

SUBJECT TO FINAL BOARD APPROVAL

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

April 6, 2018

The March Regular Meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) scheduled for March 22, 2018 was canceled due to inclement weather and rescheduled and held on Friday, April 6, 2018 at the Spa at Norwich Inn, 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.

Chairperson Kenneth Sullivan called the meeting to order at 10:03 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, Richard Tanger, Ralph Winslow
Groton Public Utilities: Ronald Gaudet, Jeffrey Godley, Keith Hedrick
Jewett City Department of Public Utilities: Louis Demicco, Kenneth Sullivan, Richard Throwe
Norwich Public Utilities: John Bilda (arrived at 11:30 a.m.), Stewart Peil
South Norwalk Electric & Water: Dawn Del Greco (via telephone), Paul Yatcko (via telephone)
Third Taxing District: Kevin Barber, David Brown, Debora Goldstein, Pete Johnson

The following CMEEC staff participates:

Drew Rankin, CMEEC Chief Executive Officer
Robin Kipnis, CMEEC General Counsel
Edward Pryor, CMEEC Chief Financial Officer
Michael Rall, CMEEC Director of Asset Management
Justin Connell, CMEEC Director of Portfolio Management
Scott Whittier, CMEEC Director of Enabling Services
Joanne Menard, CMEEC Principal Accountant
Ellen Kachmar, CMEEC Office & Facility Manager
Margaret Job, CMEEC Administrative Staff

Other participants:

Michael Boucher, Groton Resident
Claire Bessette, Reporter, The New London Day
William Kowalski, Municipal Electric Consumer Advocate

Ms. Job recorded.

Chairman Sullivan entertained a motion to revise today's Meeting Agenda to remove the Indemnification discussion from the Executive Session portion of the meeting and to move the Executive Session to the end of the meeting as well as add an Agenda Item N to allow Mr. Kowalski the opportunity to present his first quarter report on the Municipal Electric Consumer Advocate.

A motion was made by Member Representative Gaudet, seconded by Member Representative Demicco to so revise today's Meeting Agenda.

Vote passed unanimously.

(18-04-01)

Standard Action Items

(A) Public Attendee Comment Period

Chairman Sullivan asked if there were any member of the public present who wished to make remarks to the CMEEC Board. Hearing none, Chairman Sullivan moved to the next agenda item.

(B) Introduction of New Board Members Attending

At Mr. Rankin's request, the new Municipal Representative, Dawn Del Greco representing, South Norwalk Electric & Water, introduced herself.

(C) Conduct Voting Roster / Roll Call

Mr. Rankin explained that the intent of this agenda item is to provide accuracy in attendance and voting eligibility. He encouraged participation by all Representations present at meetings, even those Alternate Board Members who may not be voting at the meeting, and he and the Board welcome all comments.

He took roll call and identified which Representatives were eligible to vote at today's meeting.

(D) Approve Minutes of CMEEC Regular February 22, 2018 Board of Directors' Meeting

A motion was made by Member Representative Demicco, seconded by Alternate Member Representative Winslow to approve the Minutes of the CMEEC Regular February 22, 2018 Board of Directors' meeting. Member Representatives Barber and Yatcko abstained.

Vote Passed.

(18-04-02)

(E) Approve Minutes of CMEEC Special February 26, 2018 Board of Directors' Meeting

A motion was made by Member Representative Demicco, seconded by Member Representative Gaudet to approve the Minute of the CMEEC Special February 26, 2018 Board of Directors' Meeting. Member Representative Godley abstained.

(F) CMEEC Objectives Performance Summary (Informing)

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 added that he would expedite coverage of this agenda item in the interest of time due to today's extended Meeting Agenda.

Mr. Rankin began his review by stating that both the Regional Competitiveness Deviation to benchmark TMR View and Deviation to Benchmark Rate 9 underperformed significantly in February due to underlying underperformance of Power Cost, which was approximately \$5 per MWH over budget due to 11% lower loads and net high hedge positions. He added the winter weather was a secondary driver.

Customer Fulfillment "All In" Cost TMR View and "All In" Cost Rate 9 Customer View also realized a negative variance for the month. He noted that TMR realized a negative variance of \$3 per MWh due to higher than budgeted Rate 9 Power Cost, which was \$4 per MWh above budget. He added however that overall, the portfolio performed well but not enough to offset the Power Cost Deviation. He explained that Rate 9 Customer View variance of \$4 per MWH was due to 11% lower than budgeted loads and unseasonably lower energy prices for the last two weeks in February.

