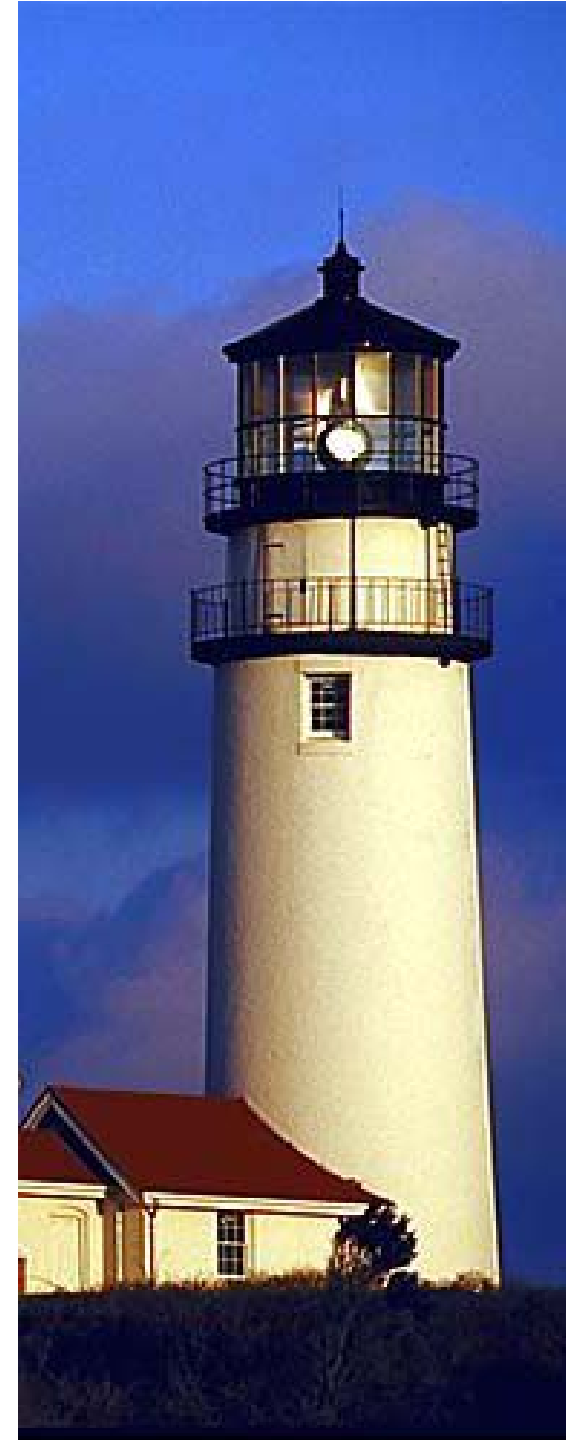


***Overview of Relationship
Between the Cape Light
Compact and the Cape &
Vineyard Electric Cooperative
June 1, 2011***



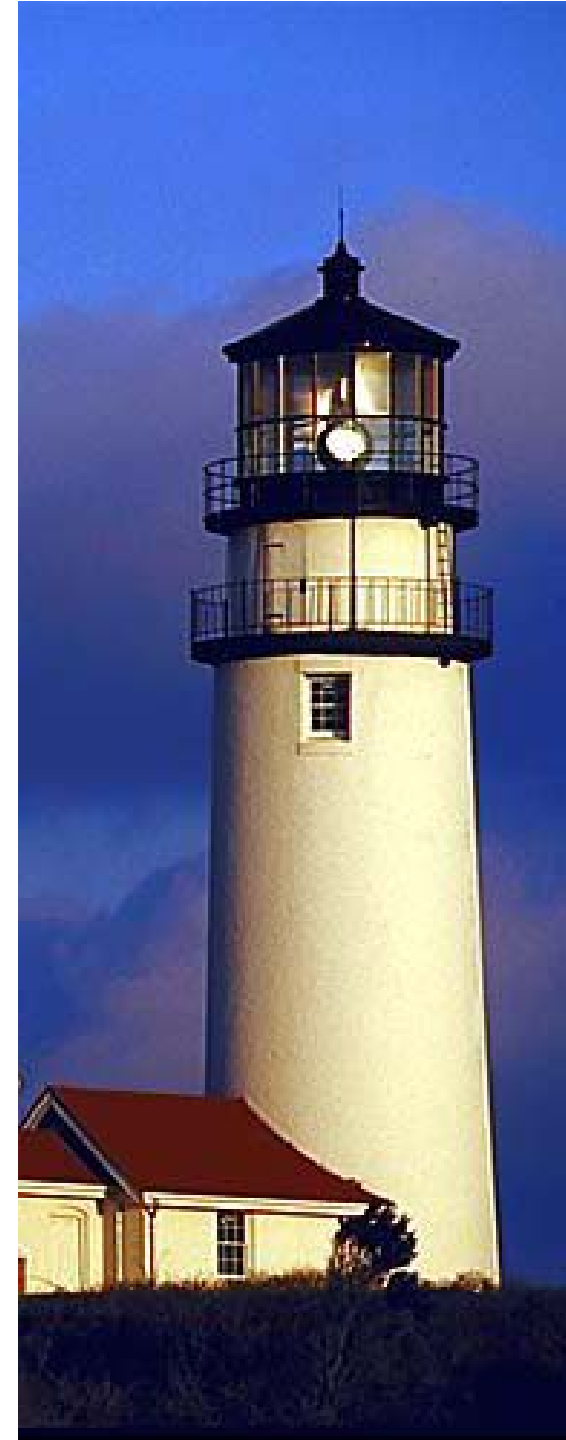
Background on CLC

- CLC was originally formed in 1997 through an inter-governmental agreement (IGA) pursuant to G.L. c. 164, §134, c. 25A, §6 and c. 40, §4A. The CLC now consists of Barnstable County, Dukes County, and all of the twenty-one municipalities located within these counties on Cape Cod and Martha's Vineyard
- Under current IGA, the purposes of the CLC include: aggregating consumers as part of the competitive market for electricity, negotiating the best terms and conditions for electricity supply, ensuring transparent pricing, providing equal sharing of economic savings based on current electric rates, providing and enhancing consumer protection, allowing consumers who choose not to participate to opt-out, as well as supporting environmental protection, energy efficiency, and renewable energy development



