

SUBJECT TO BOARD APPROVAL

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

September 27, 2018

The September Regular Meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Thursday, September 27, 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 10:30 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, Richard Tanger, Ralph Winslow
Groton Public Utilities: Ronald Gaudet, Keith Hedrick, Mark Oefinger
Jewett City Department of Public Utilities: Louis Demicco, Kenneth Sullivan, 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 (via Telephone)
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
Bella Chernovitsky, CMEEC Director Business Intelligence
Justin Connell, CMEEC Director Portfolio Management
Michael Lane, CMEEC Director Finance and Accounting
Jake Pagan, CMEEC Director Business Development
Michael Rall, CMEEC Director Asset Management
Gabe Stern, CMEEC Director Technical Services
Scott Whittier, CMEEC Director Enabling Services
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 (MECA)
Kevin Aherne, Reporter, Norwich Bulletin
Claire Bessette, Reporter, The New London Day

Ms. Job recorded.

Standard Action Items

(A) Public Attendee Comment Period

Chairperson Sullivan 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.

(C) Approve Minutes of CMEEEC Regular August 23, 2018 Board of Directors' Meeting

A motion was made by Alternate Member Representative Keith Hedrick, seconded by Municipal Representative Mark Oefinger to approve the CMEEEC Regular August 23, 2018 Board of Directors' Meeting minutes.

Motion passed.

(18-09-01)

(D) CMEEEC Objectives Performance Summary

Mr. Rankin introduced a new graphic, located on p. 13 of the Board package, that will be included each month under the Objective Summary tab. He explained that the new graphic titled "CMEEEC Member Net Wholesale Cost Performance and Value Trend" will show the Member Net Wholesale Cost on a five year rolling average as compared to the Regional Benchmark Net Wholesale Cost, both in \$/MWh and the Cumulative Value Creation that results from the deviation between the Member Net Wholesale Cost and Regional Benchmark Net Wholesale Cost. The intent of the graphic, according to Mr. Rankin, is to present the wholesale cost trends and value creation in one graphic. Mr. Rankin replied affirmatively to Member Representative David Westmoreland's inquiry of whether the new graphic clarifies member savings versus the regional benchmark. Member Representative Bilda inquired of Mr. Kowalski's thoughts related to the benchmark. Mr. Kowalski stated that the benchmark project continues to be a work in progress and stated that the analysis goes beyond Eversource. Mr. Rankin added that at this point, the benchmarking activities conducted by CMEEEC have revealed that our inquiries have shown that other similarly situated entities do not measure performance in the same way that CMEEEC does perhaps reflecting the disparity in cost elements comprising rates and different structures in different regions across the country. He added that Mr. Paul Zumma from the American Public Power Association (APPA) will present

a learning session on Joint Action Agency benchmarking at CMEEC's November Board of Directors' meeting. He added that he anticipates an agenda item of an overview of CMEEC's strategic measures to facilitate a forum for a deep dive into benchmarking. He added that perhaps he, Mr. Zumma and Mr. Kowalski might sit as a panel and answer any questions on the topic of benchmarking. Mr. Kowalski added that in his opinion there were two elements to the analysis. The first was to answer the question "Is this the appropriate benchmark? Do other Joint Action Agencies measure their success in the same manner?". And the second attempted to answer the question "are there different ways to measure success?".

Mr. Rankin added that if a better way can be found, CMEEC is prepared to incorporate that better way.

(E) Hydro Quebec Project Resolution (Vote)

Scott Whittier provided a high-level overview of the purpose of the resolution brought before the Board of Directors for their approval today and opened the floor for questions.

After discussion, Mr. Rankin explained that when CMEEC intends to enter into an agreement, the Board of Directors will be queried as to whether a conflict of interest, as defined in the CMEEC Ethics and Conflict of Interest Policy exists with any CMEEC board member. Future resolutions seeking such approval will include conflict of interest language like the language included with this resolution. No finding of a conflict of interest was made in connection with the Resolution before the Board of Directors today.

