

Cape & Vineyard Electric Cooperative, Inc.
Executive Committee and Finance Committee
Open Session Meeting Minutes - Tuesday, April 10, 2018

The Cape & Vineyard Electric Cooperative, Inc. Board of Directors met in open session on Tuesday, April 10, 2018 at 9:30 a.m. in the CVEC Offices, 23H2 Whites Path, Suite 2, South Yarmouth, MA 02664

PRESENT WERE:

1. Leo Cakounes, President, Finance and Executive Committee Member/Director, Barnstable County
2. Steve Gavin, Finance Committee/Director, Yarmouth
3. Austin Brandt, Executive Committee Member/Director, Cape Light Compact (CLC)
4. Charles McLaughlin, Executive Committee Member/ Finance Committee/Director, Barnstable

ABSENT WERE:

1. Jennifer Rand, V. President/Executive Committee Member/Director, West Tisbury
2. Charles Hanson, Executive Committee Member/Clerk/Director, Brewster

STAFF PRESENT

Liz Argo, Manager
Tatsiana Nickinello, Assistant Office Manager

PUBLIC PRESENT

None

1. CALL TO ORDER

Pres. Cakounes called the meeting to order at 9:45 a.m. and announced the Meeting Notice/Agenda was duly posted on the CVEC, Inc. website in accordance with the Open Meeting Law April 5, 2018 at 2.20 pm.

2. PUBLIC COMMENT

There were no public comments.

3.UPDATE, DISCUSSION AND VOTE ON VENDORS' OFFERS TO ENTER CVEC STAND-ALONE PV PROJECTS INTO THE INDEPENDENT SYSTEM OPERATORS (ISO-NE) FORWARD CAPACITY MARKET AUCTION

L. Cakounes briefed the Board about a time sensitive opportunity for CVEC's entering another capacity market venture. L.Argo further explained that the qualification application's deadline is April 27. She noted that CVEC's projects over 100kW and behind-the-meter are already in capacity market through CPower and earned \$15, 000 this year. L.Argo reported that she did her due diligence in locating other companies offering similar services, but there were no other companies interested in the market. She further explained that CPower was not interested, either, since they deal with behind-the-meter demand side projects, rather than supply capacity. L.Argo presented to the Board a commission and delivery payment estimate from Clear Result. She added that Clear Result offered their services previously and this is a second proposal. Their first offer had a high deposit cost. Clear Result made a second proposition to pay the deposit cost in exchange for charging a 30% commission in place of the original 25%. A brief discussion took place about length of arrangement and possibility of adding Yarmouth to the list of projects. There was a lengthy discussion about the deposit, its reimbursement and project details. The questions discussed were: if the deposit was necessary; if the deposit was reimbursed in full; if the commission goes back down to 25%

after the deposit cost has been repaid or if it stays at a higher rate of 30%; what is CVEC's budget; why the project length is 4 years, not 7 years as in other similar energy markets; how long until deposit can be reimbursed; is financial assurance required or not since the projects have been built already; are we getting a percentage from the sum presented in Clear Result Delivery Payment Estimate or has the number already been calculated to include Clear Result's fee; what would be CVEC's involvement in managing the project? The Board agreed to contact Lisa Barrett, Program Manager at Clear Result to answer the questions.

L. Barrett joined on the phone at 10 am.

L. Argo presented the participants and asked L. Barrett what is required of CVEC. L. Barrett explained that reporting happens automatically and CVEC's part is in managing on-going obligations for early delivery. L. Cakounes inquired about the earliest pay date based on the 2020 commitment period. L. Barrett explained that the earliest opportunity of financial gain can be as early as summer or November of next year. She added that the payments are rendered annually but could be quarterly. A. Brandt inquired if any deposits get returned. L. Barrett clarified that the deposits on expected cost are not returned, and ISO NE uses the word "deposit", but it's a more like cost that depends on how much time ISO spends on reviewing materials. C. McLaughlin asked L. Barrett to give an educated guess on the amount. L. Barrett replied \$10,000-\$15,000.

There was a brief discussion on the deposit and commission rate. L. Cakounes led the discussion with the consideration of negotiating the terms of the commission rate going back to 25% after the deposit amount has been collected back with payments. He noted that it is expected for Clear Result to realize an attorney-surge or a similar expense in return for Clear Result's offer to "front" the deposit but he does not feel it's fair for CVEC to continue paying an additional on-going 5% after the deposit amount has been covered. He suggested making a special provision in the contract to address this matter. L. Barrett replied that she will contact the legal team to discuss possible options.

A. Brandt inquired why the duration of the project cycle is 4 years, but not 7 years as in other similar projects in the industry and would CVEC have an opportunity to bid for Capacity Commitment Period (CCP) 14 after entering 13. Barrett clarified that the project duration is defined by its type and in a renewable solar technology market the cycle duration is 4 years. In terms of CCP 14, she specified, the contract will automatically renew allowing CVEC to participate.