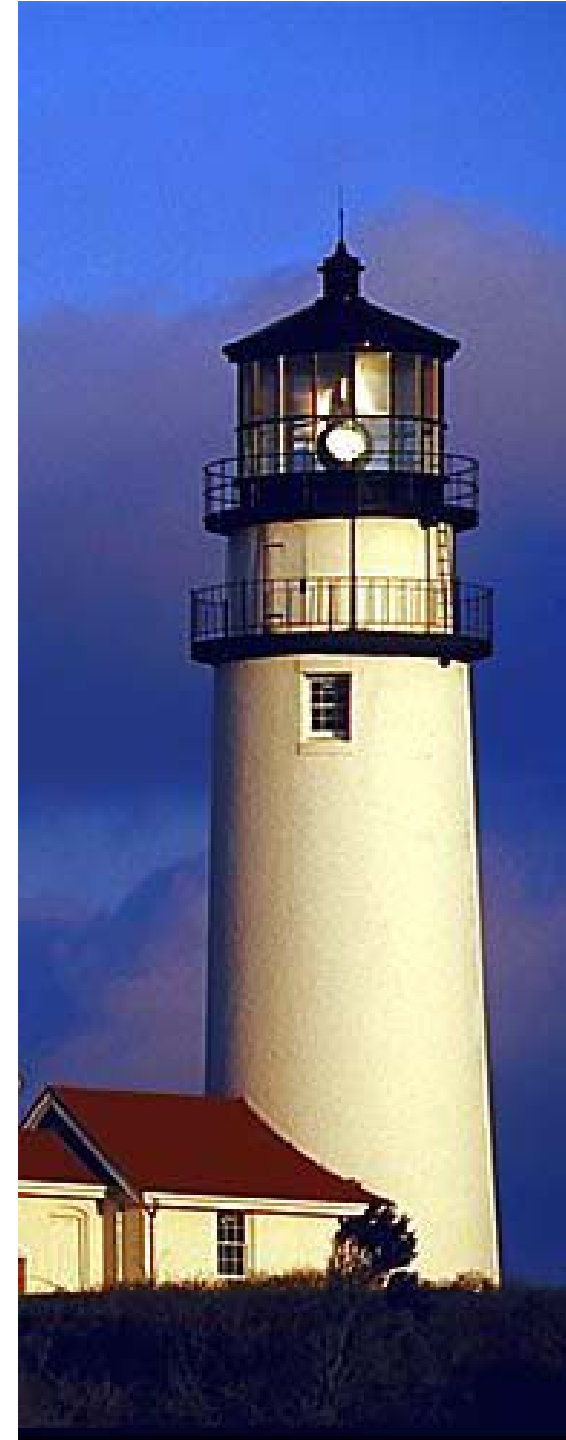
Background on CLC - 2

- The CLC is governed by a Governing Board, which is responsible for the general management and supervision of the business and affairs of the CLC. The Governing Board consists of one representative selected by the Board of Selectmen or Town Council of each member municipality, plus one County Commissioner appointed by the Barnstable County Commissioners, and one representative appointed by the Dukes County Commissioners
- The CLC uses a weighted voting structure; both quorum and weighted votes are tabulated according to the population represented
- The CLC is funded through several sources, including ratepayer funds, federal and state grants, County general funds, and an administrative charges levied on electricity sold through the CLC's aggregated power supply contract with its private competitive electric supplier



