

FOR COMMUNITIES, BY COMMUNITIES.

Guide to CPCNH Cost Sharing Agreement

December 30, 2022



**COMMUNITY
POWER COALITION**
OF NEW HAMPSHIRE



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1 | Cost Sharing Agreement

- Fair + proportional cost sharing among Members
- Establishes “Menu of Services”
- Defines categories of cost
- Provides operational clarity to all parties
- Requires monthly cost reporting



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Recitals, Legislative Context, & Purpose

- ⚡ RSA 53-E, Community Power Act & Public Interest
- ⚡ Date the **Member** adopted the Joint Powers Agreement (JPA) & joined CPCNH
- ⚡ NH Constitution: *“Free and fair competition in trades and industries is an inherent and essential right of the people and should be protected against all monopolies and conspiracies which tend to hinder or destroy it”*
- ⚡ CPCNH is jointly controlled + governed by Members; operated for their mutual benefit; promotes common good, general welfare, economic vitality, and prosperity of local communities in New Hampshire; affords economies of scale and scope for Community Power Aggregation (CPA)
- ⚡ JPA requires Cost Sharing Agreement be entered into by Members to ensure costs are fairly recovered **through CPA revenues**, grants, or 3rd-party sources

Article 1 – Purpose

- ⚡ **Fair & Proportional Cost Allocation:** Ensures that, to the extent practical, costs will be recovered from each Member’s CPA revenues in proportion to the costs that each incurs or causes.
- ⚡ **Establish Elective “Menu of Services” (Exhibit C),** beginning with “Complete Service Bundle,” execution of which delegates authority to CPCNH to implement CPA services for and collect revenues from participating retail electric customers, in accordance with CPCNH’s Risk, Rates, and Reserves policies.
- ⚡ **Provide Operational Clarity** for CPCNH in the proper execution cost tracking and allocation across Members.

Article 2 – Amendment

- ⚡ CSA must be uniform for all Members, except with regard to:
 - Scope of Member Services elected by Members (Exhibit C);
 - Project Contracts entered into by Members (Exhibit F);
 - “Menu of Services” + “Project Contracts” lists will grow over time, as Members elect to evolve their CPAs with new offerings
- ⚡ CSA may be amended by unanimous vote at Membership meeting provided written notice is sent to Member Representatives and principal executive officers at least 30 days prior to such meeting at which it is to be acted upon.

Article 3 – Membership

Members currently intending to implement CPA program service in 2023:

City of Lebanon
Town of Hanover
City of Nashua
Cheshire County

Town of Rye
Town of Walpole
Town of Plainfield
Town of Enfield

Town of Exeter
Town of Peterborough
Town of Durham
Town of Harrisville

Members in the process of authorizing CPA programs:

City of Dover
Town of Warner
Town of Pembroke
Town of Webster
Town of New London

Town of Newmarket
Town of Canterbury
Town of Wilmot
Town of Shelburne
Town of Hancock

City of Portsmouth
Town of Westmoreland
Town of Hudson
Town of Sugar Hill
Town of Brentwood

Article 4 – “Menu of Services”

Election of CPA Member Services & Project Contracts

- ⚡ Menu of Services provided in Exhibit C
 - First item: “**Complete Service Bundle**,” inclusive of all services required to launch and operate initial CPAs
 - Additional services may be added over time
 - Enrollment periods for services may be pre-defined or open-ended
- ⚡ Project Contracts that individual members enter into shall be placed in Exhibit F

Article 5 – Cost Recovery Commitment; Limitation

- ⚡ **No Taxpayer Funds:** JPA requires CSA ensure cost recovery through Member's CPA revenues, or from revenues from grants or other third- party sources.
- ⚡ Debts, liabilities, and obligations of CPCNH shall not be debts, liabilities, and obligations of the Member unless and only to the extent agreed to under a contracted Member Service (Exhibit C), or Project Contract.
- ⚡ All costs are to be recovered through rates, grants, or other 3rd party sources.