Financial Stability metric, Risk Management policy remains in compliance and is projected to remain so throughout the balance of the year.

Current Ratio remains strong at 2.51 and is projected to continue. Mr. Rankin noted that such continuation of strong performance will largely be due to strong assets versus lower liability costs.

Equity to Debt remains solid at 30% and will continue through the balance of the year. Mr. Rankin noted however that since the Audited Financials are complete, the Member Delegation will process any Distribution Eligible Equity for potential issue. If the Distribution Eligible Equity is issued, the Debt to Equity Ratio will decrease, but will be processed so as to stay above target.

Days Cash on Hand remains very solid at 152 days which was aided by strong positions/liquidity and lower daily burn rates based on current and forward energy cost.

Net Non-Fuel Operating Expense realized a solid month coming under budget for the month by 6% and 1% year-to-date.

In reviewing the Maximize Asset Value CMEEC Project Portfolio, Mr. Rankin explained that Hydro Quebec Year End projection increased by \$378k due to increased Use Right Transfer revenue and lower support payments, partially offset by lower avoided capacity cost, due to MicroGen underperformance with 38MW reduction versus a budgeted 46MW. This is more fully addressed in the Asset Performance report provided as part of the Board package.

CMEEC Margin Portfolio is projected to be 5% under budget for 2018 due largely in part to a budgeting error for CMARS, and, by the first two months of a demand response customer underperformance.

Mr. Rankin noted that CMEEC Equity Creation will remain solid and very predictable for the balance of the year and CMEEC Investment Portfolio continues to produce a positive yield in the face of turbulent bond market conditions. He noted that for the balance of the year, investment performance is expected to increase due to expected upward pressure on interest rates.

(G) Asset Performance / Significant Events (Informing)

Michael Rall, CMEEC Director of Asset Management, provided an overview of CMEEC asset performance highlighting significant events that impacted performance during the month of February. He provided a high level discussion of the performance of each asset providing information on operations, issues faced and correcting actions taken. . For example, Mr. Rall explained a recent purchase of a spare starting motor for the Pierce plant noting that a spare starting motor had not been in the inventory but is critical in responding to ISO-NE shortage events. He stated that having a spare starting motor would mitigate key single points of failure and added that startup performance is extremely important for responding to ISO-NE shortage events. He added that there are penalties for not operating during an ISO-NE shortage event.

(H) Energy Market Analysis (Informing)

Mr. Connell presented the February Energy Market Analysis (renamed Member Residual Portfolio Analysis & Market Outlook) noting that the actual loads for the month of February were approximately 11% lower than budget. Actual Energy Costs were \$56.94, approximately \$2.01 /MWh higher than budget and Average Daily LMPs were \$41.62/MWh. He provided a high level overview of the natural gas prices for the month stating that Henry Hub Gas Price was approximately \$0.57/mmBtu lower than budget adding that prices ranged between \$2.48 to \$3.21/mmBtu. Algonquin Citygate Gas Price was \$6.16/mmBtu lower than budget ranging between \$2.16 and \$12.24/mmBtu with the Algonquin Base price being \$5.60/mmBtu lower than budget. The WTI Oil January 2018 settlement was \$63.8/Barrel, which is the highest price since January 2015.

Mr. Connell discussed the forward capacity auction rate which was \$7.03 / kW-Mo noting that this rate was set almost 7 and one half years ago. The Actual Net Regional Capacity Clearing Price was \$6.88 / Kw-Mo. He noted mitigating actions taken stating that in the months leading to February 2018, CMEEC purchased 25.0 MW at \$65.32/MWh to comply with the CMEEC Risk Management Policy minimum volume targets. He added that CMEEC budgeted \$70.18/MWh for spot energy.

Mr. Connell discussed regional benchmark activity explaining that on January 30, 2018, Eversource issued a Purchase RFP for 40% of their wholesale power for the second half of 2018. Even after 40%, Eversource still has 30% left to be managed/filled.

Discussing the CMEEC Member Residual Energy Cost for February 2018 in which Mr. Connell highlighted the budgeted member residual energy cost of \$54.93 / MWh and the projected Member residual energy cost of \$56.94 / MWh. He also noted that had CMEEC not had hedges in place, the cost to CMEEC for the average LMP (CMEEC

Load) would have been \$41.62 / MWh, illustrating that hedge procurement is not just about lowering prices, but is also about stability.

