

REGULAR MEETING OF THE
BOARD OF DIRECTORS OF

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

May 23, 2017

MINUTES

The Regular April meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Tuesday, May 23, 2017 at the offices of CMEEC, 30 Stott Avenue, Norwich, 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.

Chairman Kenneth Sullivan called the meeting to order at 10:01 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 – Edward DeMuzzio; Ronald Gaudet; Jeffrey Godley
Bozrah Light and Power Company – David Collard; Richard Tanger
South Norwalk – Kevin Barber; Paul Yatcko (via telephone)
East Norwalk – James Smith; David Brown (via telephone)

The following Individuals from CMEEC Management Participated:

Drew Rankin, CMEEC, Chief Executive Officer
Gabe Stern, CMEEC, Director, Technical Services
Robin Kipnis, Esquire, 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
Dylan Phillips, CMEEC, Risk Analyst
Margaret Job, CMEEC, Administrative II

The following invited guest was in attendance:

Keith Hedrick, Mayor, City of Groton, Connecticut

Ms. Job Recorded

Chairman Sullivan opened the floor for public comment. Director Gaudet introduced invited guest, Keith Hedrick, Mayor of the City of Groton. Mayor Hedrick provided an overview of his background and how he came to be Mayor.

There being no further public comment, Chairman Sullivan called the meeting to order at 10:01 a.m.

Standard Action Item

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

A motion was made by Director DeMuzzio, Seconded by Director Gaudet, to approve the Minutes of the Regular April 27, 2017 Board of Directors Meeting. Director Yatcko abstained.

Vote passed.

(17-05-01)

Specific Action Items

(B) April 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. He noted that Regional Competitiveness TMR View realized a strong month at 30% aided by both higher performing power cost only and the asset portfolio. Deviation to Benchmark Rate 9 View power cost only realized a positive month against the normalized target, but below the 25% target.

He explained that both the Customer Fulfillment “All In” Cost TMR View and “All In” Cost R9 Customer View ended with positive variances which was indicative of improved modeling / budgeting, and active management of resources.

Mr. Rankin discussed the Financial Stability Metrics noting that the Risk Management Plan Compliance remains in compliance for energy adding that the ERMP is being updated. The ERMP recommended improvements will be brought to the Risk Management Committee in the fall. The Current Ratio continues to be strong and is projected to remain so. Equity to Debt ended strong at 31% and will continue to be strong throughout the year. Days Cash on Hand ended very strong based on projected daily expense burn rates and reserves and will remain strong throughout the year. Net Non-Fuel Operating Expense realized a positive variance for the

year to date in April. Mr. Rankin added that active management of resources will continue but expect that contemplated, not budgeted legal expenses for arbitration will impact resources.

Mr. Rankin provided overview of the Maximize Asset Value Metrics noting that Pierce realized a positive variance for the month due to non-budgeted credit from winter reliability program and decreased maintenance cost associated with releasing the GE long term service agreement. Market DG ended with a positive variance for the month aided by an ISO dispatch. He added that the annual performance will be improved above budget due to picking up some capacity obligation revenues. He explained that MicroGen had a good month over positive variance. Hydro-Quebec ended with a significant negative variance due primarily to capacity auction results impacting revenue side, creating less revenue than budgeted. He added that expenses are slightly over budget. He stated that year end is projected to come in lower, however, projections may change if loads are up this summer. CMEEC Margin ended under budget primarily due to MTGA load reduction performance being less than budgeted. CMEEC Equity remains strong and will continue to remain at a strong rate throughout the year, primarily driven by debt service coverage and CMEEC Investment Portfolio performed above target values and will most likely continue do so.

(C) SUBASE Project Entitlement

Mr. Rankin provided a brief history of the Resolution for Initial Establishment and Acquisition of Additional Fuel Cell Power Project at the SUBASE (Resolution 17-05xx). He provided an overview of the ANI convention recommended by CMEEC relative to the Entitlement Allocation outlined in Attachment B of the Resolution. He noted that certain approvals were provided at the April 2017 Board of Directors meeting pursuant to Resolution 17-04-03, including changing the pricing parameter under the Power Purchase Agreement. He stated that the Board did not in April approve the Entitlement Allocation convention but elected to defer that discussion to a later date after additional consideration. He further stated that based on information and discussion at the April Board of Directors meeting, including the education provided to the Board of what ANI is and how it works, the recommendation remains by CMEEC staff to change the five system fixed Entitlement Allocation convention originally approved to a five system ANI convention.

Mr. Rankin also noted that Ms. Kipnis is proposing an Amendment to Resolution 17-05-xx to, with the exception of Attachment B ratify and confirm Resolution 17-04-03 because that had provided authorization for, among other things, the CEO to enter into the fuel cell power purchase agreement with the SUBASE and to change the pricing parameter as noted above. .

A motion was made by Director Collard, Seconded by Director Bilda to amend Resolution 17-05-xx to ratify and confirm, with the exception of Attachment B, Resolution 17-04-03.