Article 6 – Cost Reporting & Records

- ⚡ **Mandates transparency** for cost tracking & allocation.
- ⚡ Actual metered electricity will be used when available
 - Acknowledges CPCNH may employ reasonable estimations of cost causation (as per the nature of electricity supply service), depending on availability of data, with true-up to actual where possible
- ⚡ **Monthly CPCNH reporting** on costs + allocation
- ⚡ CPCNH JPA Article XIII
 - *“The books and records of the Corporation shall be open to inspection at all reasonable times to each Member and its representatives”*

Article 7 – CPCNH Implementation Costs

Takeaway: **all Members** participating during **years 1 - 5** will be allocated the **same \$/MWh** share of implementation costs.

Implementation Costs are defined as “costs incurred or accrued by CPCNH during the Implementation Phase which are not directly allocatable to any one Member CPA, in that such costs would have been incurred or accrued by CPCNH irrespective of the participation of any one Member CPA, inclusive of interest or financing charges that continue to accrue on such costs subsequent to the Implementation Period”, less any “funds provided by Members, gifts, or grants (cash contributions) received and recorded by CPCNH as cash contributions” during the Implementation Phase.

Articles 8 + 9 – Cost Classification & Allocation

Definitions

CPA Member Services Costs: Costs incurred to provide the Complete Service Bundle, including those services CPAs require to undertake and provide Electric Aggregation Plans and Programs, such as: power supply procurement and management, data and billing, and customer service.

General & Admin Costs: Costs incurred for the general operation and administration of the Corporation, but not incurred specifically in connection with a particular Project or Member Service (e.g., CPCNH offices; Corporation-wide financial mgmt., business services, budget and planning, and personnel mgmt.; central mgmt. information systems; general mgmt. of the Corporation (strategic direction / member affairs), Board functions, accounting, procurement, and legal services; O&M expense; depreciation and use allowances; and interest costs).

Direct Project Costs: Costs incurred for a particular Project pursuant to a Project Contract

Recovery Approach

CPA Member Services Costs: To the extent reasonably practicable, costs incurred specifically in relation to one Member will be recovered from that Member. Otherwise, costs will be recovered from all Members on a pro rata volumetric usage basis.

General & Admin Costs: Recovered from each Member on a pro rata basis in accordance with the following formula:

$$\frac{[\text{Member CPA's Annual Retail Electricity Load}]}{[\text{All Member CPAs' Annual Retail Electricity Load}]}$$

Direct Project Costs: Recovered directly from the Member(s) that participate in a particular Project or pursuant to the Project Contract that governs Member cost responsibility for the Project.

Article 10 – General Terms & Conditions

- ⚡ No debt, liability or obligation of CPCNH can flow to the **Member** unless specifically agreed to in writing (Member Services & Project Contracts).
- ⚡ Indemnification and hold harmless clause for the **Member**, governing body, and certain others — provided everyone is acting in good faith.
- ⚡ Outline for dispute resolution
- ⚡ What constitutes a continuing obligation for the **Member** if you withdrew from the CSA and JPA.
 - Commits Members to honor contracts for Member Services (Exhibit C) and Project Contracts (Exhibit F).

Article 11 – Term

- ⚡ Effective commencing upon the date the Member joined CPCNH
- ⚡ Terminates with: (1) CPCNH dissolution; (2) Member withdrawal subject to continuing obligations, OR, as otherwise specified in CSA

2 | Exhibits

Exhibit A — Cost Sharing Principles

Exhibit B — Cost Allocation Reference Table

Exhibit C — CPA Menu of Services

I: Complete Service Bundle

Exhibit D — Template Cost Allocation Report

Exhibit E — Template Report Glossary

Exhibit F — Project Contracts



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Exhibit B – Cost Allocation Reference Table (1)

Classification	Cost Factor	Allocation Method
General & Administrative	All Costs	\$/MWh forecasts and annual true-up to pro rata share of <u>actual</u> “Annual Retail Electricity Load” (JPA defined term)
Direct Project	Costs identified in Project Contracts	As specified in Project Contracts
	Unanticipated Costs	As directed by Project Committee vote; alternatively, Member Project Contract participation share %
CPA Member Services <i>Power Supply</i>	All Requirements Electricity	Member CPA actual cost
	Net Hedging	\$/MWh (across all CPAs) <u>or</u> actual cost (for each CPA)
	Optional / <u>Opt-Up</u> Products	Member CPA actual cost

