Pursuant to a notice duly filed with the Town Clerk, a meeting of the Municipal Light Board was held on Wednesday March 11, 2020, at 7:30AM, at the Light Plant Public Meeting Room. Present were Board Members: Wendy Rovelli, Gordon Brockway, Peggy Briggs, Alice Kaufman and Lynn Salinger. Also in attendance were David Wood, CMLP Director; Laura Scott, CMLP Power Supply and Rates Administrator; Karin Farrow, CMLP Admin; Matt Cummings, CMLP Financial Manager; Jan Aceti, Energy Conservation Coordinator; Joe Repoff, CMLP Assistant Director; Mike Lawson, Pamela Dritt, Brian Foulds, Eugene Chang, David Allen, Hewon Hwang, Gilda Gussin, Mark Howell and Gail Hire.

Note definitions for acronyms used in these minutes:

- APPA: American Public Power Association
- CMLP: Concord Municipal Light Plant
- EV: Electric Vehicle
- kWh: Kilowatt hour
- PILOT: Payment in Lieu of Taxes
- REC: Renewable Energy Credit

Meeting handouts: Town of Concord 2020 Tree Trimming Map, Renewable Energy Cost Update¹, Comparison of CMLP Strategic Plan Initiative Targets and Actual Adoption Chart, Article 40, and a Summary by Mr. Foulds of CMLP’s REC Philosophy

CALL TO ORDER
Ms. Rovelli called the meeting to order at 7:33AM. Noted was that the meeting was being recorded.

FUTURE MEETINGS and MINUTES

Minutes reviewed for Feb 12, 2020, and with a motion by Ms. Salinger and a second by Ms. Briggs approved. Minutes reviewed for the Special Hearing Meeting held on October 10, 2019 and with a motion and second were approved.

DIRECTOR’S REPORT
Mr. Wood reported on the status of ongoing projects:

¹ Addendum B
Tree Trimming: Underway. Map of area being addressed available on the website\(^2\). Note that the roadway not highlighted on the map are areas with underground power lines. South of Route 2 is being addressed this year. Contractor has identified 19 trees as hazardous. CMLP will be working with the Tree Warden on removal of those trees. Residents interested in tree work on town property outside the scope of the work being done to clear the power lines are directed to contact the Tree Warden.

Cost of Service Rate Design Project: Progressing with the revenue requirement component completed. Draft presentation of the study is scheduled for next meeting, April 8. Board requested advance copy prior to meeting for review.

Telecom payback schedule: CMLP Finance Manager will present at next Board meeting.

LED retrofits for residential decorative metal halide lighting is under consideration for the remaining funds from the state grant.

DEED Grant from APPA: CMLP has applied for grant to fund three part-time temporary positions to serve as energy coaches to promote energy efficiency and heat pump conversion. Decision on grant application expected in May.

ENERGIZE-Climate Friendly Heating and Cooling Events: One hundred people attended events held on 2/29 in West Concord and on 3/4 in Wayland. 60 Concord residents in attendance at the first event and an additional 9 residents at the event held in Wayland.

Recruitment:
- Telecommunications Director started on Monday.
- Grade 3 Line Worker (Apprentice) – Will be starting next week
- Network Engineer – Conducting reference checks
- Telecommunication Technicians (2) – In preplacement process.
- IT Technician – 1st round interviews begin this week.

2020 Annual Town Meeting Article Review

- Article 17: Light Plant PILOT hearing was held on March 23. The article may be put no the consent calendar as part of the enterprise budget
  - Motion was made, seconded, and unanimously approved, to support Article 17 as printed in the Warrant.
- Article 31: Mr. Foulds seeks board endorsement of Article 31: Municipal Fleet Electrification Report that would establish a committee to document and define the current municipal fleet composition, and to develop a plan that would move to, electrification of all town vehicles where possible. The article may not be moved if the Select Board moves forward with the intent of this article as a policy matter.
  - A motion was made, seconded and unanimously approved to support Article 31, Municipal Fleet Electrification Report, but also the intent behind it.

