Press Release- For Immediate Release – February 3, 2023

Norwich, CT – Moody's Investor Services has updated the credit analysis of Connecticut Municipal Electric Energy Cooperative (CMEEC) and Connecticut Transmission Municipal Electric Energy Cooperative (dba Transco), supporting the Aa3 rating and stable outlook for both entities.

In its update, Moody's notes that CMEEC's rating "reflects the benefits of producing stable and predictable revenue and cash flow through strong all requirements take-or-pay contracts with members." Other credit strengths noted included the flexibility of CMEEC members and participants to set their retail rates and that those rates typically compare well with other utility service providers in Connecticut, CMEEC's operating efficiencies and interest expense savings from periodic debt refunding, the sound legal protections that exist for CMEEC's Power Supply and Transmission System bonds through the various contractual service arrangements, and CMEEC's strong financial metrics and ample liquidity.

Moody's notes that Transco's "significant dependence on CMEEC makes managing that relationship integral to maintaining the Transco credit profile," citing the strong contractual agreements between Transco and CMEEC as credit strengths. Other credit strengths cited include the low business risk of the transmission assets owned and the economic benefit of Transco's ability to take advantage of the favorable Federal Energy Regulatory Commission's authorized rate of return on equity.

Also included in the update to the credit analysis are the Environmental, Social, and Governance (ESG) scores for CMEEC and Transco. Both entities were assigned an overall Credit Impact Scores (CIS) of CIS-2, indicating that the individual ESG attributes have a neutral-to-low impact on the assigned credit rating. Both entities also scored at or above the median score for other entities in the same sector on the individual ES&G attributes, with CMEEC scoring at the highest level in the Governance category. Moody's attributed this score to CMEEC's positive financial strategy and risk management, further balanced by management credibility & track record, organizational structure, compliance and reporting, and the CMEEC Board structure and policies.

Dave Meisinger, CEO of CMEEC, reacted to these results by noting that "we are delighted that Moody's ratings continue to reflect the strong credit quality of CMEEC and its members, and in particular I am pleased with our ESG scores as we continue to make great progress in these important areas, especially with respect to governance matters."

CMEEC, created in 1976 pursuant to Chapter 101a of the Connecticut General Statutes, is a non-profit municipal joint-action electric supply agency that provides the wholesale power supply requirements of six municipal electric utilities with retail service territories in Connecticut, as well as for other customers who purchase power at wholesale. Its municipal electric utility members are Bozrah Light & Power, Jewett City Department of Public Utilities, Groton Utilities, Norwich Public Utilities, South Norwalk Electric and Water, and The Third Taxing District of Norwalk Electric Division. CMEEC also supplies the wholesale power requirements of the Mohegan Tribal Utility Authority. For further information about CMEEC, please see https://cmeec.com/

A copy of the related credit analysis reports from Moody's Investor Services are attached.

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
31 January 2023

Send Your Feedback

Contacts

Ozlem Kose +1.212.553.1486
Analyst
ozlem.kose@moodys.com

Gianna Giamartino +1.212.553.3638
Associate Analyst
gianna.giamartino@moodys.com

Kurt Krummenacker +1.212.553.7207
Associate Managing Director
kurt.krummenacker@moodys.com

Connecticut Municipal Electric Energy Coop.

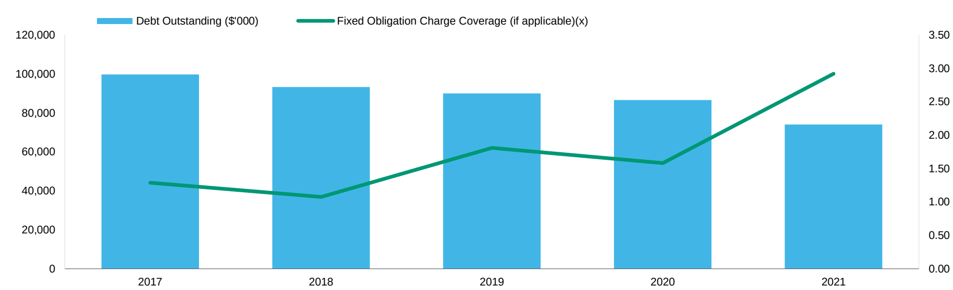
Update to credit analysis

Summary

Connecticut Municipal Electric Energy Cooperative's (CMEEC, Aa3 stable) credit profile reflects the benefits of producing stable and predictable revenue and cash flow through strong all requirements take-or-pay contracts with members and other power supply contracts with participants whose weighted average creditworthiness approximates A1. The contracts contain an unlimited step-up clause in the event of a member non-payment, which is a significant credit positive. The credit profile also reflects that CMEEC is likely to maintain its historically sound liquidity, fixed obligation charge coverage (FOCC) and debt ratios at levels stronger than most peers because it has no incremental debt financing needs for the next several years, debt is amortizing and debt service requirements will continue to decline. CMEEC also benefits from its ability to provide reliable power supply and transmission services under reasonably competitive rates in comparison to similar service providers in the region.

