

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022



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**CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
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YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cape & Vineyard Electric Cooperative, Inc.
South Yarmouth, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Cape & Vineyard Electric Cooperative, Inc., as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Cape & Vineyard Electric Cooperative, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cape & Vineyard Electric Cooperative, Inc., as of June 30, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cape & Vineyard Electric Cooperative, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cape & Vineyard Electric Cooperative, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cape & Vineyard Electric Cooperative, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cape & Vineyard Electric Cooperative, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Cape & Vineyard Electric Cooperative, Inc.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
December 6, 2022

**CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

As management of the Cape & Vineyard Electric Cooperative, Inc. (CVEC), we offer readers of these financial statements this narrative overview and analysis of CVEC's financial activities for the year ended June 30, 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements, which consist of the following two components:

1. Financial statements
2. Notes to financial statements

Financial Statements

CVEC's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are presented on the accrual basis of accounting and include the following three basic financial statements: (1) the statement of net position, (2) the statement of revenues, expenses, and change in net position, and (3) the statement of cash flows.

The financial statements can be found on pages 6 – 8 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9 – 16 of this report.

Financial Statement Analysis

The following tables present current and prior year data on the financial statements:

Net Position

CVEC's assets exceeded liabilities by \$782,637 at the close of the fiscal year and are summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>Change (\$)</u>	<u>Change (Percent)</u>
Assets				
Current Assets	\$ 1,395,161	\$ 1,243,338	\$ 151,823	12.21%
Liabilities				
Current Liabilities	<u>612,524</u>	<u>551,222</u>	<u>61,302</u>	11.12%
Net Position				
Unrestricted	<u>\$ 782,637</u>	<u>\$ 692,116</u>	<u>\$ 90,521</u>	13.08%

**CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

CVEC's assets consist primarily of cash and cash equivalents, and accounts receivable and net metering credits (NMC) pass-through activities.

Liabilities consist of accounts payable and accrued expenses.

The significant increases in assets and liabilities were a result of timing differences in receipt and disbursements of pass-through transactions in the current fiscal year.

Changes in Net Position

CVEC's net position increased by \$90,521 for the year ended June 30, 2022, and is summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>Change (\$)</u>	<u>Change (Percent)</u>
Operating Revenues	\$ 4,046,050	\$ 3,865,549	\$ 180,501	4.67%
Operating Expenses	<u>4,072,771</u>	<u>3,947,538</u>	<u>125,233</u>	3.17%
Operating Loss	(26,721)	(81,989)	55,268	-67.41%
Nonoperating Revenues	<u>117,242</u>	<u>2,433</u>	<u>114,809</u>	4718.82%
Change in Net Position	90,521	(79,556)	170,077	-213.78%
Net Position - Beginning of Year	<u>692,116</u>	<u>771,672</u>	<u>(79,556)</u>	-10.31%
Net Position - End of Year	<u><u>\$ 782,637</u></u>	<u><u>\$ 692,116</u></u>	<u><u>\$ 90,521</u></u>	13.08%

Operating revenues consist primarily of energy sales, operational adder revenue, forward capacity market revenue, and administrative services income. Operating revenues increased by \$180,501, which was primarily due to the increase in energy production.

Operating expenses consist primarily of purchased power costs (\$3,560,558, or 87%) and salaries and benefits (\$181,660, or 5%). Operating expenses increased by \$125,233 primarily due to the corresponding increase in energy sales revenue.

Nonoperating revenues related to grant revenue received in connection with the battery project.

Requests for Information

This financial report is designed to provide a general overview of the CVEC's finances. Questions concerning any of the information provided in this report should be addressed to the President of the Board of Directors, 23H2 White's Path, Suite 2, South Yarmouth, MA 02664.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash	\$ 510,398
Accounts Receivable:	
Members - Energy Sales	633,209
Intergovernmental	116,104
Other	10,200
NMC Pass-through	15,528
Prepaid Expenses	109,722
Total Current Assets	<u>1,395,161</u>
 Total Assets	 <u>1,395,161</u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	<u>612,524</u>
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NET POSITION

Unrestricted	<u>782,637</u>
Total Net Position	<u><u>\$ 782,637</u></u>

See accompanying Notes to Financial Statements.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2022

