

Cape & Vineyard Electric Cooperative, Inc.
Future Projects Committee
Open Session Meeting Notes
Thursday, September 1, 2016

The Future Projects Committee of the Cape & Vineyard Electric Cooperative, Inc. met in Open Session on Thursday, September 1, 2016 at 10:00 AM in CVEC's offices at 23H2 White's Path, Suite 2, South Yarmouth, MA 02664

FUTURE PROJECTS COMMITTEE MEMBERS PRESENT WERE:

1. Austin Brandt, CVEC Director/Executive Committee Member, Cape Light Compact
2. Charles Hanson, CVEC Director/Clerk/Member-at-Large Executive Committee Member, Brewster
3. Steve Gavin, CVEC Director/Finance Committee Member, Yarmouth
4. John Scott, CVEC Director, Chatham

Participation by phone:

5. William Straw, CVEC Director, Tisbury
6. Richard Toole, CVEC Director, Oak Bluffs

FUTURE PROJECTS COMMITTEE MEMBERS ABSENT WERE:

None

MEMBERS OF BOARD OF DIRECTORS PRESENT:

None.

STAFF PRESENT:

Liz Argo, Manager of Programs & Administration

OTHER PUBLIC OFFICIALS PRESENT:

None.

OTHERS:

None.

1. CALL TO ORDER

A. Brandt called the meeting to order at 10:11 AM stating that the Meeting Notice/Agenda had been duly posted on the CVEC website on Tuesday, August 30, prior to 10 AM, pursuant to Open Meeting Law.

2. NO PUBLIC COMMENT

There was no public comment, as no members of the public were present.

ELECTION OF OFFICERS

A. Brandt stated that, as an official subcommittee of the full Board of Directors, it would be appropriate to elect a Future Projects Committee Chair, Vice Chair, and Clerk. A. Brandt stated he would be willing to serve as the Chair unless another Committee member was interested in taking on the responsibility. S. Gavin and J. Scott expressed willingness to take on the responsibilities of Vice Chair and Clerk, respectively.

S. Gavin nominated A. Brandt as Chair, seconded by J. Scott and approved unanimously by roll call vote. Motion carried in the affirmative (6-0-0)

A. Brandt accepted the nomination and position as Chair.

C. Hanson nominated S. Gavin as Vice Chair, seconded by J. Scott and approved unanimously by roll call vote. Motion carried in the affirmative (6-0-0)

S. Gavin accepted the nomination and position as Vice Chair.

A. Brandt nominated J. Scott as Clerk, seconded by S. Gavin and approved unanimously by roll call vote. Motion carried in the affirmative (6-0-0)

J. Scott accepted the nomination and position as Clerk.

3. APPROVAL OF MINUTES FOR LAST MEETING ON DECEMBER 8, 2015

The draft minutes from the December 8, 2015 Future Projects Committee meeting were reviewed. J. Scott suggested amending the header to the proper date of Tuesday, December 8, 2015.

After discussion, A. Brandt moved the Committee vote to accept the minutes as amended, seconded by C. Hanson and voted by roll call as follows:

- | | |
|-----------------------------------|---------|
| 1. A. Brandt – Cape Light Compact | yes |
| 2. C. Hanson – Brewster | yes |
| 3. S. Gavin – Yarmouth | yes |
| 4. J. Scott – Chatham | yes |
| 5. W. Straw – Tisbury | yes |
| 6. R. Toole – Oak Bluffs | abstain |

Motion carried in the affirmative (5-0-1)

4. DISCUSSION OF POTENTIAL ROUND 3

L. Argo provided handouts (dated 8/23/2016) of potential Round 3 behind-the-meter projects that towns and other governmental entities had contacted her about in the interest of CVEC pursuing the project development on their behalf.

Before discussion of these projects began, W. Straw asked for an update from any of the members present on the status of the solar carport opportunity, which had been contemplated in the past to be a part of a potential Round 3. A. Brandt stated that his latest understanding was that Pres. McLaughlin was still interested in the project and was planning to issue an RFP for Barnstable, but that he wasn't sure of the details. S. Gavin noted that the project had been downsized to about 800 spaces due to exclusion of Barnstable Airport parking lots. L. Argo noted that the carport project finances would be impacted by the outcome of the next solar incentive design. There was discussion about whether or not the prices proposed originally were viable, and C. Hanson noted that one of the developers that had been doubtful of the proposal also did not have much experience in the solar carport business. C. Hanson also noted that he was aware of at least two operative solar carport installations on the Cape. A. Brandt suggested that further discussion on the subject be postponed until Pres. McLaughlin could be present to provide an update.

