

Cape Light Compact JPE’s Shared Costs: A Detailed Cost Allocation Proposal and Cost Driver Study

Executive Summary

The Department of Public Utilities (“Department” or “DPU”) required the Cape Light Compact JPE (“Compact” or “CLC”), as part of its 2025 – 2027 energy efficiency plan filing, to present “a detailed cost allocation proposal including a detailed study of the cost driver(s) for each category of shared costs.”¹

The Compact proposes to allocate its five shared cost categories using three cost allocation methods, which are supported by the cost driver study contained herein: (1) direct assignment, (2) employee time, and (3) respective budgets for energy efficiency and operating activities. Table 1 identifies, for each shared cost category, the cost allocation method, the resulting factor the Compact proposes to use in its 2025-2027 Energy Efficiency and Decarbonization Plan (“2025-2027 Plan”), and the energy efficiency costs for each year of the plan term. The proposed methods and the rationale for applying the proposed methodology are detailed by shared cost category in each section of this report.

Table 1. Shared cost allocation methods, 2025-2027 allocation factors, and 2025-2027 Energy Efficiency Budget

Shared Cost Category	Cost Allocation Method	2025-2027 Factors		2025-2027 Energy Efficiency Budget		
		EE	OP	2025	2026	2027
Legal Services						
Consumer Advocacy	Direct assignment	Case-specific		TBD ²		
Other Proceedings	Direct assignment	Case-specific		TBD		
Organizational	Employee time	93%	7%	TBD		
Employee Salaries and Benefits	Employee time	93%	7%	\$3,356,162	\$3,639,355	\$3,831,798
IT Infrastructure	Employee time	93%	7%	\$111,403	\$116,973	\$122,822
Office Environment	Employee time	93%	7%	\$139,500	\$129,606	\$129,606
Financial Services	Respective budgets	98%	2%	\$248,052	\$253,635	\$259,463

Ultimately, the Compact seeks to develop a cost allocation methodology for each shared cost category that the Department is comfortable maintaining in future filings to avoid the need to continually revisit this issue. The Compact proposes updating the allocation factors for each plan term using the most

¹ D.P.U. 21-120 through D.P.U. 21-129 (January 31, 2022), at 297.

² Shared legal services costs are a portion of the Compact’s total legal services costs. In planning a budget for the 2025-2027 term, the Compact relied on its actual legal services costs for the 2022-2024 term and accounted for general cost increases that routinely occur year over year.

recent data available to the Compact at the time of filing, while maintaining the underlying methodology across plan terms, bearing extenuating circumstances.

Introduction

The Cape Light Compact JPE

The towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Edgartown, Eastham, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, West Tisbury, Wellfleet and Yarmouth, and Dukes County are organized and operating collectively as the Cape Light Compact JPE, a joint powers entity (“JPE”) organized pursuant to G.L. c. 40, §4A ½ and G.L. c. 164, §134 (“Section 134”). The Compact is a municipal aggregator under G.L. c. 164, §134, was originally formed in 1997 and is currently organized through a Joint Powers Agreement (“JPA”) executed by all of its members.

The purposes of the Compact include, among other things, to negotiate the best terms and conditions for the supply and distribution of electricity for consumers on Cape Cod and Martha’s Vineyard, to encourage renewable energy development, to advance consumer protection and interests for the residents of Cape Cod and Martha’s Vineyard, and to administer an energy efficiency plan that advances consumer awareness and the adoption of a wide variety of energy efficiency measures.³ The 1997 Massachusetts Electric Restructuring Act enabled towns and cities to become municipal aggregators like the Compact that could, among other things:

- Purchase power on behalf of all customers in the municipality and provide the power to all customers on an opt-out basis; and
- Implement energy efficiency programs instead of the local electric utility, ensuring that funds collected from Cape Cod and Martha’s Vineyard residents and businesses are spent to reduce the energy costs of Cape Cod and Martha’s Vineyard residents and businesses.

The Compact is the only non-utility Program Administrator of energy efficiency services in Massachusetts. As a public entity, the Compact does not have stockholders, has no commensurate rate of return and does not collect performance incentives. Rather, it is controlled by a Governing Board consisting of representatives appointed by its municipal members.

The Compact is also organized as a joint powers entity, which means that each of its governmental unit members has agreed by contract (the JPA) to organize and act collectively for the joint exercise of any of their common powers and duties on Cape Cod and Martha’s Vineyard.

Compact’s Budgets

As part of its day-to-day activities, the Compact manages two budgets: its energy efficiency (“EE”) budget that is primarily funded through an energy conservation charge built into distribution rates and applied to all Cape Cod and Martha’s Vineyard customers’ electric bills, and its operating (“OP”) budget that is funded through a charge (one-tenth of a cent) built into the supply portion of the electric bills for customers participating in the Compact’s opt-out electric supply program.

³ Compact JPA at Article II.

The Compact routinely incurs costs that relate to both its energy efficiency activities (energy efficiency budget) and its non-energy efficiency activities (operating budget) (e.g., its municipal aggregation program). Such shared costs include, for example, Compact staff salaries and building rental costs. The Compact allocates these costs between its energy efficiency and operating budgets.

Table 2 summarizes the Compact's shared costs and total actual costs from 2019-2024, plus the average across years 2019-2023.⁴ Total shared costs have generally been between \$3 million and \$4 million dollars per year and have increased by about 6 percent per year on average. The Compact has allocated about 91 percent of these costs to its energy efficiency budget, which makes up about 6 percent of the Compact's total energy efficiency budget. The Compact has allocated about 9 percent of the shared costs to its operating budget, which makes up about 37 percent of its total operating budget.

Table 2. Total shared costs

	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual thru June	2019-2023 Average
Total Shared Costs							
Total Shared Costs (M\$)	2.943	3.115	3.108	3.837	3.645	1.738	3.330
Annual Change (%)	n/a	6%	0%	23%	-5%	n/a	6%
Energy Efficiency Costs							
Shared Costs to EE (M\$)	2.702	2.840	2.850	3.426	3.383	1.544	3.040
Shared EE/Total Shared (%)	92%	91%	92%	89%	93%	89%	91%
Total EE Costs (M\$)	42.418	40.246	50.884	49.709	65.815	28.264	49.814
Shared EE/Total EE (%)	6%	7%	6%	7%	5%	5%	6%
Operating Costs							
Shared Costs to OP (M\$)	0.242	0.275	0.258	0.412	0.262	0.194	0.289
Shared OP/Total Shared (%)	8%	9%	8%	11%	7%	11%	9%
Total OP Costs (M\$)	0.560	0.780	0.849	0.946	0.818	0.429	0.791
Shared OP/Total OP (%)	43%	35%	30%	43%	32%	45%	37%

The costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed. The costs for 2024 are not included in the average costs since they represent a partial year of data.