Exhibit B – Cost Allocation Reference Table (2)

Classification	Cost Factor	Allocation Method
CPA Member Services <i>Operations</i>	Allocated Staff, Overhead & Misc. Svc	\$/MWh
	Member CPA Compliance Costs	Member CPA actual cost
	General Compliance Costs	\$/MWh
	Financing and Credit Support	\$/MWh (across all CPAs) <u>or</u> actual cost (for each CPA)
	Portfolio & Risk Management Services	\$/MWh
	ISO-NE Load Serving Entity (LSE) Services	\$/MWh
	Marketing & Community Services	\$/MWh
	Customer Notifications	\$/Notice
	Data Management & Billing Services	\$/Meter
	Call Center & Customer Services	\$/Meter
	Local Program Design, Admin & Finance	\$/MWh (across all CPAs) <u>or</u> actual cost (for each CPA)
CPA Member Services <i>Elective Services</i>	Additional services as authorized by the Board	

Exhibit C: Complete Service Bundle – Recitals

- ⚡ RSA 53-E, Community Power Act & Public Interest
- ⚡ **The Member...**
 - Desires to implement Community Power to further the public interest and benefit retail electric customers with access to competitive markets
 - Adopted an Electric Aggregation Plan
 - Executed the Cost Sharing Agreement
 - Endorses CPCNH's Data Security and Privacy; Risk; Rates; and Reserves policies
- ⚡ CPCNH is a Joint Powers Agency and governmental instrumentality in service of the **Member** and other Members
- ⚡ The “Complete Service Bundle” includes all services required to launch and operate Member's CPA

Exhibit C: Complete Service Bundle – Purpose

- ⚡ **Complete Service Bundle Definition:** all services, expertise and financial support required to “*undertake and provide Electric Aggregation Plans and Programs, such as: power supply procurement and management, data and billing, and customer service*”
- ⚡ **Purpose:** create greater financial benefit for Members collectively by:
 - Public oversight, transparency, unbiased expert advice
 - Administrative cost efficiencies and business model innovations
 - Balance of short- and long-term cost savings and fiscal stability
 - Powerful representation at NH General Court & Public Utilities Commission
 - Local programs, new rates & services, project development to lower costs

Exhibit C: CSB – Decision-Making Framework

Details of choices available to each Member of:

- ⚡ Whether and when to procure power initially on **Member's** behalf
- ⚡ Rate products offered to **Member's** customers
- ⚡ Collecting additional financial reserves for **Member's** sole use
- ⚡ Termination of this Contract, **before** and **after enrollment** of the Member's customers.

Exhibit C: CSB – Delegation of Authority & Commitment to Act

Execution of the Complete Service Bundle:

- ⚡ Authorizes and delegates authority to CPCNH to act as agent as required to provide CPA services; Commits CPCNH to provide services
- ⚡ Commits Member to complete its responsibilities (e.g., making necessary governmental filings; obtaining/sharing data)

Electric Aggregation Plan

- ⚡ Acknowledges terms and requirements of EAPs may prevent CPCNH from providing service
- ⚡ Commits CPCNH to reviewing EAPs and, if necessary, recommending modifications

Exhibit C: CSB – Professional Ability & Service Contracts

CPCNH relies upon qualified service providers, consultants and personnel to provide services

⚡ CPCNH services are predicated on:

- Contracts CPCNH has executed with service providers hired through competitive solicitations
- CPCNH's internal capacity, including staff capacity commencing with an anticipated hire of a CEO in March 2023
- The timeline by which distribution utilities implement Puc 2200 rules, which have not been fully implemented as of December 2022.