• **Article 40: General Bylaw Amendment - Fossil Fuel Infrastructure.** The article would establish a *new bylaw prohibiting the* expansion of fossil fuel infrastructure for new construction. After discussion on its scope and impact, the Board deferred to vote to support until Town Meeting to allow time to receive/review additional information on impact to grid and housing market and feasibility of the proposed implementation timeline.

**Fund Balance Policy Adoption:** Ms. Salinger made a motion at approved **The Fund Balance Policy** presented at the last meeting corrected of any typos and verbiage adjustments discussed having been made. The motion was seconded by Ms. Briggs, and unanimously approved.

**Rate hearing on energy rate change for addition Renewable Energy Credits and or projects.** A motion to suspend the regular meeting and open a Rate Hearing was moved by Ms. Briggs, seconded by Ms. Salinger. A roll-call vote was unanimous.

Ms. Scott reviewed REC cost fluctuation from 2014-2018 as presented in a handout “Renewable Energy Cost Update”. She also presented CMLP’s RECs by renewable resource type and showed that the total MWh of those RECs **declined** from 2018 of 74,256 MWh in 2018 to 52,275 MWh in 2019, or 54% renewables in the portfolio to 48% renewables in the portfolio.

There was discussion of the timing of REC purchase acknowledging that RECs are traded on a forward basis. RECs are purchased during open trading periods. June 2020 ends trading period where Concord can purchase RECs for the CY2019 period. The projected cost of RECs shows an increase in the market rate from $23.50 in 2019 to $25 in 2020. With our current funding plan of spending $500,000 per quarter on RECs, the number of RECs CMLP could purchase is therefore lower and reflects in the reduction of CMLP’s renewable percentage in the portfolio. Discussion was centered on funding strategies and costs to meet targets for 80% renewables by 2030.

There was further discussion about how CMLP ‘counts’ renewables in the portfolio. For example, is residential solar or other non-carbon emitting sources such as NYPA hydro ‘counted’ in the renewable portfolio mix? Questions arose around understanding whether landfill gas and nuclear sources are ‘counted’ as renewables in the portfolio.

Ms. Salinger suggested that REC costs ought to be considered a cost of business and be factored into the CMLP budget. She also suggested that these costs might be considered an energy costs and therefore included in the energy line item in the budget.

The Board discussed whether the cost of RECs should be included in the rate design or a line item added to the utility charges on the bill. The Board decided to decide on the approach to funding REC purchases until there was a robust discussion of the findings and recommendations of the Cost of Service and Rate Study.

---

3 Addendum A
Citizens asked that the Board recall its commitment to Option B that calls for $0.005/per year ($.025 max).

Mr. Briggs moved to close the rate hearing, seconded by Ms. Kaufman and followed by a unanimous roll-call vote.

The Board discussed the criticality of the rate design process and requested a review of the timeline that would allow the current Board members who have been studying rate design for some time, to vote on rate design. It was suggested that an additional hearing be held to continue the hearing on rate design.

In regards to an increase in rates, it was decided that a rate hearing would be held at the Board’s next meeting to determine if an increase in rates of $.005 would be approved to ensure adequate funds are available for REC purchases to meet town goals.

**Strategic Plan** Discussion of this item on the agenda was deferred to a later date due to time constraints.

**Residential Assistance Rate:** The board reviewed the Residential Rate Assistance and agreed that the current policy needed further clarification to indicate that an annual cap of $600 in assistance is provided.

**Liaison & Public Comments** Ms. Dritt advocated for an immediate rate increase to ensure funds are available for REC purchase.

**Adjourn** Ms. Briggs moved to adjourn the meeting. Ms. Salinger seconded and with a unanimous vote, the meeting was adjourned at 9:07.