The Compact shares these costs between its energy efficiency and operating budgets because it is more efficient to share resources and services across the two budgets than to separately procure each cost twice. Most of the shared costs are connected to supporting employees in completing their roles and responsibilities.

Purpose of this Study

In its order on the 2022-2024 Three-Year Energy Efficiency Plans, the Department determined that:

⁴ For all tables with 2019-2024 data in this report, the costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024, and have not yet been fully reviewed. The Compact will review and edit 2024 expenditures in preparing its 2022-2024 Term Report to be filed with the Department in 2025.

In its next Three-Year Plan filing, the Compact shall present a detailed cost allocation proposal including a detailed study of the cost driver(s) for each category of shared costs.⁵

In response to the Department's directives for preparation of the Compact's 2025-2027 Plan, the Compact presents this study on its shared costs. This study includes both a study of the cost drivers for each shared cost as well as the proposed cost allocation method for the 2025-2027 Plan. The Compact drafted this report with assistance from its Financial Consultant/CPA (Daniel Sullivan) and its energy efficiency consultants (Synapse Energy Economics, Inc.).

⁵ D.P.U. 21-120 through D.P.U. 21-129 (January 31, 2022), at 297.

Methodology

The Department directed the Compact to study the *cost drivers* for each *category of shared costs*.

- **Cost drivers.** The Compact defines a cost driver as a factor that causes or influences the cost of a particular activity or process. It is a variable that directly affects the level of expenses or resource consumption. The Compact's cost drivers can vary depending on the specific activity being analyzed.
- **Categories of shared costs.** The Compact grouped its individual shared costs by their primary function and purpose, and identified five categories of shared costs:
 - legal services
 - employee salaries and benefits
 - IT infrastructure
 - office environment
 - financial services

This report is organized by each of the five shared cost categories. For each category, the Compact:

- provides a summary of historical and projected total costs (without allocation to energy efficiency and operating) for 2019-2024;
- describes the different costs included in the category, including the cost drivers for each individual cost;⁶ and
- proposes a cost allocation methodology for the cost category.

Cost Allocation Framework

Developing an appropriate allocation method

For each shared cost, there are multiple reasonable ways to allocate the cost between the Compact's energy efficiency and operating budgets. In choosing the allocation methodologies identified in this report, the Compact considered the Department's precedent on cost allocation generally, the Department's previous direction to the Compact on its shared costs, the individual cost drivers for each shared cost, the administrative burden related to the Compact's calculation of shared cost allocations, and the administrative burden on the Department and stakeholders to review the Compact's supporting material.

In considering Department precedent, the Compact found that, in some instances, the Department has allowed different allocation methods for similar costs. For example, costs related to rent and building use have been allocated using different approaches:

- In D.P.U. 17-90 (at 203-204), the Department allowed shared office costs to be allocated between a utility and its affiliate by deriving a building overhead rate per facility then applying the rate to labor charged from each facility to the company.

⁶ Some costs are presented differently than how the Compact has previously presented shared costs. For example, the Compact provides more detail in this report regarding employee benefits, which have historically been rolled into the salary shared cost information.

- In D.P.U. 88-172 (at 31-33), the Department allowed rent costs to be allocated between two water companies based on the number of customers served by each company.
- In D.P.U. 21-126 (at 291), the Department allowed the Compact's rent costs to be allocated between its energy efficiency and operating budgets based on employee time spent on the different activities.

Allocation principles

To simplify the allocation of shared costs between the energy efficiency and operating budgets, the Compact proposes the following allocation principles. Legal services are the exception to these principles, however. The allocation method for shared legal services is explained in the Legal Services section of this report.

- **Same allocation factors applied to costs within a shared cost category.** The Compact proposes to use the same allocation methodology and resulting factors for each cost within a category of shared costs. Grouping similar costs together and applying the same factors improves efficiency by limiting the number of allocation methods and factors to calculate.
- **Consistent allocation factors for planning and reporting.** The Compact proposes to use the same allocation factors for both planning and reporting purposes. While it may be more accurate to use actual data as it becomes available throughout the plan term, maintaining the factors should help reduce administrative burden and allow stakeholders to more readily compare changes in costs between planning and reporting. Further, the Compact does not expect factors would change significantly if updated with actual data.
- **Allocation factors based on 6 years of historical data.** The Compact proposes to determine the allocation factors using the previous 6-years of data to the extent available. This approach captures variances and any potential anomalies across years and is consistent with the Department's previous guidance to the Compact on shared costs.⁷ For the 2025-2027 Plan, the Compact will use data from 2019 through 2024 to the extent available.

Proposed Cost Allocation Methods

The Compact settled on three different allocation methods for the five shared cost categories: (1) direct assignment, (2) employee time, and (3) respective budgets for energy efficiency and operating activities. The proposed methods and the rationale for applying the proposed methodology are detailed by shared cost category in each section of this report.

Table 3 summarizes the proposed cost allocation method for each category of shared costs, as well as the resulting factors proposed for the 2025-27 Plan term. Refer to *Appendix 1. Supporting Calculations* for more detail on how these values were derived.

⁷ D.P.U. 21-120 through D.P.U. 21-129 (January 31, 2022), 293-294.

Table 3. Shared cost allocation methods and 2025-2027 allocation factors

Shared Cost Category	Cost Allocation Method	2025-2027 Factors	
		EE	Operating
Legal Services			
Consumer Advocacy	Direct assignment		Case-specific
Other Proceedings	Direct assignment		Case-specific
Organizational	Employee time	93%	7%
Employee Salaries and Benefits	Employee time	93%	7%
IT Infrastructure	Employee time	93%	7%
Office Environment	Employee time	93%	7%
Financial Services	Respective budgets	98%	2%

Legal Services

The Compact retains outside general counsel to support both its energy efficiency and municipal aggregation programs. In most cases, the Compact’s legal services directly support the programs funded through either the energy efficiency budget or the operating budget (e.g., representation in regulatory proceedings regarding the Compact energy efficiency plan, negotiation of power supply contracts). In some cases, the legal services support a matter that has both energy efficiency and municipal aggregation program implications, as explained below.

- **Consumer advocacy.** The Compact may participate in rate cases or other utility matters before the Department that affects both its energy efficiency and power supply customers and are related to consumer advocacy (e.g., NSTAR Electric Company, d/b/a Eversource Energy, D.P.U. 22-22 (2022)).
- **Other proceedings.** The Compact may participate in Department proceedings that affect both its energy efficiency and power supply customers in a non-advocacy role (e.g., through review and monitoring of docket filings).
- **Organizational.** The Compact may require legal services for a matter that is related to its organization as a public employer (e.g., the establishment of an other post-employment benefits (“OPEB”) trust fund).