CSB – Term; Procurement & Termination Elections

- ⚡ **Member** may elect to terminate Complete Service Bundle Contract with immediate effect via written notice, provided CPCNH has not authorized entering into transactions for power on behalf of the Member
- ⚡ **Election to Delay:** “Authorized Officer” may delay commencing procurement during the Risk Management Committee (RMC) meeting convened to authorize the first power transactions of CPCNH on behalf of the Member.
 - RMC will call for verbal elections to delay after discussion of rate forecasts
- ⚡ **Energy Portfolio Risk Mgmt Policy:** Initially “*Hedging shall not extend beyond 36 months from the date that CPCNH first begins providing electricity*”
 - During first 12-months, Member may elect to terminate after the full 36-month term
 - After first 12-months, Member may elect to terminate 36 months in advance

CSB – Early Termination

Early Termination Option 1: Fulfill Waiting Period

- ✓ Upon receipt of termination notice, CPCNH shall inform **Member** of the **minimum waiting period** under which there would be no costs for withdrawal.
 - Costs of withdrawal may include losses from the resale of power contracted for by CPCNH to serve the **Member CPA's** load.
 - Waiting period = minimum duration by which no costs would be transferred to the remaining Members that have elected the Services.

Early Termination Option 2: Covering of Losses

- ✓ **Member** may terminate during the waiting period, provided it first deposits sufficient funds with CPCNH, as reasonably determined by CPCNH and approved by a vote of the Board of Directors, to cover **Member CPA's** liability for outstanding costs.
- ✓ **Member** may elect to use its **allocated share of Joint Reserves** or **Discretionary Reserves**, for this purpose.

CSB – Return of Joint Reserves; Authorized Officer & Principal Representatives; Amendments

Return of Joint Reserves: After the effective date of a Member's termination, reserves in excess of the cost incurred by CPCNH as a result of the termination will be allocated back to the Member for its discretionary use.

Members will designate an “Authorized Officer” who may elect to:

- ⚡ Delay commencing procurement: (YES/NO)
- ⚡ Specify default and optional products: (YES/NO)
- ⚡ Set Discretionary Reserve adders: (YES/NO)

“Principal Representatives” are:

- ⚡ Member & Alternate Representatives; Principal Executive Officer

Amendments

- ⚡ Amendments are subject to review and approval of all Members that have executed the Complete Service Bundle Contract

CSB – Attestation of Signing Authority; Execution

Members will attach the resolution of their governing body authorizing the execution of the Contract and other authorization documents (e.g., Electric Aggregation Plans)

CSB – Appendix A, Decision-Making Framework (1)

CPCNH will:

- ⚡ Assist or provide for public engagement efforts (logo, website hosted on a Dot Gov address; materials; trainings; utility registrations; call centers; print mailers; opt-in/out processing; etc.).

The decision to procure power is a collective decision made by the Risk Management Committee:

- ⚡ **Member** may elect to delay procurement up until the decision by the Risk Management Committee to commence procurement.
- ⚡ Rates will be set after procurement has concluded.

CSB – Appendix A, Decision-Making Framework (2)

CPCNH Risk Management and Finance Committees will deliberate and welcome public input on rate setting, resulting in a recommendation to the Board

⚡ Member may then elect from the following product options:

Product	Minimum Content	Member Election
Granite Basic	Minimum RPS Content (23.4%)	Default, Opt-Down, or N/A
Granite Plus	~33% Renewable or Carbon Free	Default, Opt-Up, or N/A
Clean 50%	~50% Renewable or Carbon Free	Opt-up or N/A
Clean 100%	100% Renewable or Carbon Free	Opt-up or N/A

⚡ Discretionary Reserve setting may not be available during initial launch months.

CSB – Appendix A, Decision-Making Framework (3)

The Coalition’s decision-making framework & process is designed to afford maximum flexibility to each Member CPA while relying on collective decisions to ensure cost efficiencies & efficient administration of the power agency:

Collective Decisions

Joint Powers Agreement establishes that all Members must execute the Cost Sharing Agreement

Coalition then prepares to procure hedges pursuant to the Risk Policy (specifies Hedge Coverage Ratios & processes to procure and manage energy portfolio)

Risk Management Committee authorizes hedging (for CPAs that do not opt-out) on a not-to-exceed price basis to meet forecasted cost & customer rates

After hedges are in place, the Risk Management Committee & Finance Committee each hold at least 1 meeting for CPA & public input → ratesetting