Exhibit 1

Debt outstanding continues to amortize and fixed obligation coverage increased substantially in fiscal year 2021



Source: Moody's Investors Service

Credit strengths

» Member/participant retail rates are unregulated and typically fare reasonably well in comparison with the utility service providers in Connecticut

» Power supply costs for CMEEC's power purchasers benefit from operating efficiency strategies and manageable debt service resulting from periodic debt refunding transactions to achieve interest expense savings

» Sound legal protections exist for CMEEC's power supply system and transmission system revenue bonds and strong full requirements, take or pay contractual arrangements with members and other power supply contractual relationships with participants

» Strong financial metrics, including ample liquidity to ensure flexibility in managing market risks as CMEEC buys and sells power in the open market

Credit challenges

» Modest concentration in several large customers served by two of CMEEC's members, the City of Groton and Bozrah Light and Power (BL&P)

» Potential natural gas price volatility and resulting periodic exposure to collateral posting requirements for fuel hedge and power supply agreements

» CMEEC primarily relies on a portfolio of long, intermediate and short-term power purchase contracts from suppliers in the Northeast which exposes it to moderate carbon transition and market price risks

Rating outlook

The stable outlook is based on the stable credit position of CMEEC's members and participants, the transmission cost benefits being derived from the transmission assets owned through the affiliated Connecticut Transmission Municipal Electric Energy Cooperative (Transco), sound risk management practices, and strong financial metrics.

Factors that could lead to an upgrade

» Improvement of CMEEC member/participant credit quality

Factors that could lead to a downgrade

» Material CMEEC member/participant credit quality decline coupled with materially weaker financial metrics

» Challenges by any municipal utility of their take-or-pay or other contract obligations

» If liquidity becomes strained

Key indicators

Connecticut Municipal Electric Energy Cooperative	2017	2018	2019	2020	2021
Debt Outstanding ($'000)	99,755	93,310	89,985	86,600	74,040
Debt Ratio (%)	55.7	56.4	55.8	53.9	62.0
Adjusted Days Liquidity on Hand (incl. Bank Lines)(days)	276	342	362	425	364
Fixed Obligation Charge Coverage (if applicable)(x)	1.29	1.08	1.81	1.58	2.92

Source: Moody's Investors Service

Profile

CMEEC is a joint action agency that is currently a full requirements power supplier to six municipal electric utilities in Connecticut (City of Groton; Borough of Jewett City; City of Norwich; Second (South Norwalk) and Third (East Norwalk) Taxing Districts of the City of Norwalk; and BL&P) and to the Mohegan Tribal Utility Authority (MTUA). CMEEC's electric power and energy supply agreement with MTUA was amended in September 2021, extending the initial term through December 31, 2031.

In 2009, CMEEC established Transco, which is an affiliated legally separate, special purpose, publicly-owned, joint-action transmission entity created under CMEEC's existing statutes to acquire and own transmission assets comprising part of the regional electric grid administered by the ISO-NE. Each of Transco's members is a member or participant in CMEEC.

CMEEC is no longer engaged in the load aggregation business as it has completed the necessary steps to exit the business that was previously providing wholesale power to entities in the New England region through Hampshire Council of Governments (HCOG) under a purchased power agreement.

Detailed credit consideration

Revenue Generating Base

CMEEC is a joint action agency that is a full requirements power supplier to six municipal electric utilities in Connecticut and to the MTUA. CMEEC's members and participants continue to benefit from a near monopoly business position in their respective service areas and unregulated rate setting. These entities provide energy to more than 50,000 customers, and revenue derived from sales to these entities is usually fairly evenly distributed among residential, small and medium commercial, and large commercial and industrial customer classes, with a somewhat higher bias towards the residential class.

CMEEC's total load served has been steadily declining since 2015 with the load served at about 1.2 million MWh in fiscal 2021. The annual declines in load served reflect myriad factors, including the effects of weather and economic activity on members'/participants' demand and CMEEC's decision to discontinue its load aggregation business.