Table 4 summarizes the Compact’s shared legal services by energy efficiency and operating budget as well as by type of legal service for 2019-2024. More costs tend to be allocated to the Compact’s operating budget than its energy efficiency budget. Costs tend to vary by year, ranging from about \$30,000 in 2019 to \$230,000 in 2022. The costs vary due to the type of Department proceedings that arise in a year and/or the Compact’s level of involvement in the cases, among other reasons. Such “lumpy” costs make it challenging for the Compact to predict shared legal services costs for a plan term.

Table 4. Shared legal services costs (\$)

Shared Cost	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Thru June
Consumer Advocacy						
Energy Efficiency	22,934	2,947	12,083	26,829	6,525	22,157
Operating	9,829	1,292	19,180	194,890	46,119	96,616
Total	32,763	4,239	31,263	221,718	52,644	118,772
Other Proceedings						
Energy Efficiency	-	1,731	3,945	427	-	-
Operating	-	34,158	3,072	92	-	-
Total	-	35,889	7,016	519	-	-
Organizational						
Energy Efficiency	-	27,151	-	7,321	40,599	11,837
Operating	-	1,131	-	467	2,591	756
Total	-	28,283	-	7,788	43,190	12,593
Grand Total						
Energy Efficiency	22,934	31,829	16,028	34,576	47,124	33,994
Operating	9,829	36,581	22,252	195,449	48,710	97,371
Total	32,763	68,411	38,279	230,025	95,834	131,365
Grand Total, % of Total						
Energy Efficiency	70%	47%	42%	15%	49%	26%

Shared Cost	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Thru June
Operating	30%	53%	58%	85%	51%	74%

The costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

Cost Description and Cost Drivers

Consumer Advocacy Legal Services

The Compact's JPA sets forth the purposes of the Compact and provides that the Compact is to accomplish those purposes through, among other things, consumer advocacy.⁸ The Compact's aggregation plan also states that the Compact's power supply program may include, at the direction of the Compact's Governing Board, ongoing consumer advocacy and representation at the state level through participation in Department proceedings, the legislative development process, the stakeholder community and before other regulatory and governmental bodies.⁹

Shared legal services costs related to consumer advocacy include the costs of the Compact's intervention and participation in various Department proceedings as a consumer advocate (e.g., filing a petition to intervene, issuing and responding to document and information requests, participating in evidentiary hearings and briefing). For each proceeding, the Compact's Governing Board reviews and approves a Consumer Advocacy Worksheet that documents the energy efficiency and operating matters of the proceeding.

The cost drivers for consumer advocacy legal services are the need for, and actual time spent by, the attorneys on energy efficiency and operating legal matters. This includes, but is not limited to, the number and complexity of proceedings that the Compact participates in, and whether the Compact participates as a full party or limited intervenor in the proceeding.

Other Shared Legal Services

Within other shared legal services there are two primary types of activities the Compact's legal counsel is involved with: non-consumer advocacy related proceedings and organizational activities.

Other Proceedings. Shared legal services costs can relate to supporting the Compact's participation in Department proceedings where the Compact is not focused on consumer advocacy (e.g., review and monitoring of Department dockets where the subject matter of the docket covers both energy efficiency and power supply related matters). For these proceedings, the costs are allocated between the energy efficiency budget and the operating budget based on the subject matter of the legal service. The cost driver for shared legal costs is the need for, and actual time spent by, the attorneys on energy efficiency and operating legal matters. This includes, but is not limited to, the number and complexity of dockets that the Compact participates in, and whether the Compact participates as a full party or limited intervenor in the docket.

⁸ Compact JPA at 4.

⁹ Compact Aggregation Plan at 13.

Organizational. Shared legal services costs related to other activities may include transactional and/or non-regulatory matters related to the Compact’s administration or employees (e.g., personnel related benefits such as OPEB). These costs are typically driven by the Compact’s status as a public employer.

Proposed Cost Allocation Methodology and Factors

Table 5 summarizes the cost drivers for the individual shared costs included in the legal services shared cost category. The table also summarizes actual costs from 2019-2024 for each cost type.

Table 5. Cost drivers for legal services

Shared Cost	Primary Cost Driver(s)	2019-2024 Actual Costs (\$)	% of Total Cost Category	% of Total Shared Costs
Consumer Advocacy	Subject and level of effort	461,399	77%	3%
Other Proceedings	Subject and level of effort	43,424	7%	0%
Organizational	Public Employer and/or Employee matters	91,854	15%	0%
Total		596,676	100%	3%

The costs for 2019 through 2023 are the Compact’s actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

The Compact’s shared legal services costs are driven by the subject matter and the level of effort required to perform the services requested by the Compact.

Consumer advocacy and other proceedings. The Compact proposes to directly assign costs to the energy efficiency and operating budgets based on time spent on each matter, consistent with the cost drivers for these services. The invoices the Compact receives for legal services include details on the subjects covered in each legal matter. The Compact will directly assign these costs to energy efficiency and operating activities as appropriate. The Compact Governing Board’s approval of consumer advocacy worksheets will memorialize the subject matter of the legal services provided and will identify the direct assignment cost allocation method.

Organizational related legal services. The Compact proposes to allocate costs for legal services spent on its public employer/employee related matters consistent with how employee salaries and benefits are allocated to energy efficiency and operating budgets because the legal matters relate to employees.

For the 2025-2027 Plan, the Compact proposes that shared legal services costs are a portion of the Compact’s total legal service costs. In planning a budget for the total legal service costs, the Compact relied on its actual legal services costs for the 2022-2024 term and accounted for general cost increases that routinely occur year over year. As mentioned above, shared legal services costs are lumpy from year-to-year, depending on the dockets and issues that arise in a year. The Compact will report actual shared legal services costs in its plan year and term report filings to the Department.

Employee Salaries and Benefits

The Compact employs approximately 20 staff and offers them competitive salaries and consistent with Massachusetts General Laws, benefits packages, such as health insurance and retirement packages. Table 6 summarizes costs related to employee salaries and benefits from 2019 through 2024.¹⁰ As the nature and complexity of services provided by the Compact has evolved, salary costs have increased from about \$2.4 million in 2019 to about \$3 million in 2023. Rising costs associated with employee benefits, increasing health insurance costs for example, are determined by competitive market forces.

Table 6. Employee salaries and benefits costs (\$M)

Shared Cost	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Thru June
Employee Salaries	1,443,214	1,578,220	1,710,971	1,805,190	1,915,080	1,006,393
Retirement	318,751	325,793	328,975	392,076	383,801	235,140
Group Insurance	282,551	274,535	323,084	287,518	353,862	170,626
OPEB Liability	133,544	164,662	97,254	403,185	331,491	0
Medicare	25,945	30,844	24,318	25,202	26,183	13,766
Unemployment Insurance	14,365	2,222	2,806	2,955	2,475	1,712
Payroll Services	2,463	1,618	1,713	2,021	2,252	1,149
Miscellaneous Fringes	732	762	697	614	600	200
Retirement Liability ¹¹	199,540	292,265	244,055	163,780	0	0
Total	2,421,104	2,670,921	2,733,874	3,082,540	3,015,744	1,428,986

The costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

Cost Description and Cost Drivers

Employee Salaries

Costs for employee salaries include payment to Compact employees, which the Compact pays on a bi-weekly basis. This cost represents the largest portion of all shared costs, and has historically been about \$1.5 million to \$1.9 million per year.