Retail Rates Policy establishes the types of rates, products, and terms offered to customers & Financial Reserves Policy determines how much collected in rates for Joint Reserves

Risk Management Committee (or CEO, when hired) then recommends rates to the CPAs & Board

Board convenes & approves rates for all CPAs

Coalition launches CPAs → default rate setting & Member election process repeats every ~6-months

Coalition continuously procures hedges & manages risk for CPAs unless they elect to terminate services

Member CPA Decisions

Executing Cost Sharing Agreement permits Member to then elect to take different services from CPCNH, by executing Member Services Contracts

Wave 1 CPAs execute the Complete Service Bundle contract

Member can choose to defer program launch by opting-out of initial hedge procurement at Risk Committee meeting

Member can terminate Member the service contract anytime before hedges have been procured for their CPA

After rate prices are set, Member chooses which rate products are offered to their customers & whether to collect additional financial reserves for their sole discretionary use

Wave 1 rate options:

PRODUCT	CONTENT *	MEMBER ELECTIONS
Granite Basic	Minimum RPS Content (23.4%)	Default, opt-down/in, or N/A**
Granite Plus	33% Renewable or Carbon Free	Default, opt-up/in, or N/A**
Clean 50	50% Renewable or Carbon Free	Opt-up/in or N/A
Clean 100	100% Renewable or Carbon Free	Opt-up/in or N/A

Note: discretionary reserve functionality likely will not be operational at launch for Wave 1 CPAs

After launch, Member CPAs can choose to terminate the service contract — *subject to advance notice requirements that ensure net costs aren't shifted to other CPAs*

Termination of services processes in CSB, Article VII

3 | Cost Allocation & Member Services Illustrations



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Overview of Enabling Agreements

Decisions on energy procurement, customer rates & financial reserve collections for CPAs are governed by (1) Member Services Contract and (2) Energy Portfolio Risk Management, Rates & Reserves Policies:

Cost Sharing Agreement

Overarching framework to categorize & allocate costs across Member CPAs
Execution required for all Members
Member's may subsequently execute Service Contracts & Project Contracts (incorporated as exhibits into CSA)

Project Contracts

Local projects developed under longer-term agreements (separately entered into by CPAs)

Member Services Contract

Delegates authority to CPCNH to provide CPA services
First contract: "Complete Service Bundle" (turnkey CPA launch and operations for 3+ year term)
Services carried out in accordance with policies

Energy Portfolio Risk Management Policy

Specifies mechanisms, financial safeguards, reporting, and transaction / approval processes required for CPCNH to procure electricity for CPAs.

Financial Reserves Policy

Outlines how 3 types of Financial Reserves will be established & maintained:

1. **Joint Reserves:** for long-term stability
2. **Excess Reserves:** collections not needed for Joint Reserves re-allocated for CPAs' use
3. **Discretionary Reserves:** CPA may opt to collect additional funds for own use

Retail Rates Policy

Governs how retail rates will be set and what types of rates will be offered.

+ **Data Security & Privacy Policy** to protect individual customer data

Member Services: Complete Service Bundle

The Coalition offers Member CPAs the full range of capabilities of a Competitive Electric Power Supplier:

CPA Implementation Services

Marketing materials, CPA logo, and hosted Website development:

[Member].CommunityPowerNH.gov

Public Engagement Campaign handbook & advisory support; media & public engagement workshops for local EACs, staff & officials; outreach and Public Meeting process support

Member support for informed participation in hedge procurement and ratesetting decisions

Posting & updating CPA rates on DOE shopping comparison website

Printing, mailing & processing of opt-in & opt-out customer notices

Compliance activities (utility & ISO-NE registration requirements; utility data requests / data confidentiality; etc.)