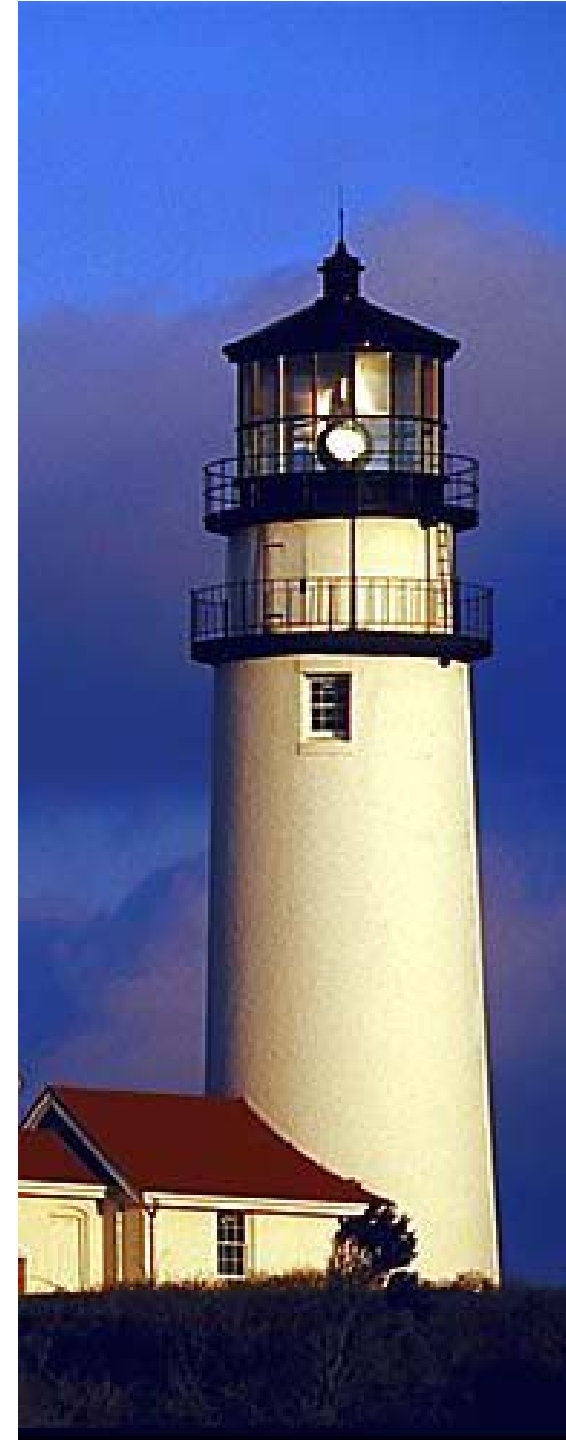
Background on CLC - 3

- The CLC has the power to plan and implement projects, as well as to negotiate contracts and other agreements. The CLC may adopt an annual budget and bylaws, direct the expenditure and investment of funds, acquire property, construct equipment and facilities, as well as apply for and receive grants or other financial assistance. It may employ staff, consultants, attorneys, technical advisors, and independent contractors
- The CLC may enforce agreements or otherwise prosecute claims on behalf of its members, and may coordinate the defense of members in any claim relating to such agreements
- The bylaws expressly permit it to retain counsel who may also represent its members or other public entities in matters in which CLC has a direct or substantial interest, subject to certain conditions set forth in the bylaws