The cost drivers for employee salaries are as follows:

1. **Number of employees:** the more employees working for the Compact the greater the cost for salaries.
2. **Wages:** Each employee has a wage rate, which is based on years of experience and education needed to perform the job. Factors like inflation and demand for talent also impact an employee's wage.

¹⁰ The table shows total costs, before any allocation to the energy efficiency or operating budgets.

¹¹ Retirement liability was a short-term cost required to fund the Compact's unfunded retirement accounts. The Compact finished funding these retirement account in 2022, and as of 2023, no longer incurs this cost. This cost is included in the tables of this report to allow for comparison to previous shared cost material provided by the Compact, and is not addressed further in this report.

Retirement

Full-time employees and regular employees working 25 hours or more per week are required by Massachusetts General Law, Chapter 32, to become members of the Barnstable County Retirement Association ("BCRA"). Retirement costs represent the annual appropriation (employer contribution) paid to the BCRA, which for the Compact has been about \$350,000 per year on average.

These costs are actuarially determined contributions based on the required funding of past and current liabilities. An actuarial valuation is conducted to determine the present value of the projected future pension benefits and the current value of the pension plan assets. Projected future pension benefits are driven by employee salaries, years of service, and the pension plan's benefit formula.

The salaries of the employees, both active and retired, are the primary measurable cost driver for the projected future pension benefits. This is because the benefits are determined based on factors such as employee salaries and years of service. Tracking and analyzing the salaries of the employees covered by the pension plan provides a key indicator of the projected future pension benefits and subsequent impact on the total pension liability.

Group Insurance

Group insurance costs include the employer's share of active employees' health, dental, vision, and life insurances. The group insurance cost for each active employee is determined monthly. These costs have typically been about \$300,000 per year for the Compact. The Compact is a public entity and procures health insurance for its employees consistent with Massachusetts general law for public entities. The Compact competitively procures group insurance as part of a member group, Cape Cod Municipal Health Group, comprised of other public agencies.

The cost drivers for this cost are as follows:

1. **Enrolled employees:** The number of active employees participating in group insurance and the coverage they select.
2. **Health care costs:** medical expenses including hospitalization, prescription drugs, and treatments, contribute significantly to group insurance costs.
3. **Demographics and age:** the age composition of a group affects insurance premiums.
4. **Benefit design and coverage:** The comprehensiveness of insurance coverage affects costs. Plans with extensive benefits or low deductibles tend to be more expensive.

OPEB Liability

OPEB liability costs represent the annual funding to the Compact's OPEB Trust Fund which will fund the Compact's retirees' OPEB expenses. Such expenses include the employer's share of retired employees' health, dental, and vision insurances. These costs fluctuate annually, and have averaged around \$225,000 per year.

The cost drivers of the OPEB liability and its related annual funding are as follows:

1. **Discount rate:** This is the interest rate used to calculate the present value of all future benefit payments from the OPEB plan. This rate is determined based on the amount of future benefit payments that can be funded from an OPEB Trust and the associated investment returns.

2. **Healthcare premiums:** Forecast of future healthcare premium costs based on the existing level of premiums.
3. **Mortality:** The probability that an employee or retiree lives or dies each year.
4. **Termination:** The probability that an employee will continue working each year.
5. **Healthcare inflation:** Forecast of the expected annual increase in healthcare, dental, vision and other costs for each year of the forecast period (often up to 100 years to account for the lifecycle of the youngest employee).
6. **Participation:** Forecast of the likelihood that an employee will elect to purchase OPEB benefits from the plan sponsor at their retirement.
7. **Spousal participation:** Forecast of the likelihood that the employee who elects benefits for themselves in retirement will choose to cover a spouse.
8. **Inflation rate:** Forecast the long-term general rate of inflation in the economy.

Medicare

Medicare tax is a federal employment tax that funds hospital insurance for Medicare beneficiaries. In 2023, the Medicare tax was 1.45 percent of taxable wages. Medicare costs for the Compact are consistently between \$25,000 and \$30,000 per year.

The cost driver for Medicare tax is staff salaries, because the tax is assessed as a percentage of staff salaries.

Unemployment Insurance

State unemployment insurance is an employment tax assessed by the Commonwealth of Massachusetts to pay for the State's unemployment insurance programs. Massachusetts mandates employers pay unemployment taxes up to a certain percentage of each employee's salary, known as the taxable wage base. The taxable wage base is \$15,000. The tax rate for the Compact is approximately 2 percent for each employee on the first \$15,000 of wages. Since 2020, these costs have been between \$2,000 and \$5,000 per year for the Compact.

The Compact's cost for state unemployment insurance is driven by the number of employees and salary for each employee.

Payroll Services

Payroll services are the costs the Compact pays to its payroll service provider on a bi-weekly basis to process employee salaries and taxes. These costs have typically been between \$2,000 and \$3,000 per year.

The Compact has determined the cost drivers for the cost of payroll services to be as follows:

1. **Employee count:** The more employees, the higher the payroll service fees.
2. **Payroll schedule:** The number of times the Compact processes payroll influences the cost.
3. **Required payroll service features:** The service features required will influence the fees. Payroll service features typically include the following:
 - a. Calculation of wages, overtime payments, and applicable state and federal taxes.
 - b. Withholding taxes and other deductions.
 - c. Preparation of basic payroll reports (such as payroll registers).

- d. Access to payroll system or online self-service tools.
- e. Customer support.

Miscellaneous Fringes

Miscellaneous fringes represent the cost to the Compact to provide pre-tax flexible spending accounts to its employees, which can be used for qualified medical expenses. These costs have historically been less than \$1,000 per year for the Compact.

The Compact's cost for miscellaneous fringes is driven by the number of Compact staff participating in the flexible spending plan.

Proposed Cost Allocation Methodology and Factors

Background on Compact Employees and Timekeeping

Since mid-2019, all Compact employees maintain time sheets that detail the hours they spent on the Compact's energy efficiency activities and its operating budget activities. Using this data, the Compact can identify which staff spend time on energy efficiency and/or operating activities, and how much time they spend on each. Table 7 summarizes the number of employees at the Compact between 2019 and 2024, organized by whether the employee spent their time only on energy efficiency activities, primarily on operating budget activities (e.g., state grant or power supply), or whether the employee split their time between energy efficiency and operating budget activities.¹² Table 8 summarizes how Compact staff spent their time in 2019-2024 across energy efficiency and operating activities as a percentage of total hours worked for the year.

