

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

February 27, 2020

The Regular Meeting of the Board of Directors of Connecticut Municipal Electric Cooperative (“CMEEC”) was held on Thursday, February 27, 2020 at the CMEEC 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, Michele Sweeney
Third Taxing District Municipal Representative: Pete Johnson
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 Financial Planning & Analysis Manager
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:

Michael Mace, Managing Director, PFM
James Marlin, Esquire, Norton Rose Fulbright
Claire Bessette, Reporter, The Day
David Silverstone, Esquire, Municipal Electric Consumer Advocate (via telephone)

Ms. Job recorded.

Chair Kevin Barber called the meeting to order at 10:01 a.m. He stated for the record that this meeting is being held via telephone and in person at the CMEEC offices located at 30 Stott Avenue, Norwich, CT.

Standard Agenda Items

A Public Comment Period

No public comment was made.

B Conduct Voting Roster / Roll Call

Ms. Job conducted roll call identifying the formal voting persons at today's meeting. Chair Barber confirmed a quorum was present.

C Introduction of New Board Members

Chair Barber introduced Michele Sweeney, new Member Representative representing Third Taxing District and Eric Strom, new Alternate Member Representative representing South Norwalk Electric and Water. The Board welcomed the new members.

D Approve Minutes of the CMEEC Regular January 23, 2020 Board of Directors' Meeting

Chair Barber identified a typographical error in Section F of the January 23, 2020 minutes noting that the last entry in that section contained an incomplete sentence. Ms. Kipnis explained this section had been edited to reflect the timing of the presentation of an agenda item from that meeting and apparently this incomplete sentence was inadvertently left behind. The Board agreed that the incomplete sentence would be stricken from the minutes.

A motion was made by Member Representative Ronald Gaudet, seconded by Municipal Representative Mark Oefinger to approve the Minutes of the CMEEC Regular January 23, 2020 meeting as amended. Municipal Representative Pete Johnson and Alternate Member Representative Eric Strom abstained.

Motion passed.

20-02-01

E Review of Proposed Debt Refinancing

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 Municipal Electric Energy Cooperative Power Supply System Revenue Bonds, 2022 Series A Bonds, First Supplemental Revenue Bond Resolution (the “CMEEC 2022 Series A Bonds”) and the Connecticut Municipal Electric Energy Cooperative Transmission Services Revenue Bonds, 2021 Series A Bonds, Second Supplemental Revenue Bond Resolution (the “CMEEC 2021 Series A Bonds”). It was pointed out that the Bond Purchase Agreement was part of the Supplemental Resolutions and that by passing the Supplemental Resolutions, the Board was authorizing CMEEC’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 Jeffrey Godley, seconded by Member Representative Louis Demicco to approve the Connecticut Municipal Electric Energy Cooperative Power Supply Revenue Bonds 2022 Series A First Supplemental Resolution and the Connecticut Municipal Electric Energy Cooperative Transmission Services Revenue Bonds, 2021 Series A Bonds Second Supplemental Revenue Bond Resolution.

Motion passed unanimously.

20-02-02

F

Audit Committee

Possible Executive Session for Employment Related Matter

Possible Vote in Public Session to Adopt Audit Committee Report and Recommendations

Member Representative Stewart Peil, Chair of Audit Committee, explained that the Audit Committee met on January 23, 2020 and again at a Special Meeting held by telephone on February 13, 2020 to discuss an employment related matter in executive session. He explained that he would recommend that the Board enter Executive Session for discussion of the employment related matter and return to Public Session for possible vote to adopt the Audit Committee’s report and recommendations.

A motion was made by Member Representative Stewart Peil, seconded by Member Representative Christopher LaRose to enter Executive Session.

Motion passed unanimously.

20-02-03

The basis for Entering Executive Session is to review and discuss an employment related matter pursuant to CMEEC’s Related Transaction Policy and is pursuant to Connecticut General Statutes Section 1-200(6)(A). Members of the Board, Attorney Kipnis and Mr. Meisinger remained.

