



CONNECTICUT MUNICIPAL ELECTRIC
ENERGY COOPERATIVE

ANNUAL REPORT 2018

ENERGIZING CUSTOMER AND COMMUNITY
PROSPERITY THROUGH SUSTAINED
LOWER-COST ENERGY SOLUTIONS





THE MILESTONES AND ACHIEVEMENTS
DETAILED IN THIS REPORT HIGHLIGHT
CMEEC'S EXPERTISE, RESILIENCY AND ABILITY
TO ENERGIZE CUSTOMER AND COMMUNITY
PROSPERITY THROUGH SUSTAINED LOWER-
COST ENERGY SOLUTIONS.



MESSAGE FROM THE CHAIRMAN AND INTERIM CHIEF EXECUTIVE OFFICER



The year 2018 was eventful for CMEEC. We made several changes to further accountability and the transparency of the organization. The actions taken were important and strengthen our operational model, ensure continuous improvement and promote flexibility in responding to the needs of our Members and Customers.

Operationally, CMEEC and its Members have seen great return on investment across the project portfolio with a year-end total of \$12.6M. This is the best performance since our current investments were made and we are projecting similar results in 2019. Our energy portfolio performed very well, with year-end savings of 26 percent against our regional benchmark. This brings the six-year total to about \$175M savings for our Members.

This year has not been without its challenges as we worked through indictments of some of our officers. CMEEC leadership and Board acted to improve governance of the organization and took steps to insure that our Members and Customers will be protected in the future. We have rededicated ourselves to our mission: to represent our Members in the best way possible so as to energize customer and community prosperity through the delivery of sustained lower-cost energy solutions.

Ken Sullivan
Board Chairman

Mike Lane
Interim CEO

CMEEC OVERVIEW

The Connecticut Municipal Electric Energy Cooperative (CMEEC) is a publicly directed joint action supply agency. Our mission and operating principles are founded on state statutes, CMEEC bylaws and a long-standing commitment to serve communities in Connecticut and the remainder of New England.

It is our mission to ensure our Member utilities and non-member Customers are able to deliver lower-cost energy to their rate payers. We strive to provide our Customers the insight needed to inform their decisions through:

1. Customer-relevant analytics and insight
2. More ways to control and achieve sustained lower costs and balanced portfolios.

As a not-for-profit, Member and Customer prosperity is CMEEC's core mission. To that purpose, our focus is on continued performance improvement.

CMEEC ORIGINS

CMEEC, an operating municipal joint action agency (JAA), is a public body corporate and politic of the State of Connecticut pursuant to the 1976 Act and the Agreement Creating the Connecticut Municipal Electric Energy Cooperative.

The Municipal Electric Utilities (MEU) of Connecticut were captive wholesale Customers of the surrounding investor-owned utility. Conditions of that dependency became untenable with “pancaked” rate increases, anti-competitive conditions of service and no provision to allow the MEU direct participation in new lower-cost joint ownership power plants such as those then under development at Millstone station.

A settlement of antitrust and related litigation resulted in CMEEC's enabling statute in 1976 and a precedent-setting Transmission Service Agreement that introduced the “wheeling” or movement of power to and from the MEUs from their own or other power sources. Acting in concert through CMEEC, the MEUs combined their power supply and began in 1980 to serve their loads collectively while participating in local and regional projects.

In the decade following its formation, CMEEC, on behalf of the MEUs, invested in nuclear power and in the first large-scale DC interconnection from Canadian hydroelectric facilities to New England, a long-life resource that remains economically beneficial to CMEEC and continues to be a critical component in support of regional reliability.

CMEEC TODAY

Over the past dozen years, CMEEC has constructed its own peaking power plants, enabled the development of some 15MW of solar farms in Member territories and helped coordinate MEU demand response and conservation programs. In 2009, CMEEC established the Connecticut Transmission Municipal Electric Cooperative, d/b/a TRANSCO, to bring the benefits of collective transmission asset ownership to its Customers.

CMEEC more recently has aided the development of fuel cell power projects at MEU customer sites to better accommodate MEU customers' power quality needs. A fuel cell project being developed on a CMEEC leased parcel at the Groton SUBASE gives the Navy ability to "island" its power supply in an emergency to better protect Navy assets.