Respectfully submitted,
Alice Kaufman, Clerk
Addendum A: Fund Balance Policy

C M L P P O L I C Y

Policy #: 2020-01
Adopted:
Adopting Authority: Municipal Light Board
Offered by: David Wood, Director
Category: Financial Management
Subject: Fund Balance Policy

Introduction

The light plant has maintained several reserve funds and accounts over the years based on general principles common among municipal light plants in Massachusetts. In September of 2018, the Light Board determined that formal policies laying out the number, purposes, sizes and funding sources of such reserves is essential to their integrity, public visibility and preservation. The following policies were developed after a review by staff at Energy New England, the electric power consortium of which the light plant is a member, and are guided by ENE’s recommendations.

Purpose

This policy addresses the responsibility of the Light Plant Director, as the chief administrator of the light plant, and the Light Board, as the rate setting authority and policy advisor to the Town Manager, in that person’s capacity as Light Plant General Manager, to ensure that the fiscal health of the light plant is established and preserved in a manner that guarantees the continual provision of electric power to Concord residents and businesses. This policy will work toward that end by minimizing the financial impact of the risks associated with operating an electric utility, and by providing adequate capital to maintain the physical plant and address future upgrades and growth.

This policy is adopted on the basis of sound business practices, bearing in mind that providing service to its customers at reasonable rates is an ever-present philosophy of the Town of Concord.

Foundation

The policies stated herein have been designed within the requirements and guidelines issued under M.G.L. c.164, s.55-69F on the subject of Municipal Light Plants and the Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act issued by the United States Federal Energy Regulatory Commission (FERC).
Terminology

The following terms shall have the meanings assigned here and shall be interchangeable as indicated.

- **ENE** – Energy New England – the consortium of Massachusetts municipal light plants that manages market interaction and power supply purchases on behalf of its members.
- **DPU** – The Massachusetts Department of Public Utilities – the state regulatory agency that oversees the municipal light plant sector.
- **FERC** – The Federal Energy Regulatory Commission – the U.S. Government agency that oversees the electric power industry.
- **CMLP Annual Operating Forecast/Budget** – Terms used interchangeably to refer to the light plant’s annual forecast of operating costs and revenues.
- **Annual or Budget Year** – The period of CMLP’s fiscal year, which runs from January 1 through December 31.
- **Gross Plant Value / Plant In Service** – Terms used interchangeably to describe the aggregate value of installed capital assets as reported in annual audited financial statements and forecast in the Annual Operating Forecast.
- **Unrestricted Cash** – CMLP’s general cash account through which all revenues and disbursements flow.
- **Approved ... by the Light Board** – A phrase indicating the Light Board’s exercise of its rate-setting authority, and when used in reference to the Annual Operating Forecast, indicating its affirmative recommendation to the Light Plant General Manager, i.e. the Town Manager.

Policy Statement

General

The Light Plant shall maintain a collection of restricted and unrestricted reserve funds for the reasons and purposes stated below. The use of Restricted Funds is confined to the purposes for which they are established. Unrestricted Funds may be called upon to fund purposes other than those for which they are established subject to limitations and/or approvals as delineated in their respective policies.

The Light Plant shall maintain the following Restricted Reserves:

- **A Depreciation Fund** to fund routine capital plant replacements
• An Emergency Repairs Fund as a hedge against unforeseeable emergencies and catastrophic damage to CMLP’s power grid
• A Debt Service Fund as a set aside of current year debt obligations
• A Power Supply Fund as a hedge against unforeseen short term volatility in the power markets
• A Renewable Energy Certificates Fund to provide for the acquisition of so called RECs and account for their ongoing purchase and sale
• An Underground Fund to provide for ongoing conversion of overhead distribution lines to underground

The following Unrestricted Reserve shall also be maintained.
• An Operations Fund for cash on hand to fund operations

**Restricted Funds**

**Depreciation Fund**

Massachusetts municipal electric utilities, governed by M.G.L c.164, are required by law to maintain a Depreciation Fund to fund future replacement of capital assets. The normal\(^4\) required annual depreciation set-aside is 3.0% of the value of the Plant in Service – the total sum of the installed value of the utility’s capital assets. The annual rate extends to a 33 year lifecycle for capital assets, of which many, such as rolling stock, have shorter useful lives, while others, such as poles, switches and wire, can last much longer. Because of the varying annual needs for replacement, the balance of the Depreciation Fund can fluctuate from year to year, sometimes in significant amounts.