Member Representative Ronald Gaudet recused himself.

The Committee entered Executive Session at 11:02 a.m. with instructions to return to Public Session upon completion of discussion in Executive Session.

The Board re-entered Public Session at 11:45 a.m.

Member Representative Peil explained the Audit Committee convened two meetings to discuss the related party transaction, with one meeting on January 23, 2020 lasting three hours where necessary parties were interviewed. The Committee put its findings into a written report which was discussed with the Board today. He added that if the Board votes to accept the report of the Audit Committee, the report will be made public.

Chair Barber entertained a motion to accept the Report of the Audit Committee.

Motion was made by Member Representative Westmoreland, seconded by Municipal Representative Johnson to accept the Report of the Audit Committee.

Motion passed unanimously.

20-02-04

G January 2020 Objective Summary Review

Member Representative Gaudet returned to the meeting.

Mr. Meisinger explained January realized a strong performance overall. He stated that Regional Competitiveness came in slightly above target. He stated that CMEEC also realized an increase in transmission cost which was mainly due to a higher than estimated annual LNS transmission true-up bill from Eversource. He added that overall Regional Competitiveness and Customer Fulfillment are projected to remain on budget. Financial Stability metrics all remain on target with the exception of Non-Fuel Operating Expense which came in at 20% below budget for January due to timing of expenses in Outside Services, Non-Fuel Operating and Maintenance, Office Expenses, and Maintenance as well as below budgeted spending in salaries, employee benefits, payroll tax, and non-bond funded depreciation categories. Mr. Meisinger explained that timing variances noted above are expected to clear and the projected Year-End spending is estimated to be flat with budget at this time.

H January 2020 Project Portfolio Performance

Michael Rall, CMEEC Director of Asset Management provided a high-level review of the Project Portfolio performance, explaining that the annual LNS transmission true-up received from Eversource in January resulted in a credit to the Projects. He noted that the true-up would be applied in monthly installments January through June.

He stated that the Pierce Project realized a strong month due to lower than budgeted maintenance, utility and staff time. Battery Storage for January net benefit was higher than budget due to lower than budgeted expenses resulting from partial battery non-performance and lower than budgeted staff expenses. He added that the true-up applies for the Battery Storage and Solar Garden projects.

Mr. Rall explained that the Subase Fuel Cell actual net benefit was higher than budget due to a budgeting error that had staff expenses attributed to the project before commercial operation. He explained that the budget was created in July 2019 and since that time the timeline for commercial operation has shifted from the original expected time resulting in a delay. He informed the Board that Unit #1 is scheduled for operation on May 1, 2020 and Unit #2 is scheduled for operation on July 1, 2020. He added that for the next Board report, expenses will be broken out on a separate line.

Discussion followed in connection with possible future discussion by the Joint Strategic Planning Committee on renewable energy. At this time, upon inquiry Ms. Kipnis provided a brief overview of the current activity and dispute surrounding Tesla and the solar garden.

Upon inquiry by David Silverstone, Esquire, Municipal Electric Consumer Advocate, Mr. Rall explained that although the Subase was not broken out for this month's report, it will be going forward.

Attorney Silverstone also inquired as to a mechanism after budget to correct the error related to staffing expenses at the Subase Fuel Cell project. Mr. Rall explained there is not however it will be shown in the Year-End budget.

I January 2020 Energy Market

Michael Cyr, CMEEC Director of Portfolio Management, provided a high-level review of the Energy Market Analysis for January.

Mr. Cyr explained that actual loads came in \$4,444 MWh lower than budget. He noted that CMEEC was 104% hedged for January. Actual Energy Cost was \$51.02/MWh, which was 0.48/MWh lower than budget. Weighted Actual Energy Cost at LMPs was \$26.62/MWh and the Actual Average Hub Daily Day Ahead LMPs were \$26.45/MWh, ranging from \$15.65/MWh to \$46.02/MWh. He explained that these numbers are the result of mild weather in January.