(I) Audited Financials Approval (Resolution)

Member Representative Collard, who is Chairperson of the Audit Committee, thanked the Audit Committee for their participation in reviewing the draft audit. He stated that the outside auditors, Blum Shapiro, conducted and completed their annual audit of CMEEC's and Transco's books and accounts for the calendar year 2017 and submitted their written report dated March 29, 2018. The Audit Committee met with those outside auditors to discuss and review the draft audited financials. He noted that the 2017 written reports reflected the Standards promulgated by the Government Accounting Standards Board ("GASB"). Member Representative Collard added that the outside auditors have issued an unqualified opinion with respect to the 2017 financial statements noting there were no Management Letter comments that came out of this year's audits.

Member Representative Collard added that the Audit Committee unanimously recommends that the full Board accept the 2017 audit reports as presented.

Chairman Sullivan provided a brief moment for the Members participating in today's meeting to read over the resolution accepting the 2017 audited financial statements and report for CMEEC's financial statements for the year ended December 2017. He entertained a motion to approve the financials.

A motion was made by Member Representative Demicco, seconded by Alternate Member Representative Winslow, to accept the 2017 Blum Shapiro Audited Financial Statements and Report on the Audit of the CMEEC Financial Statements for the year ended December 2017.

Vote passed unanimously.

(18-04-04)

(J) Legislative Process Status (Informing)

Ms. Kipnis provided a brief summary of current Connecticut 2018 legislation impacting the energy industry. She stated that there are two significant energy bills both of which are being proposed by Governor Malloy. She stated that a third proposed bill related to a carbon tax on fossil fuels sold in Connecticut however, that bill died in Committee. She provided an overview of Senate Bill 7, An Act Concerning Climate Change and Resiliency (Governor's Bill). She explained that this bill requires states to reduce greenhouse gas emissions by 45% by 2030 and to achieve 80% reduction by the year 2050.

She added that greenhouse gas reduction goals were established in 2008 in a Global Warming Solutions Act but have only been reduced by 10% since that time.

Ms. Kipnis noted that under this Bill, municipal planning commissions will use more updated projections, provided by the State, of sea level rise and to amend coastal boundaries when predictions of sea levels do rise.

Ms. Kipnis then discussed Senate Bill 9, An Act Concerning Connecticut's Energy Future. She stated this bill would increase the Class I Renewable requirements by 2% per year culminating in 40% requirement by the year 2030. Passage of this Bill is uncertain.

Ms. Kipnis also provided a brief overview of a non-energy related requiring that employers with at least 15 employees must provide sexual harassment prevention training to all its employees.

House Bill 5044 addresses the fair treatment of workers. Employers with more than 20 employees will need to provide paid sick leave to all employees and employers with less than 20 employees will need to provide unpaid sick leave to all employees.

Both HB4053 and HB5044if passed would be effective October 1, 2018.

(K) Policy Update (informing)

Member Representative Godley provided a brief discussion on the status of the Ethics Policy. He noted that the Ethics Subcommittee has drafted an ethics policy as well as a business travel policy and a proposed bylaw to address Board expenses. The Governance Committee will meet again next month to review the draft policy and make a recommendation to the Board of Directors to approve the policy at its meeting in May.

(L) Board Compensation Clarification (Resolution)

Mr. Rankin explained that the purpose of the clarifying resolution is to provide an enhanced description of the terms, provisions, and options available to non-employee members of the Board of Directors to receive compensation for participation at board and committee meetings. He noted that compensation values have not been changed since the compensation structure was updated in November 2015 and that the clarification was needed to address questions raised by non-employee Board Members.

A motion was made by Member Representative Demicco, seconded by Member Representative Barber, to approve the Resolution clarifying the Payment of Compensation for Services on the CMEEC Board of Directors for Certain Non-Employee Members of the Board of Directors.

Vote passed unanimously.

(18-04-05)

(M) Bylaws Proposed Revision Q&A (Informing)

Member Representative Gaudet, Chairperson of the Governance Committee, provided an overview of the revisions to the Bylaws. He noted that in general, conforming changes have been made throughout the Bylaws to incorporate as a full Member of the CMEEC Board of Directors the new legislative body appointee added by Public Act 17-73. The CMEEC Board is now comprised of to the CMEEC Board of Directors includes two appointments from the member utility commissions (and alternates) and referred to as "Member Utility Representative" and the one ratepayer appointment from the legislative body of the member municipality referred to as "Municipal Representative", all of which have full and co-equal rights to act on matters before the CMEEC Board of Directors. He noted that no changes have been made to the composition of the Member Delegation so

that it continues to be comprised of one representative from each Member Municipal Electric Utility. Discussion followed regarding voting structure.