A Depreciation Fund shall be maintained as a Restricted Fund with a cash balance between $1 Million and $6 Million.

It shall be used solely to pay the following expenses:

• Routine periodic replacement of capital assets, including rolling stock and excluding land assets.
• Catastrophic losses that exceed the balance of funds available in the Emergency Fund, subject to priority reimbursement.

The Depreciation Fund shall be funded by transfers of funds from Unrestricted Cash.

\(^4\)The Massachusetts Department of Public Utilities (DPU) may approve a different depreciation rate upon request.
Emergency Repairs Fund

Maintaining a reserve to recover from catastrophic losses is essential to an electric utility’s capacity to provide power to its customers with as little interruption as possible. For that reason, an Emergency Reserve should be maintained as a form of self-insurance to cover the cost of such losses outright or pending insured loss reimbursements.

An Emergency Fund shall be maintained as a Restricted Fund with a balance between $1 Million and $1.5 Million.

It shall be used solely to pay the following expenses:

- Repair and replacement of capital plant assets damaged or destroyed by catastrophic weather, riot, insurrection, or other events or circumstances beyond the control of the light plant.

The Emergency Fund shall be funded by transfers of funds from Unrestricted Cash.

In the event that this fund falls below $1 Million, the Light Board shall approve a plan to replenish the fund.

Debt Service Fund

Bond and bond anticipation debt are legal obligations of the Town of Concord and the Light Plant. As such, they take top priority when issuing payments. As such, it is reasonable to establish a fund in which to set aside funds to meet outstanding obligations due in a given budget year. The following policy is intended to be flexible to the extent of accommodating debt fund separations that may be required by accounting standards.

One or more Debt Service Funds shall be maintained as Restricted Funds with a balance or balances equal to the sum of all principle and interest due on outstanding debt during a given Budget Year.

Funds shall be used solely to pay the following expenses:

- Scheduled principle and interest payments due in the subject Budget Year.

Debt Service Funds shall be funded by transfers of funds from Unrestricted Cash.

Power Supply Reserve

A Power Supply Reserve shall be maintained on the Light Plant’s Balance Sheet as liability. The Power Supply Liability can be drawn down to reduce customer’s bills. A PCA Credit will be placed on customer’s accounts at the discretion of the Light Board. The liability shall remain between two and three (2 - 3) months’ power supply cost as published in the CMLP Annual Operating Forecast.

The Power Supply Reserve liability fluctuates with the monthly cost of power relative to the amount of power cost charged in electric rates.
Renewable Energy Certificates Fund

The Town of Concord and CMLP are committed to the goal of achieving a 100% carbon free power supply. Trading in Renewable Energy Certificates (RECs) is one of the methods available to achieve this goal. By purchasing RECs, CMLP is purchasing power from the national grid that was produced by means of hydro, solar and wind generation.

RECs have two layers of cost. First, they must be purchased, which includes the cost of the REC based on its kilowatt hour (kWh) value and the expense of administering the purchase. RECs have a finite life, at the end of which there is an administrative expense to retire them. This second cost is essential to obtaining credit as 100% carbon free energy. The Renewable Energy Certificates Fund is designed to begin each Budget Year depleted by the prior year’s expenses, then to grow over the course of the ensuing Budget Year to a sum that will be used to pay REC expenses in December of each year. The set-aside to the fund will be suspended if and when CMLP has maximized its 100% carbon free power sourcing through other means.

A Renewable Energy Certificate Fund shall be maintained as a Restricted Fund operating as a revolving fund with a balance equal to the amount collected from customers less any purchase of REC’s.

It shall be used solely to pay the following expenses:

- All costs associated with the acquisition and retirement of renewable energy certificates.
- Any costs associated with increasing the amount of renewable energy in the Plant’s power portfolio.

