

CAPE LIGHT COMPACT AGGREGATION PLAN

As revised by
DPU 14-69, Order dated
May 1, 2015 and DPU
17-95, Advisory Ruling
dated December 29, 2017

January 12, 2018

FOREWORD

On August 27, 2013, the Cape Light Compact (“Compact”) was asked by the Department of Public Utilities (“DPU”) to review its Aggregation Plan to determine whether the Compact should file a revised plan to reflect current structure and operations, consider removing obsolete references and to comply with any applicable laws, regulations and DPU precedent as well as the forthcoming decision in DPU 12-124 (Lowell Aggregation Plan). (The Lowell decision was subsequently issued on November 27, 2013.)

The Compact’s Aggregation Plan was prepared in 1999 and approved by the DPU in 2001. It was drafted to reflect the requirements of state law at the time it was submitted for approval to the DPU. The Compact’s structure and purposes also are set forth in detail in its governing instrument, a joint powers agreement entered into pursuant to G.L. c. 40A, §4A ½ (the “Joint Powers Statute”). The Compact was initially organized under an inter-governmental agreement adopted by the Compact members in 1998 and that document guided the Compact after its initial implementation of universal generation service on an opt-out basis. The Compact reorganized as a joint powers entity, the Cape Light Compact JPE, effective July 1, 2017.

The original joint powers agreement was dated as of April 12, 2017, and was executed by duly authorized officers of all twenty-one of its municipal members (along with Dukes County, collectively the “Members”) pursuant to votes, resolutions or other authorizations of their boards of selectmen in accordance with the Joint Powers Statute. The joint powers agreement is reviewed by the Compact Board on a regular basis, and was most recently amended and restated on December 13, 2017 (the “Joint Powers Agreement”) by vote of the Compact Board and was executed in accordance with its amendment procedures. The Compact complies with all relevant statutory provisions as they may be amended from time to time by the Massachusetts Legislature.

It was not the Compact’s objective to continually update the Aggregation Plan as it was viewed as an initial requirement for becoming a municipal aggregator. Going forward and in accordance with DPU 12-124, the Compact will update its Aggregation Plan should it seek to materially deviate from the approved plan or if changes in the law, regulations, the competitive supply market or other circumstances result in the approved plan no longer accurately describing the primary operations of the Compact’s aggregation. The Compact and its Members also may make other updates to the Joint Powers Agreement in accordance with the terms of such agreement.

The current Aggregation Plan incorporates a broad overview of current operations and practices, but also preserves certain sections of the Aggregation Plan that are important for historical

context. We hope that the Cape and Vineyard community appreciate the compilation of past and present Compact activities, and encourage all interested persons to read the Joint Powers Agreement for a more up-to-date reflection of the Compact's organizational structure and practices as it undertakes not only aggregated power supply and the provision of energy efficiency services but also other activities as a regional intergovernmental entity.

After the Updated Plan was filed with the DPU on April 3, 2014 and discovery concluded, the DPU held a technical session and suggested further revisions to improve the clarity and completeness of the Updated Plan. None of these additional revisions make substantive changes to the Compact's operations. The Compact filed these further revisions on August 20, 2014. In addition, after receipt of an Advisory Ruling from the DPU in December 2017 regarding the Compact's internal reorganization to a joint powers entity, the Compact updated the organizational structure and related references in the Aggregation Plan as recommended by the Advisory Ruling.

Sincerely,
Joyce Flynn
Chair
January 2018 (revised January 2018)

Purpose of the Aggregation Plan

The Cape Light Compact JPE (the “Compact”) developed this Aggregation Plan in compliance with Massachusetts law regarding public aggregation of electric consumers. It contains required information on the structure, operations, services, funding, and policies of the Compact. The Aggregation Plan has been developed in consultation with the then Massachusetts Division of Energy Resources, now the Department of Energy Resources (hereafter “DOER”).

The Compact was originally formed in 1997 following two years of study and town meetings and town council votes. Its purpose, among other things, is to represent consumer interests in the competitive markets for electricity. It seeks to aggregate all consumers to negotiate the best terms and conditions for electricity supply and pricing and to advance consumer protection for the residents and businesses of Cape Cod and the Vineyard. It brings together the buying power of up to 202,000 customers (as of March, 2014). Participation is voluntary for the towns and for each individual consumer. Any individual has the opportunity to decline power supply service provided through the Compact and choose any electric supplier they wish.

The Compact provides:

- 1) an option to join together for purchase of power supply at the best terms and conditions and the most competitive market rates available;
- 2) the recovery of funds collected from Cape and Vineyard consumers by the Local Distribution Company on behalf of the Compact each year for energy efficiency and application of those funds in approved energy efficiency and conservation programs; and
- 3) an opportunity for professional representation at the state level and in negotiations with the Local Distribution Company with respect to changes in the electric industry.

The Compact distributed this plan in 2013 for public review prior to submitting it to the Department of Public Utilities (hereafter “DPU”).

Member towns:

(Barnstable County):

Barnstable	Harwich
Bourne	Mashpee
Brewster	Orleans
Chatham	Provincetown
Dennis	Sandwich
Eastham	Truro
Falmouth	Wellfleet
	Yarmouth

(Dukes County):

Aquinnah
Chilmark
Edgartown
Oak Bluffs
Tisbury
West Tisbury

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REQUIREMENTS FOR MUNICIPAL AGGREGATION

General Law c. 164, §134 (part of the Massachusetts Electric Industry Restructuring Act) contains several requirements for municipal aggregators. One requirement is to develop an Aggregation Plan in consultation with the DOER. The Aggregation Plan is subject to review by citizens in the participating towns and approval by the DPU. The Compact's Aggregation Plan went through this process in 1999 and received DPU approval in D.T.E. 00-47 (2001). Under the law [G.L. c. 164, §134], there are fourteen requirements to be described in the Aggregation Plan.