Most Compact staff spend all their time on energy efficiency activities. From 2019 through 2024, the Compact employed 10-17 staff per year who only spent time on energy efficiency activities. Their responsibilities include, but are not limited to, managing and implementing the energy efficiency programs, participating in regulatory proceedings, coordinating with other Program Administrators, meeting with program vendors and customers, and many other energy efficiency-specific activities.

The Compact does not have an employee who is expected to spend all their time on operating activities. The Compact typically employs one person who is primarily focused on operating activities, and among other things, manages power supply contracts and rate setting, coordinating power supply requests for proposals, managing the Compact's Renewable Energy Certificate activities, and representing the Compact in electric utility related issues before regulatory agencies. This employee also occasionally engages in some energy efficiency related activities. Their energy efficiency activities typically relate to planning and managing energy efficiency program elements that relate to power supply markets and rates, such as demand response, solar, and/or battery storage. The power supply-focused employee has expertise in energy markets, so it is helpful for that person to be involved in such energy efficiency program components. Their time spent on energy efficiency activities varies from year to year depending on the needs of the energy efficiency programs (e.g., regulatory proceeding, implementation,

¹² The number of employees represents the total number of employees who worked at the Compact during a year, including employees who worked a partial year because they were recently hired, left the Compact, or were a short-term intern.

reporting requirements). On average from 2019-2024, employees primarily focused on operating activities have spent about 75 percent of their time on operating and 25 percent of their time on energy efficiency activities.

Some Compact employees work on both energy efficiency and operating matters. From 2019 through 2023, the Compact employed 4-6 staff per year who spent their time on both matters, excluding the power supply focused employee. The type of energy efficiency activities these employees work on include, but are not limited to: participating in planning, marketing and executing the Compact's energy efficiency plan, participating in policy-related working groups, procuring and compensating energy efficiency vendors. The type of operating activities these employees work on include, but are not limited to: managing power supply contracts and rate setting, coordinating power supply requests for proposals, managing the Compact's Renewable Energy Certificate activities, representing the Compact in electric utility related issues before regulatory agencies, procuring and compensating operating vendors. Their work is not evenly divided between energy efficiency and operating matters. From 2019 through 2024, these staff on average spent 93 percent of their time on energy efficiency matters, and the remaining 7 percent of their time on operating matters.

Table 7. Compact employee count by activities the employee works on

Activities Employees Work on	2019	2020	2021	2022	2023	2024	Average
Only Energy Efficiency	10	11	15	17	16	15	14
Primarily Operating	1	1	2	1	1	1	1
Both Energy Efficiency and Operating	4	4	4	6	5	4	5
Total	15	16	21	24	22	20	20

Table 8. Compact employee time spent by activities the employee works on (% of employee group)

Activities Employees Work on	2019	2020	2021	2022	2023	2024	Average
Only Energy Efficiency	100%	100%	100%	100%	100%	100%	100%
Primarily Operating	100%	100%	100%	100%	100%	100%	100%
Energy Efficiency	94%	46%	25%	0%	1%	3%	25%
Operating	6%	54%	75%	100%	99%	97%	75%
Both Energy Efficiency and Operating	100%	100%	100%	100%	100%	100%	100%
Energy Efficiency	89%	89%	94%	96%	93%	93%	93%
Operating	11%	11%	6%	4%	7%	7%	7%

Proposed Allocation Method

Table 9 summarizes the cost drivers for the individual shared costs included in the employee salaries and benefits shared cost category. The table also summarizes actual costs from 2019-2024 for each cost type.

Table 9. Cost drivers for Employee Salaries and Benefits

Shared Cost	Primary Cost Driver(s)	2019-2024 Actual Costs (\$)	% of Total Cost Category	% of Total Shared Costs
Employee Salaries	Employees and wages	9,459,067	62%	52%

Shared Cost	Primary Cost Driver(s)	2019-2024 Actual Costs (\$)	% of Total Cost Category	% of Total Shared Costs
Retirement	Employee salaries	1,749,395	13%	11%
Group Insurance	Employees, healthcare costs, demographics and age of employees, benefit package	1,635,352	11%	9%
OPEB Liability	Discount rate, healthcare premiums and inflation, mortality, termination, participation	1,130,136	7%	6%
Medicare	Employee salaries	146,259	1%	1%
Unemployment Insurance	Employee salaries	26,535	0%	0%
Payroll Services	Employees and payroll features	11,216	0%	0%
Miscellaneous Fringes	Number of employees participating in pre-tax flexible spending plan	3,604	0%	0%
Total		15,353,168	100%	84%

The costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

The Compact sees two primary cost drivers: employee salaries and the number of employees.

Employee salaries. The Compact investigated using employee salaries to allocate costs between the energy efficiency and operating budgets. The Compact found that the analysis could be completed several ways which added complexity and could lack transparency, tended to result in a similar percentage allocator between energy efficiency and operating as using an hours-based allocation method, and was primarily driven by staff hours spent on each activity.

Number of employees. The Compact also investigated using the number of employees to allocate costs between the energy efficiency and operating budgets. As explained in the section *Background on Compact Employees and Timekeeping*, the Compact cannot easily identify the number of employees who work on energy efficiency activities versus operating activities because about a third of the Compact's staff split their time on energy efficiency vs operating activities, and their time is not evenly divided across the two activities. The next best data available is the time staff spend on each activity.

Employee time. The Compact proposes to continue using employee hours worked on energy efficiency and operating activities as the allocation method for costs related to employee salaries and benefits. Staff time spent on each topic best approximates the needs between energy efficiency and operating budget activities. This data is also readily available, simple to understand, and easy to apply to planning and actual costs. The Department agreed with this approach in the 2022-2024 plan as well, stating "for those shared costs directly related to the number of employees and their hours worked (e.g., salary, payroll services) the Department finds that it is reasonable to allocate those shared costs based on employee time spent on energy efficiency versus municipal aggregation."¹³

The Compact recognizes that using employee time may not align perfectly with the identified cost drivers for each cost within the employee salary and benefits cost category. For example, Group Insurance and OPEB Liability costs consider factors other than employees and their salaries. However,

¹³ D.P.U. 21-120 through D.P.U. 21-129, at 291.

overall trends in employees' time drive the need for the cost for both energy efficiency and operating activities.

The Compact will allocate employee salaries and benefits costs between the energy efficiency and operating budget activities using a 6-year average of time spent by employees on each activity. For the 2025-2027 Plan, the Compact will use data from 2019 through 2024, using a partial year's worth of data for both 2019 and 2024.¹⁴ The resulting factors that the Compact proposes to use during the 2025-2027 Plan for both planning and reporting purposes are presented in Table 1, with supporting data found in *Appendix 1. Supporting Calculations*.

¹⁴ Compact staff did not break out their time on their biweekly timesheets between energy efficiency and municipal aggregation activities prior to late April 2019. For 2024, the Compact is using data through June 2024.