The Renewable Energy Certificate Fund shall be funded by an amount approved annually by the Light Board as a set-aside from electricity sales revenue based on power consumed and shall be applied to all customer accounts.

Underground Fund

The Town of Concord and CMLP have been committed since 1987 to a long range program of relocating all overhead power distribution and customer service lines to underground. At this date, approximately 50% of this goal has been achieved. The pace of future relocation will be set by its cost and the availability of funds in the Underground Fund to cover that cost, whether on a cash or debt funded basis. Underground relocations are shown as capital projects in the Annual Operating Forecast.

An Underground Fund shall be maintained as a Restricted Fund operating as a revolving fund with a balance equal to its accumulated net revenue. It shall be used solely to pay the following expenses:

- All costs associated with relocating overhead power lines to underground.

The Underground Fund shall be funded by a unique tariffed rate set by the Light Board and charged to all customers. This rate is currently 1.5% of total current charges on each bill excluding the Conservation and Renewable Energy Services Charge, and finance charges, and sales tax.
The underground Fund shall cease to exist if and when the goal of relocating all power lines underground has been achieved.

**Unrestricted Funds**

**Operations Fund**

An Operations Fund shall be maintained as an Unrestricted Fund with a balance between two and three (2 - 3) months’ of total expenses, including Purchased Power costs, Depreciation, Debt Service, and PILOT, as published in the annual CMLP Operating Forecast for that year. It shall be used to pay the following expenses in priority order as listed:

- All routine operating expenses including power supply costs
- Capital and debt service expenses when reimbursement from a designated reserve is forthcoming
- Capital expenses not funded by the issuance of debt
- Operating expenses otherwise unfunded due to an interruption in revenue intake
- Otherwise unplanned operating or capital expenses brought about by unscheduled projects, programs or initiatives

The Operations Fund shall be funded by the residual cash flow from activities not included in Restricted Funds.

* * * * *

ADOPTED: ______________

Date

By rollcall VOTE of the Light Board as follows, taken at a duly convened meeting open to the public:

**YEAS**

________________,  __________________,  __________________,  __________________,  __________________,  __________________

**NAYS**

________________,  __________________,  __________________

ATTEST: x____________________

Alice Kaufman, Clerk of the Board
Addendum B:

Renewable Energy Cost Update

March 11, 2020 CMLP Board Meeting

RECs Trade on a Forward Basis

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<td>$39.00</td>
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<td>07/15/2015</td>
<td>$49.25</td>
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<td>07/15/2016</td>
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<td>$40.00</td>
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<td>$26.00</td>
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<td>04/13/2017</td>
<td>$16.00</td>
<td>$26.00</td>
<td>$29.00</td>
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<td>$30.00</td>
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<td>07/14/2017</td>
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<td>$24.00</td>
<td>$25.00</td>
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<td>10/13/2017</td>
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<td>01/12/2018</td>
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<td>04/02/2018</td>
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<tr>
<td>Average</td>
<td>$51.63</td>
<td>$47.34</td>
<td>$39.15</td>
<td>$32.92</td>
<td>$33.45</td>
<td>$32.46</td>
<td>$32.25</td>
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</table>

CMLP Board Meeting March 11, 2020
MA Class 1 REC Prices by Year

average = $0.025 - $0.028/kWh

CMLP Board Meeting March 11, 2020

RECs by Resource

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<thead>
<tr>
<th>Source</th>
<th>2018 MWh</th>
<th>2019 MWh</th>
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<tbody>
<tr>
<td>Wind 1</td>
<td>5,473</td>
<td>5,570</td>
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<tr>
<td>Wind 2</td>
<td>4,889</td>
<td>5,158</td>
</tr>
<tr>
<td>Wind 3</td>
<td>3,584</td>
<td>3,553</td>
</tr>
<tr>
<td>Hydro 1</td>
<td>5,169</td>
<td>5,711</td>
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<td>Hydro 2</td>
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<td>3,027</td>
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<td>Hydro 3</td>
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<td>1,581</td>
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<tr>
<td>Wind 4</td>
<td></td>
<td>2,637</td>
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<tr>
<td>Purchased RECs</td>
<td>74,256</td>
<td>52,275(^\text{E})</td>
</tr>
<tr>
<td>Total RECs</td>
<td>93,371</td>
<td>79,512</td>
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</table>