CMEEC's contribution to Connecticut goes beyond the borders of its Members:

- CMEEC obtained low-cost Niagara and St. Lawrence hydroelectric power for Connecticut eligible recipients.
 - The Department of Defense (DOD) has on three occasions recommended closure of SUBASE New London. Each time, CMEEC staff testimony, identifying DOD analytical omissions, has been widely credited for the DOD Base Realignment and Closure Commission rulings to keep the SUBASE open.
 - CMEEC is a leader in advocating consumer interests in the ongoing ISO-NE market development process, most recently taking the lead in gaining more consumer friendly and equitable compensation for fuel security programs.
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LOOKING AHEAD

CMEEC's strong financial position encourages continued focus on our mission of delivering reliable power at low and stable pricing. Foundational to our integrated approach to performance assurance and risk oversight, performance is measured and trended across 15 metrics through consistent and transparent benchmarking presented to our Board in a published monthly CMEEC Master Dashboard. The risk policy is regularly reviewed to optimize results from our portfolio and physical assets.

Strong financials and excellent performance are only part of what is necessary for continuing high-quality service to our Members and Customers. Developing new strategic products and services with which to respond to market opportunities leverages Member investment to better assure future success. To do so requires excellence in operations and organizational performance and continued development of our staff through in-house training and participation in sector specific educational offerings. We also remain keenly aware of the benefits of strong and open Board engagement to facilitate timely problem solving and opportunity response.

By 2020, about 15 percent of our Connecticut peak load service obligation will be met by a combination of locally placed solar and fuel cell power plants. CMEEC will continue to expand its renewable and low emitting power source portfolio in alignment with Connecticut and regional decarbonization goals.

CMEEC MEMBERS AND CUSTOMERS

On behalf of their municipal electric utilities, the Town of Bozrah (BL&P), the Cities of Groton (GU) and Norwich (NPU), the Borough of Jewett City (JCDPU), and the Second (SNEW) and the Third (TTD) Taxing Districts of Norwalk are CMEEC Members. CMEEC is power supplier to the Members and the Mohegan Tribe through the Mohegan Tribal Utility Authority ("MTUA"). CMEEC also serves towns and cities enrolled in the Massachusetts Community Choice Aggregation program.

Every Member and MTUA own and operate an electric distribution system providing power to residential, commercial, industrial, governmental and other Customers within its service area. In October 1980, CMEEC began delivering all the power requirements of Groton, Norwich and Jewett City. East Norwalk and South Norwalk began receiving CMEEC power in March of 1987 and July of 1988, respectively. CMEEC service to Bozrah began in May of 1995 and Bozrah became a CMEEC Member in January 2016. CMEEC commenced delivery of electric power to the Mohegan Tribe's MTUA in July 1996.

CMEEC supplied 1,498,440 MWH in 2018 as follows:

BL&P	14.07 %	NPU	20.64 %
GU	26.04 %	SNEW	6.36 %
JCDPU	1.65 %	TTD	4.19 %
MTUA	9.29 %	Aggregations	17.78 %

CMEEC MEMBERS AND CUSTOMERS

CMEEC represents the following Members and Customers:



Click [here](#) for more information on our Members and Customers

FROM THE CHIEF FINANCIAL OFFICER



CMEEEC enjoyed another financially successful year in 2018. We were issued an "Unqualified Opinion" with our annual financial audit through BlumShapiro and have remained stable in our credit ratings through both Fitch and Moody investor services. We capped the year with release of our Five Year Examination in response to Public Act 17-73.

CMEEEC retained CohnReznick to perform the forensic examination of CMEEEC's financial records. The examination included an opinion on conformance of the operating procedures of CMEEEC with CT General Statute Chapter 101a and CMEEEC By-Laws, in addition to a review of the revenue and expenditures of CMEEEC for the fiscal years ended December 31, 2013 through December 31, 2017.

CMEEEC's operating procedures were found to conform with CMEEEC By-Laws with few exceptions. Those were addressed in the CMEEEC Management Response as reported in Exhibit V of the report. CMEEEC implemented the CohnReznick recommendations for development of new policies and further training on existing Travel and Ethics and Conflict of Interest policies. To review the full CohnReznick report and CMEEEC's responses, visit [here](#).

Looking to 2019 and beyond, we are confident in the team now in place and in our continued ability to deliver lower-cost energy solutions to our Members and Customers

Mike Lane

FINANCIAL STATEMENTS

Table One
Condensed Statements of Net Position

	2018	2017	2016
	<i>(in thousands)</i>		
Current assets	\$ 83,583	\$ 85,644	\$ 96,559
Special funds	32,396	35,156	33,434
Other assets	8,861	9,973	7,222
Capital and investment assets	88,243	92,940	97,430
Total Assets	\$ 213,083	\$ 223,713	\$ 234,645
Current liabilities, including current portion of long-term debt	\$ 30,812	\$ 33,534	\$ 33,388
Long-term liabilities, net of current portion	96,578	100,860	118,359
Other non-current liabilities	60,711	58,081	50,003
Total Liabilities	\$ 188,101	\$ 192,475	\$ 201,750
Total Net Position	\$ 24,982	\$ 31,238	\$ 32,895

*Combines CMEEC and TRANSCO Schedules.