Retail Data Management and Billing Services

Utility Electronic Data Interchange (EDI)

Customer Data Validation and Error Resolution

Consolidated and Dual-Billing

Retail Customer Solutions

Inbound and Outbound Call Center Operations

Interactive Voice Recordings (IVR)

Customer Relationship Management (CRM) system

[Key Account Relationship Management*](#)

[Digital Engagement and Orchestration*](#)

Financial Planning & Services

Startup Capital & Credit Support

Secure Revenue Account Administration

Revenue Oversight, Tracking, & Validations

Forecasting, Budgeting & Ratesetting

Accounting Support and Controls

Member CPA Cost Allocation Reporting

Enterprise Data Management

[In-house data repository & analytical tools*](#)

ISO-NE Load Serving Entity Services

Wholesale Load Forecasting

Retail Load Settlement Profile Construction Validation

Load & Generation Forecasting, Scheduling & Settlements

Day-Ahead and Real-Time Market Bid Optimization

Shadow Settlements and ISO-NE Dispute Resolution

Portfolio Risk Management Services

Energy Portfolio Planning and Risk Simulations

Hedge Valuation and Procurement

Counterparty Monitoring and Contract Management

Product Structuring & Advanced Rate Design

Market Monitoring, Position Management and Reporting

Local Projects & Programs

[Local Resource Assessments*](#) & Long-Term Planning Model

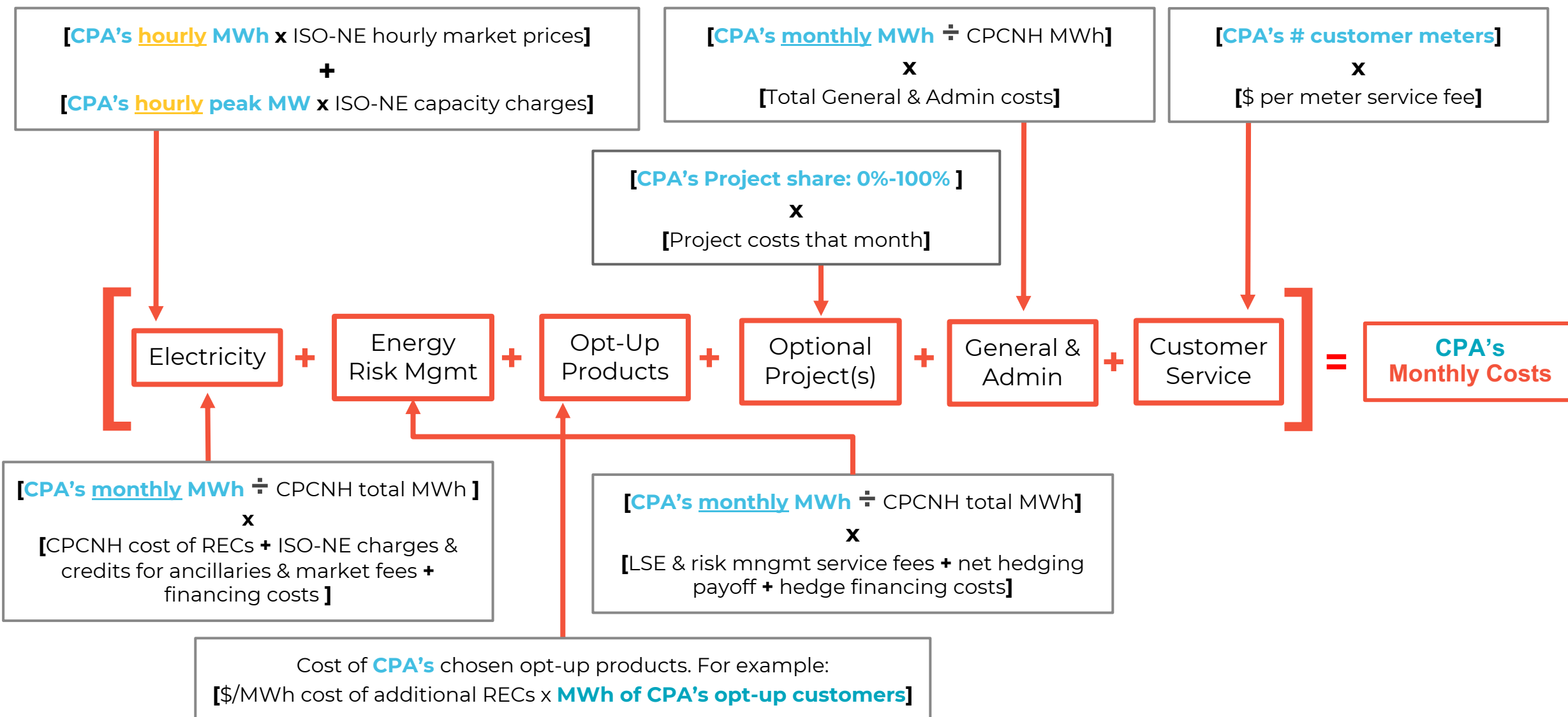
Local Project Solicitations, Valuations, and Contracting