1.0 THE PROCESS OF AGGREGATION

The process of municipal aggregation for the Compact involved a multi-step public process that the Compact originally undertook from 1998 to 2001:

- 1.1 Vote of town meeting
- 1.2 Vote of selectmen, town council, or county commissioners
- 1.3 Town/county representative participates on Compact Governing Board
- 1.4 Planning process/development of policy including Aggregation Plan, RFPs, contracts
- 1.5 Development and release of Request for Proposals
- 1.6 Review of Aggregation Plan by citizens
- 1.7 Power supply contract to selectmen/town council for acceptance vote, conditioned on DPU approval and final signing
- 1.8 Power supply contract and Aggregation Plan submitted to DPU for approval
- 1.9 Final signing by each participating town
- 1.10 Notification of consumers of automatic enrollment
- 1.11 Administrative transfer of customers to Compact supplier(s)
- 1.12 180-day opt-out period begins on first day of service
- 1.13 File contract and report with state (DPU, DOER, Inspector General) within 15 days of signing contract

In addition to this process, as a public entity the Compact must comply with open meeting laws, ethical rules, and certain public bidding and information requirements.

The 2014 revisions to the Compact's Aggregation Plan included the following steps:

- 1.1 August 27, 2013, the DPU sent the Compact a letter asking the Compact to consider revising its Aggregation Plan.
- 1.2 September 11, 2013, Compact Governing Board discussed DPU letter at its Board Meeting and agreed that revisions to Aggregation Plan were warranted and developed a process for revising the Aggregation Plan.
- 1.3 November 20, 2013, Compact Governing Board continued deliberations and began discussion of proposed revisions to Aggregation Plan.

- 1.4 December 5, 2013, as required by G.L. c. 164, §134(a) and the DPU August letter, the Compact Administrator consulted with DOER regarding the Compact's proposed process and revisions to the Aggregation Plan. DOER provided suggested revisions to the Aggregation Plan, which were incorporated into the Updated Aggregation Plan.
- 1.5 December 11, 2013, Compact Governing Board reviewed and discussed a redlined version of the proposed Updated Aggregation Plan. The Board also approved a seven week public comment period and three informational meetings on the Updated Aggregation Plan.
- 1.6 December 17, 2013, the Compact's public comment period on the Updated Aggregation Plan opened.
- 1.7 December 17, 2013, the Compact Administrator electronically sent the Updated Aggregation Plan to all twenty-three Compact Members, along with a memorandum summarizing the proposed revisions. In addition, the Compact staff met with most of the Compact member towns and counties to provide information and answer questions regarding the proposed revisions.
- 1.8 January 9, 2014, the Compact Board continued its discussions of the proposed revisions.
- 1.9 January 15, 16 and 30, 2014, informational sessions on the Updated Aggregation Plan were held in Mashpee, Orleans, and Oak Bluffs, respectively.
- 1.10 January 23, 2014, the Compact Administrator met with a representative from the Attorney General's Office to discuss the Updated Aggregation Plan. The Attorney General requested the Compact consider an addition to the Aggregation Plan. After consideration by the Compact Board, the Compact included the suggested addition.
- 1.11 February 7, 2014, the Compact's public comment period closed. The Compact received 65 letters in support of the proposed revisions and 14 letters opposing the proposed revisions. The Compact Board was provided all of the letters.
- 1.12 February 26, 2014, the DPU directed the Compact to file its Updated Aggregation Plan no later than April 4, 2014.
- 1.13 March 12, 2014, the Compact Governing Board discussed and reviewed additional proposed revisions from its Members, the DOER, Attorney General, and the public. The Compact Board voted and approved the filing of its Updated Aggregation Plan with the DPU.
- 1.14 March 25, 2014, the Compact completed its consultation with DOER.
- 1.15 April 3, 2014, the Compact filed its Updated Aggregation Plan with the DPU.
- 1.16 August 20, 2014, at the direction of Department Staff, the Compact filed revisions to its Updated Aggregation Plan.

2.0 THE ORGANIZATIONAL STRUCTURE AND OPERATIONS OF THE COMPACT PROGRAM

The Compact is organized in accordance with G.L. c. 40A, §4A1/2 (the "Joint Powers Statute"). Its governing instrument is a joint powers agreement as required by the Joint Powers Statute. The original joint powers agreement was dated as of April 12, 2017, and was executed by duly authorized officers of all twenty-one of its municipal members (along with Dukes County)

pursuant to votes, resolutions or other authorizations of their boards of selectmen in accordance with the Joint Powers Statute.¹

The joint powers agreement is reviewed by the Compact Board on a regular basis, and was amended and restated on December 13, 2017 (the “Joint Powers Agreement”) by vote of the Compact Board and was executed in accordance with its amendment procedures. Membership provides voting rights (limited for counties as they are not municipal aggregators) and inclusion for planning, analysis, and participation in Compact programs. The organization relies on the existing structure of local and county government and from time to time, agreements between government agencies.