FINANCIAL STATEMENTS

Table Two
Statement of Revenues, Expenses & Changes in Net Position*

	2018	2017	2016
	<i>(in thousands)</i>		
Operating Revenues	\$ 136,725	\$ 141,643	\$ 150,247
Depreciation and amortization expense	4,247	4,225	4,039
Other operating expenses	124,944	127,399	137,001
Total Operating Expenses	\$ 129,191	\$ 131,624	\$ 141,040
Operating Income	\$ 7,534	\$ 10,019	\$ 9,207
Investment income	370	529	227
Interest and amortization of debt discount and premium, issuance expense and loss on reacquisition debt	(3,851)	(4,055)	(4,285)
Other income (expense)	(37)	11	467
Change in bond expenses to be recovered from future billings to Members	(1,571)	(4)	(897)
Total Non-operating Income (Expense)	\$ 2,445	\$ 6,500	\$ 4,719
Excess Equity Distribution to Members	(8,701)	(8,157)	-
Change in Net Position	\$ (6,256)	\$ (1,657)	\$ 4,719

*Combines CMEEC and TRANSCO Schedules.

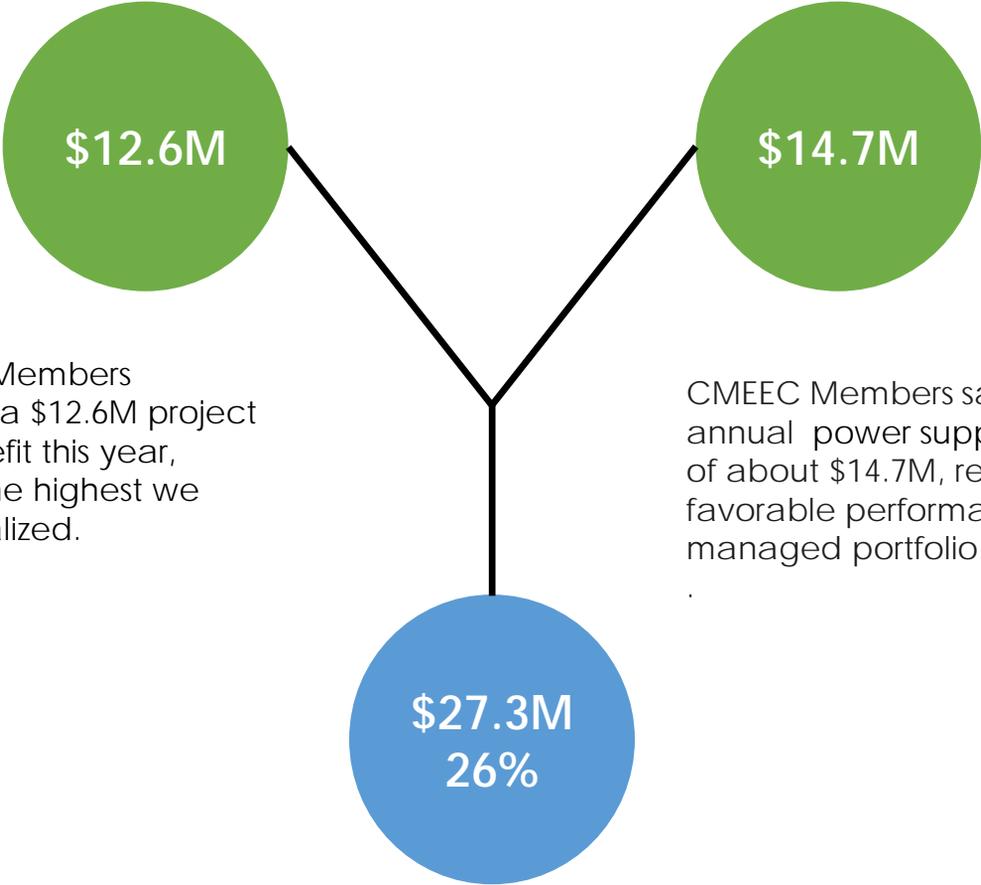
FINANCIAL STATEMENTS

Table Three
Condensed Statements of Cash Flows*

	2018	2017	2016
	<i>(in thousands)</i>		
Cash flows from operating activities	\$ 13,373	\$ 15,099	\$ 22,122
Cash flows from noncapital financing activities	(741)	(11,068)	(5,000)
Cash flows from capital and related financing activities	(11,579)	(12,634)	(12,941)
Cash flows from investing activities	6,984	(14,585)	(16,326)
Net Change in Cash and Cash Equivalents	\$ 8,037	\$ (23,188)	\$ (12,145)
Cash and cash equivalents - beginning of year	9,428	32,616	44,761
Cash and cash equivalents - end of year	\$ 17,465	\$ 9,428	\$ 32,616

*Combines CMEEC and TRANSCO Schedules.

2018 KEY PERFORMANCE METRICS



CMEEC Members enjoyed a \$12.6M project net benefit this year, one of the highest we have realized.

CMEEC Members saw an annual power supply savings of about \$14.7M, reflecting favorable performance of our managed portfolio.

CMEEC had excellent returns of about \$27.3M to its Members this year, a 26 percent savings over the regional benchmark. This brings Total Member Return to \$175M of savings over six years.

MAJOR MILESTONES: 2018

This year saw major milestones in the form of financial return and significant progress made for CMEEC projects.

- \$12,600,000 in net benefit across the project portfolio for our Members. 2018 was one of the best years on record for CMEEC project performance.