Background on CVEC

- The Cape & Vineyard Electric Cooperative, Inc. (CVEC) was formed out of a strategic planning process commissioned and undertaken by the CLC
- Neither CLC, nor its member towns, could develop electric generation projects and enter into long-term power purchase and other agreements
- Desire to stabilize electric rates for all ratepayers with renewable energy projects
- Develop renewable energy projects
- Public policy



Formation of CVEC

- CLC examined alternatives in 2006
- CVEC organized in September 2007 – separate legally distinct entity from all member towns and counties
- Three initial members: CLC, Barnstable County and Town of Barnstable



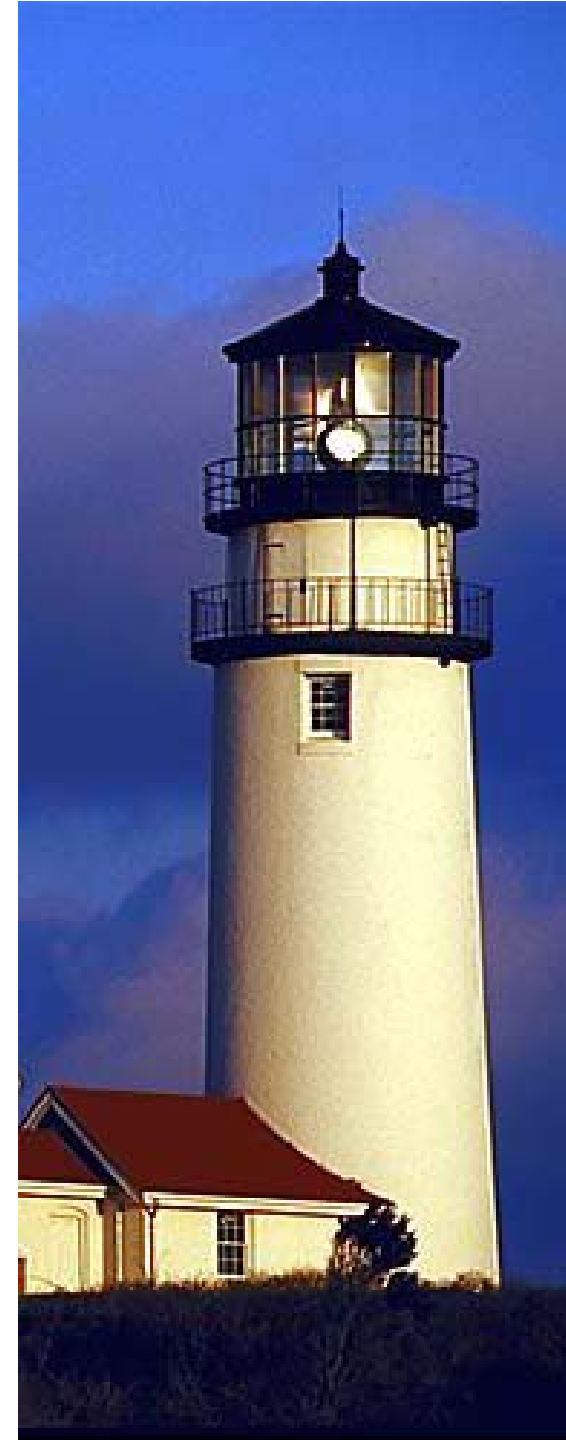
CVEC's Objectives

- Maximize the economic benefits of projects through net metering of municipal load
- Projects developed, owned and operated by CVEC
- RECs, capacity and other benefits will stabilize electric rates for all CLC customers
- Long term - develop electric generation projects or contracts over the next 10 years to stabilize electric rates for all CLC customers



