

SUBJECT TO BOARD APPROVAL

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

August 23, 2018

The June Regular Meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Thursday, August 23, 2018 at the Pastime Athletic Club, East 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.

In the absence of Chairperson Kenneth Sullivan, Vice Chairperson Ronald Gaudet called the meeting to order at 10:30 a.m. and determined a quorum was present.

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

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

The following CMEEC staff participated:

Drew Rankin, CMEEC Chief Executive Officer
Robin Kipnis, CMEEC General Counsel
Michael Lane, CMEEC Director Finance and Accounting
Scott Whittier, CMEEC Director Enabling Services
Justin Connell, CMEEC Director Portfolio Management
Dylan Phillips, CMEEC Risk Analyst
Ellen Kachmar, CMEEC Office & Facility Manager
Margaret Job, CMEEC Administrative Staff

Other participants:

Michael Cassella, C&LM Consultant
William Kowalski, Municipal Electric Consumer Advocate

Ms. Job recorded.

Standard Action Items

(A) Public Attendee Comment Period

Vice Chairperson Gaudet invited any member from the public present at today's meeting to comment. No public comment was made.

(B) Conduct Voting Roster / Roll Call

Mr. Rankin took roll call identifying the formal voting persons at today's meeting. He stressed that whether or not a Representative has formal voting rights, all should be encouraged to participate fully in the Board meetings.

(C) Approve Minutes of CMEEC Regular June 28, 2018 Board of Directors' Meeting

A motion was made by Alternate Member Representative Richard Throwe, seconded by Member Representative David Collard to approve the CMEEC Regular June 28, 2018 Board of Directors' Meeting. Member Representative John Bilda and Member Representative Paul Yatcko Abstained.

Motion passed. (18-08-01)

****Note the August Agenda did not include an Agenda Item (D)****

(E) CMEEC Objectives Performance Summary

Mr. Rankin provided an overview of the exceptions to the objective 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 described the Regional Competitiveness metric as being the master metric which represents Member Utility net cost versus the regional benchmark. He stressed that CMEEC is not a competitor of Eversource. Eversource is a regional benchmark for CMEEC.

He stated that Deviation to Benchmark Total Member Return (TMR) View realized an exceptional month despite under budget performance in assets and over budget performance in Power Cost. He added that projected year end Deviation to Benchmark

TMR decreased 3% from last month due to higher than budgeted ISO Capacity Reserves, creating a \$4/MWh adverse swing from last month's projections. He noted that regional benchmark may also be impacted. Deviation to Benchmark Rate 9 View also realized an exceptional month despite over budget performance which was also driven by higher ISO Capacity Reserve cost and lower than budgeted loads. He added that regional benchmark should also see a bump for this same reason.

Customer Fulfillment, All-In Cost TMR View realized a negative variance of \$5.13 / MWh due to under budgeting for Projects by \$.102 / MWh, under budget of Margin of \$2.64 / MWh, Equity by \$0.55 and Power Cost of \$1.34 / MWh over budget.

All-In Cost Rate 9 Customer View realized a negative variance of \$1.34 / MWh for July also driven by ISO Capacity Reserve having significantly higher than budgeted values resulting in changed to year end projections by an incremental \$3 / MWh from last month.

Under Financial Stability, the Risk Management Plan remains in compliance and is projected to remain in compliance through year end. Mr. Rankin noted that the Board of Directors will be processing recommended changes to the ERMP at its September Board of Directors' meeting. Mr. Rankin stated that the financial stability metrics continue to remain strong and that Current Ratio is expected to continue the trend through the balance of the year. Equity to Debt at 25% came in strong against the increased target of 22% for 2018 and is projected to grow. Days Cash-On-Hand also remains strong under this metric with strong cash and liquidity vehicles coupled with modest energy cost. Net Non-Fuel realized a positive variance for the month yet remains over budget through July. He added that staff continue to identify opportunities to reduce expense to offset the outside services cost that is driving the actual condition.

Alternate Member Representative Debora Goldstein inquired about an example of the outside services costs to which Mr. Rankin replied that those outside services costs would be the result of any contracted service CMEEC is a party to and includes legal fees.

Under Maximize Asset Value, Mr. Rankin noted that CMEEC Project Portfolio performed extremely well for the most part, though it was offset by Community Solar Garden corrections from prior periods causing actual budget deviations significant enough to offset most of the gains. He noted that the Community Solar Garden will settle over time as variables alignment are affected.