OPERATING REVENUES

Energy and Net Metering Credit Sales	\$ 3,560,558
Operational Administrative Adder	272,177
Forward Capacity Market	70,448
Administrative Services Revenue	107,042
On Peak Hours Resources Revenue	35,675
Other Revenue	150
Total Operating Revenues	4,046,050

OPERATING EXPENSES

Salaries and Benefits	181,660
Purchased Power Costs	3,560,558
Legal Fees	162,182
Administrative and General	168,371
Total Operating Expenses	4,072,771

OPERATING LOSS

(26,721)

NONOPERATING REVENUES

Investment Income	1,138
Intergovernmental Revenue	116,104
Total Nonoperating Revenues	117,242

CHANGE IN NET POSITION

90,521

Net Position - Beginning of Year

692,116

NET POSITION - END OF YEAR

\$ 782,637

See accompanying Notes to Financial Statements.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 3,842,098
Payments to Vendors	(3,830,605)
Payments to Employees	(180,051)
Net Cash Used by Operating Activities	<u>(168,558)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from Sales of Renewable Energy Certificates	19,530
Purchase of Renewable Energy Certificates	(19,530)
Pass-Through NMC Receipts	3,630,916
Pass-Through NMC Disbursements	(3,467,331)
Net Cash Provided by Noncapital Financing Activities	<u>163,585</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>1,138</u>
Net Cash Provided by Investing Activities	<u>1,138</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

(3,835)

Cash and Cash Equivalents - Beginning of Year

514,233

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 510,398

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (26,721)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities Not Requiring Current Cash Flows:	
Effect of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(203,952)
Prepays	813
Accounts Payable and Accrued Expenses	61,302
Total Adjustments	<u>(141,837)</u>
Net Cash Used by Operating Activities	<u><u>\$ (168,558)</u></u>

See accompanying Notes to Financial Statements.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 REPORTING ENTITY

The Cape & Vineyard Electric Cooperative, Inc. (CVEC) consists of 22 member towns, two counties, and one Joint Powers Entity located on Cape Cod, Martha's Vineyard, and Nantucket in the Commonwealth of Massachusetts. CVEC was established September 12, 2007, under Massachusetts General Laws for the purpose of developing and/or owning renewable electric generation facilities and procuring and/or selling long-term electric supply or other energy-related goods or services at competitive prices to its members and consumers within its Member communities.

CVEC is governed by a board of directors that consists of an appointed director from each member. The Officers of CVEC are elected annually by the board of directors and consist of a president, vice president, treasurer, and clerk.

Any municipality or county or political subdivision thereof, or body politic that meets the requirements of Internal Revenue Code Section 115, is eligible to apply for membership in the CVEC, provided that the governing board of each member has authorized its membership.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board is the standard-setting body for establishing governmental accounting and financial reporting principles. CVEC accounts for its operations as an enterprise fund. The significant accounting policies are described herein.

Measurement Focus, Basis of Accounting, and Basis of Presentation

CVEC's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of related cash flows.

CVEC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Accounts Receivable

Accounts receivable are recorded at the time of the underlying event. The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis. At June 30, 2022, all amounts are deemed collectible.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Metering Credit (NMC) Pass-Through

NMC Pass-through represents the amount related to cash-out projects for which CVEC receives gross earned NMC amounts that are for the benefit of participating entities. Any receivable or payable amounts represent timing differences between the receipt and disbursement of funds.

Revenue Recognition

CVEC Members and participants in net metered sales agreements are billed their portion of power used (and related maintenance fee and operational adders) based on actual production during each month. Intergovernmental revenue is earned once eligibility requirement has been met.

Purchased Power Costs

Purchased power costs reflect actual purchased power or purchased net metering credits from the multiple solar photovoltaic (PV) projects, Future Generation Wind project, Syncarpha project, and the three Nexamp projects.

Forward Capacity Market

CVEC participates in ISO New England's forward capacity market. CVEC recognizes proceeds from the forward capacity market as operating revenue when earned.

Income Taxes

CVEC is exempt from federal and state income taxes.

Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits and Investments are governed by the Massachusetts General Laws and CVEC's by-laws.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, CVEC's deposits may not be recovered. CVEC's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation (FDIC) insurance and the Depositors Insurance Fund. As of June 30, 2022, CVEC did not have any balances that were uninsured and uncollateralized. The carrying amount of cash at June 30, 2022 was \$509,836.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 RELATED PARTY TRANSACTIONS

Renewable energy certificates purchased by CVEC are sold to the Cape Light Compact for an amount equal to CVEC's cost. Total purchases and sales of renewable energy certificates for the year ended June 30, 2022 totaled \$19,530.

NOTE 5 LETTER OF CREDIT

In order to secure CVEC's performance under its Power Purchase Agreements (PPAs) with Consolidated Edison Solutions, Inc., CVEC was required to obtain an irrevocable standby letter of credit equal to the value of one year's worth of payments under the PPA agreements. The letter of credit is secured with funds held in a deposit account which is included as cash in the accompanying statement of net position.

The required letter of credit value totals \$100,000. No amounts have been drawn on the letter of credit through the date of this report.

NOTE 6 LINE OF CREDIT

On May 6, 2021, CVEC entered into a line of credit agreement to bridge the funding gaps related to the battery energy storage system in the amount of \$750,000, the line of credit bears interest at the prime rate with a 3% floor. The unused line of credit amount at June 30, 2022 is \$750,000.

NOTE 7 COMMITMENTS

761 kW Solar PV Installation Project

CVEC has entered into seven PPAs with Consolidated Edison Solutions, Inc. for 100% of the net energy generated at various installations at a fixed rate through fiscal years 2025 and 2026.

CVEC has entered into seven "Cooperative Net Metered Power Purchase and Equipment Attachment Agreements" with Consolidated Edison Solutions, Inc. and the Towns of Barnstable, Bourne, Brewster, Eastham, and Harwich, to sell 100% of the net energy generated as part of the 761 kW PV installation project to the respective Towns at a fixed rate through fiscal years 2025 and 2026.

CVEC has entered into seven "Agreements for the Purchase and Sale of Renewable Energy Certificates" with Consolidated Edison Solutions, Inc. for the purchase of renewable energy certificates based on the net energy generated as part of the 761 kW PV installation project at a fixed rate through fiscal years 2025 and 2026.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 COMMITMENTS (CONTINUED)

Rounds 1 and 2 Solar PV Initiative

CVEC has entered into 25 “Inter-Governmental Project Development Agreements” with the Towns of Barnstable, Bourne, Brewster, Chatham, Eastham, Edgartown, Harwich, Orleans, Provincetown, Tisbury, and West Tisbury, the Barnstable Fire District, and the Dennis-Yarmouth Regional School District for the lease of land to design, procure, install, test, commission, own, operate, and maintain a solar PV system. The lease calls for a rate of \$1 per year through fiscal years 2031, 2032, 2033, and 2034.

CVEC has entered into 25 “Energy Management Services Agreements for Solar PV Systems” with various third-party contractors. The agreements are effective through fiscal years 2031, 2032, 2033, and 2034 and provide for, among other things, the following:

- The design, installation, operation, and maintenance of a solar PV system by the third-party contractors;
- CVEC’s purchase of 100% of the net energy generated as part of each solar PV system at a fixed rate through fiscal years 2031, 2032, 2033, and 2034; and
- CVEC’s option to purchase the solar PV system at various dates over the term of the agreements.

CVEC has entered into 25 “Inter-Governmental Net Metered Power Sales Agreements” with the Towns of Barnstable, Bourne, Brewster, Chatham, Eastham, Edgartown, Harwich, Orleans, Provincetown, Tisbury, West Tisbury, the Barnstable Fire District, and the Dennis-Yarmouth Regional School District to sell a percentage of the net energy generated at the solar PV installation sites to the respective Towns based on their respective estimated annual usage at a fixed rate through fiscal years 2031 (Towns of Barnstable, Brewster, Chatham, Eastham, Edgartown, Harwich, and Tisbury), 2032 (Towns of Chatham and West Tisbury, and the Dennis-Yarmouth Regional School District), 2033 (Towns of Barnstable, Bourne, Orleans, and Provincetown), and 2034 (Barnstable Fire District).