IT Infrastructure

The Compact incurs various IT infrastructure costs to ensure employees have the tools needed to complete their responsibilities, which include day-to-day tasks such as communicating with customers, program vendors, and other Program Administrators and analyzing programs and data. Specific costs in this category include software licenses, IT services, internet services, and telephones.

Table 10 summarizes actual costs related to IT infrastructure from 2019 through 2024. These costs have fluctuated year to year, averaging about \$80,000 per year for the Compact.¹⁵

Table 10. IT infrastructure costs (\$)

Shared Cost	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Thru June
IT Services	5,676	6,770	4,130	10,570	89,095	19,533
Software Licenses	6,354	21,865	20,184	21,683	26,090	29,962
Telephones	21,107	28,388	18,902	22,680	20,929	11,317
Internet	19,079	15,455	14,830	19,019	16,838	7,304
Total	52,216	72,479	58,046	73,951	152,952	68,116

The costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

Cost Description and Cost Drivers

Information Technology Services

The Compact's IT vendors provide services related to the following activities:

- Help Desk user support including remote printer configuration and support.
- End-user workstation monitoring, configuration, maintenance, upgrades, and support.
- Security patches and operating system upgrades for all equipment.
- Proactively manage, monitor, and support all network infrastructure components.
- Oversee and manage implementation of a data back-up/restore, including recovery of specific files as needed.
- Annual Vulnerability Assessment and problem resolution.
- Security Information and Event Management ("SIEM") fees.

These services have historically cost the Compact between \$4,000 and \$10,000 per year, although in 2023 cost about \$90,000 due to changes in the Compact's IT Strategic Plan, which were recommended by the Compact's auditors as part of an IT Risk Assessment and Vulnerability Scan.

Monthly IT expenses are based on a fixed fee contract regardless of the number of users. While the specific contracts may not be based on the number of users, the costs are typically determined by the

¹⁵ Starting in 2023, the Compact developed an IT Strategic Plan, which involved the Compact enhancing its IT support services and improving its cybersecurity posture. The Compact also advanced its conferencing technology and data analysis capability with new software licenses.

usage associated with the number of users. In other words, the more users there are, the greater the usage and corresponding expenses for IT services.

Software Licenses

Software license costs include the Compact's monthly software fees for tools such as Microsoft licenses. These costs have historically been about \$20,000 per year.

Software companies typically base their fees on the number of users with licenses for the technology. Therefore, the number of users per type of software drives the cost for the Compact's software licenses. Compact staff and Compact Governing Board members have different licenses depending on the software and the staff's responsibilities. For example, only Compact staff who work in the Call Center have licenses for Zoom Power Pack.

Telephone

Telephone costs include the cost of landlines, cell phone, and Zoom services. These costs have historically been about \$20,000 per year. The cost for these services is based on the number of users or phone lines.

The number of users is the cost driver for telephone expenses because it correlates directly with the required number of telephone lines.

Internet

Internet services have historically cost the Compact about \$15,000 to \$20,000 per year. The Compact receives internet service under a contract negotiated by the Commonwealth of Massachusetts that is available to all state and municipal organizations. The Compact's cost for services is based on its number of internet lines. The number of lines the Compact needs is based on the number of people using the internet. The Compact currently has two internet lines, one primary and one backup.

The number of internet users is the primary cost driver for internet expenses.

Proposed Cost Allocation Methodology

Table 11 summarizes the cost drivers for the individual shared costs included in the IT infrastructure shared cost category. The table also summarizes actual costs from 2019-2024 for each cost type.

Table 11. Cost drivers for IT Infrastructure

Shared Cost	Primary Cost Driver(s)	2019-2024 Actual Costs (\$)	% of Total Cost Category	% of Total Shared Costs
IT Services	Number of users	135,774	28%	1%
Software licenses	Number of users	126,138	26%	1%
Telephone	Number of users	123,323	26%	1%
Internet	Number of users	92,525	19%	1%
Total		477,761	100%	3%

The costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

In reviewing the cost drivers, it is clear that the number of users of the service is the common driver of costs within this category. Number of users does not necessarily mean number of employees; for example, one employee may be a user of multiple IT services while another employee may only use a single IT service.

As with Employee Salaries and Benefits costs, the Compact proposes to allocate IT infrastructure costs based on employees' time spent on energy efficiency and operating activities as an approximation of the users of the services. The Compact assumes that IT infrastructure costs will track with the number of employees; i.e., the more employees using these services, the higher the costs for the Compact. The activity with more hours spent would bear a greater share of the expenses.

The Compact recognizes that employees' hours may not correspond directly to users of the IT services. However, the Compact assumes that the number of employees is a close enough approximation for users, and this approach outweighs the administrative cost of attempting to count licenses per employee per year. Nor does the Compact have historical data on user counts readily available for each cost from which to develop allocation factors.

The Compact will allocate IT infrastructure costs between the energy efficiency and operating activities using a 6-year average of time spent by employees on each activity. The resulting factors that the Compact proposes to use during the 2025-2027 Plan for both planning and reporting purposes are presented in Table 1, with supporting data found in *Appendix 1. Supporting Calculations*.

Office Environment

The Compact maintains physical offices in its service territory on Cape Cod for its employees. The Compact maintains one office for all its employees, regardless of whether they work on energy efficiency or operating activities. All staff have equal access to the office and share the space, including conference rooms, kitchen, restrooms, parking spaces, etc.

The Compact rents office space, ensures the space is maintained through periodic renovations, and ensures the space remains clean. Such costs have ranged between \$100,000 to \$150,000 per year, as summarized in Table 12.

Table 12. Office environment costs (\$)

Shared Cost	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Thru June
Rent	90,000	90,000	93,061	103,500	103,500	51,750
Renovations	-	-	-	5,141	12,742	9,958
Custodial Services	17,315	28,008	16,760	19,232	22,980	17,184
Other Utilities	1,373	1,457	1,367	1,556	1,853	1,081
Total	108,688	119,465	111,188	129,429	141,075	79,974

The costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

Cost Description and Cost Drivers

Rent and Renovations

The Compact pays rent monthly for its offices, and occasionally incurs costs associated with building renovations and modifications. The Compact competitively procured its existing office lease. These costs have averaged about \$100,000 per year.

The number of Compact employees directly influences the amount of space the Compact requires for its operations, which in turn impacts the organization's rent expenses. Other cost drivers of rent expense include the supply and demand for commercial office space, the location of the office space, and the organization's remote work policy.

Custodial Services

Custodial services include monthly cleaning costs associated with maintaining the Compact's rented office space. The Compact's cleaning vendor estimated its cost for services by reviewing the size of the Compact's offices and the type of cleaning services required for the space. The Compact has historically paid about \$20,000 per year for custodial services.

The cost drivers for custodial expenses are the square footage of and the number of employees using the cleaned space.