In response to Alternate Member Representative Goldstein request for clarification on the performance of the Community Solar Garden, Mr. Rankin explained that the first year that the budget for the Community Solar Garden's was developed, actual performance of the Solar Gardens was not known so that the budget reflected "best estimates" of the performance of these assets. He added that going forward budgeting for the Community Solar Garden will become more aligned with actual performance.

Mr. Rankin stated that CMEEC Margin continues to underperform. He added this is driven by the appropriate accounting treatment of current contract under-collection with the expectation that this will be corrected in the winter rate change.

Equity creation came in under for the month of July and will continue to do so. However, Mr. Rankin noted that equity creation is projected to be over budget at year end due to the strong year to date position.

CMEEC Investment Portfolio realized a strong yield for July as upward pressure on interest rates continues. He noted that principal remains strong as does the projection for future yields.

In response to Vice Chairperson Gaudet's inquiry as to how CMEEC's 10 year and 3 year targets were developed, Mr. Rankin explained that in and around the year 2013 or 2014, CMEEC leadership set what is called a "Big Hairy Audacious Goal" or "BHAG" to serve as a proverbial "moon shot" for the organization to materialize our Vision and Mission statements into bottom line benefit to our Members and their customers. Setting such as aggressive goal to deliver 40% lower cost wholesale power on a three-year rolling average compared to the Regional Benchmark is the result. At the time, CMEEC was averaging five to ten percent deviation, and when comparing our current performance of 28% deviation, the goal is serving the purpose as intended, to drive efficiency and effectiveness in the interests of the Members and their rate payers.

Member Representative Bilda stated that when the goals were developed by CMEEC leadership and reviewed by the Board of Directors, the current ratepayer representatives and the Municipal Electric Consumer Advocate (the "MECA") were not involved because they had not been appointed. He added that it might create some value to receive feedback from those individuals to determine if those goals are reasonable.

Municipal Representative Mark Oefinger added that he may not fully appreciate how the goals were developed or what they represent, and suggested work sessions provided by CMEEC staff to provide more information. Mr. Rankin stated that in or around 2015, the Board of Directors reviewed the goals and added that perhaps it is timely to review them again.

Member Representative Bilda added that since we have a reasonably new Board of Directors, it would be their responsibility to learn about the electric industry. He wondered if a tool could be put in place at CMEEC to offset cost for Municipal Representatives and/or the MECA to attend industry meetings and conferences. He stated that participation at such industry events might be appropriate so that they could discuss issues with others in the industry.

Bill Kowalski, MECA, added that Mr. Rankin, Ms. Kipnis and he had met prior regarding sharing information with community and suggested that the information gathered from the recent benchmarking project related to how other Joint Action Agencies develop their rates would be a good start.

Alternate Member Representative Goldstein added that in her own experience simply attending all CMEEC Board of Director meetings, reading the meeting packet and really listening to discussion at those meetings does help. She added that the American Public Power Association (APPA) and North East Public Power Association (NEPPA) provide webinars designed to target all aspects of the industry. She added that community members have plenty of opportunity to learn and self-educate.

Member Representative Louis Demicco added that CMEEC the Board Package, with its graphs and metrics, might be confusing to new members to the board and it might be overwhelming to someone coming in new.

Member Representative David Brown suggested a customer-based CMEEC 101. Mr. Rankin stated that CMEEC can customize any of its reporting for any audience.

(F) Energy Market Analysis (Informing)

Mr. Connell provided a high-level summary of the Member Residual Portfolio Analysis & Market Outlook (formerly Energy Market Analysis) by summarizing the executive summary of the most significant variables that drive costs. He noted that actual loads were approximately 1,337 MWh lower than budget. Actual Energy Costs were \$37.16, approximately \$0.44/MWh higher than budget. Average Daily LMPs were \$35.28/MWh.

He added that Henry Hub Gas Price was \$2.81/MMBTU, \$0.11/MMBTU lower than budget. He noted that the price ranges from \$2.71 to \$2.90 /MMBTU. Algonquin Citygate Gas Price was \$2.84/MMBTU, \$0.33/MMBTU lower than budget with a range of \$2.53 to \$3.56/MMBTU. Mr. Connell provided an overview of the differences in gas transportation costs noting that depending on the time of year, costs to transport gas into the region can be higher. Winter prices are more expensive but the balance of the year can realize a negative cost.