Municipal utility retail rates have historically been reasonably competitive against other electricity suppliers in New England. CMEEC is likely to maintain the competitive comparisons as CMEEC's cost structure benefits from operating cost efficiency strategies, amortizing debt and periodic refinancing of existing debt to achieve interest expense savings.

CMEEC provides full energy and capacity requirements to its members, excluding what is derived from existing hydroelectric resources, primarily through long- intermediate- and short- term power purchase agreements. CMEEC also has peaking generation resources, including member resources available from a combustion turbine unit in Norwich (~16.5 MW, winter rating), the MicroGen Project, which is comprised of 20 behind the meter units dispatched by CMEEC (~50 MW, winter rating), and 3 diesel generation units (~7.7 MW, winter rating). On December 31, 2021, CMEEC transferred its ownership of the Pierce project (~83.3 MW, winter rating) to a third party. Under the new ownership, the Pierce plant will continue to contribute to the grid and support regional grid reliability.

CMEEC has been expanding its renewable energy sources as part of the management's focus on carbon reduction strategies in support of the state's decarbonization goals to reach a 100% zero carbon target for the electric sector by 2040. While 49% of CMEEC's total load served by renewables and nuclear energy in 2021, this ratio increased to 53% in 2022 mainly reflecting the 14MW power purchase agreement entered for 20 years with Great River Hydro in July 2022 and CMEEC's 7.4 MW fuel cell power generation project that came to the service in December 2022.

CMEEC will likely continue to arrange for resources consistent with historical practices to fully meet its demand, plus a substantial reserve margin. CMEEC also has an interruptible demand-side management program that can modestly lower demand based on ISO-NE market conditions. CMEEC's competitive strategy is based on engaging its board to ensure CMEEC maintains an active role in understanding and mitigating exposures in the ISO-NE markets.

Some of CMEEC members face large customer dominance, which has been especially present for Groton, which serves Electric Boat and Pfizer, and BL&P, which serves Airgas Merchant Gases, Inc. To partially mitigate this risk, Groton and BL&P maintain average system rates significantly less than the Connecticut State average and have special contract arrangements with these customers that ensure recovery of member distribution costs and CMEEC's fixed cost obligations attributable to such customers on a take or pay basis. CMEEC's market position also benefits from the minimal fixed costs that might be exposed should a large customer depart, and the diverse, well-managed nature of CMEEC's power supply portfolio.

Financial Operations and Position

As a joint action agency CMEEC's costs are recovered in its wholesale rates charged to members pursuant to its power supply contracts and general transmission services contracts. CMEEC, as well as its members and participants can raise rates without external regulatory review, which is credit positive. CMEEC's management of power supply and sales contracts in the ISO-NE market and efficient, reliable transmission service have contributed to historically sound FOCC and liquidity metrics, as well as competitive retail rates for members.

In FY 2021, CMEEC's actual all-in power costs (total of distributed generating units, Pierce and MicroGen projects and energy and capacity) were about $92.73/MWh. The costs for the first 10 months in 2022 were $107.6/MWh, which increased over 2021 mainly as a result of higher natural gas prices.

For fiscal years 2019-2021, CMEEC's FOCC ratio averaged 2.1x. Management typically budgets to achieve coverage of a minimum 1.2x to ensure some cushion above the minimum required 1.1x under the bond resolution and CMEEC maintains a track record of exceeding that target. Annual debt service requirements have been declining in recent years and will continue to decline in the coming years due to the benefits of past debt refunding transactions.

Liquidity

CMEEC maintains an above average liquidity position, which is reflected in the three-year average of 383 days adjusted days liquidity on hand for FY 2019-2021, including unused capacity under multi-year committed bank credit as of those fiscal year end dates. Liquidity remains an important area of focus to help CMEEC cope with periodic volatility in energy markets.

While CMEEC's liquidity position can occasionally be affected by collateral posting under various fuel hedge and electric supply agreements, the utility has not had to post collateral since 2013. CMEEC currently projects that its collateral posting requirement will remain zero. CMEEC has a $40 million line of credit with Bank of America which expires on May 1, 2024. Currently, there is no outstanding balance on this line. We consider the terms and conditions of the existing credit agreements to be satisfactory as they do not contain onerous financial covenants or an ongoing material adverse change (MAC) clause.

Debt and Other Liabilities

The utility's adjusted debt ratio averaged 57.0% for fiscal years 2019-2021, positioning it strongly within the “Aa” category under the rating methodology for this sub-factor. CMEEC has no plans for incremental borrowing. With no material capital investment needs on the horizon and the recent refinancing of the existing debt, we expect CMEEC's debt ratio to continue improving.