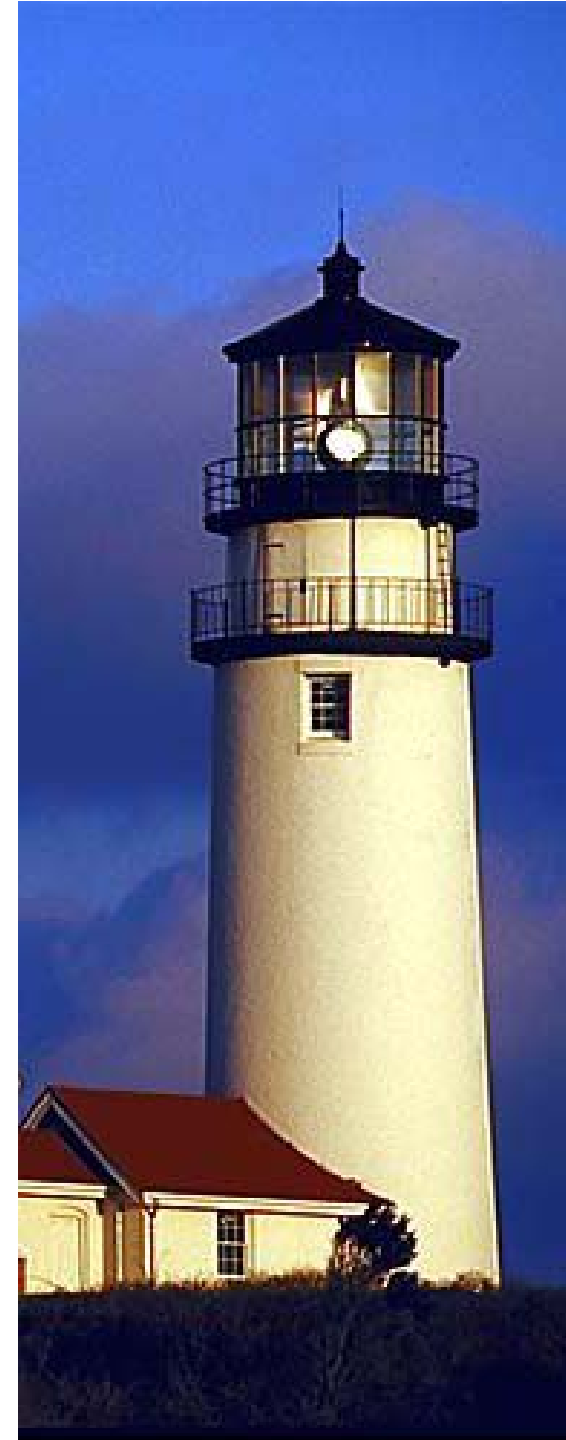
CVEC Bylaws – Eligibility

- Any municipality or county or political subdivision thereof, or body politic that meets the requirements of Internal Revenue Code Section 115, shall be eligible to apply for membership in CVEC, provided that the governing board of each Member has authorized its membership
- All Members must agree to be bound by and to comply with all of the other provisions of CVEC's Articles of Organization, and all rules, regulations, program requirements, membership agreements and terms and conditions of membership as may be established by CVEC



Cooperative Bylaws – Governance

- Membership on CVEC's Board of Directors is controlled by the member governmental units, with each of them having a representative on the Board
- For the purpose of organizational efficiency, the Board has delegated most of its powers, with some exceptions, to the Executive Committee.
- CVEC's bylaws expressly permit it to retain counsel who may also represent its members or other public entities (e.g. the CLC) in matters in which CVEC has a direct or substantial interest, subject to certain conditions set forth in the bylaws



