

REGULAR MEETING OF THE
BOARD OF DIRECTORS OF

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

October 26, 2017

MINUTES

The October Regular meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Thursday, October 26, 2017 at The Norwalk Inn and Conference Center, 99 East Avenue, Norwalk, 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.

Vice Chairman John Bilda called the meeting to order at 10:30 a.m. and determined a quorum was present.

The following Member Representatives/Alternate Member Representatives Participated:

Norwich – John Bilda, Stewart Piel
Jewett City – Louis Demicco (by phone); Richard Throwe (by phone)
Groton – Ronald Gaudet, David Collard
Bozrah Light and Power Company – Richard Tanger; Ralph Winslow
South Norwalk – Paul Yatcko
East Norwalk – David Brown, Kevin Barber

The following Individuals from CMEEC Management Participated:

Drew Rankin, CMEEC, Chief Executive Officer
Robin Kipnis, CMEEC, General Counsel
Edward Pryor, CMEEC, CFO
Michael Lane, CMEEC, Controller
Justin Connell, CMEEC, Director, Portfolio Management
Michael Rall, CMEEC, Director, Asset Management
Scott Whittier, CMEEC, Director, Enabling Services
Patricia Meek, Financial Planning and Analysis Manager
Dylan Phillips, CMEEC, Risk Analyst
Ellen Kachmar, CMEEC, Manager, Office and Facilities
Margaret Job, CMEEC, Administrative II

Ms. Job Recorded

Vice Chairman Bilda introduced Mr. Stewart Piel, a newly appointed Alternate Member Representative for Norwich. He asked that those in attendance introduce themselves by name and affiliation.

Vice Chairman Bilda called the meeting to order at 10:30 a.m.

Standard Action Item

(A) Approve Minutes of the CMEEC Regular September 28, 2017 Board of Directors Meeting

A motion was made by Member Representative Collard, Seconded by Member Representative Brown, to approve the Minutes of the Regular September 28, 2017 Board of Directors Meeting. Member Representative Yatcko abstained.

Motion passed.

(17-10-01)

Specific Action Items

(B) September 2017 Objective Summary Review

Mr. Rankin provided an overview of the exceptions to the summary dashboard report provided to the Board in advance of the meeting, reviewing the line items that reflected a deviation from established target value for the performance month and year to date.

Mr. Rankin began by reporting that the Regional Competitiveness TMR View again realized a very strong month ending with a 30% deviation to benchmark with an equally strong year to date and a projected year end of 30%. The Regional Competitiveness Rate 9 Power Cost Only view realized a significantly negative variance to target with only a 12% deviation from benchmark versus a target of 25%. He noted that this view realized a stronger year to date of 15% and a slightly down year end projection of 14%.

Customer Fulfillment All In Cost TMR view realized a similarly solid month with a positive variance of 1% building upon a strong year to date of 4% positive variance, and a projected year end of 4%. He noted that Equity and Investments, or total member return, drove the over performance. The Customer Fulfillment Rate 9 Power Cost Only view also realized a solid month ending with a positive variance of 1% and \$1/MWh under target and continuing year to date.

Mr. Rankin reported the month of September ended with a solid foundation in the Financial Stability metric as it did in previous months. Risk Management Energy Policy remains in compliance. He noted that revisions to the Enterprise Risk Management Plan are forthcoming and that the Risk Management Committee will soon implement the revised plan with staff. Mr. Rankin noted that Current Ratio continued to perform strongly in September, year to date and

projected year end on a solid Financial Stability platform. He noted that the five (5) year financial planning is currently being worked on with the Budget & Finance Committee. Equity to debt ratio for the month of September increased to 30% and is projected to remain at that level through year end. Mr. Rankin pointed out that in November the potential Distribution Eligible Equity issuance may lower ratio, but it will remain well above minimum target.

Days cash on hand continues to solidly perform for the month at 152 days, and is projected to remain solid at the same level through the balance of the year with year end at 150.

Net Non Fuel Operating Expense continues with a negative variance for the month of September. Mr. Rankin explained this is due mainly to contemplated, but unbudgeted, outside legal services expenses. He added that he expects the negative variance to continue through the end of 2017.

Mr. Rankin discussed asset performance for the month of September by noting that Pierce continues to experience a negative variance due to lower than actual market rates versus budget market rates in the LFR but nevertheless converging to a positive net benefit. He added that Pierce was dispatched to run multiple times over the month.

Mr. Rankin reported Market DG continues with positive variance in September, year to date and for the year end despite a negative net benefit. He noted performance was primarily due to optimizing capacity obligation opportunity.

MicroGen realized a strong month with 16% positive variance to help return the year to date up to 4% negative variance. He added that MicroGen will finish the year end close to budget target within 2%.

Transmission Project #1 performed above budget for the month due to higher network loads, helping to close year to date and year end performance within 1%. Mr. Rankin added that network loads overwhelmingly drove revenue on a fixed rate convention.

