

REGULAR MEETING OF
THE BOARD OF
DIRECTORS OF THE
CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

January 25, 2018

The January Regular meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Thursday, January 25, 2018 at the Spa at Norwich Inn, Norwich, CT.

The meeting was legally noticed in compliance with Connecticut State law and all proceedings and actions hereafter recorded occurred during the publicly open portions of the meeting.

Chairperson Kenneth Sullivan called the meeting to order at 10:05 a.m. and determined a quorum was present.

The following Member Representatives/Alternate Member Representatives/Rate Payer Member Representatives Participated:

Norwich – John Bilda, Rashid Haynes, Dr. Grace Jones, Stewart Peil
Jewett City – Kenneth Sullivan, Louis Demicco; Richard Throwe
Groton – Ronald Gaudet, Jeffrey Godley, Mark Oefinger
Bozrah Light and Power Company – David Collard, Richard Tanger; Ralph Winslow
East Norwalk – Kevin Barber, David Brown, Debora Goldstein, Pete Johnson

The following Individuals from CMEEC Management Participated:

Drew Rankin, CMEEC, Chief Executive Officer
Robin Kipnis, CMEEC, General Counsel
Edward Pryor, CMEEC, Chief Financial Officer
Michael Lane, CMEEC, Controller
Michael Rall, CMEEC, Director, Asset Management
Bella Chernovitsky, CMEEC, Director, Business Intelligence
Justin Connell, CMEEC, Director, Portfolio Management
Scott Whittier, CMEEC, Director, Enabling Services
Dylan Phillips, CMEEC, Risk Analyst
Gabe Stern, CMEEC, Director Strategic Planning
Ellen Kachmar, CMEEC, Office & Facility Manager
Margaret Job, CMEEC, Administrative II

The following Individual Representing the Public was in Attendance:

Michael Boucher, Groton Resident
Claire Bessette, Reporter, The New London Day
Christopher Healy, Connecticut State Legislative Management

The following Invited Guest Presenter was in Attendance:

William Kowalski, Municipal Electric Consumer Advocate

Ms. Job recorded.

Standard Action Items

(A) Public Attendee Comment Period

Chairman Sullivan asked if there were any members of the public present who wished to make remarks to the CMEEC Board. Mr. Boucher stood and identified himself as being from Groton, CT. He thanked the Board for providing him with the New England Energy Market handout from the December 21, 2017 Board of Directors meeting. He stated that as a rate payer it is difficult to follow what happens at CMEEC. He mentioned that he thought CMEEC Board of Directors' meetings should be recorded because the minutes do not reflect what occurs at the meetings. He added that the issue he is most concerned with is that CMEEC's actions are transparent. Chairman Sullivan thanked Mr. Boucher for his remarks.

(B) Introduction New & Existing Board Members

For the benefit of new members, Mr. Rankin asked each of those present to introduce themselves. The Board introduced themselves identifying the member utilities they are associated with and their roles with those utilities or the legislative body that appointed them to the CMEEC Board. They also identified their roles on the CMEEC Board and CMEEC committees.

(C) Explain & Conduct Voting Roster / Roll Call

Mr. Rankin explained the intent of this new agenda item is to provide accuracy in attendance and voting eligibility. He stated that over the next few months, the Board could grow to a total of 30 members, of which only 18 are eligible to vote. He briefly summarized the CMEEC Bylaws expressing the importance of identifying that Alternate Members who are representing a member utility in the absence of the member is eligible to vote. He stressed that nonetheless, all should be encouraged to participate fully in the Board meetings. Mr. Rankin took roll call and identified who was eligible to vote at today's meeting.

(D) Approve Minutes of the CMEEC Regular December 21, 2017 Board of Directors Meeting

A motion was made by Member Representative Jeffrey Godley, Seconded by Member Representative Louis Demicco, to approve the Minutes of the Regular December 21, 2017 Board of Directors Meeting. Rate Payer Member Representative Rashid Haynes and Member Representative John Bilda abstained.

Motion passed.

(18-01-01)

Specific Action Items

(E) CMEEC 101 Progress / Status Update & Prospective Agenda Items for Board and Delegation

Mr. Rankin explained that he has conducted three CMEEC 101 education sessions in the recent past. He noted that the meetings lasted two to three hours. He added that four Board members participated from Groton Utilities, three Board members participated from Norwich Public Utilities and one Board member from Bozrah Light & Power also participated in a session. He added that a session is scheduled to take place at Third Taxing District with eight participants scheduled to attend.