Market-Based Distributed Energy Resources Procurements

[Local Program Development Support](#)

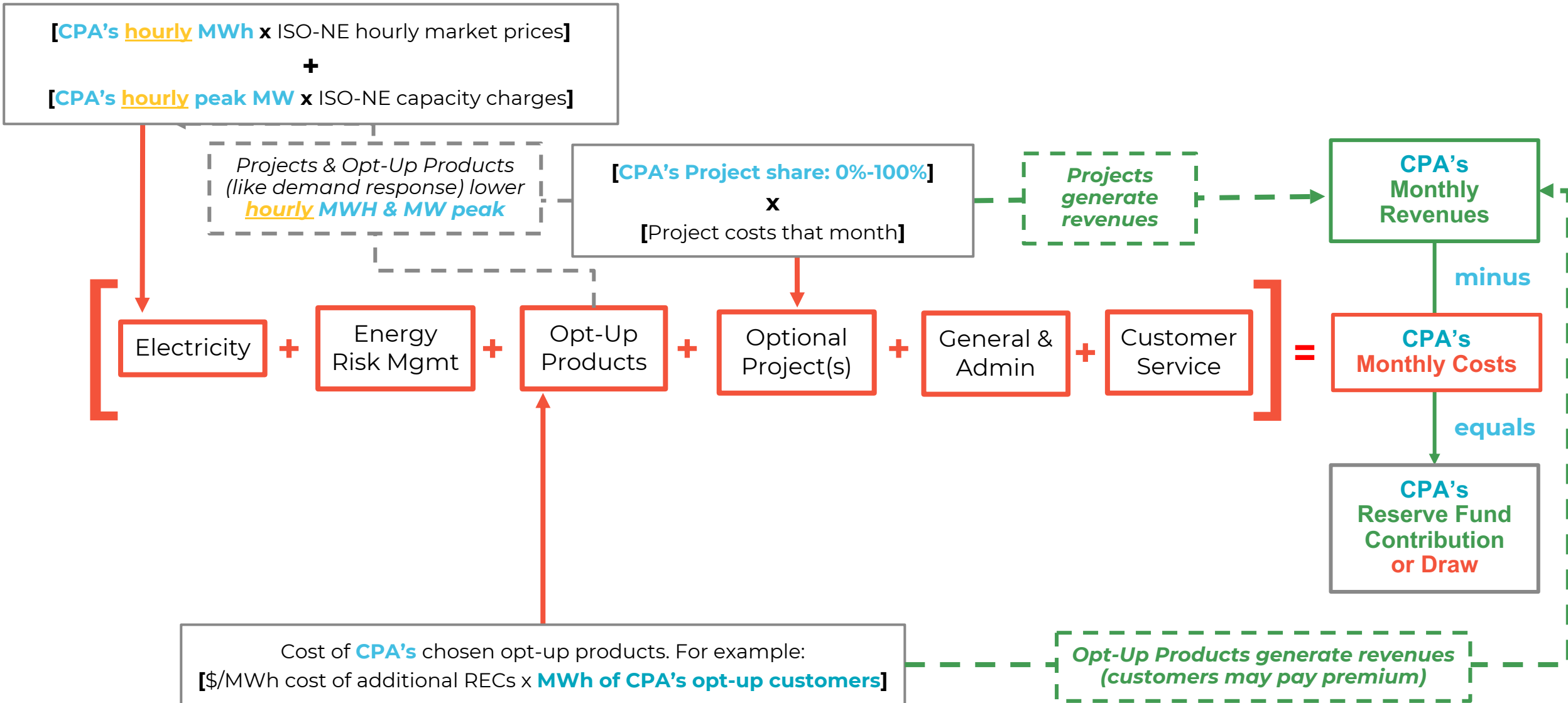
**Capabilities will develop / deepen over time*

