

SUBJECT TO BOARD APPROVAL
MINUTES OF THE
REGULAR MEETING OF THE
BOARD OF DIRECTORS
OF
CONNECTICUT TRANSMISSION MUNICIPAL ELECTRIC ENERGY COOPERATIVE

February 27, 2020

The Regular Meeting of the Board of Directors of Connecticut Transmission Municipal Electric Cooperative (“CTMEEC”) was held on Thursday, February 27, 2020 at the CTMEEC offices located at 30 Stott Avenue, Norwich, CT

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

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

Groton Utilities: Ronald Gaudet, Jeffrey Godley, Esquire
Groton Municipal Representative: Mark Oefinger
Norwich Public Utilities: Christopher LaRose, Stewart Peil, Robert Staley
Norwich Municipal Representative: David Eggleston
Bozrah Light & Power: Seymour Adelman, Scott Barber
South Norwalk Electric and Water: Eric Strom, David Westmoreland
Third Taxing District: Kevin Barber, Pete Johnson, Michele Sweeney
Jewett City Department of Public Utilities: Louis Demicco, Richard Throwe

The following CMEEC Staff participated:

Dave Meisinger, CMEEC CEO
Robin Kipnis, Esquire, CMEEC General Counsel
Michael Lane, CMEEC CFO
Bella Chernovitsky, CMEEC Director of Business Intelligence
Justin Connell, CMEEC Director of Sustainability and Services
Michael Cyr, CMEEC Director of Portfolio Management
Patricia Meek, CMEEC Finance...
Joanne Menard, CMEEC Controller
Michael Rall, CMEEC Director of Asset Management
Gabriel Stern, CMEEC Director of Technical Services

Scott Whittier, CMEEC Director of Enabling Services
Margaret Job, CMEEC Executive Assistant / Paralegal
Ellen Kachmar, CMEEC Office and Facility Manager

The following individuals also participated:

David Silverstone, Esquire, Municipal Electric Consumer Advocate (via telephone)

Ms. Job recorded.

Chair Kevin Barber called the meeting to order at 12:20 p.m. He stated for the record that this meeting is being held via telephone and in person at the CTMEEC offices located at 30 Stott Avenue, Norwich, CT. Chair Barber confirmed a quorum was present.

Standard Agenda Items

A Approve Minutes of the CTMEEC Regular December 19, 2019 Board of Directors' Meeting

Chair Barber entertained a motion to approve the Minutes of the CTMEEC Regular December 19, 2019 Board of Directors' meeting.

A motion was made by Member Representative Mark Oefinger, seconded by Member Representative David Westmoreland to approve the Minutes of the CTMEEC Regular December 19, 2019 Board of Directors' meeting. Alternate Member Representative Eric Strom and Member Representative Michele Sweeney abstained.

Motion passed.

T-20-02-01

**B Review of Proposed Debt Refinancing
Possible Vote to Approve Supplemental Bond Resolution and Bond Purchase Agreement**

Michael Lane, CMEEC CFO, provided a review of the process that CMEEC took to garner Board approval to create and distribute an RFP for the refinancing of certain outstanding CMEEC and CTMEEC bonds (discussion of CTMEEC's bonds was deferred to a CTMEEC Board meeting to immediately follow this CMEEC Board meeting). He introduced Michael Mace, PFM, CMEEC's Financial Advisor and James Marlin, Esquire, Norton Rose Fulbright who had been invited to the meeting to provide additional information on the proposed debt refinancing and to answer any questions that the Board may have.

Mr. Mace provided a brief background on recent refinancing analysis and activity being performed on behalf of CMEEC and its outstanding tax-exempt debt. He stated that in November, CMEEC distributed a debt refinancing RFP to the top ten public power

banking firms, of which eight firms responded. Based on the responses, CMEEC and PFM selected and met with the five firms that submitted the most comprehensive and applicable responses. He noted that each of the five firms interviewed presented different ideas and emphasis. CMEEC at this time is primarily focusing its discussions with Morgan Stanley because their proposal had the highest savings and most conventional structure with lower potential future cost adjustment on the refinanced bonds, and Morgan Stanley also provided a more streamlined path to closing with fewer disclosure and roadshow requirements. Having said that, CMEEC continued to reserve the right to continue discussions with the other investment banks as appropriate.

Mr. Mace walked the Board through the slide deck entitled “CMEEC Debt Refinancing” provided to the Board in advance of today’s meeting. He reminded the Board that due to tax law changes, tax-exempt debt can no longer be refunded in advance with tax-exempt debt. He explained that CMEEC and CTMEEC together have over \$76 million dollars of outstanding callable tax-exempt debt but that the call dates are 1/1/2022 for the 2012 CMEEC and Transco Series A Bonds and 1/1/2023 for 2013 CMEEC Series A Bonds. In order to take advantage of the current low interest rate environment, CMEEC would have to proceed under a structure that legally allows for advanced refunding of the tax-exempt debt. Mr. Mace presented the Board with several scenarios that would allow CMEEC to take advantage of the current low interest rate environment to refinance the above-referenced series of outstanding tax-exempt debt, with the primary choice being between a taxable advance refunding and a specialized product that involves a forward delivery tax-exempt refunding where CMEEC agrees now to sell the tax-exempt bonds at the actual call date of the bonds but where the rate is established now for refunding these bonds. In the latter scenario, the tax-exempt bonds are delivered when the tax-exempt bond is callable. Mr. Mace also informed the Board that an additional option was to wait and refinance on the call date of the tax-exempt bonds which would mean foregoing the low rate certainty that exists now.