Member Representative Gaudet noted that the Bylaws were not being voted on at today's CMEEC Board Meeting, rather he noted they would be put before the Member Delegation for vote as per the Bylaws

He stated that a Governance Committee meeting would be scheduled to which the entire Board of Directors would be invited to review a draft final version of the Bylaws to submit to the Member Delegation in late for a vote.

(N) Municipal Electric Consumer Advocate First Quarterly Report

William Kowalski, Municipal Electric Consumer Advocate ("MECA"), provided an overview of his first quarter activities as MECA, a position he was selected to fill as a result of Public Act 17-73 A. He discussed the Ethics Code/Code of Conduct Revisions stating that he felt revisions made were appropriate and aided in creating a strong compliance process. He noted that the only item remaining with respect to the Bylaws is the Indemnification section. He stated that both he and Ms. Kipnis spoke with outside counsel and determined that current legislation on indemnification was unclear.

Discussion followed regarding CMEEC Comparative Benchmarking and determination of methodologies used by other Joint Action Agencies, if any, on benchmarking activities which are being performed at the request of the MECA

Executive Session:

Chairman Sullivan entertained a motion to enter into Executive Session.

A motion was made by Member Representative Demicco, seconded by Alternate Member Representative Winslow to enter into Executive Session with direction to the Board to return to Public session upon completion of the discussion in Executive Session.

Vote Passed Unanimously.

(18-04-06)

The reason for going into Executive Session was pursuant to C.G.S. Section 1-210(b)(4) for General Counsel to provide a debrief on arbitration. Messrs. Rankin, Pryor and Ms. Kipnis participated.

Returned to Public Session at 1:25 p.m.

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

A motion was made by Member Representative Gaudet, seconded by Member Representative Demicco to adjourn the meeting.

There being no further business to come before this Board, the meeting was adjourned at 1:25 p.m.

Connecticut Municipal Electric Energy Cooperative ("CMEEC")

Resolution 18-04-04

Acceptance of the 2017 Blum Shapiro Audited Financial Statements and Report on the Audit of the CMEEC Financial Statements for the year ended December 2017 (the "Audit Report")

Whereas, CMEEC is required by its bylaws to have an annual audit of its books, accounts and records by an independent certified public accountant; and

Whereas, the firm of Blum, Shapiro (the "Outside Accountants") was previously engaged by CMEEC to audit CMEEC's books and records for CMEEC's operations during calendar year 2017 and;

Whereas, the Outside Accountants have completed their annual audit of CMEEC's books and accounts for the calendar year 2017, and have submitted the written report of that audit to the CMEEC Board of Directors (the "2017 Audit Report"), and;

Whereas, the CMEEC and Transco Board of Director's Joint Audit Committee has reviewed the results of the 2017 Audit and the 2017 Audit Report with the representatives of the Outside Accountants responsible for the conduct of the audit of CMEEC's books and accounts and with CMEEC management, and;

Whereas, all comments and input of the Joint Audit Committee deemed appropriate by the Outside Accountants has been incorporated into the final report, and;

Whereas, the Audit Committee unanimously recommends to the full Board acceptance of the 2017 Audit Report as presented at this meeting.

Now Therefore Be it Resolved That:

The Board of Directors of CMEEC does hereby accept the Audited Financial Statements and Report on the Audit of the CMEEC Financial Statements for the years ended December 2016 and December 2017.

April 6, 2018



Louis Demicco
Secretary

Connecticut Municipal Electric Energy Cooperative (“CMEEC”)

Resolution 18-04-05

**Clarifying the Payment of Compensation for Service on the CMEEC Board of Directors
for Certain Non-Employee Members of the Board of Directors**

WHEREAS, section 7-233p of the Connecticut General Statutes and Article IV, Section 6. And Article III, section 16, provide for the Board of Directors to determine the reimbursement of expenses and or compensation of Members of the Board of Directors and individuals serving on Committees of the Board of Directors;