Other Utilities

Other Utilities includes the costs for waste management and recycling services. The Compact's waste management vendor sets a fixed monthly price based on the number of waste and recycling barrels it collects from the Compact each week. Currently, the Compact's waste management vendor collects two

barrels of waste and recycling each week. If the Compact needed more or less barrels collected, that would adjust the cost. The Compact has historically paid about \$1,000 per year for other utilities.

The square footage of the office space serves as a cost driver for other utilities, because the square footage directly corresponds to the required resources, such as the number of recycling and waste containers, which in turn determines the pricing for these services. The number of employees using the office space and the amount of waste and recycling material they generate also contribute to this cost.

Proposed Cost Allocation Methodology and Factors

Table 13 summarizes the cost drivers for the individual shared costs included in the office environment shared cost category. The table also summarizes actual costs from 2019-2024 for each cost type.

Table 13. Cost drivers for Office Environment

Shared Cost	Primary Cost Driver(s)	2019-2024 Actual Costs (\$)	% of Total Cost Category	% of Total Shared Costs
Rent	Employees working in the office, office location, market for commercial space	531,811	77%	3%
Renovations		27,841	4%	0%
Custodial Services	Employees working in the office, office size	121,480	18%	1%
Other Utilities	Employees working in the office, office size	8,686	1%	0%
Total		689,818	100%	4%

The costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

In reviewing the cost drivers, the two key cost drivers are number of employees working in the office and the office size.

The Compact proposes to allocate office environment costs based on employees' time spent on energy efficiency and operating activities. Employee time is a reasonable approximation for the number of employees who would need to work in the office. Similarly, square footage of the space is directly impacted by the number of employees that occupy and utilize the space.

The Compact will allocate office environment costs between the energy efficiency and operating activities using a 6-year average of time spent by employees on each activity. The resulting factors that the Compact proposes to use during the 2025-2027 Plan for both planning and reporting purposes are presented in Table 1, with supporting data found in *Appendix 1. Supporting Calculations*.

Financial Services

As an organization, the Compact procures certain services, such as third-party audits and insurance policies. These costs range between \$170,000 and \$330,000 per year, as summarized in Table 14.

Table 14. Financial services costs (\$)

Shared Cost	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Thru June
Treasury Services	104,467	15,188	17,807	146,497	70,092	29,828
Audit Services	99,568	67,134	47,456	70,000	60,874	0
Insurance	52,578	54,921	56,988	59,477	60,392	0
Financial Software	71,978	46,180	44,265	45,382	47,651	0
Total	328,591	183,422	166,516	321,356	239,009	29,828

The costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

Cost Description and Cost Drivers

Treasury Services

The Compact is required, pursuant to G.L. c. 40, §4A½, to have a treasurer, with certain duties as enumerated in the statute. To comply with the statute, the Compact contracted with a vendor that has the appropriate experience and qualifications to perform such services. The cost of the treasury services is based on agreed upon hourly rates and actual time required to perform the services. Treasury services include the following:

1. Establish and monitor all bank accounts of the Compact.
2. Receive and administer all money belonging to the Compact, including the payment of all bills approved by the Compact Administrator and Comptroller.
3. Reconcile all bank accounts monthly to the Compact General Ledger balances within 30 days of the close of the previous month.
4. Assume responsibility for all receipts and disbursements of the Compact.
5. Establish and maintain an on-site weekly work schedule to print, sign/approve Accounts Payable Checks/ACH/Electronic Funds Transfers ("EFTs") and authorize Payroll Checks/Direct Deposit Advices (with the warrant listings attached for review). - Weekly warrants with approximately 35-75 checks and EFTs - Bi-weekly Payroll with Outside Payroll Service.
6. Prepare bank transfers within the Compact bank accounts.
7. Stay current with banking practices, interest rate environment, and economic conditions.
8. Invest funds prudently in a manner that will maximize interest income according to Massachusetts General Laws, Chapter 44, Section 55B.
9. Give bond for the faithful performance of the tasks in an amount prescribed by the Compact Governing Board. The Compact will pay the premium of the bond.
10. Provide copies of certain documents in preparation of the annual audit (i.e., copies of bank statements and bank reconciliations).
11. Upon request, be available to the Compact Governing Board and/or the Department, and prepare reports, if needed.

12. Coordinate borrowing, if necessary, with a fiscal advisor and bond counsel, and issue debt on behalf of the Compact.
13. Perform Treasurer functions related to establishment, maintenance and investment of a pension stabilization fund.
14. Serve as Trustee for the Compact's OPEB trust fund pursuant to a written trust agreement.
15. Perform Treasurer duties as established by Massachusetts law as requested by the Compact Governing Board.
16. Perform other tasks related to the treasury function, if needed, to be assigned by the Compact Administrator.

These costs have averaged about \$70,000 per year.

The Compact has determined that the size and complexity of the organization, specifically the budget size, serves as a significant cost driver for treasury services expenses. All activities within the Compact contribute to the cost of treasury services. Other cost drivers of treasury services include the education, experience and skills required to execute the treasury related tasks.

Audit Services

The Compact's financial statements are audited by an independent auditor annually, as required by the Compact's JPA.¹⁶ These costs have ranged between \$50,000 and \$100,000 per year.

The annual audit fee is fixed per year based on agreements between the Compact and the auditor in advance. In most cases, the parties sign a three-year contract for services. Time and experience levels are used in calculating the amount that the auditor feels it will expend to complete the audit and size and financial transaction complexities drive the time and experience levels needed to complete the work.

Audit costs are driven by the size and complexity of the organization, specifically the budget size. All activities and their complexities within the Compact contribute to the cost of the audit. Other cost drivers of audit services include the education, experience and skills required to execute the tasks required to properly complete the audit, the type of audit report requested and the location of the audit.

Insurance

Insurance costs include general liability, property, and cyber insurance expenses. These costs have averaged about \$60,000 per year.

Consistent with Massachusetts general law, the Compact procures insurance through the Massachusetts Interlocal Insurance Association ("MIIA"), a non-profit organization that serves towns and other public entities in Massachusetts.

The size of the organization, specifically the budget size, serves as a significant cost driver for insurance expenses. This means that the allocated financial resources available to the organization directly impact the insurance costs incurred. Organizations with larger budgets are likely to have higher insurance costs

¹⁶ www.capelightcompact.org/governing-documents.

due to the potential for increased coverage limits, broader policy options, and the ability to implement robust risk management measures.

Financial Software

Financial software costs include the annual costs for its financial accounting enterprise resource planning (“ERP”) software, MUNIS. The Compact’s ERP software includes accounting/general ledger, budgeting, accounts payable, accounts receivable, forms, content manager and analytics. These costs have averaged about \$50,000 per year.

The size of the organization, specifically the budget size, serves as a significant cost driver for financial software expenses.