\(^{E}\) = estimated

| Sales      | 172,594  | 164,272  |
| % of Sales | 54%      | 48%      |

CMLP Board Meeting March 11, 2020
CMLP’s Resource Portfolio

<table>
<thead>
<tr>
<th>Resource</th>
<th>RECs</th>
<th>NCE but no RECs</th>
<th>Carbon Emitting</th>
<th>Total</th>
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<tbody>
<tr>
<td>NYPA</td>
<td></td>
<td>8,383</td>
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</tr>
<tr>
<td>Solar Projects</td>
<td></td>
<td>10,930</td>
<td></td>
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<tr>
<td>PPA purchases</td>
<td></td>
<td></td>
<td>99,848</td>
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</tr>
<tr>
<td>Wind</td>
<td>16,919</td>
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<tr>
<td>Hydro</td>
<td>10,319</td>
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<tr>
<td>Landfill</td>
<td>3,943</td>
<td></td>
<td></td>
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<tr>
<td>Fossil</td>
<td></td>
<td></td>
<td>961</td>
<td></td>
</tr>
<tr>
<td>ISO Energy Purchases</td>
<td></td>
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<td>19,416</td>
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<tr>
<td>Totals</td>
<td>27,238</td>
<td>23,256</td>
<td>120,225</td>
<td>170,718</td>
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<td>Purchased RECs</td>
<td>52,275$</td>
<td>52,275$</td>
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<tr>
<td>Total RECs</td>
<td>79,513</td>
<td>102,769</td>
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<tr>
<td>Sales</td>
<td>164,272</td>
<td>164,272</td>
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<tr>
<td>% of Sales</td>
<td>48%</td>
<td>63%</td>
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$ = Estimated

6/21/2017 Memo on CMLP Strategy to Meet Community Goals

<table>
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<tr>
<th>Year</th>
<th>CMLP Energy Purchases (MWh)</th>
<th>REC Market Offer Price</th>
<th>Total Cost for GHG Offset</th>
<th>Total Cost in $ per kWh</th>
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<tr>
<td>2017</td>
<td>174,000</td>
<td>$17</td>
<td>$2,958,000</td>
<td>$0.017</td>
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<tr>
<td>2018</td>
<td>174,000</td>
<td>$21</td>
<td>$3,654,000</td>
<td>$0.021</td>
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<tr>
<td>2019</td>
<td>174,000</td>
<td>$23.50</td>
<td>$4,089,000</td>
<td>$0.0235</td>
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<tr>
<td>2020</td>
<td>174,000</td>
<td>$25</td>
<td>$4,350,000</td>
<td>$0.025</td>
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</table>

1. Discontinue the sale of RECs within our control.
2. Establish a new renewable energy surcharge on all bills on a per kWh basis. Three possible schedules include:

<table>
<thead>
<tr>
<th>IMPLEMENTATION DATE</th>
<th>OPTION A</th>
<th>OPTION B</th>
<th>OPTION C</th>
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<td>JULY 2017</td>
<td>$0.005</td>
<td>$0.010</td>
<td>$0.0180</td>
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<td>$0.010</td>
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<td>$0.0220</td>
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<td>JULY 2019</td>
<td>$0.015</td>
<td>$0.020</td>
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3. Procure REC’s during open trading periods using available funds collected through the REC surcharge.
4. Direct ENE to seek out new renewable energy projects suitable to replace REC purchases with PPA contracts.
5. Revisit solar incentives and interconnection policy to address the sale of RECs by net-metered customers.
6. Begin evaluating alternative rate structures as outlined in the CMLP strategic plan.