Mr. Mace explained that based on discussion, the forward delivery of the tax-exempt refunding bonds provided the greatest net present value savings (approximately \$12 million dollars if all of the \$76 million in debt is refinanced at this time) and that he has been in discussion to effectuate this transaction directly with a bank (Morgan Stanley or another) through a “direct placement” with that bank. The “direct placement” alternative also has the advantage of lower transaction costs because it would not take place in the public market and therefore would not require the development of an Official Statement and other credit rating requirements associated with a public debt offering.

Mr. Mace informed the Board of the risks associated with the direct placement which, although unlikely, include a CMEEC “fault” risk requiring an approximately \$4.5 million termination payment (if all of the \$76 million in debt is refinanced at this time). The risks that would trigger such a payment include CMEEC insolvency or bankruptcy, a credit rating downgrade event below investment grade, and acts or omissions by CMEEC that prevent delivery of the tax-exempt bonds. He informed the Board that there is also a “no-fault default provision” for events beyond the control of CMEEC that would prevent

future delivery of the bonds, such as a change in tax law or outbreak of war. In this instance, CMEEC would be responsible only for the fees incurred by the Bank.

Discussion followed with respect to deferring a refunding of the 2013 Series A bonds that are allocated to Pierce to allow for an in-depth proforma review of the Pierce Project, noting that participating in an advance refunding of the Pierce bonds now would extend the call date of the bonds which would limit CMEEC's flexibility with respect to optimizing the value of the Pierce Project. Discussion ensued over the effect deferring the Pierce portion of the 2013 Series A bonds would have on the NPV (Net Present Value) of the overall debt refinancing transaction.

Further discussion followed in connection with identifying the break-even market move if CMEEC were to wait for the call dates of the existing debt (2021 and 2022) instead of participating in an early refinancing at this time. Mr. Mace stated that if interest rates were to move up approximately 80 basis points, CMEEC would realize similar savings with the later refinancing. He added that it would be prudent to lock in savings now and follow through with the transaction rather than risk an interest rate increase in the future.

Extensive discussion followed with respect to the refinancing and CMEEC's choice of investment banks willing to enter into a private placement.

James Marlin, Esquire, Norton Rose Fulbright, introduced himself stating he has been advising CMEEC on its tax-exempt bond issuances since CMEEC's first bond was issued in 1976. He provided a brief overview of the direct placement advance tax-exempt refunding structure. He walked the Board through next steps as they relate to closing the transaction and talked about the risks identified by Mr. Mace, reiterating that the likelihood of a CMEEC default was low because the events triggering a termination payment are generally within CMEEC's control. He walked through the key documents provided to the Board for their review. He noted that the Forward Delivery Bond Purchase Agreement provides CMEEC authority to enter into the transaction with Morgan Stanley or another investment bank. He then reviewed the three Supplemental Bond Resolutions that amend CMEEC's existing Bond Resolution passed in 2012 to allow for the advance refunding transactions under that Bond Resolution. Attorney Marlin also explained the purpose of each of the Escrow Agreement and Continuing Disclosure Agreements.

Attorney Marlin explained that the next step is to approve the three Supplemental Bond Resolutions (the "Resolutions") that are before the Board. Dave Meisinger, CMEEC CEO, explained that; if the Board approves the Resolutions, they would be authorizing the CMEEC CEO and staff to lock in the rates and to proceed to close on the refinance transaction, provided that the pricing, NPV and Bank fees all came within the parameters set forth in the respective Supplemental Bond Resolutions. Discussion ensued.

Chair Barber entertained a motion to approve the Connecticut Transmission Municipal Electric Energy Cooperative Power Supply System Revenue Bonds, 2021 Series A Bonds, Third Supplemental Revenue Bond Resolution (the "CTMEEC 2021 Series A

Bonds”). It was pointed out the that Bond Purchase Agreement was part of the Supplemental Resolution and that by passing the Supplemental Resolution, the Board was authorizing CMEEEC’s CEO to execute the Bond Purchase Agreement in substantially the form presented at the Board meeting with such changes as the CEO, General Counsel and Bond Counsel approve.

A motion was made by Member Representative Westmoreland, seconded by Municipal Representative Pete Johnson to Approve the Connecticut Transmission Municipal Electric Energy Cooperative Transmission Revenue Bonds, 2021 Series A Bonds Third Supplemental Revenue Bond Resolution.

Motion passed unanimously.

T-20-02-02

**C Strategic Planning Committee
Review and Possible Vote on Strategic Planning Committee Charter**

Committee Chair entertained a motion to Approve and Adopt the Charter of the CTMEEEC Strategic Planning Committee.

A motion was made by Member Representative Ronald Gaudet, seconded by Member Representative Westmoreland to Approve the Resolution Approving and Adopting the Charter of the CTMEEEC Strategic Planning Committee.

Motion passed unanimously.

T-20-02-03

D Ratification of Joint Committee Charters

Chair Barber stated that the CMEEEC Board had approved and adopted the charters of the CMEEEC / CTMEEEC Joint Risk Management Committee; Joint CMEEEC / CTMEEEC Audit Committee and the Joint CMEEEC / CTMEEEC Legislative and Governmental Affairs Committee at its meeting on January 23, 2020. He explained that CTMEEEC will need to ratify and approve them as well since they are Joint Committees of the CMEEEC and CTMEEEC Board of Directors.

A motion was made by Member Representative Oefinger, seconded by Municipal Representative Johnson to Approve the Resolution for the Ratification of Actions Taken at the CMEEEC Board of Directors’ Meeting on January 23, 2020. Alternate Member Representative Eric Strom abstained.

Motion passed.

T-20-02-04

There being no further business to come before this Board, Chair Barber entertained a motion to adjourn.

A motion was made by Member Representative Jeffrey Godley, seconded by Member Representative Ronald Gaudet to adjourn.

Motion passed unanimously.

T-20-02-05

The meeting was adjourned at 12:34 p.m.