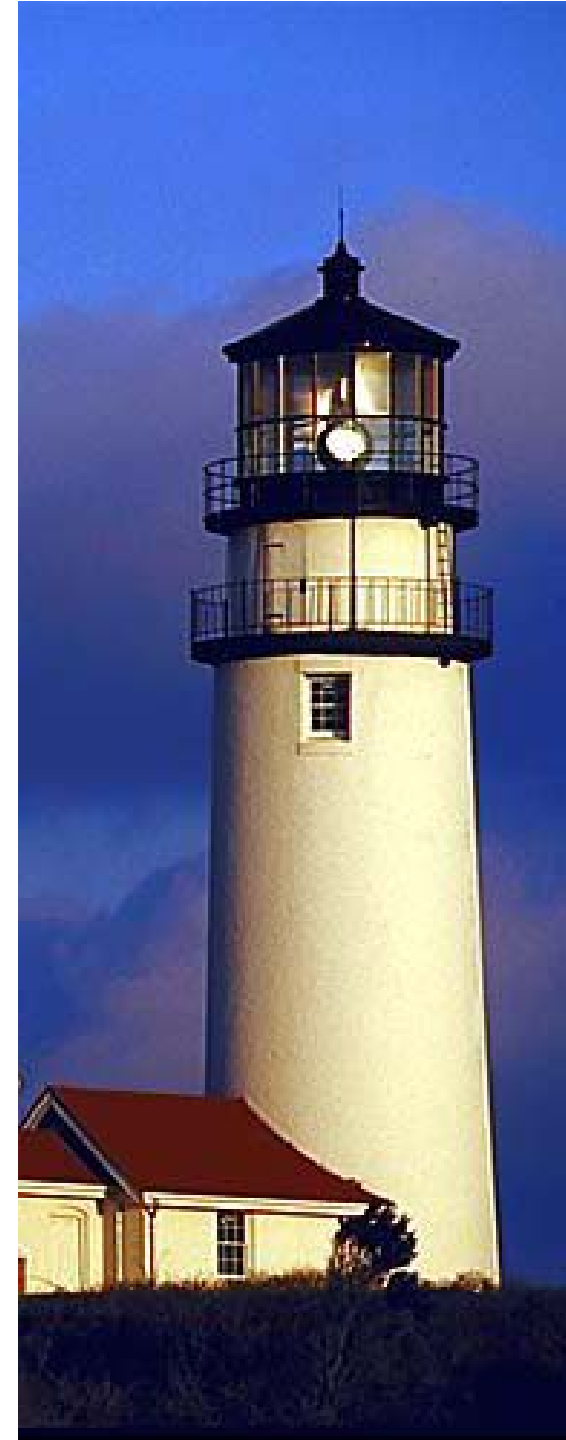
Rights and Obligations of Membership

- Goal is to have power purchase agreements be the primary financing mechanism provided by Members
- Members may be asked to provide *pro-rata* financial contribution/backstop for specific projects as approved by CVEC Board
- Failure to make a contribution means the Member is terminated
- Members may not choose to participate on a project by project basis