A motion was made by Member Representative David Collard, seconded by Member Representative Louis Demicco to approve the Resolution Authorizing the Chief Executive Officer to Finalize and Execute on behalf of CMEEC Agreements Necessary for the Renewal of CMEEC Use Rights to the Hydro Quebec Phase I and Phase II Transmission Projects from November 1, 2020 through October 31, 2040.

Motion passed unanimously.

(18-09-02)

(F) Bylaw Provision on CMEEC Indemnification Discussion (Informing)

Robin Kipnis, CMEEC General Counsel, distributed a handout which contained a redline version of the indemnification provision of the CMEEC Bylaws. She explained the edits made to the indemnification provision noting that the changes are reflective of discussions with the MECA who had indicated a concern with the scope of the bylaw provision. She highlighted the revised language and explained any individual currently under indemnification by CMEEC will continue under the current language of the Bylaw and any subsequent indemnified individual will be indemnified under the new language once that has been passed. She added that the Bylaws will need to be approved by the Member Delegation who has authority to approve CMEEC's Bylaws. She stated that a meeting will be scheduled soon for that purpose.

(G) Joint CMEEC/CTMEEC Officers and Committee Members Preliminary Appointments (Review)

Member Representative Ronald Gaudet explained past practice of filling officer and committee positions at CMEEC. He explained that practice didn't allow member representatives to express interest in membership on a CMEEC / CTMEEC Joint committee. He noted that a different approach was instituted this year by creating and distributing a survey to CMEEC Member Representatives on which they would have the opportunity to express their interest in serving as member of a committee. He stated that since little feedback was received, he thought it would help to distribute the draft chart of CMEEC and CTMEEC 2019 Officers and Joint Committees at today's Board of Directors' meeting. He asked that each Member Representative review the chart and provide feedback of their desire to serve on a committee to either Messrs. Rankin, Whitter or himself. He added that perhaps it would be more efficient for each committee to elect its chair.

Mr. Gaudet added another change to the process related to the CMEEC / CTMEEC joint committees is to schedule all committee meetings for the year in advance. Currently, committee meetings are called at the request of the committee chairman. That process of scheduling a meeting, in a short timeframe, creates a scramble to get all committee members to commit to a meeting day. He added that this process may be an item for vote at a future Board of Directors' meeting.

(H) Asset Portfolio Analysis

Michael Rall, CMEEC Director of Asset Management, provided a high-level overview of all CMEEC assets. He began by briefly noting that MicroGen, Pierce and DG's performance year to date net benefit versus budget. He noted that Microgen year to date net benefit is higher by 4% versus budget with year-end net benefit projected to be greater than 5% versus budget due to capacity reserve margin being greater than budgeted, the return to budgeted output performance of all units and fixed and variable expense management.

Pierce year to date net benefit is greater than 46% versus budget with year-end net benefit is projected to be greater than 34% versus budget due to increased capacity revenues through ISO reconfiguration auctions, summer LFR rates being greater than budgeted, a \$500,00 variable margin year to date due to ISO dispatches and fixed expense management.

DG year to date net benefit is greater than 20% versus budget with year-end net benefit projected to be greater than 24% versus budget.

Mr. Rall explained the ISO-NE annual capacity peak to date occurred on August 29, 2018. He noted that MicroGen output during normal capacity peak was 48.138 MW versus 48 MW budgeted. Total avoided cost from this annual capacity peak was \$6,100,000. The avoided cost will be realized during the 2019-2020 capacity year which occurs between June 2019 and May 2020.

Mr. Rall noted that all CMEEC units were dispatched on September 3, 2018 due to an issue on the ISO-NE system involving a capacity shortage which was caused by unplanned generator outages and inaccurate ISO-NE load forecast. He added that real-time LMPs averaged \$865/MWh during this time and peaked at \$2,375/MWh during hour ending 18:00. He provided an overview of the savings realized per asset on that date. He explained that per the new pay-for-performance program, generators are either penalized or rewarded (credit) based on performance during such an event. Mr. Rall reviewed a breakdown of the credit and/or penalty CMEEC realized from its response to the ISO-NE capacity shortage event highlighting that most units will realize a credit. He noted that there is one penalty being disputed that involves the Pierce unit, which is due to what is considered allowable startup time during holidays/weekends.

