td>
<td>$0.8M</td>
<td>$0.7M</td>
<td>$0.1M</td>
<td>14.3%</td>
</tr>
<tr>
<td>REC's</td>
<td>$0.1M</td>
<td>($0.5M)</td>
<td>$0.6M</td>
<td>N/A</td>
</tr>
<tr>
<td>Investment income</td>
<td>$0.001M</td>
<td>$0.001M</td>
<td>$0.0M</td>
<td>0.0%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>($0.005M)</td>
<td>($0.003M)</td>
<td>$0.002M</td>
<td>66.7%</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td><strong>$0.8M</strong></td>
<td><strong>$0.6M</strong></td>
<td><strong>$0.2M</strong></td>
<td><strong>33.3%</strong></td>
</tr>
</tbody>
</table>
Significant Footnotes - 2012

- Note 5 - Long-term Obligations (p 19)
  - Due to Barnstable County - $377K
    - Represents charge backs related to Net OPEB Obligation
    - Subsequent to year-end, the Board voted to set aside $301K for the OPEB related charge backs
    - 2012 Charge back totaled $76K
    - See Note 6 (p 19) for further detail
  - Compensated absences - $72K
Significant Footnotes - 2012

- Note 8 – Related Party Transactions (pgs 20 - 21)
  - Administrative services agreement with County
  - Grant provided to CVEC ($403K)
    ◊ Subsequent to year-end authorized grants totaling $403k to fund 2014 and 2015 operations
  - County paying for certain Compact activities from General Fund (County) budget - $3,659
  - The Compact has secured a $100k line of credit for CVEC
  - The Compact purchases (at CVEC’s cost) REC’s purchased by CVEC for the Compact’s Green Program
    ◊ Purchases totaled $73,000
  - Subsequent to year-end, Board authorized $100k loan to CVEC for potential cash flow deficits
    ◊ Loan period is 6 months and an interest rate of 1.1%
    ◊ No amounts have been drawn on the authorization
Significant Footnotes - 2012

- Note 10 – Commitments (pgs 21 - 22)
  - REC Purchases
    ◊ Committed under an agreement to purchase RECs at fixed prices through June 2015
      • Estimated commitment totals $842K
    ◊ Committed to purchase all REC’s purchased by CVEC for an amount equal to CVEC’s cost through September 2015
      • Amount cannot be reasonably estimated
  - REC Sales
    ◊ Committed to sell REC’s it has acquired (or had committed to acquire) at fixed prices through June 2013
      • Expected inflows total $245K
    ◊ Subsequent to year-end, entered into agreements to sell REC’s it has acquired (or had committed to acquire) at fixed prices through December 2014
      • Expected inflows total $1.6M
Significant Footnotes - 2012

- Note 10 – Commitments (pgs 21 - 22)
  - Compact participates in ISO-NE Forward Capacity Market
    ◊ Committed to deliver specified units of EE at a fixed price per unit
    • Penalties are assessed if Compact fails to deliver its capacity supply obligation
Additional Information - 2012

- Additional Information (p 24 – 26)
  - Combining statement of net position by program (p 24) and combining statement of revenues, expenses and changes in net position by program (p 25)
    - These statements segregate the Compact’s activities between Energy Efficiency, Power Supply Reserve, budgeted operating funds and the Green Program
  - Reconciliation of audited GAAP EE operating expenses to annual DPU report (p 26)
## Financial Highlights - 2013

### Statement of Net Position

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$7.0M</td>
<td>$1.4M</td>
<td>$5.6M</td>
<td>400.0%</td>
</tr>
<tr>
<td>Receivables</td>
<td>$4.4M</td>
<td>$11.6M</td>
<td>($7.2M)</td>
<td>62.1%</td>
</tr>
<tr>
<td>Other (IA)</td>
<td>$0.1M</td>
<td>$0.0M</td>
<td>$0.1M</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>$3.4M</td>
<td>$8.7M</td>
<td>($5.3M)</td>
<td>60.9%</td>
</tr>
<tr>
<td>Due to BC (Current)</td>
<td>$0.0M</td>
<td>$2.2M</td>
<td>($2.2M)</td>
<td>N/A</td>
</tr>
<tr>
<td>Due to BC (Noncurrent)</td>
<td>$0.5M</td>
<td>$0.4M</td>
<td>$0.1M</td>
<td>25.0%</td>
</tr>
<tr>
<td>Other</td>
<td>$0.1M</td>
<td>$0.1M</td>
<td>$0.0M</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td>$7.5M</td>
<td>$1.7M</td>
<td>$5.8M</td>
<td>341.2%</td>
</tr>
</tbody>
</table>
Financial Highlights - 2013

- Components of net position by Program
  - Energy Efficiency - $5.8M
  - Power Supply Reserve - $1.3M
  - Operating Fund - $256K
  - Green Program - $237K
# Financial Highlights - 2013