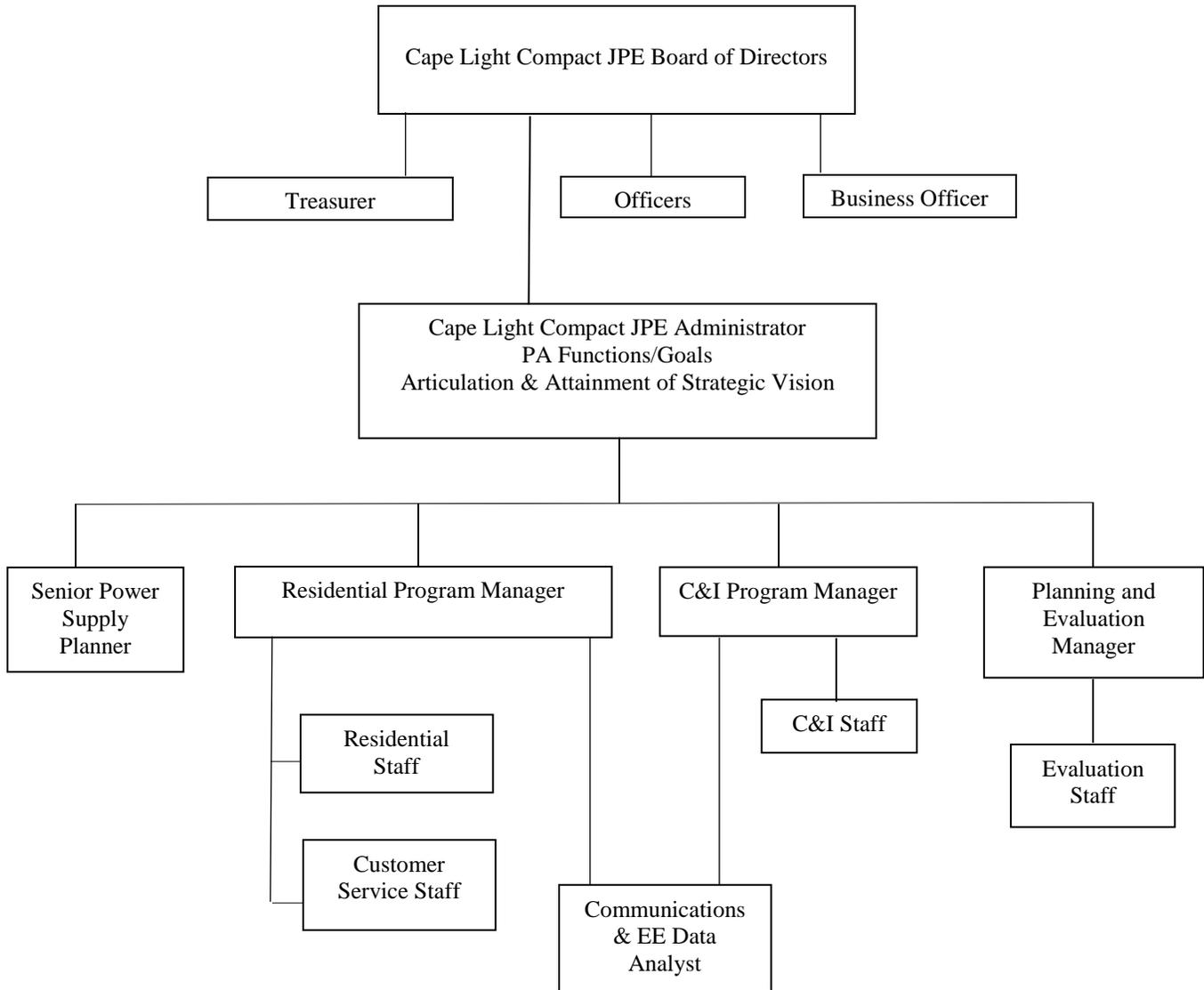
The Compact Governing Board is made up of one representative appointed by each of the members, as well as an alternate representative that each member may appoint. The term of each Compact Governing Board member varies depending upon the member town/county. Presently, there are some members serving a fixed term and some serving at the pleasure of the municipality. The Compact Governing Board is responsible for establishment of the policies and development of the Compact, except with respect to those powers reserved to the member municipalities of the Compact by law or the Joint Powers Agreement.

At its first meeting following the end of each calendar year, the Compact Governing Board elects a chairman, vice chairman, secretary, and such other officers as the Governing Board may determine. The term of office is one year and until respective successors are elected and qualified. In accordance with the Joint Powers Agreement and the Joint Powers Statute, each year the Governing Board also appoints: (1) a treasurer who may be a treasurer of one of the Compact’s municipal members (however, no Compact Director or other employee of the Compact is eligible to serve concurrently as treasurer); and (2) a business officer who may be a city auditor, town accountant or officer with similar duties, of one of the Compact’s municipal members.

The Compact Governing Board and its officers are responsive and responsible to consumers and the Boards of Selectmen and Town Manager/Town Council. The operational role of the Compact in relation to consumers and Boards of Selectmen and Town Council is outlined and described in the following pages.

¹ Barnstable County was a member of the Compact as originally constituted and is eligible for membership in the Cape Light Compact JPE.

CAPE LIGHT COMPACT JPE Organizational Structure



2.1 Description of Operational Units

There are five operational units to the Compact as described below.

Unit One: Consumers

Consumers hold the ultimate authority over the Compact and its functions. They can make determinations on local authority, policy, and programs at town meetings. They can elect candidates for Boards of Selectmen or Town Council who may take positions regarding the Compact. They can express their views to their local Compact representative. They can participate in local and regional meetings and hearings regarding issues related to the Compact and they can attend Compact meetings to express their views.

In addition, every consumer in a participating town is eligible to participate in the Compact's programs. Every consumer also has the ability to decline supply service through the Compact and choose any other power supply option available. Consumers who are dissatisfied with services provided under contracts negotiated by the Compact may also communicate directly with the Compact Governing Board in an effort to alter or otherwise improve services. Consumers may also bring issues before their Boards of Selectmen, Town Council, or town meeting.

Unit Two: Board of Selectmen and/or Town Manager

Based upon their existing authority, or authority provided by voters at town meetings, the Board of Selectmen and Town Manager may act through their appointed Board members on program and policy issues and contract recommendations. In addition, they may provide instructions to their representative on the Compact Governing Board regarding specific policy or program decisions to be made by the Compact. They may also raise issues directed to them by consumers for the Compact to address.

Unit Three: Compact Governing Board

The Compact Governing Board carries out the collective decisions and instructions of the towns and consumers. Every member town that signed the original Joint Powers Agreement has a representative on the Compact Board. Policy and program decisions are made on a one-town-one-vote basis. However, issues with financial implications for the towns are made on the basis of a weighted vote. A weighted voting process also allows separate determinations by Barnstable County and Dukes County towns. The Compact's subcommittees focus on particular issues and bring policy decisions back to the Governing Board. The Governing Board determines recommendations to be made to the Boards of Selectmen and Town Council and to county members. (The list of current representatives is available on the Compact's website at www.capelightcompact.org.)