Legal Security

Power Supply Revenue Bonds:

The power supply system revenue bonds are secured by revenues and receipts from purchasers of power provided by CMEEC under replacement power sales contracts (RPSCs). The RPSCs extend at least until April 2053, which is well beyond CMEEC's longest dated debt maturity date, and require the 6 contracting power purchasers under the RPSCs on a take-or-pay basis to take their full requirements from CMEEC to serve their retail load. MTUA is not a party to the RPSCs. The power supply system revenue bonds were secured by a maximum annual debt service reserve requirement. However, the debt service reserve requirement was reduced to fifty percent of maximum annual aggregate debt service at the beginning of January 2023 with the payment of all outstanding 2013 Series A power supply revenue bonds. CMEEC is required to establish rates at least equal to 110% of aggregate debt service.

Transmission Services Revenue Bonds:

The transmission Services Revenue Bond Resolution are secured by a net revenue pledge from revenues produced from long-term take-or-pay General Transmission Services Agreements (GTSAs) executed with the six current members through December 31, 2052. The expiration date of the GTSAs is well beyond CMEEC's longest dated debt maturity. MTUA has any obligation with respect to debt service under the Transmission Services Revenue Bond Resolution or expenses related to the Transco Project. The transmission services revenue bonds are also secured by a fifty percent of maximum annual debt service reserve requirement, and CMEEC is required to establish rates at least equal to 110% of aggregate debt service.

Debt Structure

At the end of 2022, CMEEC had $19.3 million 2022 Series A power supply revenue bonds, $11.2 million 2013 Series A power supply revenue bonds and $27.8 million 2021 Series A transmission service revenue bonds (including Transco's portion). At the beginning of 2023, 2013 Series A power supply revenue bonds were fully paid off.

Debt-related derivatives

None.

Pensions and OPEB

CMEEC is a participant in the National Rural Electric Cooperative Association Retirement Security Plan (RS Plan), which is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501 (a) of the Internal Revenue Code. The RS Plan is a multi-employer plan under accounting standards (all plan assets are available to pay benefits of any plan participant). CMEEC contributions to the RS Plan in 2021 and 2020 were $0.854 million and $0.891 million, respectively.

Based on latest available pension fund data for 2020, the RS Plan was 93.1% funded and pension adjustments are not a material component in this case for our assessment of CMEEC's credit quality.

CMEEC also has a plan under Section 401 (k) of the Internal Revenue Code which covers all eligible employees. Under this plan, CMEEC contributes 1% of the employee's base salary and contribution expenses were $0.044 million in each of fiscal years 2019 and 2018.

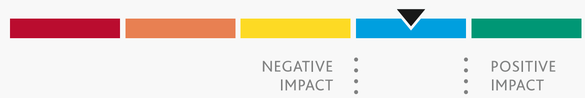
ESG considerations

Connecticut Municipal Electric Energy Coop.'s ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3
ESG Credit Impact Score

CIS-2

Neutral-to-Low



For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

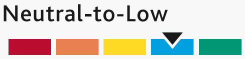
Source: Moody's Investors Service

CMEEC's ESG credit impact score of **CIS-2** indicates that ESG considerations have a neutral-to-low impact on the rating. The score reflects moderately negative credit exposure to environmental risks, neutral-to-low exposure to social risks and positive governance considerations.

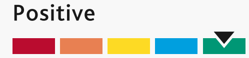
Exhibit 4
ESG Issuer Profile Scores

ENVIRONMENTAL
E-3
Moderately Negative

SOCIAL
S-2
Neutral-to-Low



GOVERNANCE
G-1
Positive



Source: Moody's Investors Service

Environmental

CMEEC's moderately negative environmental risk (**E-3** issuer profile score) reflects (i) moderately negative exposure to physical climate risks as the state faces risks across several climate factors, including hurricanes, rising temperatures and water stress and (ii) moderately negative exposure to carbon transition risk given almost half of its power supply is coming from gas mainly through short to medium term power purchase agreements. These considerations are balanced by neutral-to-low risk for water management and natural capital and waste and pollution.

Social

CMEEC's neutral-to-low (**S-2** issuer profile score) exposure to social risks reflects neutral-to-low exposure to risks related to responsible production, health and safety, customer relations, human capital, and demographic and societal trends.

Governance

The influence of governance risk (**G-1** issuer profile score) is positive which reflects a positive financial strategy and risk management given maintenance of strong financial metrics and liquidity. This consideration is further balanced by neutral-to-low risk management creditability & track record, organizational structure, compliance & reporting, and board structures and policies.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The principal methodology used in this rating was US Municipal Joint Action Agencies published in August 2020. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

The scorecard indicated outcome under the below depicted scorecard is Aa2, which is one notch above the Aa3 rating for CMEEC's revenue bonds.