A. Brandt stated that CVEC continues to receive requests from public entities for help in developing additional PV projects, mostly on town-owned buildings, but that the upfront costs of new projects could not be borne by

CVEC as was done for previous projects, given CVEC’s financial situation. Given the current financial situation, A. Brandt asked the Committee to consider if it was worth CVEC’s time to continue to explore a Round 3, and if so, how to recover startup costs more quickly. A. Brandt expressed that at this point, he believes CVEC should continue to pursue a Round 3 on behalf of the towns that requested new projects, and that the upfront costs associated with the projects, including legal costs and CVEC overhead, should be recovered on an as-billed basis in order to minimize the impact on CVEC’s financial books. A Brandt provided a summary of the cost estimate from BCK for a Round 3, explaining that the high end of the range of estimates was presented, totaling around \$92,000. After a discussion about the legal cost estimate and what level of overhead cost should be applied, there was consensus that \$120,000 would be an appropriate all-in cost estimate for Round 3, so as to leave room for any unexpected costs that might arise and minimize the chance of running over the initial cost estimates provided to the participating entities.

C. Hanson noted that CVEC would need to be ready to explain to the towns why the accelerated cost recovery was necessary, why an adder would still need to be collected on an ongoing basis, and be able to give an estimated payback period for the town. A. Brandt agreed, and noted that it shouldn’t be difficult for towns to understand that there are significant upfront legal costs associated in getting a project up and running, as they already have experience with CVEC projects.

L. Argo presented the Committee with some rough calculations on the amount of income a Town or entity could expect from a 100-kW roof-mounted installation. The estimates were based on experience with the roof-mounted ConEdison Solutions CVEC projects, which were around 100kw.

Annual Output	120,000 kWh
Income (@ \$0.18)	\$21,600
Paid out (@ \$0.105)	\$12,600
Net annual income	\$9,000

L. Argo state that, in simple terms, a town or entity might have startup costs of about \$11,000 (based on eleven or twelve projects), but would have a profit of about \$9,000 the first year. R. Toole stated that it was more challenging because all of the electricity must be used on site, since the Round 3 projects would be behind-the-meter. A. Brandt stated that this was not necessarily the case, since surplus net metering credits from a behind-the-meter project can be sent to another Eversource account via a Schedule Z, which would still allow the entity to benefit from the panels even if they don’t use all of the electricity on site. A. Brandt also cautioned about using estimates based on the ConEdison projects, since Round 3 projects might be of different sizes, which could have a significant impact on what the output and revenue stream might look like.

L. Argo noted that there is not one CVEC rooftop project that has not used all of the generated power on site within a year’s time. She also pointed out that these towns can pursue getting the rooftop projects developed without CVEC, but there is a big savings in legal and administrative costs with CVEC getting a bundled package (several projects at once) developed. She stated that it might be good to provide past quotes of PPA’s for those projects being developed individually versus those developed by CVEC in bundled packages, in order to show the advantage CVEC provides in bundling these projects.

The topic of the solar incentive program was brought up in light of its effect on the power purchase agreement price of potential Round 3 projects. A. Brandt and C. Hanson stated that, even though the SREC-2 trading prices are good, they are about half of the value of the SREC-1 prices at the moment, which has an impact on project finances and the ultimate PPA price that the Round 3 entity would pay. A. Brandt stated that the

Department of Energy Resources was currently in the process of formulating the next solar incentive program, and that he would continue to follow the progress of the program development. He also stated that the new program would not go in to effect until 2017.

A. Brandt stated that there seemed to be a general consensus of the Committee that CVEC should proceed with Round 3, and recover the upfront project costs on an as-billed basis from the entities. He suggested that the next step would be providing a recommendation to the full CVEC Board (Board) on how to proceed with Round 3 with the towns reimbursing CVEC for the upfront project costs. C. Hanson stated that he thought there should be a time frame for proceeding. L. Argo suggested that the next step should be to notify the towns and obtain interest so that the Committee and the Board could better evaluate how and if to proceed with Round 3 based on responses. C. Hanson noted that there may be other possible projects not included on the handout provided by L. Argo, such as the Eastham Library and Nauset Schools.

A. Brandt suggested that, in order to evaluate the level of interest from the towns, the Committee should recommend to the Board that CVEC send out a letter that includes estimates on what costs will need to be recovered up front, with an explanation of what those costs were relative to, specifically legal. Since this approach is different than the approach taken in the past, the towns need to be aware of the change so that they can factor that in to their decision on whether or not they still wish CVEC to help with the projects.

The Committee and staff agreed that an ongoing adder of 0.005 per kilowatt hour is based on an estimate of CVEC's ongoing costs to manage the projects and was consistent with the amount of the upcoming ask for the Round 1 adder. The Committee agreed to bring that amount to the full Board as a recommendation, and that the letter sent to eligible entities should include those amounts.

