

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.

FREQUENTLY ASKED QUESTIONS

June 2011

Question: What is the relationship between the Cape Light Compact and the Cape & Vineyard Electric Cooperative?

Answer: The Cape & Vineyard Electric Cooperative (CVEC) and the Cape Light Compact (CLC) are separate public entities. CLC is a member of CVEC. CVEC was formed out of a strategic planning process commissioned and undertaken by the CLC because the CLC wanted to stabilize electric rates for all its members and ratepayers with renewable energy generation. At the time, neither the CLC, nor its member towns/counties, could develop electric generation projects and enter into long-term power purchase agreements. CLC is an active member of CVEC.

Question: How is CVEC governed?

Answer: CVEC is governed by its member entities. Presently, CVEC has nineteen members consisting of 16 Towns, Barnstable and Dukes County and the CLC. Each member appoints a Director as its representative. Each Director has one equal vote, as required by cooperative statute. All CVEC members must agree to be bound by and comply with CVEC's Articles of Organization and Bylaws.

Question: Does any one member of CVEC have authority over CVEC?

Answer: No one member has additional authority over CVEC. Barnstable County has agreed to perform certain administrative and financial functions for CVEC; however, these tasks are governed by a contract between CVEC and Barnstable County and this contract does not grant Barnstable County control over CVEC.

Question: Is there a conflict under Massachusetts General Laws for an individual to represent their Town/County on both Cape Light Compact Governing Board and CVEC's Board of Directors?

Answer: No, there is no conflict. The statute which governs conflicts of interests of public employees (M.G.L. c. 268A) allows for an individual to represent their own town, county or other governmental entity on multiple boards as part of their public duties. The State Ethics Commission (Commission) issued an opinion in 1992 dealing with the Martha's Vineyard Collaborative. In that opinion, the Commission ruled that an individual who served on two government boards did not have a conflict because in each case he was acting on behalf of his municipal appointing member.

Question: Why is CVEC financed by the CLC?

Answer: CVEC was formed out of a strategic planning process commissioned and undertaken by the CLC because at that time neither CLC, nor its member towns, could develop electric generation projects and enter into long-term power purchase agreements. Electric cooperatives such as CVEC, on the other hand, were empowered by statute to do so. Financing CVEC's operational costs to pursue renewable energy projects would allow CLC to stabilize electric rates for both its member Towns/Counties and CLC ratepayers, and to provide the benefits, as appropriate, to municipalities (thereby benefiting all taxpayers) and to the Cape Light Compact (thereby benefiting all consumers). Finally, the cooperative structure insulated towns from the liability they would otherwise incur if they pursued projects directly. CLC member Towns benefit from CVEC designing, financing and operating renewable energy projects.

Question: How does CLC obtain its funds?

Answer: CLC is funded through several sources, including statutorily mandated energy efficiency funds collected from all ratepayer funds, federal and state grants, Barnstable County general funds, and an administrative charge of one tenth of a cent (mil adder) levied on electricity sold through CLC's aggregated power supply contract.

Question: Do CLC energy efficiency monies fund any of the activities of CVEC?

Answer: No, the CLC energy efficiency monies do not fund the activities of CVEC. CLC energy efficiency funds are maintained solely for the purpose of energy efficiency activities approved by the Massachusetts Department of Public Utilities in the CLC's three-year plan.

Question: How would a person obtain information on CVEC's financial status?

Answer: CVEC's annual Balance Sheet and Income Statement are posted on its web site at www.cvecinc.org.

Question: How can CVEC and CLC be represented by the same legal counsel?

Answer: The two organizations wanted to share counsel to jointly pursue projects and policies where their interests were aligned. Accordingly, consistent with Massachusetts General Laws and rulings by relevant regulatory bodies, CVEC's bylaws expressly permit it to retain counsel who may also represent its members or other public entities in matters in which CVEC has a direct or substantial interest, subject to certain conditions set forth in the bylaws. The CLC Board of Directors has adopted a similar provision.

Question: Do the recently adopted Cape Cod Commission Minimum Performance Standards apply to the Brewster wind project?

Answer: Based on the Cape Cod Commission's current thresholds, the Brewster project is not subject to mandatory review by the Cape Cod Commission, and the approved Minimum Performance Standards are not applicable because no approved threshold exists to trigger the review.

Question: When will CVEC provide more detailed and specific information about financing for the Brewster wind project?

Answer: Initial project cost information is available through the Black & Veatch Wind Turbine Feasibility Study prepared for the Town of Brewster in June 2009. The Feasibility Study has been a publicly available since its release over two years ago. Working from this base, CVEC has prepared public documents/presentations on the projected cost and savings associated with this project. These presentations were presented to the Town of Brewster at public meetings. Once CVEC awards its construction contract and finalizes its loan documents for the Brewster wind project, they will become public records.

Question: Can CVEC publicly discuss the Brewster Wind Project?

Answer: CVEC cannot discuss the Brewster wind project publicly at this time because CVEC Board of Directors has voted to ask the Massachusetts Department of Public Utilities to

exempt the project from local zoning. This procedure exists as an alternative to seeking judicial review of the functional denial of a Special Permit by the Brewster Planning Board earlier this year. The Department of Public Utilities conducts trial-type, quasi-judicial proceedings which implicate the same pre-hearing preparation confidentiality issues which extend to other litigated matters. The process also includes hearings open to members of the general public and considerable information will be filed as part of CVEC's application, written discovery responses and in the evidentiary hearings themselves. All of this information will become public. Persons or parties having "standing" – a legal interest substantially and specifically affected by the project – may seek to become full parties in the case and present their own evidence

Question: Why would CVEC discuss anything in executive session?

Answer: All of its discussions, both in executive and public session, are held in strict accordance with Massachusetts General Laws. Massachusetts General Laws recognize that electric supply contract and electric generation discussions are competitively sensitive and in order for an electric cooperative to effectively conduct its business on these matters, it is necessary to have these discussions in executive session. This allows a municipal electric cooperative to conduct its affairs on these issues in the same manner as a municipal light plant in this state and a private utility.