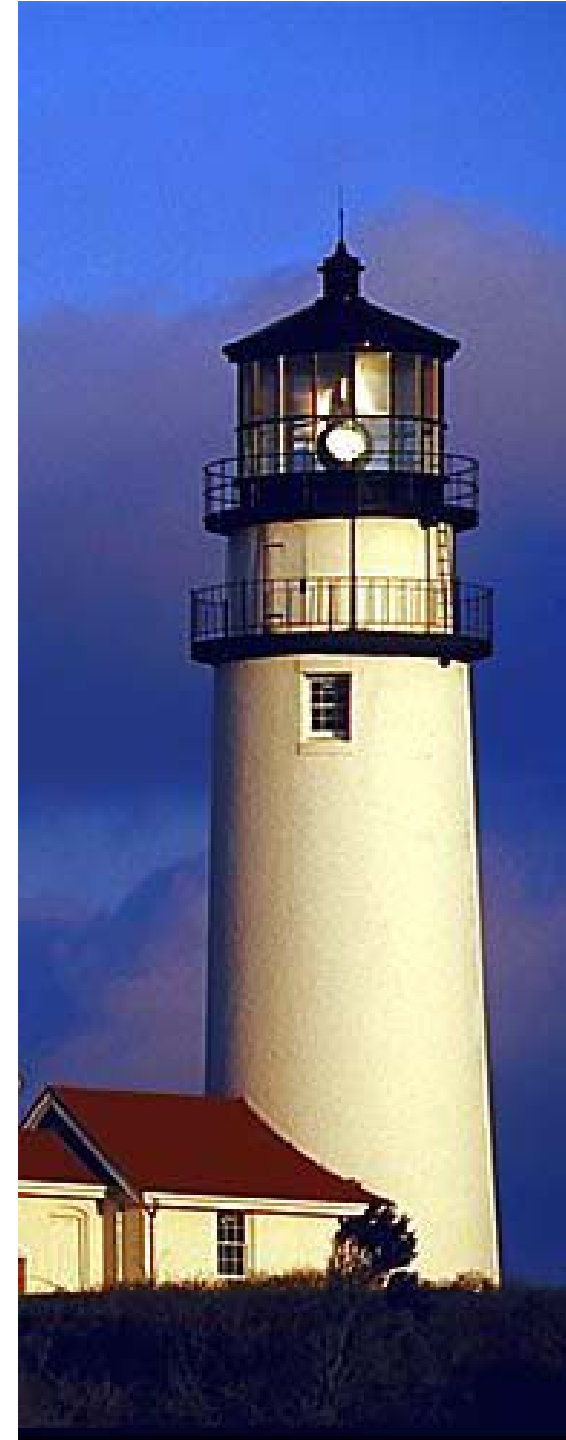
Rights and Obligations of Membership

- For projects where CVEC is the developer, CLC is entitled to receive 10% of the annual energy output
- The Host Member is entitled to net meter up to ninety percent (90%) of the energy output (but not capacity or RECs) from any projects located on municipal land against such Member's municipal accounts up to the limit of project output or municipal load
- The remaining energy output shall be allocated to other CVEC members on a *pro rata* basis



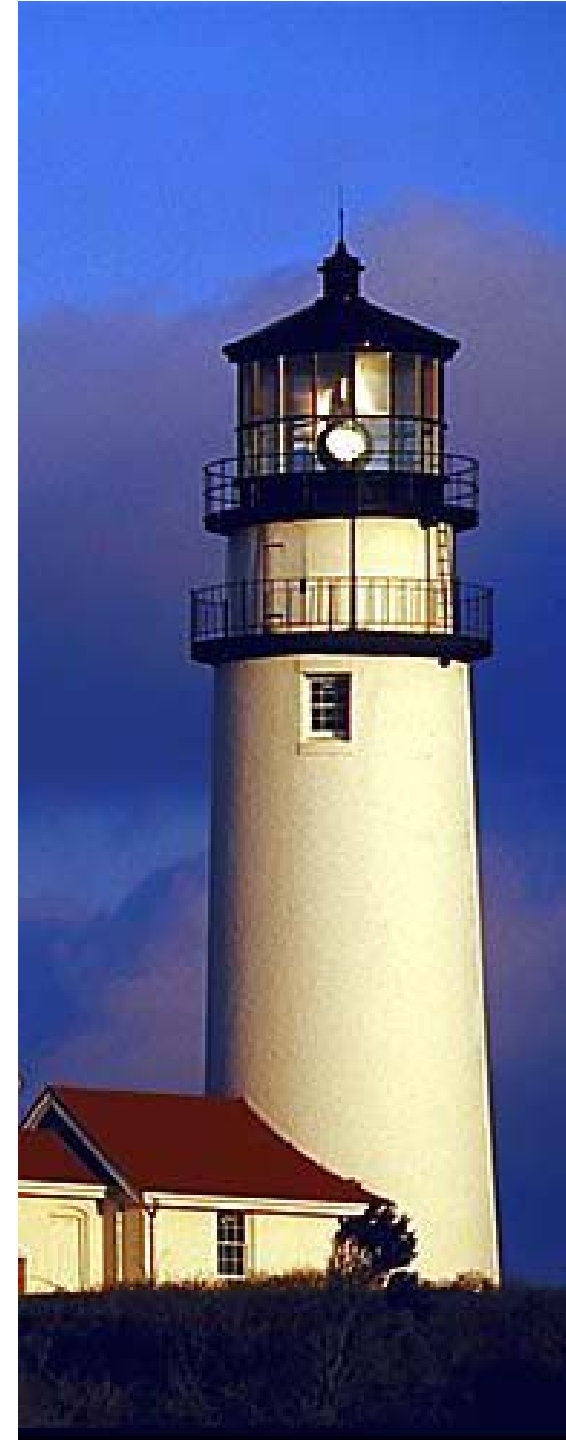
Initial Benefits Identified By Joining CVEC

