

SUBJECT TO BOARD APPROVAL

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

January 24, 2019

The January Regular Meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Thursday, January 24, 2019 at the Norwalk Inn and Conference Center, 99 East Avenue, Norwalk, CT 06851.

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.

In the absence of the Chairperson, Vice Chairperson Ronald Gaudet called the meeting to order at 10:37 a.m. and determined a quorum was present.

The following Member Representatives/Alternate Member Representatives/Municipal Representatives participated:

Bozrah Light and Power Company: Ralph Winslow, Richard Tanger (by phone)
Groton Public Utilities: Ronald Gaudet, Keith Hedrick (via telephone), Mark Oefinger
Jewett City Department of Public Utilities: Louis Demicco (via telephone), Richard Throwe (via telephone)
Norwich Public Utilities: Dr. Grace Jones, Stewart Peil, Chris LaRose
South Norwalk Electric & Water: Dawn DelGreco, David Westmoreland, Paul Yatcko
Third Taxing District: Kevin Barber, Debora Goldstein, Pete Johnson

The following CMEEC staff participated:

Michael Lane, CMEEC Interim Chief Executive Officer
Robin Kipnis, CMEEC General Counsel
Justin Connell, CMEEC Director Portfolio Management
Jake Pagragan, CMEEC Director Business Development
Michael Rall, CMEEC Director Asset Management
Gabe Stern, CMEEC Director Technical Services
Scott Whittier, CMEEC Director Enabling Services
Ellen Kachmar, CMEEC Office & Facility Manager
Margaret Job, CMEEC Administrative Staff

Other participants:

Jeff Rossi, Partner, CohnReznick
Melissa Ferrucci, Director, CohnReznick
Joseph Martini, Esquire, Spears Manning
Jenna Douville Eastwood, Esquire, Spears Manning
William Kowalski, Municipal Electric Consumer Advocate
Michael Boucher, Resident, Groton, CT

Ms. Job recorded.

Vice Chairperson Gaudet noted for the record that today's meeting is being held at the Norwalk Inn and Conference Center, 99 East Avenue, Norwalk, CT.

Standard Action Items

(A) Public Attendee Comment Period

Michael Boucher, resident of Groton, CT, read a statement focusing on the Board budget approval process and a question with respect to reimbursement of costs of the Kentucky Derby.

Mr. Kowalski recommended that CMEEC seek an expedited opinion as to whether indemnification and/or advancement of legal fees are appropriate. This would have the advantage of providing the public with an objective third party opinion. Mr. Kowalski also spoke to the issue of reimbursement from Kentucky Derby participants, noting that team building costs could offset other costs.

(B) Conduct Voting Roster / Roll Call

Ms. Kipnis conducted roll call identifying the formal voting persons at today's meeting.

Vice Chairperson Gaudet entertained a motion to suspend the rules of order to amend the Agenda by adding Agenda Item N to the Executive Session Agenda to provide an update of the Special Committee meeting held on January 23, 2019.

A motion was made by Alternate Member Representative Debora Goldstein, seconded by Member Representative Paul Yatcko to suspend the rules of order to amend the Agenda by adding Agenda Item N to the Executive Session Agenda for the purposes of providing an update of the discussion from the Special Committee meeting which was held on January 23, 2019.

Motion passed unanimously.

19-01-01

(C) Approve Minutes of the CMEEC Regular December 20, 2018 Board of Directors' Meeting

A motion was made by Member Representative Yatcko, seconded by Municipal Representative Mark Oefinger to approve the Minutes of the CMEEC Regular December 20, 2018 Board of Directors' meeting with Member Representative Chris LaRose and Municipal Representative Dawn DelGreco abstaining.

Motion passed.

19-01-02

(D) Approve Minutes of the CMEEC Special November 20, 2018 Board of Directors Meeting.

A motion was made by Member Representative Kevin Barber, seconded by Member Representative Dr. Grace Jones.

Member Representative David Westmoreland noted that both he and Municipal Representative DelGreco had participated at this meeting by telephone however the minutes did not reflect that.

A motion was made by Alternate Member Representative Goldstein, seconded by Alternate Member Representative Stewart Peil to amend the Minutes of the CMEEC Special November 20, 2018 Board of Directors Meeting to reflect that Member Representative Westmoreland and Municipal Representative DelGreco participated at that meeting by telephone.

Motion passed unanimously.

19-01-03

A motion was made by Alternate Member Representative Goldstein, seconded by Municipal Representative Mark Oefinger to approve the Minutes of the CMEEC Special November 20, 2018 Board of Directors Meeting as amended.

Motion passed unanimously.

19-01-04

(E) Review and Discussion of Forensic Examination with CohnReznick

Michael Lane, Interim CMEEC CEO, introduced Jeff Rossi, a Partner with CohnReznick with responsibility for the forensic examination and Melissa Ferrucci, Director at CohnReznick. He explained that CohnReznick was engaged to perform the five-year forensic examination of CMEEC mandated by state law.

Mr. Rossi reviewed the process followed by the examiners while conducting the forensic examination potential issues were identified, they increased their sampling size, resulting in an augmentation of their original work program. CohnReznick informed the Board that it had full cooperation from the Board members they interviewed as well as from CMEEC staff. He explained that many of the findings are reflective of CohnReznick's subjective judgement, which is part of the process of a forensic examination.

Discussion followed with respect to Mr. Kowalski's inquiry into CohnReznick's review of the Contra Margin and the Economic Development Fund (EDF). In both instances, Mr. Rossi reported that the accounting within those funds was appropriate, that they sampled activity within those funds. With respect to the EDF, Mr. Rossi explained that the documentation did not demonstrate an economic development purpose, but that does not mean it did not exist.

Discussion also followed with respect to an inquiry by Municipal Representative Oefinger into disbursements made by CMEEC on behalf of Mr. James Sullivan related to CohnReznick's statement that it could not ascertain whether lobbying activities were performed. Mr. Rossi explained that it had evaluated whether it should attempt to ascertain definitively but in its judgment, given the relatively small dollars involved and the likelihood that they would not be able to come to a conclusion, that the cost of pursuing further would exceed the benefit.

Mr. Rossi added that while CohnReznick made recommendations associated with its findings, CMEEC had already made policy changes prior to CohnReznick conducting its examination.

In response to an inquiry into what recommended changes remain to be made, Mr. Lane explained that a charitable giving policy is being developed. He added that any EDF requested by the Member Electric Utility (MEU) are being disbursed to the MEU versus the organization for which the MEU has requested those funds, in contrast to past procedure.

(F) December 2018 Objective Summary Review

Mr. Lane provided a high-level overview of the exceptions to the objective summary dashboard report provided to the Board in advance of the meeting. He reviewed each line item that reflected a deviation from established target value for the performance month, year to date. Mr. Lane provided a summary of each of the metrics highlighting the reasons for the deviations as well as noting the targets that were met.

(G) Review and Approve Resolution to Amend Wells Fargo Amended and Restated Credit Agreement

Mr. Lane provided a brief review of the resolution coming before this Board for approval. He highlighted the amendments being made to the Wells Fargo Credit Agreement, noting that there would be an increase to the interest rate for non-utilized funds but that the interest rate remains below the line of credit provided by Bank of America. The term for the renewal of the Credit Agreement will be for an additional two years.

After discussion Vice Chairperson Gaudet took a consent vote on the resolution to amend the Wells Fargo Amended and Restated Credit Agreement renewal. All Board members present responded Aye, with none against. Alternate Member Goldstein abstained.

Motion passed.

19-01-05

(H) Pierce and Microgen 2018 Performance

Michael Rall, Director Asset Management, discussed the performance statements for the Microgen and Pierce project for the year 2018. He explained that for Microgen the only variable is in the reserve margin which is determined by ISO-NE, noting that it came in higher than expected. He explained this was due to higher energy prices during the time Microgen was running.

The Pierce Locational Forward Reserve (LFR) rate for summer 2018 was higher than expected. He explained this is caused by the unknowns related to when dispatches are run. He added that the highest rate happened during Labor Day weekend.

Mr. Rall added that he expects performance to remain the same in 2019 as in 2018.

(I) December 2018 Energy Market Analysis

Justin Connell, Director Portfolio Management, provided an overview of the December 2018 Energy Market Analysis by highlighting that Actual Loads were 1,807 MWh lower than budget. He stated that Actual Energy Cost was \$49.09/MWh and that had no hedges been in place the Weighted Average Energy Cost at LMPs would have been \$47.99/MWh. He added that Actual Average Hub Day Ahead Daily LMPS were \$47.31/MWh, ranging from \$23.24/MWh to \$80.91/MWh.

Henry Hub Gas price was \$4.00/MMBTU, \$0.91/MMBTU higher than Budget and ranging from \$3.07 to \$4.63/MMBTU and Algonquin Citygate Gas price was \$5.59/MMBTU, which was \$1.38/MMBTU lower than budget, ranging between \$3.04 and \$11.33/MMBTU. The West Texas Intermediate (WTI) October Settlement Price was \$56.96/Barrel which was \$13.79/Barrell lower than previous month.

(J) Microgen Re-Allocation

Mr. Lane provided a high-level review of the Microgen Re-allocation stating that Wallingford Public Utilities, Electric Division had elected to withdraw from the Microgen project effective December 31, 2018. He noted that the entitlement from that project gets distributed to the CMEEC Members in accordance with their participation level in the Project and that the procedure for the re-allocation is contained in the RPSC. He added that the allocation process for Project Entitlements is a Member Delegation issue and that a Member Delegation meeting will be held to determine the additional allocations after the respective utility commissions have had a chance to meet to review the allocations.

Executive Session

Vice Chairperson Gaudet recused himself from the first discussion in Executive Session which addresses Consideration of action to enforce/implement legal relief or legal right in connection with the CMEEC's Directors and Officers Insurance Policy and Strategy and negotiation with respect to pending claims with respect to Advancement of Legal Fees in accordance with Section 1-200(6)(B) and 1-200(9)(C). He asked Member Representative Demicco and Alternate Member Representative Richard Throwe if they wanted to recuse themselves from this discussion, and they recused themselves.

Vice Chairperson Gaudet appointed Member Representative Paul Yatcko as Pro Tem Chair in Executive Session for the first discussion item with instructions to invite Vice Chairperson Gaudet and Member Representative Demicco and Alternate Member Representative back into Executive Session at the end of the discussion of this first topic. Member Representative Yatcko agreed.

Pro Tem Chair Paul Yatcko entertained a motion to enter Executive Session for the following reasons:

- K. Consideration of action to enforce/implement legal relief or legal right in connection with the CMEEC's Directors and Officers Insurance Policy and Strategy and negotiation with respect to pending claims with respect to Advancement of Legal Fees;
- L. Discussion relating to the terms and conditions for the Interim CEO's Letter of Agreement; and
- N. Update the Board of Directors on discussions stemming from the Special Committee meeting held on January 23, 2019 in which they discussed in Executive Session strategy and/or negotiations with respect to pending claims against CMEEC employees and/or pending litigation regarding CMEEC's consideration of enforcement of legal relief or legal rights related to CMEEC employees in accordance with Connecticut General Statutes.

A motion was made by Municipal Representative Oefinger, seconded Member Representative Keith Hedrick to enter Executive Session to discuss Executive Session Agenda Item K with instructions to the Board of Directors to re-enter Public Session at the end of their discussion in Executive Session.

Motion passed unanimously.

19-01-06

The basis for entering Executive Session for discussion of Agenda Item K is in accordance with Connecticut General Statutes Sections 1-200(6)(B) and 1-200(9)(C). All Members of the Board of Directors present at today's meeting, with the exception of Member Representative Ronald Gaudet, Member Representative Louis Demicco and Alternate Member Representative Richard Throwe, remained. Also remaining were Ms. Kipnis, Mr. Lane, Mr. Martini and Ms. Douville Eastwood.

The Board entered Executive Session at 11:51 a.m.

The board re-entered Public Session briefly at 12:51 p.m.

A motion was made by Municipal Representative Pete Johnson, seconded by Alternate Member Representative Ralph Winslow to re-enter Executive Session to discuss Executive Session Agenda Item L with instructions to the Board of Directors to re-enter Public Session at the end of their discussion in Executive Session.

Motion passed unanimously.

19-01-07

The basis for entering Executive Session for discussion of Agenda Item L is in accordance with Connecticut General Statutes Section 1-200-(6)(A). The Members of the Board of Directors remained. Member Representatives Gaudet and Demicco returned for discussion with Member Representative Demicco participating by phone.

The Board re-entered Executive Session at 12:52 p.m.

The Board re-entered Public Session briefly at 2:30 p.m.

A motion was made by Municipal Representative Oefinger, seconded by Member Representative Yatcko to re-enter Executive Session to discuss Executive Session Agenda Item N with instructions to the Board of Directors to re-enter Public Session at the end of their discussion in Executive Session.

Motion passed unanimously.

19-01-08

The basis for entering Executive Session for discussion of Agenda Item N is in accordance with Connecticut General Statutes Sections 1-200(6)(B) and 1-200(6)(E). The Members of the Board of Directors remained. Ms. Kipnis also participated.

The Board re-entered Executive Session at 2:31 p.m.

The Board re-entered Public Session at 3:31 p.m.

Public Session

(M) Possible Vote to Approve the terms and conditions of the Interim CEO's Letter of Agreement

Vice Chairman Gaudet entertained a motion to adopt the Interim CEO's Letter of Agreement with the following amendments: strike the last part of the last sentence in Paragraph 4.2 referencing the Compensation Committee and deleting paragraph 5 of the Interim CEO's Letter of Agreement.

A motion was made by Municipal Representative Pete Johnson, seconded by Municipal Representative Oefinger with Member Representative LaRose abstaining.

Motion passed.

19-01-09

There being no further business to come before this Board, Vice Chairperson Gaudet entertained a motion to adjourn.

A motion was made by Member Representative Kevin Barber, seconded by Municipal Representative DelGreco to adjourn the meeting.

Motion passed unanimously.

19-01-10

The meeting was adjourned at 3:45 p.m.