Mr. Rankin alerted the Board to upcoming agenda items.

The Governance Committee is vetting the CMEEC Bylaws to address the addition of a municipal legislative body appointment and how that affects governance. He added that the Board will be reviewing the Membership Agreement for any changes that are required. The revised Bylaws will need to be voted on at a meeting of the CMEEC Member Delegates.

He added that the Ethics Subcommittee will meet again in February to review and finalize the new Ethics Policy.

Mr. Rankin discussed re-engaging the Risk Management Committee to continue working on the Enterprise Risk Management Plan as it relates to the entire enterprise, as well as the energy portfolio.

He stated that discussion is underway to consider signing a 20 year extension to the Hydro Quebec contract.

Lastly, he noted that the CMEEC Legislative Committee will convene in late January to mid-February in order to prepare for the upcoming legislative session.

(F) December & 2017 Year Objective Summary

Mr. Rankin explained that the Objective Summary Review represents the quantitative Dashboard of CMEEC. He added that there are four quantitative objectives and noted the

remainder of the objectives in the Dashboard represent how CMEEC sustains the performance in the first four quantitative objectives. He explained what each metric means and their importance to CMEEC and member utilities. He noted that CMEEC measures its net cost to members on a \$1/MWh basis. He stated that CMEEC studies how competitive the member utilities are against other providers.

With respect to Regional Competitiveness Total Member Return (TMR) view, year-end finished at 29.4%. Mr. Rankin noted year-end was adversely impacted by December's higher energy cost and larger margin underperformance. He pointed out that November's year end was moved from projected 29.8% to the 29.4% after December. He added that although some ground was lost in December, overall this metric realized an excellent year in adding 15.5% positive variance to the Rate 9 Power Cost view. The Regional Competitiveness Rate 9 Power Cost Only view realized a negative variance in December of \$9 / MWh. Mr. Rankin explained the variance was driven by higher energy cost exposures at the end of the month which increased average energy costs for the month by \$4. The \$5 balance was driven by lower loads and other power cost budget to actual deviations.

Mr. Rankin explained the Customer Fulfillment objective by stating it measures the deviation of CMEEC power cost projections for both the TMR and Rate 9 only view. He noted the All-In Cost TMR view had a significant negative variance for December due to higher power cost and lower margin, but realized a strong positive variance for the year. The All-In Cost Rate 9 Customer view realized a significant variance for December due to higher energy cost / lower loads but ended solidly and on target at year end.

Mr. Rankin explained that the Financial Stability objective reflects classic financial metrics which in turn provide awareness of CMEEC's solvency and performance. He noted that under the first metric, Risk Management Plan Compliance, the energy risk policy is and has remained in compliance for the entire year. Current Ratio finished year end with a very strong position as was maintained throughout the year. Equity to Debt realized an excellent year end finish at 28% especially considering the over \$9MM Distribution Eligible Equity issued in 2017, setting up a positive 2018. Days Cash on Hand realized a strong finish at 155 days Cash on Hand. Net Non-Fuel Operating non - budgeted outside services expenses, the majority of which were outside legal services. Mr. Rankin added that some negative variance will continue into 2018, but is expected to diminish by the end of the first quarter.

In the category of Maximizing Asset Value which measures the performance of CMEEC physical and financial assets, Mr. Rankin discussed the December and year end performance data, explaining that the Pierce plant ended the month of December with a positive variance for the year, especially after a first six month significant negative benefit due to low capacity revenues. He added that Pierce was called up several times over the last 30 days and performed flawlessly in harsh conditions.

Market DG realized a strong month and year end finish. While still suffering from a negative net benefit, Market DG realized a positive variance from budget which was enabled by picking up capacity obligation.

MicroGen had an excellent month and a solid year end finish, albeit slightly under budget. MicroGen realized this deviation due to a few months of lower load reduction than budgeted due to equipment issues as well as insufficient load to displace. Transmission Project No. 1 ended with a lower than budgeted December and year end driven exclusively by lower network loads throughout New England. Hydro-Quebec realized a strong month but a weaker year end mainly driven by higher than budgeted expenses eroding the revenue benefit.

CMEEC Margin, according to Mr. Rankin, performed below target due to a default of a competitive supply customer of approximately \$1MM and under performance during a demand reduction. CMEEC Equity realized a strong month and strong year end. CMEEC Investment Performance also realized a strong month and year end. Mr. Rankin noted that since the new business model utilizing a metrics process was implemented in 2013, member returns on investment of member funds have increased significantly. He also stated that the total member returns are validated by independent auditors annually.