- Financing large scale renewable energy projects will not burden a Town's debt capacity
- CVEC supported by the financial commitment of MTC's Community Wind financing package
 - RECs will be sold to CLC to stabilize electricity prices for all consumers
- Professional and technical expertise (\$\$) in the energy field
- Central contract for purchasing, operation and maintenance, and general administration



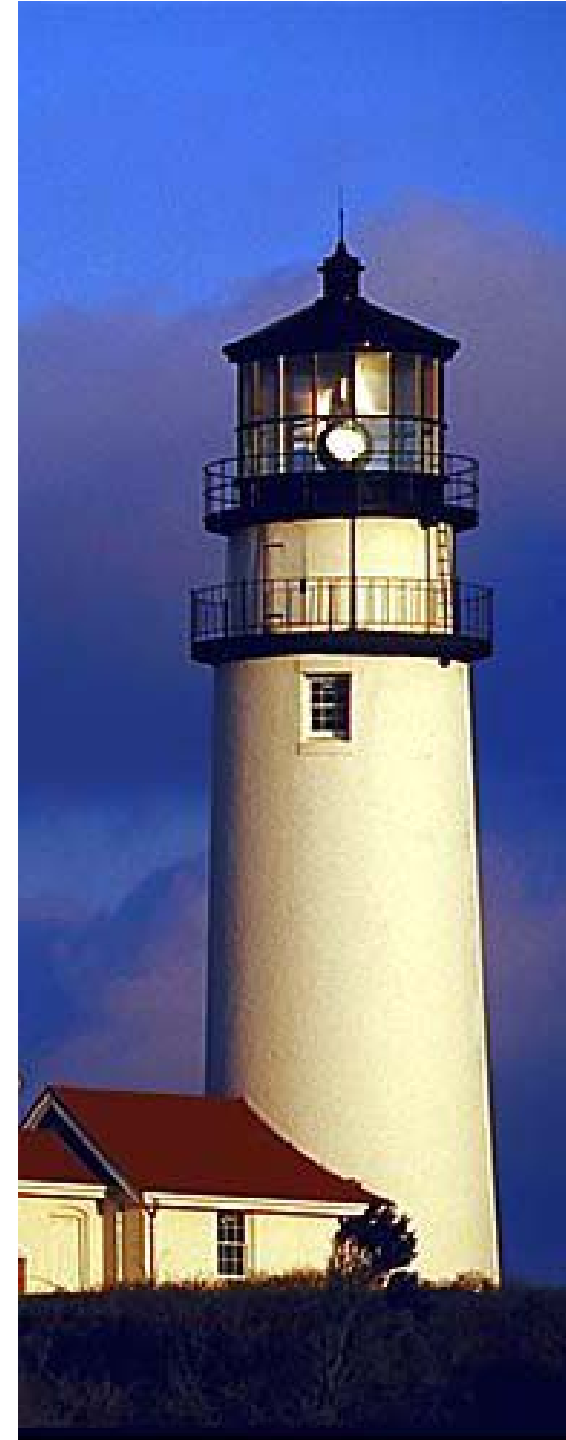
Initial Benefits of Joining CVEC

- Lower cost financing (Rural Utilities Service, potential financial backing with renewable energy trust funds)
- Electric Cooperative statute generally limits member liability exposure to member pledge or capitalization
- Benefits of proposed net metering law will bring financial savings to towns and consumers
- Develop projects that will benefit all ratepayers



What we did to form CVEC

- Met with Town Administrators and Town legal counsel to review Cooperative documents
- Informational meetings with Selectman and members of the public
- Town Meeting vote, when required
- CLC assigned a \$520,000 grant to Cooperative as its first capital contribution
- CLC granted CVEC two additional \$500,000 capital contributions
- CVEC entered into an administrative services agreement with Barnstable County (similar to one it has with the CLC) so that Barnstable County could perform certain administrative and fiscal functions for CVEC



Conclusions

- CVEC and CLC are legally distinct entities
- Barnstable County is a member of each of these entities, and has the rights and obligations that each of the other members in these entities also has
- Barnstable County has also agreed to perform certain functions for these entities. This authority arises from a contract with each entity, but these contracts do not grant Barnstable County control over either organization