Exhibit 5

Joint Action Agency - All Requirement Methodology Scorecard

Factor	Subfactor/Description	Score	Metric
1. Participant Credit Quality and Cost Recovery Framework	a) Weighted Average participant credit quality. Unregulated rate setting including participants. Cost recovery structure and governance.	A1	
2. Resource Risk Management	a) Resource Diversity. Asset quality and complexity. Resource supply contract terms and counterparty credit quality. Wholesale market purchase exposure	Baa	
3. Competitiveness	a) Cost competitiveness relative to regional peers	A	
4. Financial Strength and Liquidity	a) Adjusted days liquidity on hand	Aaa	383
	b) Adjusted Debt ratio (3-year avg) (%)	Aa	57%
	c) Fixed obligation charge coverage ratio (3-year avg) (x)	Aaa	2.10x
5. Willingness to Recover Costs with Sound Financial Metrics	a) Rate Setting Record. Timeliness of rate recovery. Stability and strength of financial metrics	Aa	
Notching Factors		**Notch**	
	1 - Contractual Structure and Legal Environment	1	
	2- Participant Diversity and Concentration	0	
	3 - Construction Risk	0	
	4 - Financing Structure	0	
	5 - Unmitigated Exposure to Wholesale Power Markets	0	
Scorecard Indicated Outcome:		**Aa2**	

Source: Moody's Investors Service

REPORT NUMBER 1350552

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Moody's
INVESTORS SERVICE

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
31 January 2023

Send Your Feedback

Contacts

Ozlem Kose +1.212.553.1486
Analyst
ozlem.kose@moodys.com

Gianna Giamartino +1.212.553.3638
Associate Analyst
gianna.giamartino@moodys.com

Kurt Krummenacker +1.212.553.7207
Associate Managing Director
kurt.krummenacker@moodys.com

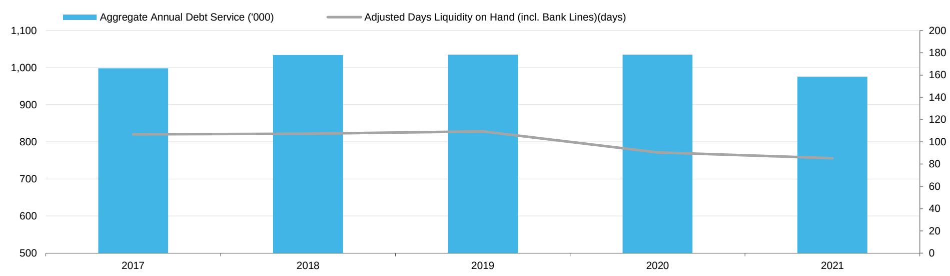
Connecticut Trans. Muni. Elec.Energy Coop.

Update to credit analysis

Summary

Connecticut Transmission Municipal Electric Energy Cooperative's (Transco, Aa3 stable) credit profile is supported by stable and predictable revenue and cash flow, which is expected to remain the norm, and the benefits of its strong ties through various financial, operational and contractual relationships with affiliated Connecticut Municipal Electric Energy Cooperative (CMEEC, Aa3 stable). The Transco credit profile also reflects the collective strength of the approximate A1 weighted average credit quality of Transco's members, the lower risk nature of the transmission business, and the various transmission services contracts that provide strong legal protections to Transco's bondholders.

Exhibit 1
Moderate Annual debt service requirements and adequate liquidity maintained



Source: Moody's Investors Service

Credit strengths

» Low business risk characteristics of the transmission assets Transco purchased from Connecticut Light & Power Company (CL&P), with CL&P as the operator

» Economic benefits from owning low risk transmission assets

» Satisfactory legal protections exist, including average bond security provisions and strong take or pay all requirements power supply agreements (PSAs), general transmission services agreements (GTSAs) and transmission finance and service agreements (TFSAs) with CMEEC and Transco participants, respectively

» Transco has relatively low leverage to take advantage of attractive Federal Energy Regulatory Commission (FERC) authorized return on equity (ROE)

Credit challenges

» Significant dependence on CMEEC makes managing that relationship integral to maintaining the Transco credit profile

» CMEEC, and by association, Transco, have exposure to potential natural gas price volatility and resulting periodic exposure to collateral posting requirements for fuel hedge and power supply agreements

» CMEEC, and, by association, Transco, have modest concentration in several large customers served by the City of Groton and Bozrah Light and Power (BL&P)

Rating outlook

The stable outlook reflects the sound weighted average credit quality of the members, the strong contractual arrangements with members, the transmission cost benefits from owning transmission assets, sound risk management practices, and a good liquidity profile.