CVEC has entered into nine “Inter-Governmental Net Metered Power Sales Agreements” with the Towns of Brewster, Chatham, Chilmark, Oak Bluffs, Provincetown, and Yarmouth, the Monomoy Regional School District, Barnstable County, and Dukes County, to sell excess energy generated at several sites (associated with CVEC’s Rounds 1 and 2 PV Solar initiatives) at a fixed rate through 2039.

CVEC has entered into a “Control Agreement for Deposit Account” to secure its obligations related to certain “Energy Management Services Agreements.”

CVEC has entered into an “Escrow Agreement” in accordance with the “Energy Management Services Agreements” related to the Round 2 projects in which the third-party contractors are required to fund decommissioning escrows on an annual basis. In the event of a default on the decommissioning assurances, the funds would be available to CVEC to complete the necessary decommissioning of the sites.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 COMMITMENTS (CONTINUED)

Future Generation Wind Project

CVEC has entered into a “Net Metering Power Purchase Agreement” with a third party to purchase a portion of the energy generated by a wind energy generation project (the Project) and receive from the host an allocation of the net metering credits to offset electric utility bills of participating CVEC Members or other governmental entities. The term of this agreement is the 20th anniversary of the commercial operations date of the Project. The term of the agreement may be extended no less than five years, and no more than 25 years.

CVEC has entered into seven “Inter-Governmental Net Metered Power Sales Agreements” with the Towns of Brewster, Chatham, Oak Bluffs, Provincetown, Yarmouth, the Monomoy Regional School District, and Barnstable County to sell energy generated by the Project and provide the aforementioned entities their respective share of the net metering credits to offset electric utility bills. The term of these agreements is the 20th anniversary of the commercial operation date of the Project.

Nexamp Projects

CVEC has entered into three “Net Metering Purchase and Sale Agreements” with a third party to purchase a portion of the energy generated by a solar energy project (the Project) and receive from the host an allocation of the net metering credits to offset electric utility bills of participating CVEC Members or other governmental entities. The term of this agreement is the 20th anniversary of the commercial operations date of the Project or on the day preceding the 25th anniversary of the effective date, unless otherwise terminated earlier as provided in the agreement.

CVEC has entered into six “Inter-Governmental Net Metering Credit Purchase Agreements” with the Towns of Chatham, Chilmark, Oak Bluffs, Provincetown, Yarmouth, and the Monomoy Regional School District to sell energy generated by the Project and provide the aforementioned entities their respective share of the net metering credits to offset electric utility bills. The term of these agreements is the 25th anniversary of the effective date, unless terminated earlier as provided in the agreement.

Syncarpha Project

CVEC has entered into a “Net Metering Purchase and Sale Agreement” with a third party to purchase a portion of the net energy generated from the facility (the Project) and receive from the host an allocation of the net metering credits to offset electric utility bills of participating governmental entities. The term of this agreement is the 20th anniversary of the commercial operations date of the Project or on the day preceding the 25th anniversary of the effective date, unless terminated earlier as provided in the agreement.

CVEC has entered into two “Inter-Governmental Net Metering Credit Purchase Agreements” with the Cotuit Fire District Water Department and Centerville, Osterville, Marston Mills Fire District to sell energy generated by the Project and provide the aforementioned entities their respective share of the net metering credits to offset electric utility bills. The term of these agreements is the 25th anniversary of the effective date, unless terminated earlier as provided in the agreement.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 COMMITMENTS (CONTINUED)

Round 3 Solar PV Initiatives

CVEC has entered into seven “Power Purchase Agreements for Solar PV Systems” with Alliance Clean Energy. The agreements are effective through fiscal year 2039 and provide for, among other things, the following:

- The design, installation, operation, and maintenance of a solar PV system by the third-party contractor;
- CVEC’s purchase of 100% of the net energy generated as part of each solar PV system at a fixed rate through fiscal year 2039; and
- CVEC’s or the host town’s option to purchase the solar PV system at various dates over the term of the agreements.

CVEC has entered into seven “Inter-Governmental Net Metering Credit Purchase Agreements” with the towns of Eastham, Provincetown, Yarmouth, Chatham and Oak Bluffs to sell energy generated by the above projects and provide the aforementioned entities their respective share of the net metering credits to offset electric utility bills. The term of these agreements is the 25th anniversary of the effective date, unless terminated earlier as provided in the agreement.