(G) December 2017 – January 2018 Energy Market Analysis

Mr. Connell provided an Energy Market Analysis for the months of December 2017 and January 2018. He provided an informational overview of the extreme cold weather with respect to its impact on wholesale market operations and pricing; and ultimately the net impact to CMEEC members and customers. He noted that the colder than normal winter weather conditions lead to increased heating and electric demand throughout the region, resulting in a surge in natural gas transportation prices. Through a combined hedge portfolio strategy, operational strategy and risk management oversight, CMEEC largely mitigated what could have been significant cost exposure to its customers and members. The extreme weather and incremental demand also exposed deficiencies in New England generation fleet and regional market in that prices increased for gas making oil more attractive as a fuel for generators. CMEEC members remarked that this price surge occurred despite gas not being curtailed in the area.

(H) 2017 Generation Asset Performance Analysis

Mr. Rall provided a general overview of CMEEC owned generation assets. He explained that the CMEEC-owned generation assets include MicroGen, Alfred L. Pierce Generating Station (“Pierce”) and Norwich WWTP (“DG”) explaining the business models and actual and projected net benefit for each of the assets.

(I) Governance Committee: Report on Bylaw Revision for Member Delegation Consideration / Sub Team Update on Ethics Policy Revision

Member Representative Ron Gaudet explained that the Governance Committee is reviewing and revising the CMEEC Bylaws to reflect the change in the statute requiring CMEEC’s Board of Directors to include municipally appointed rate payer member representatives. He noted one change to the Bylaws being proposed include the weighted measure calculation for voting. Mr. Rankin added that it is important to differentiate the

entitlement allocation on a project from the vote to go forward on a project. He noted that, assuming 100% entitlement, participation in a future project remains a board decision.

Member Representative Jeffrey Godley reported on the status of the Ethics Subcommittee, a subcommittee of the Governance Committee. He provided an update on the status of the Ethics Policy revision. He noted that the Ethics Committee has met two times and will meet again in mid-February to draft a final draft of the revised policy. He stated that the policy will be presented to the full Board in March.

(J) FOIA Request: Michael Boucher

Ms. Kipnis reported that on January 3, 2018, a Freedom of Information Act (FOIA) request was submitted by Groton resident, Michael Boucher. She shared that he requested costs incremental to costs associated with the Kentucky Derby including attorney's fees; cost of additional Board members; lobbying fees in 2017 Legislative session. He asked for information related to stipends paid to CMEEC Board of Directors, costs related to relocating CMEEC Board of Directors meeting out of CMEEC's building; costs related to the ethics consultant in connection with drafting the revised Ethics Policy. Ms. Kipnis stated any non-exempt material will be provided to Mr. Boucher however production will be delayed due to CMEEC's year-end audit activities. She added that material should be provided shortly and that she does not know what Mr. Boucher plans to do with the information.

(K) Introduction: Role, Responsibility & Plan

William Kowalski, Municipal Electric Consumer Advocate, was asked by Ms. Kipnis to present an overview of his role. Mr. Kowalski was appointed Municipal Electric Consumer Advocate as a result of an enabling statute (PA 17-73) to act as an independent advocate for consumer interests in matters affecting municipal electric cooperative consumers. Mr. Kowalski provided an overview of his background in both the private and public practice of law. He provided a brief overview of the history of electric cooperatives and their purpose. He shared an informal agenda for the first six months including working with the Governance Committee on Bylaws. He noted he would like CMEEC to pursue potential benchmarking against other Municipal Electric cooperatives, not just Eversource. He added he will work on expanding information transparency pursuant to PA17-73 and CMEEC's information sharing as compared with other cooperatives.

A motion was made by Member Representative Louis Demicco, seconded by Member Representative John Bilda to enter into Executive Session with direction to the Board to return to Public session upon completion of the discussion in Executive Session.

Motion Passed unanimously.

(18-01-02)

The reason for going into Executive Session was pursuant to C.G.S. sec. 1-210(b)(4) for General Counsel to provide a debrief on arbitration.

The Board returned to Public Session at 1:20 p.m.

A motion was made by Member Representative Ronald Gaudet, seconded by Member Representative Louis Demicco to adjourn the meeting.

Motion Passed unanimously.

(18-01-03)

There being no further business to come before this Board, the meeting was adjourned at 1:20 p.m.