Equation for Monthly Cost Allocation



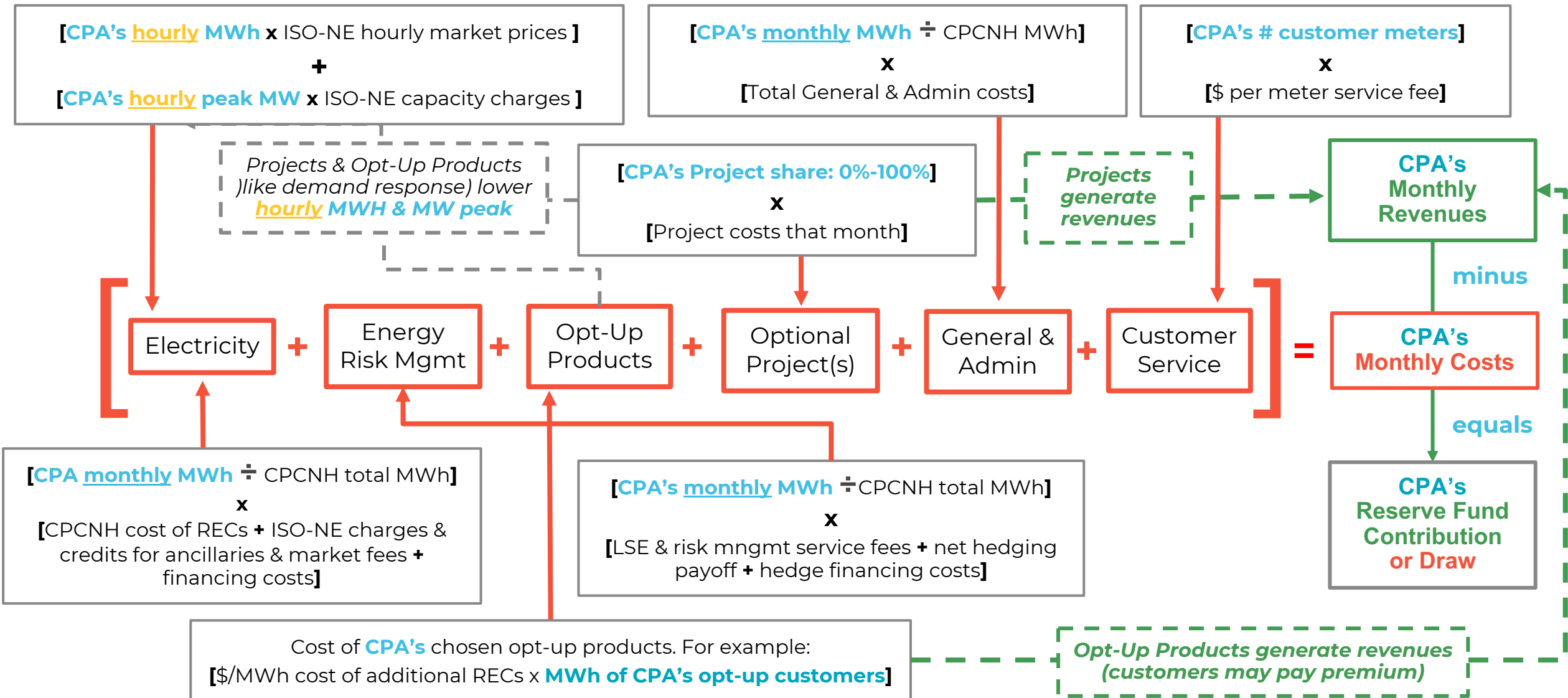
NOTE: equation is simplified; cost computation & allocation mechanism is what is described in the Cost Sharing Agreement.

How Products & Projects impact Cost & Revenues



NOTE: equation is simplified; cost computation & allocation mechanism is what is described in the Cost Sharing Agreement.

Combined Equation



NOTE: equation is simplified; cost computation & allocation mechanism is what is described in the Cost Sharing Agreement.