Round 4 Solar PV/Storage Initiatives

CVEC has entered into 11 “Net Metering Power Purchase Agreements for Solar PV Systems” with two developers; Greenskies Energy and Distributed Solar Development. The agreements are effective through fiscal year 2039 and provide for, among other things, the following:

- The design, installation, operation, and maintenance of a solar PV system by the third-party contractor;
- CVEC’s purchase of 100% of the net energy generated as part of each solar PV system at a fixed rate through fiscal year 2039; and
- CVEC’s or the host town’s option to purchase the solar PV system at various dates over the term of the agreements.

CVEC has entered into 13 “Inter-Governmental Net Metering Credit Purchase Agreements” with the towns of Brewster, Harwich, Monomoy Regional School District, Oak Bluffs, Sandwich, and Yarmouth to sell energy generated by the above projects and provide the aforementioned entities their respective share of the net metering credits to offset electric utility bills. The term of these agreements is the 20th anniversary of the effective date, unless otherwise terminated earlier as provided in the agreement. The agreements may be extended for up to five years.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 COMMITMENTS (CONTINUED)

Round 4 Solar PV/Storage Initiatives (Continued)

The Town of Brewster entered into a direct ground lease with the developer instead of purchasing the net metering credits through CVEC.

Projects in Oak Bluffs, Sandwich are on hold due their inclusion in an utility distribution studies conducted by Eversource. The related utility upgrades are pending Massachusetts Department of Utilities approval anticipated at the end of calendar year 2022.

Round 5 Solar PV/Storage Initiatives

CVEC has entered into 10 “Power Purchase Agreements for Solar PV Systems” with two developers; ACE Solar and Distributed Solar Development. The agreements are effective through fiscal year 2040 and provide for, among other things, the following:

- The design, installation, operation, and maintenance of a solar PV system by the third-party contractor;
- CVEC’s purchase of 100% of the net energy generated as part of each solar PV system at a fixed rate through fiscal year 2040; and
- CVEC’s or the host town’s option to purchase the solar PV system at various dates over the term of the agreements.

The Towns of Marion, Sandwich and Chatham entered into a direct ground lease with the developer instead of purchasing the net metering credits through a Power Purchase Agreement with CVEC.

CVEC has entered into 13 “Inter-Governmental Net Metering Credit Purchase Agreements” with the towns of Aquinnah (2), Chatham (2), Marion (1), Nauset RSD (1), Sandwich (1), Mashpee (5), and Yarmouth (1), and the Nauset Regional School District, to sell energy generated by the above projects and provide the aforementioned entities their respective share of the net metering credits to offset electric utility bills. The term of these agreements is the 25th anniversary of the effective date, unless terminated earlier as provided in the agreement.

Projects in Marion, Mashpee and Sandwich are on hold due their inclusion in an utility distribution studies conducted by Eversource. The related utility upgrades are pending Massachusetts Department of Utilities approval anticipated at the end of calendar year 2022.

Round 6 Solar PV/Storage Initiatives

CVEC cancelled Round 6 in Fiscal 2022 after failing to finalize contract negotiations with the two conditionally-awarded developers. CVEC intends to reissue the RFP shortly after the Treasury Department issues regulations on the Inflation Reduction Act passed in FY 22 by Congress. The Act provides for significant monetary incentives for renewal energy and storage projects.

CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 COMMITMENTS (CONTINUED)

Forward Capacity Market

CVEC participates in ISO New England's forward capacity market under two aggregation agreements with CLEAResult and CPower and has made commitments to deliver specified units of energy efficiency at a fixed price per unit. If CVEC fails to deliver its capacity supply obligation it is subject to penalties determined by the rules of the forward capacity market, which is mitigated by CLEAResult and CPower as the aggregators.

Solar PV and Battery Storage Project

In fiscal 2022, CVEC extended a grant agreement with the MA Department of Energy Resources for a Community Clean Energy Resilience Grant for \$1.5 million to locate a 250 KW battery at the regional emergency shelter located at the Dennis-Yarmouth Regional High School. The battery is scheduled for commercial operation on or about June 30, 2023.