Proposed Cost Allocation Methodology and Factors

Table 15 summarizes the cost drivers for the individual shared costs included in the financial services shared cost category. The table also summarizes actual costs from 2019-2024 for each cost type.

Table 15. Cost drivers for Financial Services

Shared Cost	Primary Cost Driver(s)	2019-2024 Actual Costs (\$)	% of Total Cost Category	% of Total Shared Costs
Treasury Services	Budget size	383,878	30%	2%
Audit Services	Budget size	345,031	27%	2%
Insurance	Budget size	284,356	22%	2%
Financial Software	Budget size	255,456	20%	1%
Total		1,268,721	100%	7%

The costs for 2019 through 2023 are the Compact’s actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

In reviewing the cost drivers, it is clear that budget size is the common driver of costs within this category.

The Compact proposes to allocate financial services costs based on the proportionate share of the annual budget of each activity. Under this approach, the activity with the larger annual budget would bear a greater share of the expenses.

The Compact will allocate financial services costs between the energy efficiency and operating activities using a 6-year average of energy efficiency and operating expenses. The resulting factors that the Compact proposes to use during the 2025-2027 Plan for both planning and reporting purposes are presented in Table 1, with supporting data found in *Appendix 1. Supporting Calculations*.

Conclusion

For the 2025-2027 Plan, the Compact is not proposing to significantly change the shared cost allocation method the Department approved for the Compact's 2022-2024 Plan. The primary change is to allocate costs for Financial Services by budget size rather than by employee time, consistent with the cost drivers for this category of shared costs. The costs for the other shared cost categories will continue to be allocated as they have been, although the Compact will use updated allocation factors (i.e., 93 percent to energy efficiency and 7 percent to operating rather than 94 percent to energy efficiency and 6 percent to operating based on updated employee time).

The Compact will continue to report on its actual shared costs for energy efficiency relative to planned shared costs in its plan year reports and term reports. The Compact will provide explanations for each shared cost category with a change between planned and actual energy efficiency costs that are greater than 10 percent. The Compact will address any changes to its estimated shared costs in its energy efficiency surcharge filings.

Appendix 1. Supporting Calculations

Table 16 provides hours worked by Compact employees from 2019 through 2024 on energy efficiency and operating activities. Compact staff record their hours worked each week, which is the source of this data. This data is used to develop the allocation factors for sharing costs during the 2025-2027 Plan.

Table 16. 2019-2024 Compact employee time spent on energy efficiency and operating activities

Compact Employees	2019		2020		2021		2022		2023		2024	
	Energy Efficiency	Non-Energy Efficiency	Energy Efficiency	Non-Energy Efficiency	Energy Efficiency	Non-Energy Efficiency	Energy Efficiency	Non-Energy Efficiency	Energy Efficiency	Non-Energy Efficiency	Energy Efficiency	Non-Energy Efficiency
Always Split												
Maggie Downey	1,180	156	1,695	299	1,913	178	1,870	219	1,924	198	949	166
Melissa Allard	1,243	13	1,637	62	1,639	94	1,859	86	1,892	74	974	36
Megan Terrio	486	11	1,006	20	999	19	214	4				
Austin Brandt	1,198	80	808	965	459	688						
Isabelle Caplan							912	88	718	45		
Jason Bertrand									300	-	989	62
Depends on Year												
Anneliese Conklin	1,260	-	1,950	-	1,950	-	1,939	1	1,937	-	1,050	-
Phil Moffitt	1,288	-	1,950	-	1,950	-	2,202	12	2,025	142	1,107	66
Dan Schell	889	276	1,469	306	1,644	99	1,971	-	2,054	-	1,089	-
Marisel Marchand					77	935	-	2,004	23	2,003	33	1,068
Always EE Only												
Lindsay Henderson	1,266	-	1,950	-	1,950	-	1,998	-	1,986	-	1,070	-
Briana Kane	1,270	-	1,950	-	1,950	-	2,192	-	2,181	-	1,245	-
Margaret Song	1,271	-	1,950	-	1,950	-	2,119	-	2,124	-	1,173	-
Dave Botelho	1,268	-	1,950	-	1,950	-	1,957	-	1,950	-	1,050	-
Meredith Miller	1,268	-	1,950	-	1,950	-	1,984	-	1,936	-	1,038	-
Matthew Dudley	1,270	-	1,950	-	1,950	-	1,386	-				
Gail Azulay	1,264	-	1,950	-	1,950	-	715	-				
Angela O'Brien	540	-	1,126	-	892	-	234	-				
Anna Deely					1,034	-	1,209	-				
Caitlin Cantella					1,275	-	1,537	-	463	-		
Rebecca Martin					68	-	1,755	-	1,918	-	1,032	-
Stephen McCloskey							678	-	1,954	-	1,059	-
Graham Piercey							255	-	445	-		
Eva Golarz									821	-	673	-
Tatsiana Nickenello									869	-	1,061	-
Laura Selmer									1,239	-	921	-
Miranda Skinner									968	-	1,050	-
Interns												
Mona Boumghalt			255	-	720	-	247	-				
Molly Pike					525	-						
Adam Beal												
Adam Veloso							259	-				
Owen Fournier									395	-	135	-
Aiden Levangie											237	-
Annual Total	16,960	535	25,545	1,651	28,794	2,012	29,488	2,414	30,121	2,462	17,932	1,397
Cumulative Total	16,960	535	42,505	2,186	71,299	4,197	100,786	6,611	130,907	9,073	148,839	10,470
% of Annual Total	97%	3%	94%	6%	93%	7%	92%	8%	92%	8%	93%	7%
% of Cumulative Total	97%	3%	95%	5%	94%	6%	94%	6%	94%	6%	93%	7%

Compact staff did not break out their time on their biweekly timesheets between energy efficiency and operating activities prior to late April 2019. Data for 2024 are actuals through June 2024 and have not yet been fully reviewed.

Table 17 provides the total energy efficiency and operating expenditures from 2019 through 2024. The Compact posts all its financial data on its website.¹⁷ This data is used to develop the allocation factors for sharing costs during the 2025-2027 Plan.

Table 17. 2019-2024 Compact energy efficiency and operating expenditures

Total Budget	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Thru June	Total
Expenditures (\$M)							
Energy Efficiency	42.418	40.246	50.884	49.709	65.815	28.264	277.337
Operating	0.560	0.780	0.849	0.946	0.818	0.429	4.383
Total	42.979	41.026	51.733	50.656	66.633	28.693	281.720
% of Total							
Energy Efficiency	99%	98%	98%	98%	99%	99%	98%
Operating	1%	2%	2%	2%	1%	2%	2%

The costs for 2019 through 2023 are the Compact's actual costs consistent with its plan year and term reports. Costs for 2024 are actuals through June 2024 and have not yet been fully reviewed.

¹⁷ See, www.capelightcompact.org/reports.