- On July 25, CMEEC and partner Fuel Cell Energy (FCE) broke ground on a 7.4 megawatt fuel cell on site at the SUBASE in Groton. The project will bring resiliency to the base's strategic assets, as well as provide clean energy back to the CMEEC Members. Projected in service date is early 2020. The full story can be found [here](#).



SUBASE 2020 Fuel Cell (rendering courtesy of FCE)

CMEEC LEADERSHIP



Mike Lane
Interim Chief Executive Officer
Chief Financial Officer



Bella Chernovitsky
Director, Business Intelligence



Justin T. Connell
Director, Sustainability & Services



Michael Cyr
Director, Portfolio Management



Robin Kipnis
General Counsel



Mike Rall
Director, Asset Management



Scott Whittier
Director, Enabling Services

CMEEC BOARD OF DIRECTORS



Ken Sullivan
Chairman of the Board
Jewett City DPU



Ron Gaudet
Vice Chair of the Board
Groton Utilities



Kevin Barber
Treasurer of the Board
Third Taxing District



Louis Demicco
Secretary of the Board
Jewett City DPU



Dawn Delgreco
Municipal Representative
South Norwalk



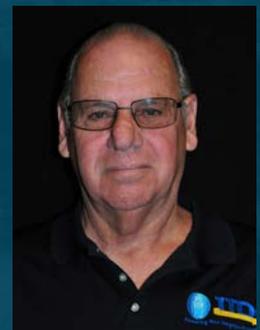
David Eggeston
Municipal Representative
Norwich



Debora Goldstein
Member Representative
Third Taxing District



Jeffrey Godley
Member Representative
Groton Utilities



Peter Johnson
Municipal Representative
Third Taxing District

CMEEC BOARD OF DIRECTORS



Dr. Grace Jones
Member Representative
Norwich Utilities Commission



Chris LaRose
Member Representative
Norwich Utilities



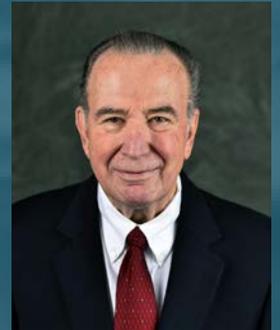
Mark Oefinger
Municipal Representative
Groton



Stewart Peil
Alt. Member Representative
Norwich Utilities Commission



Richard Tanger
Member Representative
Bozrah Light & Power



Richard Throwe
Member Representative
Jewett City DPU



David Westmoreland
Member Representative
SNEW



Ralph Winslow
Member Representative
Bozrah Light & Power



Paul Yatcko
Member Representative
SNEW

2019 BOARD MEETING SCHEDULE



Thursday, January 24



Thursday, July 25



Thursday, February 28



Thursday, August 22



Thursday, March 28



Thursday, September 26



Thursday, April 25



Thursday, October 24



Thursday, May 23



Thursday, November 21



Thursday, June 27



Thursday, December 19



FOR ADDITIONAL INFORMATION

Visit CMEEC online:

www.cmeeec.com



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Advocate, please contact:

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