## Statement of Revenues, Expenses and Changes in Net Position

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>$28.1M</td>
<td>$24.7M</td>
<td>$3.4M</td>
<td>13.8%</td>
</tr>
<tr>
<td>Mil-adder</td>
<td>$1.0M</td>
<td>$1.0M</td>
<td>$0.0M</td>
<td>0.0%</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$2.2M</td>
<td>$0.9M</td>
<td>$1.3M</td>
<td>144.4%</td>
</tr>
<tr>
<td>Other</td>
<td>$0.1M</td>
<td>$0.1M</td>
<td>$0.0M</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$1.6M</td>
<td>$1.4M</td>
<td>$0.2M</td>
<td>14.3%</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>$23.5M</td>
<td>$24.0M</td>
<td>($0.5M)</td>
<td>(2.1%)</td>
</tr>
<tr>
<td>Grants to CVEC</td>
<td>$0.4M</td>
<td>$0.4M</td>
<td>$0.0M</td>
<td>0.0%</td>
</tr>
<tr>
<td>Legal</td>
<td>$0.7M</td>
<td>$0.7M</td>
<td>$0.0M</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>$0.7M</td>
<td>$0.4M</td>
<td>$0.3M</td>
<td>75.0%</td>
</tr>
</tbody>
</table>
# Financial Highlights - 2013

## Statement of Revenues, Expenses and Changes in Net Position (Continued)

<table>
<thead>
<tr>
<th>Nonoperating Revenues (Expenses)</th>
<th>2013</th>
<th>2012</th>
<th>Change ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward Cap Market</td>
<td>$1.0M</td>
<td>$0.8M</td>
<td>$0.2M</td>
<td>25.0%</td>
</tr>
<tr>
<td>REC’s</td>
<td>$0.3M</td>
<td>$0.1M</td>
<td>$0.2M</td>
<td>200.0%</td>
</tr>
<tr>
<td>Investment income</td>
<td>$0.004M</td>
<td>$0.001M</td>
<td>$0.003M</td>
<td>300.0%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>($0.008M)</td>
<td>($0.005M)</td>
<td>$0.003M</td>
<td>60.0%</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>$5.8M</td>
<td>$0.8M</td>
<td>$5.0M</td>
<td>625.0%</td>
</tr>
</tbody>
</table>
Significant Footnotes - 2013

• Note 5 - Long-term Obligations (p 16)
  - Due to Barnstable County - $468K
    ◊ Represents charge backs related to Net OPEB Obligation
    ◊ Subsequent to year-end, the Board voted to set aside $301K for the OPEB related charge backs
    ◊ 2012 Charge back totaled $92K
    ◊ See Note 6 (p 17) for further detail
  - Compensated absences - $67K
Significant Footnotes - 2013

- Note 8 – Related Party Transactions (p 18)
  - Administrative services agreement with County
  - Grant provided to CVEC ($403K)
    ◊ Subsequent to year-end authorized grant totaling $403k to fund 2015 operations
  - The Compact has secured a $100k line of credit for CVEC
    ◊ No amounts have ever been drawn
  - The Compact purchases (at CVEC’s cost) REC’s purchased by CVEC for the Compact’s Green Program
    ◊ Purchases totaled $80,000
  - Subsequent to year-end, Board authorized $100k loan to CVEC for potential cash flow deficits
    ◊ Loan period is 6 months and an interest rate of 1.1%
    ◊ No amounts have been drawn on the authorization
Significant Footnotes - 2013

• Note 10 – Commitments (p 19)
  - REC Purchases
    ◊ Committed under an agreement to purchase RECs at fixed prices through June 2015
      • Estimated commitment totals $505K
    ◊ Committed to purchase all REC’s purchased by CVEC for an amount equal to CVEC’s cost through September 2015
      • Amount cannot be reasonably estimated
  - REC Sales
    ◊ Committed to sell REC’s it has acquired (or had committed to acquire) at fixed prices through December 2014
      • Expected inflows total $757K
Significant Footnotes - 2013

• Note 10 – Commitments (p 19)
  – Compact participates in ISO-NE Forward Capacity Market
    ◊ Committed to deliver specified units of EE at a fixed price per unit
    • Penalties are assessed if Compact fails to deliver its capacity supply obligation
Additional Information - 2013

• Additional Information (p 22 – 24)
  – Combining statement of net position by program (p 22) and combining statement of revenues, expenses and changes in net position by program (p 23)
    ◊ These statements segregate the Compact’s activities between Energy Efficiency, Power Supply Reserve, budgeted operating funds and the Green Program
  – Reconciliation of audited GAAP EE operating expenses to annual DPU report (p 24)
Report on Internal Control over Financial Reporting and on Compliance and Other Matters

- Document structure
  - Report on internal control (IC) over financial reporting (FR), compliance and other matters
    ◦ Required by Government Auditing Standards
    ◦ No opinion provided
    ◦ Must report the following:
      - Any significant deficiencies or material weaknesses in internal control over financial reporting
      - Material noncompliance related to laws, regulations, contracts and grant agreements
    ◦ Results
      - No findings for 2012 and 2013
Governance Communication

- Contents of letter
  - Accounting policies, estimates and disclosures
  - Difficulties encountered
  - Uncorrected and corrected misstatements
  - Disagreements with management
  - Management representations
  - Management consultations with other independent accountants
  - Other audit findings
  - Other information contained in the audited financial statements