WHEREAS, CMEEC recognizes that in order to retain competent and experienced persons to serve as members of the Board of Directors who are Qualified Recipients as that is defined below, and in consideration of the time and effort expended by such persons in rendering services to CMEEC, it is in the best interest of CMEEC to provide for reasonable compensation to Qualified Recipients;

WHEREAS, the Governance Committee of the Board of Directors, in 2015 analyzed compensation materials from other joint action electric supply agencies as well as other data and relevant information regarding Board compensation, and recommended increasing the compensation from the 2008 levels, which compensation level is reflected in the chart provided below; and

WHEREAS, additional clarification is now required to more clearly address the optionality offered to Qualified Recipients in terms of their compensation and to clarify that when a Member municipal utility has no Qualified Recipients, compensation can be paid to the Rate Stabilization Fund.

NOW THEREFORE BE IT RESOLVED;

The Governance Committee of the Board of Directors has recommended an expense reimbursement and compensation plan for the municipal electric systems participating on the Board of Directors to be consistent with the standards and expectations provided in the statute and Bylaws as provided below:

April 6, 2018



Louis Demicco
Secretary

CMEEC Board of Directors' Compensation
March 22, 2018

Purpose:

Provide Compensation to Qualified Recipients for serving on the CMEEC Board of Directors

Key Definitions / Provisions:

Compensation	<ul style="list-style-type: none"> • Fees paid by CMEEC to Qualified Recipients per Compensation Table (Figure 1). • Compensation intent is to provide Non-Employees reasonable financial resources for lost wages, personal time value for time dedicated to prepare for and conduct meeting obligations, employer benefit consumption, travel expenses to meetings, etc. • CMEEC will issue a 1099 for Compensation actually issued to the Qualifying Recipient within sixty (60) days after the end of year in which any Compensation is issued
Compensation Issuance Date	<ul style="list-style-type: none"> • Compensation shall be issued once per year, within sixty (60) days of the completed calendar year based on the terminating year meeting participation level and qualification. • Compensation is issued in the subsequent year following the year in which the Compensation is earned, and therefore, Qualified Recipient tax liability is for the year when issued, not earned
Compensation Qualifying Threshold	<ul style="list-style-type: none"> • To be issued Compensation, a Qualified Recipient must participate in a minimum 65% of the Board of Director Meetings and their respective Committee Meetings throughout the year. • The Threshold serves to encourage continuity through active participation • If the threshold is not fulfilled, no Compensation shall be issued to the Qualified Recipient
Compensation Tracking	<ul style="list-style-type: none"> • CMEEC will maintain the Board of Director Meeting and Committee Meeting participation tracking report and will perform the calculation at the close of each calendar year.
Qualified Recipient	<ul style="list-style-type: none"> • Any Board of Director Member Utility Representative, Alternate Utility Representative, or Municipal Representative, that is a Non-Employee of the Member Municipal Electric Utility or CMEEC • Employees of the Member Municipal Electric Utilities are not eligible for Compensation • If a Qualified Recipient only serves a partial year, the Compensation Qualifying Threshold will be applied to those meetings conducted only during the portion of year served, not the entire year • Should a Member Municipal Electric Utility not have any Non-Employee Board of Director representatives, the Member Electric Utility Rate Stabilization Fund shall receive a sum equal to the average Compensation per Qualifying Recipient. This is unlikely, but if

	occurring, the purpose is to maintain equitable treatment since all Members are bearing the cost
Qualified Recipient Optionality	<ul style="list-style-type: none"> • A Qualified Recipient is not obligated to accept Compensation issuance. • It is each individual’s option to accept 0% up to 100% of the Compensation earned. • The Qualified Recipient shall direct CMEEC CEO of their annual election. • If a Qualified Recipient desires to donate all or a portion of their earned Compensation to a charity of their choice, they must do so after it is issued to them by CMEEC. • If a Qualified Recipient desires to assign all or a portion of their earned Compensation to their Member Municipal Electric Utility’s Rate Stabilization Fund, they shall direct CMEEC of such election prior to Compensation issuance • If a Qualified Recipient elects to not receive any Compensation, they may elect to be directly reimbursed for incidental expenses related to performing their Board of Director role, such as travel mileage to and from meetings, etc.

Figure 1

Meeting	In-Person Participation	Electronic Participation
Board of Directors	\$600	\$200
Committee Meeting	\$250	\$100

Differences in Compensation rates are a function of meeting preparation intensity levels, frequency, duration, criticality, total elapsed required time, travel requirement, etc.