Vote passed.

(17-05-02)

A motion was made by Director Collard, Seconded by Director Bilda to approve Resolution 17-05-xx, as amended. Director Yatcko abstained.

Vote passed.

(17-05-03)

(D) Investment Portfolio Review

Mr. Pryor provided a brief overview of the Investment Portfolio. He explained the percentage of available cash invested. He explained the total portfolio summary for April noting the yield to market in the overall portfolio. He noted that difference in percentage of yield to market in the Trust Only Portfolio was primarily due to trust funds projecting out longer than average. He noted that duration is normally two years. He added that trusts are more restricted based on investments.

He added that remaining funds invested are a combination of CMEEC cash and Rate Stabilization funds.

He provided a brief overview of investment performance through April month end. He explained performance is measured against an index to determine how they are performing against CMEEC investments.

Mr. Pryor noted that investment activity remains in compliance with CMEEC's Investment Compliance Policy.

(E) Generation Projects Review

Mr. Rall provided an overview of the Generation Projects by noting that Pierce April actual net benefit was higher than budget primarily due to a credit for the ISO winter reliability program that was anticipated but not budgeted. Maintenance expenses were lower than budgeted due to the termination of the GE long-term service agreement which was determined to no longer be cost effective. .

He added that Pierce received zero dispatches from ISO-NE in April and there were zero test runs.

He explained that the Norwich WWTP received one dispatch from ISO-NE which occurred on April 6, 2017 with a total output of 4.4MWh. He added that three test runs were completed in April with a total output of 3.8 MWh.

Mr. Rall noted that MicroGen actual net benefit was higher than budgeted in April month end due primarily to a transmission true-up from the Eversource/NStar merger settlement that was a cost to load but a credit was applied to MicroGen for April.

He added that MicroGen was unsuccessful in fully optimizing the monthly peak load for April. He explained that the monthly peak occurred an hour prior to the Microgen units being dispatched. This was due to thunderstorms that had drastically reduced the load during the dispatch window.

(F) April 2017 Energy Market Analysis

May Peak Hour(s) Analysis – Thursday, May 18, 2017

Mr. Rankin explained that he asked Mr. Connell to provide a report detailing the analysis of peak energy market event that occurred May 18, 2017. Mr. Connell presented his May Peak Hour(s) Analysis Thursday, May 18, 2017 and provided a handout, which is attached. He noted that the data for Friday, May 19, 2017 was not available at the time this presentation was provided.

Mr. Connell explained the purpose of this presentation was to create Board awareness of the market and portfolio impacts driven by hotter than expected weather, enhanced insight for potential summer market scenarios, and to leverage and apply learning for increased performance going forward. Mr. Connell explained the collaboration between Portfolio Management and Asset Management during the peak with respect to dispatching Microgen when energy prices exceeded the strike price established for the Microgen units. He briefly discussed the process of purchasing additional hedges to cover the risk for three days. He added that May 18, 2017 was the hottest day New England had experienced this year which resulted in higher than anticipated loads and higher magnitude pricing.

He explained that CMEEC took proactive steps to increase hedge positions and refine bidding and dispatch strategy on the load side. He provided an example of how the Day Ahead LMP and Real Time LMP pricing for that day deviated and how those prices fluctuated as a result of the high temperatures and how the impact to CMEEC and its members. Mr. Connell highlighted how the dispatch of Microgen to displace bulk power system cost created value for members when additional energy purchases were needed and the strike price for the Microgen units exceeded the RTLMP. He provided brief detail of the cost analysis related to ISO load and generation break down stating that ISO added 1000MW of oil fired generation and appeared to ramp down 1000MW of gas fired generation causing reserve price spiking.

In summation, Mr. Connell noted certain key observations as a result of the event and opportunities it created in looking forward should another similar event take place in the future.

April 2017 Energy Market Analysis

Mr. Connell provided a brief overview of the April 2017 Energy Market Analysis. He summarized the analysis by stating April had ended over budget due to weather.

Director DeMuzzio requested that an additional agenda item, in addition to a discussion of the arbitration with Wallingford, be added to the Executive Session agenda to hold a discussion related to a possible future project.

Motion by Director Throwe, seconded by Director Bilda to add an additional agenda item to Executive Session to hold a discussion related to a possible future project.

Vote passed unanimously.

(17-05-04)

Chairman Sullivan indicated he would entertain a motion to move the meeting into executive session to discuss the WED Arbitration Update and the additional agenda item to discuss a possible future project.

A motion was made by Director Demicco, seconded by Director Bilda, to enter into executive session.

Vote passed unanimously.

(17-05-05)

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, Mr. Pryor, Mr. Rall and Ms. Kipnis. The meeting entered executive session at 11:30 a.m.

The meeting came out of executive session at 12:20 p.m.

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

A motion was made by Director Demicco, seconded by Director Collard, to adjourn the meeting.

Vote passed unanimously.

(17-05-06)

There being no further business to come before this Board, the meeting was adjourned at 12:20 p.m.