Unit Four: Procurement; Service Providers

The Compact procures all basic goods and services, i.e. office supplies and equipment, consistent with Massachusetts General Laws. The Compact's Chief Procurement Officer ("CPO"), appointed by the Governing Board, also procures all other services for both the Compact's energy efficiency and power supply activities, except for certain energy efficiency contracts that are procured on a statewide basis. In accordance with the Joint Powers Agreement, the Governing Board may appoint or engage one or more service providers to serve as the Compact's administrative, fiscal or operational agent. A municipal member of the Compact may also contract with the Compact to be a service provider.

Unit Five: Service Suppliers

Power suppliers contract with the Compact through its CPO. The Power Supply Program is negotiated, recommended, and monitored for compliance by the Compact through its CPO and/or the CPO's designee. The CPO reports the results of power supply bids and associated negotiations to the Governing Board.

Contracts with consultants, vendors of energy efficiency or demand side management services, or other services negotiated and recommended by the Compact, are executed by the Compact and may, from time to time, be executed and/or administered by a service provider engaged by the Compact.

2.2 Program Operations

The Compact's operations are guided by the provisions and goals, policies and purposes contained in the Joint Powers Agreement, and the instructions and decisions of the Compact Governing Board, Boards of Selectmen, Town Council, and consumers.

The Compact's goals, policies and purposes are set forth in the Joint Powers Agreement, as may be amended from time to time, as follows:

Power Supply Goals, Policies and Purposes:

- 1) To provide the basis for aggregation of all consumers on a non-discriminatory basis;
- 2) To negotiate the best terms and conditions for electricity supply and transparent pricing;
- 3) To explore all available options for negotiating the best terms and conditions for electricity supply and the development of renewable energy resources, including, without limitation, the formation of and/or membership in a co-operative organization to purchase or produce energy or renewable energy certificates ("RECs") or both on a long-term basis;
- 4) To provide equal sharing of economic savings based on current electric rates and/or cost-of-service rate-making approved by the DPU;
- 5) To provide and enhance consumer protection and options for service under contract provisions and to allow those consumers who choose not to participate to opt-out;
- 6) To improve quality and reliability of service;
- 7) To encourage environmental protection through contract provisions;

- 8) To utilize and encourage renewable energy development to the extent practicable through contract provisions, demonstration projects and state mandated system benefit charges for renewable energy;
- 9) To advance specific community goals that may be selected from time to time, such as placing utility wires underground;
- 10) To provide full public accountability to consumers; and
- 11) To utilize municipal and other powers and authorities that constitute basic consumer protection to achieve these goals.

Energy Efficiency Goals, Policies and Purposes:

- 1) To administer an energy efficiency plan that advances consumer awareness and the adoption of a wide variety of energy efficiency measures and that also utilizes and encourages demand side management, all through contract provisions, demonstration projects and the use of state mandated system benefit charges for energy efficiency and other related charges and funds;
- 2) To provide full public accountability to consumers; and
- 3) To utilize municipal and other powers and authorities that constitute basic consumer protection to achieve these goals.

2.3 Programs of the Compact

The Compact offers two programs to achieve its goals: 1) the Power Supply Program and 2) the Statewide Three-Year Energy Efficiency Program. In addition, the Compact provides professional representation on behalf of consumers in state proceedings and in negotiations with the Local Distribution Company to protect consumer interests in today's energy marketplace.

2.3.1 Power Supply Program ("Power Supply Program")

The Power Supply Program is designed to reduce the amount consumers pay for electric energy and to gain other favorable economic and non-economic terms in service contracts. The Compact does not buy and resell power, but represents consumer interests to set the terms for service. Through a competitive bid and negotiation process, the Compact, through its CPO, develops a contract with a power supplier for firm, all-requirements service. The contract runs for a fixed term (i.e. four years). In order to begin the Power Supply Program, the Compact's price had to be lower than the distribution company's standard offer service. The Compact met this threshold with its initial power supply price. There is no longer a statutory price benchmark for municipal aggregators. The Compact's power supply price complies with the requirements under G.L. c. 164, §134.

The process of supply contract approval contains checks and balances. After the Compact's form of all-requirements competitive electric supply contract was developed by the CPO, it was submitted to the DPU for its approval. The Compact's form of all-requirements competitive electric supply contract was approved by the DPU in D.T.E. 04-32 (2004). All electric supply contracts approved by the Compact's CPO since 2004 have been in substantially the same form as the contract approved by the DPU.

At the direction of the Governing Board, the Compact's Power Supply Program also includes the following components:

1. The CPO explores all available options for negotiating the best terms and conditions for electricity supply and the development of renewable energy resources, including, among other things, the formation of and/or membership in a co-operative organization to purchase or produce energy or RECs or both on a long-term basis;
2. The CPO communicates the Compact's power supply prices by: 1) discussing at the Governing Board meeting in public session; 2) posting the prices for all customer sectors to the Compact's website; and 3) paid advertisements in all daily and weekly newspapers on Cape Cod and Martha's Vineyard;
3. Ongoing coordination with the Local Distribution Company concerning billing and other operational needs;
4. Ongoing customer communication and education about the Compact's Power Supply Program; and
5. Ongoing consumer advocacy and representation at the state level through participation in DPU proceedings, the legislative development process, the stakeholder community and before other regulatory and governmental bodies.

And lastly, individual consumers may opt-out of the program at any time, and select Basic Service through the Local Distribution Company or electric service from any other competitive supplier available, in accordance with the terms and conditions of service offered by the Local Distribution Company or such other competitive supplier. (See Section 12.3 for more detailed information on the opt-out process.) No member town is required to participate in municipal power supply contracts, and no individual consumer is required to receive service under the Compact power supply contract. Consumers may also return to the Compact's Power Supply Program.