Hydro-Quebec continued with a negative variance due to lower capacity revenues and higher than projected expenses.

Mr. Rankin reported that as noted in last month's meeting, CMEEC Margin is written down over a four month period due to projected under collection on a customer default. Additionally affected by MTGA DR generators out of service and CS loads lower than budget.

Mr. Rankin reported that CMEEC Equity continues with a high positive variance with 50% over performance for the month, year to date and projected year end. He noted that CMEEC investment performance continues with a high positive variance with 55% over performance, aided by higher investment capital and higher than budgeted yields. Mr. Rankin added that this performance is projected to continue through year end.

(C) September 2017 Energy Market Analysis

Mr. Connell provided a brief overview of the September 2017 Energy Market Analysis by stating that energy costs were above budget by \$0.16 per MWh (or 0.41%). Actual demand was 207 MWh lower, and Unit Contingent resources were 934 MWh higher than budget. He noted that Henry Hub gas price was \$0.07 lower than budget and transportation cost was \$1.01 lower than budget, resulting in day ahead LMP being lower than budget. He added that average daily LMPs (4000) ranged from a low of \$11.76 per MWh to a high of \$47.63 per MWh. Mr. Connell provided a brief explanation of the LMPs stating that 4000 is synonymous with the Massachusetts hub which is where the majority of the forward energy contracts are settled. He explained why this is important to CMEEC.

He added natural gas transportation costs were higher than expected and budgeted for the month of September. He explained that the Algonquin transportation price varied between \$1.50 and \$3.35 per MMBTU and Henry Hub price varied between \$2.83 and \$3.14 per MMBTU.

Mr. Connell noted that the September 2017 budget Rate 9 energy cost was \$38.55 per MWh and the September 2017 projected Rate 9 energy cost was \$38.71 per MWh. He pointed out that had no hedges been in place, the September 2017 Average LMP (CMEEC Load) would have been \$25.62 per MWh.

(D) 2018 Budget Highlights / Plans

Mr. Pryor provided a brief overview of the CMEEC/Transco Budget Process Update. A handout was issued to the Members of the Board. He noted that both the CMEEC and Transco budgets have been fully reviewed and vetted by the Budget & Finance Committee. An optional review of the Transco budget was held for all Member Representatives on October 20, 2017.

Mr. Pryor added that the CMEEC budget will be reviewed by the Budget & Finance committee with an invitation to the full Board to participate in the review in the near future. He added that the CMEEC budget will be voted on at the November 16, 2017 Board of Directors meeting.

(E) Governance Overview on Officers / Committees

Mr. Whittier provided an overview of the process for bringing slates of Officers and Directors to the Board of Directors annual meetings in November for vote. He noted that the Governance Committee has scheduled a meeting for next week to make recommendations for the slates of Officers and Directors of both CMEEC and Transco Board of Directors. He added that if any member had an interest in serving in any Officer capacity to let that desire be known to either him or Member Representative Gaudet. Any recommendations for Officer nominations made by the Governance Committee will be made known to those nominated prior to the annual meetings so that any changes requested by any Member Representative nominated can be accommodated prior to that meeting and subsequent vote.

Discussion followed related to the desire to have both the CMEEC and Transco slate of

Officers mirror each other in that an Officer position on the CMEEC Board would be held by the same person in that Officer position on the Transco Board.

(F) Overview of Annual Meetings November

Mr. Rankin provided an overview of the requirement to hold an annual meeting of the Boards of Directors of CMEEC and Transco. He stated that both CMEEC and Transco hold a regular and annual meeting each November. He added that at those annual meetings, the slates of officers and directors are voted on as well as the schedule of meetings for the following year.

He added that a Member Delegation meeting will be held prior to those annual meetings to determine Member equity distribution.

Vice Chairman Bilda indicated he would entertain a motion to move the meeting into Executive Session for discussion of potential legislative body appointments to the CMEEC Board of Directors.

A motion was made by Member Representative Yatcko, seconded by Member Representative Gaudet, to enter into Executive Session with direction to the Board to come back into Public Session upon completion of the discussion in Executive Session.

Motion passed unanimously.

The basis for going into Executive Session was Conn. Gen. Stat. Secs. 1-200(6)(A). Present during the discussion were the Board Members, Mr. Rankin, Mr. Pryor and Ms. Kipnis. The meeting entered Executive Session at 11:20 a.m.

The meeting came out of Executive Session at 11:50 a.m.

There being no further business, Vice Chairman Bilda indicated he would entertain a motion to adjourn the meeting.

A motion was made by Member Representative Collard, seconded by Alternate Member Representative Winslow, to adjourn the meeting.

Vote passed unanimously.

(17-10-02)

There being no further business to come before this Board, the meeting was adjourned at 11:50 a.m.