(I) Energy Market Analysis (Informing)

Mr. Connell provided a high-level summary of the Member Residual Portfolio Analysis and Market Outlook for August 2018 by summarizing the most significant variables that drive costs. Actual loads were 87,199 MWh which was 3,714 MWh higher than budget. Actual energy cost for the month of August was \$37.66/MWh which was \$1.03/MWh higher than budget. Weighted average energy cost at LMPs was \$41.67/MWh and actual average daily LMPs were \$39.16/MWh, and ranged from \$24.32/MWh to \$96.08/MWh.

He explained that the underlying commodity cost for gas, Henry Hub gas price, was \$2.92/MMBTU, same as was budgeted. This ranged from \$2.79 to \$3.01/MMBTU. Algonquin Citygate gas price was \$3.22/MMBTU, \$0.01/MMBTU higher than budget ranging from \$2.77 to \$4.14/MMBTU. West Texas Intermediate (WTI) oil July settlement price was \$70.98/Barrel, \$3.11/Barrel higher than previous month.

Mr. Connell continued by explaining the annual forward capacity auction clearing price was \$9.55/kW-Mo for August with actual net regional capacity clearing price ending at \$9.49/Kw-Mo, which was \$0.002/Kw-Mo higher than previous month.

He explained mitigating actions included the purchase of 32.0 MW at \$30.24/MWh to comply with the Risk Management Policy minimum volume targets. Price for spot energy in the budget was \$32.46/MWh. CMEEC purchased additional resources on four days within the month of August 2018 and sold no excess resources with that same month. Mr. Connell noted that on July 24, 2018, Eversource purchased another 40% of their wholesale power for the first half of 2019 and some for the second half of the year. Energy market was \$47.23/MWh for the first half of 2019. With its RFP, Eversource will be 70% hedged for the first half of the year. He explained that Eversource goes out sometime in October to look to purchase energy for the following year. He added that in the last month and a half prices for energy in January and February 2019 have risen almost 30% (equates to approximately 7 cent – 9 cent increase). He noted that January prices will be locked in sometime around October 24, 2018 by Eversource.

(J) Municipal Electric Consumer Advocate: Announcement of Annual Meeting of Rate Payers (Informing)

Mr. William Kowalski, Municipal Electric Consumer Advocate (MECA), provided a brief overview of the creation of his position as the MECA and the requirements of the regulations which formed that position. He stated that the regulation requires the MECA to provide an annual meeting to the rate payers on the second Wednesday in October and that it must be held where CMEEC holds its rate hearings. In his discussions with Ms. Kipnis, it was determined that location to be the CMEEC offices. He also stated that the regulation requires that CMEEC publicize the annual meetings at its board meeting held prior to the rate payer annual meeting, which it has done by adding this agenda item for today's Board of Directors' meeting. He noted that the first annual meeting of the rate payers will take place at 7:30 p.m. on Wednesday, October 10, 2018 at CMEEC's offices located at 30 Stott Avenue, Norwich, CT. He stated that he mailed a memo to municipal heads and attorneys for Third Taxing District on September 12, 2018 notifying them of the upcoming rate payer annual meeting stating that they will need to publicize the time and place of the annual meeting as identified in that memo. He provided Ms. Kipnis with an email containing the notice the MEUs will use to post on their websites to inform the public. He stated his discussion at the annual meeting will be an update on his activities since taking on the position of MECA. He will walk through the items in his quarterly reports and solicit feedback.

Executive Session

Arbitration Case Status

A motion was made by Member Representative Gaudet, seconded by Member Representative Collard to enter into Executive Session to discuss Arbitration Case Status with direction to the Board to return to Public session upon completion of the discussion in Executive Session. Members of the Board were present as well as Messrs. Rankin and Lane and Ms. Kipnis.

Motion passed unanimously. (18-09-03)

Executive Session was entered at 11:43 a.m.

The basis for entering executive session was the discussion of Arbitration Case Status in accordance with Conn. Gen. Stat. Sec. 1- 200(6)(B) and 1-210(b)(4).

There being no further business to come before this board, Chairperson Sullivan 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. (18-09-04)

The meeting was adjourned at 12:10 p.m.