Factors that could lead to an upgrade

» Improvement of the members' credit quality

Factors that could lead to a downgrade

» If there is material decline in the members' credit quality or any of Transco's or CMEEC's members/participants challenge their contractual obligations

» If liquidity for CMEEC and by association, Transco, becomes strained

Key indicators

Exhibit 2

Connecticut Transmission Municipal Electric Energy Cooperative	2017	2018	2019	2020	2021
Debt Outstanding ($'000)	20,690	20,690	20,690	20,690	16,360
Adjusted Debt Ratio (%)	36.5	37.5	38.4	39.6	36.1
Total Days Cash on Hand (days)	106.7	107.3	109.4	90.5	85.3
Adjusted Days Liquidity on Hand (incl. Bank Lines)(days)	106.7	107.3	109.4	90.5	85.3
Fixed Obligation Charge Coverage (if applicable)(x)	1.00	1.00	1.00	1.00	1.00

Source: Moody's Investors Service

Profile

Transco is a legally separate, special purpose, publicly-owned, joint-action electric transmission entity created under CMEEC's existing statutes to acquire and own transmission assets comprising part of the regional electric grid administered by the Independent System Operator - New England, Inc. (ISO-NE). Each of Transco's members is a member in CMEEC. CMEEC is a joint action agency that is currently a full requirements power supplier to six municipal electric utilities in Connecticut (City of Groton; Borough of Jewett City; City of Norwich; Second (South Norwalk) and Third (East Norwalk) Taxing Districts of the City of Norwalk; and BL&P) and to the Mohegan Tribal Utility Authority (MTUA). CMEEC's electric power and energy supply agreement with MTUA was amended in September 2021, extending the initial term through December 31, 2031.

Detailed credit considerations

Revenue Generating Base

The weighted average credit quality of the underlying members is A1 and we expect it to remain stable. Transco, through a special filing at the time of the purchase of the transmission lines from CL&P earns an attractive FERC authorized ROE. This return is recovered through a FERC authorized regional transmission tariff structure supported by the load serving entities in ISO-NE. This attractive ROE, even as reduced periodically, creates economic benefits for Transco members with positive cash flow benefits to partially offset overall member transmission costs. Full and timely recovery of transmission costs is built into the regional tariff structure as the rate formula is simply adjusted annually without the need for a rate case to account for over or under recovery in the prior year.

CMEEC, which is so integral to Transco's credit quality, is a joint power agency that is a full requirements power supplier to six municipal electric utilities in Connecticut and to the MTUA. CMEEC's members and participants continue to benefit from a near monopoly business position in their respective service areas and unregulated rate setting. These entities provide energy to more than 50,000 customers, and revenue derived from sales to these entities is usually fairly evenly distributed among residential, small and medium commercial, and large commercial and industrial customer classes, with a somewhat higher bias towards the residential class.

CMEEC's total load served has been steadily declining since 2015 with the load served at about 1.2 million MWh in fiscal 2021. The annual declines in load served reflect myriad factors, including the effects of weather and economic activity on members'/participants' demand and CMEEC's decision to discontinue its load aggregation business.

Municipal utility retail rates have historically been reasonably competitive against other electricity suppliers in New England. CMEEC is likely to maintain the competitive comparisons as CMEEC's cost structure benefits from operating cost efficiency strategies, amortizing debt and periodic refinancing of existing debt to achieve interest expense savings.

CMEEC provides full energy and capacity requirements to its members, excluding what is derived from existing hydroelectric resources, primarily through long- intermediate- and short- term power purchase agreements. CMEEC also has peaking generation resources, including member resources available from a combustion turbine unit in Norwich (~16.5 MW, winter rating), the MicroGen Project, which is comprised of 20 behind the meter units dispatched by CMEEC (~50 MW, winter rating), and 3 diesel generation units (~7.7 MW, winter rating). On December 31, 2021, CMEEC transferred its ownership of the Pierce project (~83.3 MW, winter rating) to a third party. Under the new ownership, the Pierce plant will continue to contribute to the grid and support regional grid reliability.