Mr. Connell discussed the forward capacity auction clearing price, which was set almost 7 and a half years ago, was \$9.55/ kW-Mo. The actual net regional capacity clearing price was \$9.48 / Kw-Mo, which was \$0.02 / Kw-Mo lower than the previous month.

At Mr. Rankin's request, Mr. Connell explained ISO Capacity requirements. He noted that an auction is required to be held to meet obligations three to four years in the future based on generator performance. He stated that ISO secures generation above and beyond what they will need. Generators can buy and sell requirements among themselves as they see the need.

Mr. Connell explained the Member Residual Energy Cost for May 2018 noting the budgeted member residual cost for July 2018 was \$36.72 and the projected member residual energy cost was \$37.16. Mr. Connell discussed the energy rates comparison

with and without hedging contracts. He noted a cumulative net benefit from hedging realized a \$30 million savings. Mr. Connell added that had CMEEC not had hedges in place for the Month of July, the cost to CMEEC for the LMP (CMEEC Load) would have been \$35.28, illustrating that hedge procurement is not just about lowering prices, but is more about stability. Mr. Connell added that emphasis is placed on ensuring CMEEC is positioned lower than regional benchmark but also that it hedge enough to remain competitive in the market so that members can confidently set their rates.

Mr. Connell briefly discussed natural gas storage report and rig count.

(G) NYPA Niagara Allocation Resolution (Vote)

Mr. Whittier provided a brief background of the NYPA Niagara project. He noted that the resolution coming before the Board is to authorize the revision of the allocation of the Niagara Power Project and Energy.

After discussion related to the purpose of the resolution, Member Representative Bilda inquired why Bozrah Light & Power (BL&P) and Mohegan Tribal Utility Authority (MTUA) were not included in the agreement in 2007 and why we are adding them now.

Mr. Rankin explained that undisputedly both BL&P and MTUA are qualified entities as defined by NYPA. In 2007 capacity and energy numbers used in issuance of NYPA Niagara power to Connecticut included BL&P and MTUA loads, but was only distributed only to six entities, excluding BL&P and MTUA. He is not sure why this was the case but that the resolution proposes to remedy the situation.

At Vice Chairperson Gaudet's inquiry related to CMEEC's authority to re-allocate the issuance, Ms. Kipnis stated that CMEEC is contractually obligated to conform its practices as Designated Bargaining Agent to NYPA.

A motion was made by Municipal Representative Pete Johnson, seconded by Member Representative Kevin Barber to approve the Resolution Authorizing the Allocations of Power and Energy from the Niagara Power Project As Provided in Attachment A to the Resolution.

Motion passed unanimously.

(18-08-02)

(H) Hydro Quebec Project Summary and Plan

Mr. Whittier began his discussion by stating that this presentation will be brief since it will be discussed in depth at the Risk Management Committee meeting scheduled to be held at CMEEC on Monday, August 27, 2018. He provided a high-level review of the project.

Member Representative David Collard inquired whether BL&P is participating and if not, why. Mr. Rankin stated that in the beginning, five entities contributed equity to the HQ

Project. The issue to be explored is whether the extension of the HQ Project Agreements is a new “Additional Power Project” or simply an authorization to extend the existing Agreement. The Risk Management Committee will be presented with the CMEEC Staff recommendation at the next RMC meeting. on August 27, 2018 and make a recommendation to approve a resolution to execute the contract with the five original participants.

Mr. Rankin reminded those present that each member, under the Membership Agreement, can voluntarily decide to reallocate their entitlement allocation to another member.

(I) Board Non-Employee Compensation

Mr. Whittier provided a brief explanation of the new form which needs to be completed by CMEEC Board Members entitled to receive compensation for attendance at meetings.

Member Representative Bilda made a motion to amend the agenda to add an Executive Session and to enter Executive Session. The motion seconded by Member Representative Brown to amend the agenda and to enter Executive Session.

Motion passed unanimously. (18-08-03)

Executive Session was entered at 1:00 p.m.

The basis for entering executive session is the discussion and review of legal advice in connection with the response to correspondence received from a member of the legislature in accordance with Conn. Gen. Stat. Sec. 1- 210(b)(10).

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 Demicco, seconded by Member Representative Barber to adjourn the meeting.

Motion passed unanimously. (18-08-04)

The meeting was adjourned at 1:40 p.m.