2.3.1.1 Staffing and Manpower for the Power Supply Program

The operations necessary to plan, deliver, and manage the Compact's Power Supply Program include: 1) technical analysis; 2) competitive procurement of services; 3) regulatory approvals; 4) accounting and fiscal management; 5) contract maintenance; 6) communications; 7) program coordination; and 8) administrative support for the Compact Governing Board. The Compact's power supply staff are funded through the Compact's operational adder, collected through its power supply contract (discussed below at Section 3.0). Experienced consultants and legal counsel work under contract for the Compact.

The Power Supply Program has been developed by the Compact Governing Board with the support of technical consultants and legal counsel. Now that a contract for power supply has been secured, technical consultants and legal counsel are used on an as-needed basis to assist the Governing Board in carrying out the goals of the Compact set forth in the Joint Powers Agreement.

Negotiations with the Local Distribution Company and representation at the state level are undertaken as needed at the direction of the Compact Governing Board through technical and legal advisors.

2.3.1.2

[INTENTIONALLY OMITTED]

2.3.2 Renewable Energy Option²

The Compact offers an opt-in green power program to customers called *Cape Light Compact GreenSM*. *Cape Light Compact GreenSM* is a REC-based product. Customers that enroll in *Cape Light Compact GreenSM* receive all-requirements power supply through the same contract that governs the provision of energy to all customers in the Compact's aggregation in addition to RECs proportional to their consumption. The Compact is responsible for purchasing RECs for *Cape Light Compact GreenSM*. The price for *Cape Light Compact GreenSM* is set by the Compact. The following is a summary of how *Cape Light Compact GreenSM* RECs are purchased and how customers participate in *Cape Light Compact GreenSM*:

- a) In procuring RECs for *Cape Light Compact GreenSM*, the Compact focuses on long-term contracts with local projects, ensuring stable premiums and promoting local renewable energy projects. These contracts are generally unit contingent. The Compact's approach has been to sign contracts projected to generate more RECs than will be necessary for *Cape Light Compact GreenSM* with the knowledge that the Compact can sell RECs not needed for the program to other entities. While a preference is given to local projects, the Compact negotiates prices that are in line with markets and will consider an off-Cape and Vineyard project if necessary to obtain market prices. This work is informed by the Compact's experience in the REC markets and may be supplemented by a subscription to a REC price forecasting service or expert outside consultants to help ensure a fair price.
- b) Customers may opt into *Cape Light Compact GreenSM* by calling a toll-free number operated by the Compact's current supplier. The number is exclusively for Compact customers, and is used for all power supply enrollment and billing questions. The premium for the green product generally appears on the customer's bill at the end of the next full billing cycle after the customer enrolls – comparable to a customer signing up for any competitive supply product.
- c) Customers may leave the optional green program at any time without any penalties by calling the same toll-free number used for enrollment. The premium for the green product is generally removed from the customer's bill at the end of the next full billing cycle after the customer calls to leave the green program – comparable to a customer dropping any competitive supply product.
- d) Pricing for the Compact's optional green power programs is set as fixed premiums above the Compact's price for all-requirements power supply in effect at the time. The

² The Compact may choose to suspend or terminate this program from time to time in the event that it elects to offer as part of its Power Supply Program a higher percentage of renewable energy than required under the Massachusetts Renewable Portfolio Standard.

premiums for the two *Cape Light Compact Green*SM products (100% and 50%) are set to recover the cost of REC purchases, marketing, administrative and other program related expenses.

- e) Pricing and other information for *Cape Light Compact Green*SM is available on the Compact's website at www.capelightcompact.org/clcgreen. Pricing is provided for the cost of both the all-requirements power supply and the additional RECs, as opposed to just the premium itself, to minimize confusion. The Compact advertises changes in pricing for its power supply aggregation in all of the Cape Cod and Martha's Vineyard daily and weekly papers – pricing for the optional green products are included in these notices. The Compact has begun running quarterly notices in the same publications highlighting the content of both the aggregation's regular mix and the voluntary green power products. This information is also available on the Compact's website.

2.3.3 Statewide Three-Year Energy Efficiency Investment Program (“Energy Efficiency Program”)

While the Power Supply Program is designed to reduce the cost of a kilowatt hour of energy, the Energy Efficiency Program is aimed at total bill reduction. Wise use of energy also promotes important environmental and social benefits. Energy efficiency or demand side management includes practices, technology and education to advance methods for reducing energy use and monthly bills for residential, commercial, industrial, and municipal consumers. The purpose of the Compact's Energy Efficiency Program is to return maximum benefits to consumers who are providing the majority of the energy efficiency funds and to provide building blocks for market transformation. [Market transformation is an ongoing process in which program subsidies for various measures are periodically recalibrated as particular measures successfully transform the market and efficient products and technologies continue to evolve and new or enhanced measures merit program subsidies. Market transformation is a dynamic process.]

In order to administer the Energy Efficiency Program, a municipal aggregator must first receive DPU approval of its municipal aggregation plan and offer universal service as a power supply option to all classes of customers pursuant to the approved aggregation plan. The Energy Efficiency Program is the result of an iterative process that includes review by the Compact's Governing Board, Cape and Vineyard consumers, as well as other stakeholders and approval by the DPU to ensure compliance with current law and consistency with state energy goals. The Compact's Energy Efficiency Plan is submitted to the Compact Board for approval prior to submission for DPU approval.

Pursuant to the Green Communities Act, St. 2008, c. 169, (the “Act”), as well as G.L. c. 164, §134, the Compact's Energy Efficiency Program follows a process outlined in law for aggregated municipalities to access funds contributed by consumers for purposes of funding energy efficiency programs. The Compact also makes every effort to secure grants or other monies available for energy efficiency program administration. The budget for the Energy Efficiency Program is specified in the Compact's Three-Year Plan, as approved by the DPU. The Compact's energy efficiency staff is fully funded through the Energy Efficiency Program.

The Energy Efficiency Program is managed by the Compact's team of experienced energy efficiency staff and management consultants who assist in the oversight of service delivery. Service delivery for the Energy Efficiency Program is carried out by vendors. Vendors and other consultants are procured through a competitive contracting process, in accordance with public procurement law, as well as the statewide procurement process utilized by the Program Administrators of Energy Efficiency Programs to carry out the goals of the Act.

The current Compact Energy Efficiency Plan is available on the Compact's website, www.capelightcompact.org.

2.3.4 Professional Representation

As the electric industry continues to evolve and change, it is essential for Cape and Vineyard consumers to have technical and legal support to represent their interests in selected state proceedings and in negotiations with the Local Distribution Company. These efforts also attempt to improve reliability, which may result in fewer power outages and faster restoration of service.

3.0 PROGRAM FUNDING

Initial development of the Compact was funded as part of the Barnstable County budget through appropriations by the County. As of July 2012, Barnstable County ceased to appropriate funds for the Compact.

Aside from any funds that may be appropriated through a public process, the Compact may collect a kilowatt hour charge, equivalent of up to a mil per kilowatt hour, from consumers participating in the Compact's Power Supply Program. The power supply price on all consumer bills reflects all charges for the administrative and operational costs of the Power Supply Program. The operational adder ("Operational Adder") is collected by the Compact's competitive electric supplier on behalf of the Compact. The Compact's supplier may collect up to 1 mil (\$.001), or such lower amount as the Compact may determine, for every kWh sold to consumers for the duration of service under the competitive electric supply agreement. The Compact's supplier remits these funds to the Compact within thirty (30) days of the end of the month.

The Compact began using an adder for its operations expenses in September, 2002. The Compact determined the adder amount, up to 1 mil, as part of the development of the terms and conditions of its competitive electric supply agreement. The primary use of the Operational Adder funds is to support the Compact's annual power supply operational budget and other costs associated with implementing its programs. The Compact has also utilized some of the Operational Adder funds to support renewable energy development by the Cape and Vineyard Electric Cooperative, Inc., a sister organization comprised of Barnstable and Dukes Counties and all but two of the Compact's member towns.

Prior to the beginning of each fiscal year, staff works with the Compact's Board Treasurer to prepare a proposed operating budget. When preparing a new Compact annual budget, the process begins with discussions by and between the Compact Board and Compact staff at regularly scheduled Board meetings that involve, among other things, a review of the prior year budget and projections for the coming year. The level of the Operational Adder is determined during this process and is based upon the projected expenses of the Compact. At the Compact Board meeting, staff addresses questions from the Compact Board on the proposed budget. Sometimes additional information is requested on specific expenditures, which is provided by staff. The Compact Board may decide to approve the budget after one meeting or the Board may elect to continue deliberating to its next regularly scheduled meeting. Approving the operating budget is by a weighted vote based on Compact Member population. The budget is posted to the Compact's website. Throughout the fiscal year, the Compact presents, at each Compact Board meeting, a Treasury Report which provides an overview of the year-to-date revenues and expenses relating to the Compact's power supply and other Compact activities, e.g. energy efficiency.

In 2013, the Compact Governing Board approved a policy that requires use of any portion of the Operational Adder/power supply reserve fund shall follow the Compact's budget appropriation process.

The unreserved portion of the Operational Adder/power supply reserve fund, after appropriation of the annual power supply operating budget, shall not exceed:

1. The subsequent year's REC commitment;
2. The average of the previous three years' power supply operating budget;
3. The historical cost of procuring a new supplier should the existing contract terminate; and
4. Adequate funds for REC contractual obligations such as escrow accounts and other sureties.

At the end of each fiscal year, any appropriations from the Operational Adder/power supply reserve fund, as well as examination of the power supply fund itself, will be subject to review by a certified independent financial auditor.

4.0 TERMINATION OF THE POWER SUPPLY PROGRAM

The Power Supply Program may be terminated, as set forth below:

Upon the termination or expiration of the power supply contract without any extension, renewal or subsequent supply contract being negotiated.

At the decision of the Compact Governing Board to dissolve the Power Supply Program.

The Compact's Power Supply Program would be terminated should the Compact, based upon an available lower basic service price, decide to switch its customers from its Power Supply Program to basic service.

In addition, if a Compact Member municipality withdraws from the Compact, that Member municipality's municipal aggregation program is terminated.

Any termination of the Power Supply Program, in its entirety or in part, must be conducted in compliance with the DPU's conditions for termination established in D.T.E. 00-47 and subsequent pertinent orders.

The Local Distribution Company will receive notice of termination as follows: 1) ninety (90) day notice prior to a planned termination of the Compact's Aggregation Plan; 2) ninety (90) day notice prior to the end of the anticipated term of its Program's electric service agreement ("ESA"); and 3) a four-business day notice of the successful negotiation of a new ESA that extends the date at which aggregation participants would otherwise return to basic service. Additionally, each individual customer receiving power supply service under the Compact's Power Supply Program will receive notification of termination of the program ninety (90) days prior to such termination.

In the event of termination of the Power Supply Program, in whole or in part, consumers would return to the Local Distribution Company's basic service or choose another competitive supplier.

5.0 METHODS FOR ENTERING AND TERMINATING AGREEMENTS WITH OTHER ENTITIES

The Compact's process for entering, modifying, enforcing, and terminating agreements shall comply with the requirements of town charters, and state and federal laws. Where required, the procedures outlined in G.L. c. 30B shall be followed. Other agreements, such as the Joint Powers Agreement, shall be entered, modified, or terminated in compliance with the law and according to the express provisions of the relevant agreement.

Summary of Process to Solicit Bids for an ESA:

1. Compact, under the direction of the CPO, prepares and reviews the Request for Proposals ("RFP") and ESA to ensure they are complete and accurate.
2. Compact distributes the RFP to competitive suppliers that are qualified to carry out the obligations of the ESA. Factors considered in making this determination include a supplier's size and financial security, experience serving customers in Massachusetts, and reputation.
3. Suppliers interested in responding to the RFP execute a Confidentiality Agreement with the Compact.
4. Upon receipt of an executed Confidentiality Agreement, Compact provides electric account information with suppliers including current enrollment and hourly load data.
5. Suppliers submit questions to the Compact on the RFP, with responses going to all of the suppliers.
6. Suppliers and Compact enter into a contract negotiation process, resulting in contracts acceptable to both the Compact and prospective bidders.
 - a. Compact staff, select Compact Board members, counsel and consultants are responsible for these negotiations.

- b. All Compact Board members are invited to participate in the negotiation, meetings and bid review for the RFP process.
7. Suppliers submit bids, as firm prices or pricing strategies, to Compact. If pricing a strategy is proposed, Compact meets with suppliers upon receipt of price bids.
 - a. Compact staff, select Compact Board members, counsel and consultants are responsible for these negotiations.
 - b. All Compact Board members are invited to participate in the negotiation, meetings and bid review for the RFP process.
8. CPO selects and executes ESA on Compact's behalf.
9. Compact notifies customers of new ESA and prices.
 - a. Posts prices on the Compact's website.
 - b. Publishes public notice in all of the Cape and Vineyard daily and weekly printed newspapers.
 - c. Issues a press release and posts on social media.

6.0 RATESSETTING AND OTHER COSTS TO PARTICIPANTS

The Compact will offer the option of its Power Supply Program at rates and terms to be negotiated with competitive power suppliers. The generation charge/supplier charge for each customer class, or any customer grouping by load factor or other appropriate pricing category, will reflect the Compact's best efforts to secure the best terms and conditions and the most competitive market rates available at the time of contracting with competitive power suppliers. Due to fluctuations in competitive electric market prices and basic service rates, Compact generation/supplier charges may not always be lower, and are not required to be lower, than the Local Distribution Company's basic service rate. The Compact's potential pursuit of a higher percentage of renewable energy than required under the Massachusetts Renewable Portfolio Standard ("RPS") may also result in rates higher than basic service. All supplier charges to the customer will be fully and prominently disclosed under the notification process.

The Local Distribution Company shall continue to provide metering, billing, and maintenance of the distribution system as a regulated monopoly function until such time as the DPU determines it is in the interest of consumers for these services to be provided differently. Charges for metering, billing and other distribution services shall be regulated by the DPU, unless otherwise provided for in law, or DPU rules and regulations.

6.1 Rates and Ratesetting

Under DPU orders, the Local Distribution Company assigns the customer classification and corresponding character of service and associated regulated rates. These rates include a monthly customer charge, a distribution charge, a transmission charge, and an access charge that currently make up the largest portion of a customer bill. Although the Compact shall participate in regulatory proceedings and represent the interests of consumers regarding these regulated rates, it does not plan to assign or alter existing customer classifications. In the event that the Compact does seek to change rate classifications, it will secure any necessary approvals.

The focus of the Compact, as noted above, will be acquisition of competitive prices and terms for power supply. This price, or prices, will be set through the competitive bid and negotiation process, and will be noted on the consumer bill as the “generation charge.” The price in the contract is subject to any requirements set forth in G.L. c. 164, §134, as well as approval by the Compact’s CPO.

On its website (www.capelightcompact.org), the Compact maintains its current power supply rates for each rate class and the period for which the current rates apply. The Compact also provides an active link to the Local Distribution Company’s Basic Service Rate, DPU website, and to the Executive Office of Energy and Environmental Affairs website for a list of licensed competitive electric suppliers. The Compact cannot ensure or verify the accuracy of the information provided by other service providers.

6.2 Customer Billing

Customer billings under the Power Supply Program will be made by the supplier under contract and shall be incorporated into the standard monthly utility billing. The bill shall include a clear delineation of all regulated and non-regulated charges. Under law, consumers are entitled to a choice of one or two bills. They may receive a “complete bill” that incorporates the power supply charge and the Local Distribution Company’s charges on a single sheet; or a “pass-through bill” which is a separate bill issued by the power supplier in addition to the bill from the Local Distribution Company. For purposes of clarity and simplicity, the Compact recommends that consumers elect to receive a “complete bill” with all charges on a single sheet. However, consumers may make their own choice on this issue, except in the event that the Compact’s supplier under contract is a participant in the Local Distribution Company’s purchase of receivables program, in which case the terms of the purchase of receivables program require the customer to receive a complete bill.

7.0 UNIVERSAL ACCESS

“Universal access” is a term derived from the traditional regulated utility environment in which all customers desiring service receive that service. For the purposes of the Compact’s municipal aggregation program this will mean that all existing customers within the borders of participating municipalities, and all new customers in the participating municipalities, shall be eligible for service from the contracted supplier under the terms and conditions of the supply contract. Item one of the Compact’s goals contained in the Joint Powers Agreement is: “To provide the basis for aggregation of all consumers on a non-discriminatory basis.”

Service under the Compact’s Power Supply Program shall include all customer classes in adherence with universal service principles and requirements, and the traditional non-discriminatory practices of local government. Contracts with all suppliers shall contain provisions to maintain these principles and equitable treatment of all customer classes.

Existing customers in the participating towns shall be transferred to the Power Supply Program unless they have already contracted with a competitive supplier, or affirmatively opt-out of the program.

Low-income consumers shall remain subject to all existing provisions of state law regarding their rights to return to Basic Service through the Local Distribution Company and/or participate in the Power Supply Program as well.

New customers in the service territory upon sign up for service will be automatically enrolled in the Power Supply Program with the right to opt-out at any time.

8.0 EQUITABLE TREATMENT OF ALL CLASSES OF CUSTOMERS

All customers will be treated equitably. They will be guaranteed the right to raise and resolve disputes with the supplier; be provided all required notices and information; and always retain the right to opt-out of the Compact's program.