L. Cakounes inquired if any projects are taken out of the list, what would be the repercussions for CVEC? L. Barrett answered that it is possible to add language to withdraw any projects before October. C. McLaughlin expanded on the question and asked what are the options to cancel out -project and what are the consequence of cancellation? L. Barrett explained that the timing is of utmost importance in the case of cancellation: if there is an ample notice to withdraw from the auction, there should not be any problem. If the time to formally remove has passed, CVEC can still trade through a bilateral substitution. She added that potential exposure in this case is the difference in value if trading happens at a loss. L. Barrett added that generally, Clear Result can find a trade with an equal or close to equal value. There was a brief discussion on the possibilities of natural disaster or other type of force majeure and consequences it can bring. L. Barrett explained that in that case, the actions taken would be same as in other situations: bilateral trade or reconfiguration. A. Brandt asked to clarify his understanding that, if CVEC is committing for June 1st, 2022, CVEC would not get early delivery payment, and if CVEC would have to sell the position, the only risk would be selling the position at a loss. L. Barrett responded that it is correct.

C. McLaughlin asked if Clear Result could obtain some references and where 25% fee falls in the range that Clear Result offers for other entities. L. Barrett replied that she could get some references and as it comes to pricing, Clear Result charges as low as 15-20% and as high as 50% with an average of 30% based on size and technological advances of the project. L. Argo inquired that if CVEC were to find more projects, can the rate be improved? L. Barrett responded that it can certainly be lowered if the size of the portfolio is bigger. L. Barrett elaborated on the risk analysis on the commitment payments. She added that June, July, August and September are the months that have obligations on shortage. L. Barrett specified that based on a 10-year historic data, projects usually do not have

shortages with the exception of a couple of hours at night. In the last two years, however, there were no shortage conditions in the month of June, which ISO NE achieved through better forecasting.

C. McLaughlin inquired if CVEC can pledge capacity while all the systems are owned by private investors. L.Barrett explained that CVEC would have to acquire documentation that shows the chain of capacity ownership being transferred to CVEC. A. Brandt also asked if Clear Result is willing to cap the amount on qualification cost, which L.Barrett responded that they can put “do not exceed” clause. L.Cakounes thanked L.Barrett for her help.

The phone call ended at 10.53 a.m.

A brief discussion took place about contacting Anderson & Kreiger and addressing the issues with Clearesult’s contract, such as 25% rate, \$38,000 deposit and reasonable cost of money in the contract. L.Cakounes suggested setting up another meeting on April 19th to discuss a contract and give Anderson & Kreiger a week for response time. *L.Cakounes moved the committee to authorize staff and the President to draft a contract with Clear Result reflecting concerns addressed at the meeting and submit final draft to Executive Committee, seconded by C. McLaughlin and voted unanimously in favor as follows:*

- | | |
|-----------------------------------|-----|
| 1. L. Cakounes, Barnstable County | Yes |
| 2. A .Brandt, CLC | Yes |
| 3. S. Gavin, Yarmouth | Yes |
| 4. C. McLaughlin, Barnstable | Yes |

The vote was unanimous by roll call in the affirmative (4-0-0)

4. DISCUSSION ON CURRENT AFFAIRS WITH EVERSOURCE AND POSSIBLE VOTE TO FOLLOW-UP ON LETTER TO EVERSOURCE DATED 12.20.17 AND TO THE DEPARTMENT OF PUBLIC UTILITIES DATED APRIL 3, 2018

L.Argo briefly noted that she withheld sending the letter to DPU since Eversource representative has been very responsive in trying to work things out. She added that she is also currently working on solving the problem with a Tisbury miscalculation and asked for a note on it from Tisbury but has not gotten it as of yet.

5. UPDATE FROM BCK LAW ON POTENTIAL FOR CVEC COMMERCIAL POWER SALES AND/OR SERVICES IN ACCORDANCE WITH CVEC’S ORIGATION DOCUMENTS AND IRS STANDING

L.Argo informed the Board that BCK is currently working on an overview of the legal documents.

6. UPDATE, DISCUSSION AND POSSIBLE VOTE ON PV INITIATIVE ROUND 3 CONTRACT SIDE LETTER TO RELIEVE COMPENSATION FOR GUARANTEED ANNUAL OUTPUT SHORTFALL UNDER CVEC SYSTEM OWNERSHIP

L.Argo informed the Board that CVEC has changed the Round 3 contracts as instructed by the full Board at the March 29th meeting, to include the right of first refusal for the towns. L.Argo added that she is working with the legal team on a side letter that would examine the possibility of relieving CVEC of the responsibility for non-production or shortfall penalty.

7. UPDATE AND POSSIBLE VOTE ON CONSULTANT AGREEMENT FOR CVEC’S ADMINISTRATIVE SERVICES WITH TOWN OF SANDWICH

L.Argo asked the Board to authorize the agreement to provide services to the Town of Sandwich. She added that Sandwich wants CVEC to handle money and pay off-takers for a fee. A.Brandt expressed his concern about CVEC handling money. C.McLaughlin added that he would feel more comfortable if that would be done with Peregrine oversight. L.Cakounes inquired about the fee amount in question and he added that he would like to see the fee be tied to the project. L.Argo answered that the fee in mind was \$630, but it can also be based on adder amount. The Board agreed to reexamine the issue after contacting Anderson & Kreiger.

8. UPDATE ON NET METERING CREDIT SALE; NEXAMP PHASE 2

L.Argo informed the Board that she is still working on it.

Next Executive Committee meeting has been scheduled for Thursday, April 19 at 9 a.m.
The Board adjourned at 11.15 a.m.

LIST OF DOCUMENTS & EXHIBITS:

- April 10, 2018 Meeting Notice/Agenda
- Clear Result Delivery Payment Estimate