CMEEC has been expanding its renewable energy sources as part of the management's focus on carbon reduction strategies in support of the state's decarbonization goals to reach a 100% zero carbon target for the electric sector by 2040. While 49% of CMEEC's total load served by renewables and nuclear energy in 2021, this ratio increased to 53% in 2022 mainly reflecting the 14MW power purchase agreement entered for 20 years with Great River Hydro in July 2022 and CMEEC's 7.4 MW fuel cell power generation project that came to the service in December 2022.

CMEEC will likely continue to arrange for resources consistent with historical practices to fully meet its demand, plus a substantial reserve margin. CMEEC also has an interruptible demand-side management program that can modestly lower demand based on ISO-NE market conditions. CMEEC's competitive strategy is based on engaging its board to ensure CMEEC maintains an active role in understanding and mitigating exposures in the ISO-NE markets.

Some of CMEEC members face large customer dominance, which has been especially present for Groton, which serves Electric Boat and Pfizer, and BL&P, which serves Airgas Merchant Gases, Inc. To partially mitigate this risk, Groton and BL&P maintain average system rates significantly less than the Connecticut State average and have special contract arrangements with these customers that ensure recovery of recover member distribution costs and CMEEC's fixed cost obligations attributable to such customers on a take or pay basis. CMEEC's market position also benefits from the minimal fixed costs that might be exposed should a large customer depart, and the diverse, well-managed nature of CMEEC's power supply portfolio.

Financial Operations and Position

As a joint electric transmission agency, Transco recovers costs and earns returns on investment through the FERC formula rate tariff and CMEEC's costs are recovered in its wholesale rates charged to members pursuant to its full-requirements take-or-pay power sales contracts with members and transmission rates to its members pursuant to its GTSAs. In these instances, members/participants can adjust rates without external regulatory review.

Transco, which was formed in mid-2011, has produced consistently sound financial and operating performance in line many of its peers. For example, Transco's fixed obligation charge coverage (FOCC) ratio for fiscal years 2019-2021 averaged 1.0x. It is not unusual for a take-or-pay single asset joint action agency to manage its business on a close to sum sufficient FOCC budgetary basis. During the same three-year period Transco's adjusted days liquidity averaged 95 days. Given the rate autonomy that Transco has available under the FERC formula tariff, we do not anticipate any weakening of these levels going forward.

Liquidity

Given Transco's significant contractual ties to CMEEC, we consider not only Transco' liquidity in terms of its 95 days of adjusted days liquidity on average over the past three fiscal years, but also view CMEEC's liquidity position as an important consideration in our analytical process. Although CMEEC is periodically affected by collateral posting under various fuel hedge and electric supply agreements, given market conditions it has not been required to post collateral in recent periods and this is likely to remain so for future years. CMEEC has a $40 million line of credit with Bank of America which expires on May 1, 2024. Currently, there is no outstanding balance on this line. We consider the terms and conditions of the existing credit agreements to be satisfactory as they do not contain onerous financial covenants or an ongoing material adverse change (MAC) clause.

CMEEC maintains an above average liquidity position, which is reflected in the three-year average of 383 days adjusted days liquidity on hand for FY 2019-2021, including unused capacity under multi-year committed bank credit as of those fiscal year end dates. Liquidity remains an important area of focus to help CMEEC cope with periodic volatility in energy markets.

Debt and Other Liabilities

Transco's debt ratio was 36% at December 31, 2021, primarily reflecting low leveraging to take advantage of the attractive FERC authorized allowed ROE under the formula rate structure. CMEEC and Transco have no incremental borrowing needs as the capital improvement plan includes modest amounts for standard maintenance of existing infrastructure which can be internally funded. Beyond the current maintenance plans for Transco and CMEEC, we think CMEEC will likely periodically consider additional distributed generation investments and Transco will likely consider other possible transmission investments, in both instances depending on case specific economics of those potential opportunities.

Legal Security

There is a pledge of revenues, pursuant to the TFSA between Transco and CMEEC, under which Transco agrees to provide transmission services to CMEEC. Under the TFSA, CMEEC agrees on a take-or-pay basis to pay all monthly transmission costs incurred by Transco, including debt service on the 2021 Series A Transmission System Revenue Bonds. These sum sufficient payments from CMEEC are considered absolute and unconditional regardless of whether any transmission services are provided and are considered operating expenses of CMEEC, payable ahead of any debt service payment on any CMEEC bonds outstanding. The sole source of funds for payment under the TFSA comes from payments made under the GTSAs that CMEEC has with its members, thereby effectively making the GTSAs part of the security package for Transco's Transmission System Revenue Bonds. Since the terms of the GTSAs require collection of sufficient funds to pay all CMEEC transmission related operating costs and debt service, we view the risks to investors in Transco debt and CMEEC Transmission Services Revenue Bonds as effectively the same. Since MTUA is not an owner of the Transco transmission assets, no costs of the assets owned by Transco are allocable to it, and it has no responsibility for, and receive no economic benefits from, the assets. (See below for more details on the GTSAs). The Transco bonds are also secured by a fifty percent maximum annual debt service reserve requirement.