L. Argo mentioned the possibility of skipping the add-on of the overhead fees to the initial costs to be recovered up front and charge a \$0.01 adder instead. A. Brandt disagreed, stating that there were significant demands on staff time to get projects up and running, and that it was reasonable to recover the administrative costs immediately rather than over time, just like the legal costs. He added that the difference between recovering only the legal versus legal and overhead immediately was not significant, and it would be a burden on the towns if they were paying legal costs immediately and also paying a \$0.01 adder over the life of the projects.

S. Gavin mentioned the possibility of reducing legal costs by looking for alternate legal counsel. C. Hanson responded that he thought BCK's rate was reasonable compared to other law firms. A. Brandt also noted that any new counsel selected would likely need to spend a considerable amount of time just familiarizing themselves with CVEC and the contract structures, which could diminish any savings that might be had from a lower rate.

C. Hanson raised the question of whether or not non-member should pay a higher adder than the members for Round 3, pointing out that this had been the case with previous projects. After discussion, the Committee concurred that \$0.0075 cents per kilowatt hour was a reasonable adder for non-members and was consistent with past practice, and should be the non-member adder rate recommended to the Board.

A. Brandt moved the Committee recommend to the Board that a letter be prepared and sent to gather interest in potential Round 3 behind-the-meter installations, and that the letter should include pricing estimates on upfront cost recovery of legal and administrative overhead as well as a half-cent (\$0.005) per kilowatt hour adder for members and \$0.0075 cents per kilowatt hour for non-members. Motion seconded by C. Hanson and approved unanimously by roll call vote. Motion carried in the affirmative (6-0-0).

A. Brandt volunteered to draft the letter. L. Argo noted that it would be important to also let towns know what has become of the carport initiative. A. Brandt suggested that L. Argo coordinate with Pres. McLaughlin on the carport initiative status and communication to towns.

In response to a question raised, L. Argo also noted that the “on-peak hours resource” opportunity through CPower was expected to bring in about \$13,000 of income this year.

ADJOURNMENT

S. Gavin moved to adjourn, seconded by C. Hanson and unanimously approved by roll call vote. Motion carried in the affirmative (6-0-0).

The meeting was adjourned at 11:31 a.m.

Respectfully submitted,

John Scott
Clerk, Future Projects Committee/Director, Chatham

LIST OF DOCUMENTS & EXHIBITS:

- Meeting Notice/Agenda
- Round 3 Potential Roof-Mounted Projects, dated 08-23-2016,
- Legal Cost Estimates for Potential Round 3, dated 08-18-2016



8.23.16

Round 3 - Only roof mounted Behind-the-Meter projects							
		most certainty in yellow					
Member	Town/Entity	Facility	PV Asses	Status	Size	kW	
1	:	Provincetown	Treatment Plant	Roof	Ready	3834 sq ft	72.5
2	:	Provincetown	Elementary School	Roof	Ready		75
3		Monomoy Schools	High School	Roof	Ready		100
4	:	Tisbury	Emergency Building	Roof	Letter from Board of Selectmen		100
5	:	Oak Bluffs	High School	Roof w/ Canopy			100
6	:	Oak Bluffs	Emergency Building	Roof	Callr from Superintendent		100
7	:	Chatham	Fire Station	Roof			100
8	:	Barnstable	Community Center	Roof			200
9	:	Falmouth	2 Schools	Roof			200
10		Mosquito Control	Building	Roof	Email via Maggie Dauney		100
						TOTALS	
							1,248 kW
Total kWh are very conservatively estimated -						about	1,497,000 kWh
						Outside Cost Projection from BCK for 8	\$ 90,000
						Add 10% CVEC Costs for Upfront Administration	\$ 99,000
						Divide by 9 for Project Share for 9 projects	\$ 11,000
						CVEC Adder for Future Administration \$0.005	= \$0.005*1.5MW
							\$ 7,485.00
Costs to towns for Round 3 with 9 projects: \$11,000 for first project							\$ 831.67
Cost to BCK to be reimbursed by towns: \$90,000							510
Cost to CVEC to be reimbursed by towns: 10% overhead = \$9,000							
Adder of \$0.005 for CVEC to provide annual management as done for the CVEC-7 = \$7,485 per year							

Legal Cost Estimates for Potential Round 3

Prepared for 8/18/16 Future Projects Committee Meeting

The cost estimates below were provided by BCK Law for their involvement in a potential Round 3, with similar legal arrangements as the first two project rounds. Note these are estimates only, and could change significantly based on issues arising with specific projects. Also note that they gave a cost range for each phase, but only the high end of each range is presented here.

Phase 1: Project Documents and Procurement Assistance

Includes drafting and negotiation of intergovernmental agreements, RFP assistance, bid evaluation, and related.

High end of estimate: \$62,000

Phase 2: Permitting Support

Includes interconnection, net metering, solar incentives

High end of estimate: \$14,000

Phase 3: Standard Lender Issues

Includes estoppel negotiations and requested amendments to agreements

High end of estimate: \$16,000

High end of total services estimate: \$92,000