9.0 REPORTING

The Compact, in accordance with DPU directives, will submit an annual report to the DPU. The report will be filed in a manner prescribed by the DPU. The initial report will be filed on December 1, 2014 and will include: 1) a list of the Compact's competitive suppliers over the past year; 2) the term of each power supply contract; 3) the aggregation's monthly enrollment statistics by customer class; 4) a brief description of any renewable energy supply options and other renewable energy features that exceed minimum requirements; and 5) a discussion and documentation regarding the implementation of the municipal aggregation's alternative information disclosure strategy, to the extent applicable.

10.0 RELIABILITY

"Reliability" in power supply and in transmission and distribution is essential to consumers. The Compact's policy, as set forth in the goals of the Joint Powers Agreement is: "To improve quality of service and reliability." This will be accomplished and reinforced at several levels: 1) through provisions of the power supply contract that will include language on reliability of supply, liability and damages provisions; 2) through traditional proceedings related to the Local Distribution Company's regulated transmission and distribution services; and 3) through direct discussions with the Local Distribution Company concerning specific or general problems related to quality and reliability of transmission and distribution service.

11.0 RIGHTS AND RESPONSIBILITIES OF POWER SUPPLY PROGRAM PARTICIPANTS

11.1 Rights

All Compact Power Supply Program participants shall enjoy the protections of law afforded to consumers as they currently exist or as they may be amended from time to time. Compact customers with questions regarding enrollment, billing, and other similar issues are directed to the toll-free number operated by the Compact's supplier for Compact customers. Customers with more detailed questions or questions directed to the Compact itself are forwarded by the Compact's supplier to the Compact's Senior Power Supply Planner for a response. Customers may also contact the DPU's Consumer Division with unresolved issues.

All program participants shall also enjoy the individual right to decline participation in the Power Supply Program as noted in the description of the "opt-out" in Section 12.2 below.

11.2 Responsibilities

All Power Supply Program participants shall meet all standards and responsibilities required by the DPU, including payment of billings and access to essential metering and other equipment to carry out utility operations.

12.0 THE CONSEQUENCES OF AGGREGATION

Municipal aggregation functions under the restrictions of state law and carries a range of results and consequences:

12.1 Consumer Option to Participate in Competitive Market

Many individual consumers lack knowledge and leverage to negotiate terms for power supply. A municipal aggregator provides them with an option for professional representation and the leverage of a large group so that they may more effectively participate in the competitive process and achieve benefits.

12.2 Consumer Ability to Opt-Out and Choose Another Supplier

Because the law guarantees the right to opt-out, including the right to choose Basic Service at no charge for 180 days, all customers have the right to select a supplier other than the one chosen by the Compact. A customer may opt-out, or opt back in, by calling a toll free number operated by the Compact's current supplier. The Compact does not charge a fee for opting out of the Compact's Power Supply Program.

Customers that have opted out of the Compact's Power Supply Program may opt back in, but the Compact's current contract with its supplier does allow the supplier, at its discretion, to charge returning customers a price that is different from the price in effect for customers under the Compact's contract with the supplier at that time. This provision protects both the supplier and

the Compact's other customers from individuals that might switch to variable-priced products when market prices are low and back to fixed-price products during high-priced months.

The rights of customers seeking to opt back in to the Compact's Power Supply Program during the term of an ESA is a part of the Compact's negotiation for new ESAs, and at times, may differ somewhat from the rights described above.

In addition, the Local Distribution Company's electric distribution service tariff currently contains the following provision that imposes conditions upon when a customer in the Compact's service territory may switch from basic service to a competitive supplier:

The Company shall reasonably accommodate a change from Standard Offer Service, Default Service or Generation Service to a new Competitive Supplier in accordance with the Terms and Conditions for Competitive Suppliers, and shall accommodate a change to Standard Offer Service or Default Service from Generation Service; provided, however, that when a Customer changes from a Competitive Supplier to Default Service, unless the Customer or the Customer's applicable Competitive Supplier can demonstrate to the Company's reasonable satisfaction that the Customer has been placed on Default Service upon the expiration of a contract with such Competitive Supplier, the Customer is not permitted to return to the same Competitive Supplier for a period of six (6) months from the effective date of the change. Customers are permitted to switch from Default Service to a different Competitive Supplier who has not supplied the Customer with Generation Service in the same six (6) month period.

NSTAR Electric Company Terms and Conditions for Distribution Service, M.D.T.E. No. 300A (February 1, 2006) at 5F.

12.3 Indemnification of Consumers and Risk Associated with Competitive Market

In a competitive market it is possible that the failure of a power supplier to deliver service may result in the need for consumers to acquire alternative power supply, or for consumers to receive power at Basic Service prices. The Compact will seek to minimize this risk by recommending only reputable suppliers who demonstrate reliable service. The Compact also intends to include conditions in its contract with a supplier that will indemnify consumers against risks or problems with power supply service.

12.4 Other Consumer Protections

The Compact will negotiate a range of provisions in its contracts to enhance consumer protection. The Compact also intends to work with the Local Distribution Company and the DPU to assure improvement in the reliability of transmission and distribution services.

13.0 MEET ANY REQUIREMENTS ESTABLISHED BY LAW OR THE DEPARTMENT CONCERNING AGGREGATED SERVICE

The Compact fully intends to comply with the requirements of law and the rules of the DPU.

14.0 UPDATING THE COMPACT'S AGGREGATION PLAN

In accordance with DPU 12-124, the Compact will update its Aggregation Plan should the Compact seek to materially deviate from its approved plan or if changes in the law, regulations, the competitive supply market, or other circumstances result in the approved plan no longer accurately describing the primary operations of the Compact's aggregation. Prior to filing a revised plan with the DPU, the Compact will consult with DOER, submit the revised plan for review by its citizens, and obtain all necessary approvals. Beyond these circumstances, however, the Compact will not seek to update its Aggregation Plan for the continued operation of the Compact's programs. The Compact and the Compact Members also may make periodic updates to the Joint Powers Agreement.