General Transmission Services Agreements (GTSAs):

The GTSAs are full requirements, take or pay contracts with CMEEC members for transmission services and are in effect through at least December 31, 2052, which date is well beyond the longest dated debt maturity. The GTSAs are not part of the security for the CMEEC power supply system revenue bonds. Costs are divided into fixed costs and usage costs under the GTSAs; fixed costs include debt service under the transmission services revenue bond resolution, as well as costs for new projects or other financial contracts. Since MTUA did not participate in the Transco Project it is not obligated to pay any fixed costs, MTUA pays CMEEC for transmission services under the arrangement it has for bundled supply services provided under its power supply contract with CMEEC. Members must charge sufficient retail rates to meet all obligations to CMEEC and payments to CMEEC under the GTSAs are operating expenses of the members. CMEEC segregates the transmission usage receipts from MTUA, and these transmission service payments are part of the revenues under the CMEEC Transmission Services Bond Resolution and are available to pay for certain Transco usage cost billings and other administrative and financial costs of CMEEC, but not debt service under the CMEEC Transmission Services Bond Resolution or the Transco Transmission System Revenue Bond Resolution.

Debt Structure

At the end of 2022, Transco had $16.4 million 2021 Series A Transmission System Revenue Bonds bearing interest at 5% and maturing in 2039.

Debt-related derivatives

None

Pensions and OPEB

Not applicable.

ESG considerations

Connecticut Trans. Muni. Elec.Energy Coop.'s ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 3

ESG Credit Impact Score

CIS-2

Neutral-to-Low

NEGATIVE IMPACT

POSITIVE IMPACT

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

Transco's ESG credit impact score of **CIS-2** indicates that ESG considerations have a neutral-to-low impact on the rating. The score reflects moderately negative credit exposure to environmental risks, neutral-to-low exposure to social and governance risks.

Exhibit 4

ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-2	G-2
Moderately Negative	Neutral-to-Low	Neutral-to-Low

Source: Moody's Investors Service

Environmental

Transco's moderately negative environmental risk (**E-3** issuer profile score) reflects moderately negative exposure to physical climate risks as the state faces risks across several climate factors, including hurricanes, rising temperatures and water stress. These considerations are balanced by neutral-to-low risk for carbon transition, water management, waste & pollution, and natural capital.

Social

Transco's neutral-to-low (**S-2** issuer profile score) exposure to social risks reflects neutral-to-low exposure to risks related to responsible production, health and safety, customer relations, human capital, and demographic and societal trends.

Governance

Transco's neutral-to-low (**G-2** issuer profile score) exposure to governance risks reflects its neutral-to-low exposure to risks related to financial strategy and risk management, management credibility and track record, organizational structure, compliance and reporting and board structure and policies.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The principal methodology used in this rating was US Municipal Joint Action Agencies published in August 2020. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

The scorecard indicated outcome under the below depicted scorecard is Aa3, which is consistent with the Aa3 rating for Transco's revenue bonds.

Exhibit 5
Joint Action Agency - Take or Pay Methodology Scorecard

Factor	Subfactor/Description	Score	Metric
1. Participant Credit Quality and Cost Recovery Framework	a) Weighted Average participant credit quality. Unregulated rate setting including participants. Cost recovery structure and governance.	A1	
2. Asset Quality	a) Asset diversity, complexity and history	Aa	
3. Liquidity	a) Adjusted days liquidity on hand (3-year avg) (days)	Baa	95
4. Leverage and Coverage	a) Adjusted Debt ratio (3-year avg) (%)	Aa	38%
	b) Fixed obligation charge coverage ratio (3-year avg) (x)	Baa	1.00x
5. Willingness to Recover Costs with Sound Financial Metrics	a) Rate Setting Record. Timeliness of rate recovery. Stability and strength of financial metrics	Aa	
Notching Factors		**Notch**	
	1 - Contractual Structure and Legal Environment	0	
	2- Participant Diversity and Concentration	0	
	3 - Construction Risk	0	
	4 - Financing Structure	0	
	5 - Unmitigated Exposure to Wholesale Power Markets	0	
Scorecard Indicated Outcome:		**Aa3**	

Source: Moody's Investors Service

REPORT NUMBER 1350555

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE