

REGULAR MEETING OF THE
BOARD OF DIRECTORS OF

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

August 24, 2017

MINUTES

The August Regular meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Thursday, August 24, 2017 at the offices of CMEEC, 30 Stott Avenue, Norwich, CT 06360.

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.

Chairman Kenneth Sullivan called the meeting to order at 10:00 a.m. and determined a quorum was present.

The following Member Representatives/Directors Participated:

Norwich – John Bilda

Jewett City – Louis Demicco; Kenneth Sullivan; Richard Throwe

Groton – Ronald Gaudet, Jeffrey Godley

Bozrah Light and Power Company – David Collard; Richard Tanger; Ralph Winslow

South Norwalk – Kevin Barber, Paul Yatcko (by phone)

East Norwalk – David Brown

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, CMEEC, Financial Planning & Analysis Manager

Dylan Phillips, CMEEC, Risk Analyst

Ellen Kachmar, CMEEC, Manager, Office and Facilities

Margaret Job, CMEEC, Administrative II

The following invited consultants were in attendance:

Robert Fricchione, The Human Resources Consortium, Inc.
Regan Traub, The Human Resources Consortium, Inc.
Joseph Martini, Esquire, Wiggin and Dana, LLP

The following invited guest was in attendance:

Ronald Scofield, TTD Acting General Manager

Ms. Job Recorded

Chairman Sullivan opened the floor for public comment. There being no public comment, Chairman Sullivan called the meeting to order at 10:00 a.m.

Standard Action Item

(A) Approve Minutes of the CMEEC Regular July 27, 2017 Board of Directors Meeting

A motion was made by Director Yatcko, Seconded by Director Bilda, to approve the Minutes of the Regular July 27, 2017 Board of Directors Meeting with Director Yatcko abstaining

Vote passed.

(17-08-01)

Mr. Rankin asked that the invited consultants be introduced to those present. Mr. Whittier introduced Ms. Regan Traub and Mr. Robert Fricchione, both associated with The Human Resources Consortium, Inc. (HRC). He explained that HRC has been retained by Attorney Joe Martini to provide guidance to the CMEEC Governance Committee on the task of reviewing and revising CMEEC ethics policy(s).

Mr. Kipnis introduced Attorney Martini of the law firm of Wiggin & Dana, LLP. She explained that Wiggin & Dana, LLP has been retained by CMEEC to provide guidance and counsel.

Specific Action Items

(B) July 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, year to date.

Mr. Rankin reported that Regional Competitiveness Total Member Return (TMR) View saw an excellent month due to strong Power Cost Only performance, enhanced by a very strong Maximize Asset Value Portfolio greater than 11% over target. He added that this view realized

an increased year end projection by 2%. He added that the Regional Competitiveness Rate 9 Power Cost Only realized a slight negative variance of 2% on cost, driven by lower than budgeted loads and the need to sell off some hedge positions at a loss.

Mr. Rankin began his overview of the Customer Fulfillment metrics by stating that these metrics are budget accuracy focused. He added that the All-In Cost TMR View realized a very positive month due to higher Maximize Asset Value Portfolio performance, very strong year to date of 4% positive variance, and a projected year end of 4.8%. He added that the All In Cost Rate 9 Customer View realized a slight negative variance of 2% noting that was good performance given the below budget loads and some significant market price spikes, but remained strong year to date and projected year end.

Mr. Rankin reported on the Financial Stability metric noting that the Risk Management Plan remains in compliance for hedging compliance metrics and is projected to do so for the balance of the year. He explained that Current Ratio remains highly performing and is expected to remain and continue to improve the balance of this year.

Equity to Debt ratio remains strong. Mr. Rankin noted that this result is prior to the transfer/issuance of the Distribution Eligible Equity and, based on current year accrual of equity, will finish strong. He added, however, that a November option on additional equity issuance may impact year end.

Days Cash on Hand continues to perform highly due to lower daily burn rates and strong cash reserves.

Net Non-Fuel Operating Expense realized a negative variance for the month, year to date, and projected year end. Mr. Rankin explained this is due mainly to contemplated, but unbudgeted, legal expenses.

Mr. Rankin reported on the Maximize Asset Value metric by providing an overview of asset performance. He explained that Pierce realized a negative variance due to actual revenue source rates being lower than budgeted revenue source rates. He added that a July capacity increase will reverse the first half trend move to a negative net benefit to a positive net benefit. Market DG realized a positive variance due to an increased capacity obligation revenue. He noted that it is projected to continue to mitigate a negative net benefit budget. MicroGen performed well due to high peak reduction, higher than budget capacity reserve margin and efficient operations. He added that Year End projection is above budget. Transmission Project #1 realized an exceptionally positive variance month due to higher network pool loads and an increase in new rate year revenue requirements. Year-end projection revised significantly and to above target. Hydro-Quebec continues to underperform due to capacity prices actual versus utilized in the budget. Also impacted to date by slightly higher expense. CMEEC Margin continues underperforming relative to budget due to Competitive Supplier load and associated margins below budget, and MTGA load reduction underperforming. CMEEC Equity remains very stable and will continue through year end. CMEEC Investment Performance realized projected yield, but is up year to date and projected year end. Additional monies were added to the investment

portfolio in June with utilization of Debt Service collections. Mr. Rankin added that the investment portfolio performed 15% above budget.

(C) July 2017 Energy Market Analysis

Mr. Connell provided a brief overview of the July 2017 Energy Market Analysis by stating that energy costs were above budget by \$1.30MWh (or 3.24%). Actual demand was 2,061 MWh lower and Unit Contingent resources were 90 MWh higher (?) than budget mostly due to NYPA higher volume deliveries. He added that Henry Hub gas price was \$0.07 lower than budget and transportation cost was \$0.10 higher than budget resulting in the Day Ahead LMP being slightly lower than budget. He noted that average LMPs ranged from a low of \$18.05 per MWh to a high of \$52.00 per MWh. He explained that natural gas transportation costs were lower than expected and budgeted for the month. He noted that the Algonquin (delivered basis) price varied between \$2.20 and \$4.01 per MMBTU and the Henry Hub price varied between \$2.88 and \$3.10 per MMBTU.

Mr. Connell discussed the July 2017 energy costs by explaining that the July 2017 budget Rate 9 energy cost was \$40.03/MWh and the July projected Rate 9 energy cost was \$41.22/MWh. He noted that had no hedges been in place, the July 2017 Average LMP (CMEEC Load) would have been \$30.59/MWh.

Mr. Connell explained the delivered price of natural gas for the month of July. He noted that NE delivered natural gas prices averaged \$3.06/MMBTU for the month. He added that there were four days that were under \$2.40/MMBTU and 13 days that were above \$3.30/MMBTU. He summarized by stating that these prices resulted in the LMP and forward market prices being \$231/MWh lower than what was expected and budgeted.

Mr. Connell provided a brief overview of the unit contingent source availability. He discussed the CMEEC long-term unit contingent contracts and their impact on the monthly energy requirement.

The mitigating actions taken over the month of July included purchase of 46.00 MS at \$35.93/MWh to comply with Risk Management policy minimum volume targets. Further mitigation actions included purchase of additional resources on 7 days and sold excess resources on 3 days within the month of July 2017 and no physical call option with MicroGen fleet for the month of July 2017.

(D) Budget Process Overview

Mr. Rankin introduced Pat Meek, Financial Planning & Analysis Manager, stating that she would be providing an overview of CMEEC's budget process for the benefit of newer members of the Board. Ms. Meek provided a brief high level overview of the CMEEC and Transco budget process for the Board through a handout. She stated that CMEEC employs a five year outlook when developing budget. This five year outlook includes budget for the following year as well as a four year trend forecast.

She noted that CMEEC develops an operating budget and a capital budget. The operating budget includes a non-fuel operating expense budget and an electric products expense budget.

She explained the process followed in creating each budget. She provided the 2018 budget schedule.

(E) Asset Portfolio Performance Summary

Mr. Rall provided a brief high level overview of the asset portfolio performance summary. He noted that Microgen runtime was at or above budget for the month of July. He added that on average, three to four dispatches per month are conducted for peak shaving. He explained that net benefit loads are projected to be sustained over the next four to five years and in early 2018 a pro forma review of the assets will be conducted and shared with the Board. He noted that during the July peak all 20 units were running and ready to go. He explained that prior to that, some units were out of service. Mr. Rall noted that the Bridge Street generator had a crack on the mount due to a welding error. He noted that Cummins discovered the same defect on other units and stated that they will make repairs to all 20 units as a recognized design defect.

Mr. Rall added that Pierce's forward projection will sustain a net increased benefit. He noted that CMEEC continues to look at reducing utility charges for this unit. He explained that there has been a rate increase on the demand side and will evaluate options on reducing demand charge and maintain a 30 minute startup.

Mr. Rall explained the Market DG units obtained capacity obligation for all years except 2017-2020 capacity year.

(F) Governance Committee Recommendation for Ethics Policy Special Committee Appointment

Mr. Gaudet explained that the CMEEC Joint Governance Committee met on August 21, 2017. At that meeting, The Human Resources Consortium, Inc. (HRC) provided a presentation on developing a more comprehensive ethics policy. He added that HRC was retained to provide an assessment and guidance to CMEEC in developing a robust ethics policy. He reported that HRC provided four recommendations related to ethics policy development and board of directors development. He shared the following HRC recommendations:

1. Update CMEEC ethics policies
2. Institute an annual conflict of interest questionnaire and certification for board members and employees
3. Improve management process by providing opportunities for healthy debates on processes. Increased board member involvement in topics affecting them and their customers
4. Address how CMEEC should advocate value to community more regularly

Mr. Gaudet added that it was recommended that a special subcommittee be formed to develop the ethics policy. He stated that Director Godley agreed to chair that subcommittee. He added that two to three people would be required to be on the committee. He stated that Chairman Sullivan had expressed an interest to be involved in some capacity.

Chairman Sullivan entertained a motion to approve the formation of an ethics subcommittee.

Motion by Director Gaudet, seconded by Director Demicco to approve the formation of an ethics subcommittee.

Motion passed unanimously.

(17-08-02)

Chairman Sullivan indicated he would entertain a motion to move the meeting into Executive Session for an update on the status of potential claims and consideration of CMEEC indemnification issues and to provide a SUBASE Project EUL negotiation update.

A motion was made by Director Demicco, seconded by Director Bilda, 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)(B) and 1-200(6)(D). Present during the discussion were the Board Members, Mr. Rankin, Ms. Kipnis, Ed Pryor and Attorney Martini. The meeting entered executive session at 11:29 a.m.

The meeting came out of executive session at 12:26 p.m.

(G) Resolution on Indemnification

A motion was made by Director Demicco, seconded by Director Collard, to approve the resolution authorizing indemnification and advancement of CMEEC employee legal expenses.

Vote passed unanimously.

(17-08-03)

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

A motion was made by Director Winslow, seconded by Director Brown, to adjourn the meeting.

Vote passed unanimously.

(17-08-04)

There being no further business to come before this Board, the meeting was adjourned at 12:19 p.m.