Natural Gas Henry Hub Price was \$2.01/MMBTU, which was \$0.72/MMBTU lower than budget and ranged from \$1.90 to \$2.13/MMBTU. Algonquin Citygate Gas Price was \$2.72/MMBTU which was \$8.15/MMBTU lower than budget and ranged from \$1.82 to \$7.36/MMBTU.

The West Texas Intermediate Oil settlement price was \$57.92/Barrel, which was \$1.96/Barrel lower than the previous month.

Mr. Cyr noted that at the request of the Board, an additional fuel source review was conducted. The Ultra-Low Sulphur Diesel Oil Price was \$14.00/MMBTU which was \$0.42/MMBTU higher than budget.

Mr. Cyr explained that the Forward Capacity Auction Clearing Price was \$7.03/kW-Mo for the month and the Actual Net Regional Capacity Clearing Price was \$7.08/Kw-Mo, which was \$0.07/Kw-Mo lower than the previous month.

Mr. Cyr highlighted that in the months leading to January 2020, CMEEC purchased 65 MW at \$61.95/MWh to comply with the Risk Management Policy minimum volume targets. He also noted that in January 2020, CMEEC sold additional recourse on 7 days to stay within reasonable margin.

He also highlighted that the 14th Forward Capacity Market primary auction closed at a preliminary clearing price of \$2.00 per kW-month which appears to be the lowest in the auction's history. This will negatively impact the project pro formas but is a positive benefit to CMEEC load.

J Governance Committee Report

Member Representative Gaudet, Chair of the Governance Committee, provided the Board with an overview of recent activities and discussions held by the Governance Committee at its Regular meeting on February 20, 2020. He noted that the Committee discussed Board Evaluation which is required under the Governance Committee Charter. He stated that the Committee discussed the development of a score card and Board evaluation tool and that it determined that CMEEC staff would coordinate with Tim Blodgett of Hometown Connections to create a survey as an evaluation tool. He reminded the Board that Mr. Blodgett conducted the Board Governance Training last October. He added that the Committee determined that a first facilitated Strategic Planning session with Mr. Blodgett could be utilized for a board evaluation session.

Member Representative Gaudet also informed the Board that there are two remaining items on the Special Committee Recommendations grid that are assigned to the Audit Committee and informed the Board that those items will be addressed at the Audit Committee meeting scheduled for March 12, 2020.

He added that a Board onboarding session would take place in conjunction with the March Board of Directors' meeting. Mr. Meisinger added that it would be prudent to conduct the onboarding session prior to the start of Strategic Planning sessions so new Board members would have a better understanding of CMEEC and its business. He encouraged the full Board to attend such an onboarding session. It was agreed that the onboarding session would occur on March 26, 2020, and all Board members were encouraged to attend.

Member Representative Gaudet also informed the Board that the Governance Committee discussed the delivery method of the monthly Board Package. He stated that the Committee discussed the possibility of replacing the hard copy Board package with an electronic version and providing the Board with a CMEEC-owned electronic device. Such a device would be distributed to the Board for their use while reviewing and using the Board package at future Board of Directors' meeting. Also available on the device would be the CMEEC Bylaws and other enabling documents such as Member Agreements. This process and device would also be used for Committee meeting agendas and packages going forward. CMEEC staff is in the process of evaluating the options and the cost effectiveness of moving materials to an all-electronic format.

Finally, he stated that if anyone had a topic that they would like the Governance Committee to review they should let him know.

K Legislative and Governmental Relations Committee

Member Representative Louis Demicco, Chair of the Legislative and Governmental Relations Committee, provided the Board with an update of its activities and discussions. He explained that at its February 20, 2020 Legislative Committee meeting, Timothy Shea of Brown Rudnick provided an overview of the current legislative session. He also stated that Brian Forshaw of Energy Market Advisors, LLC provided an update on the industry.

Scott Whittier, CMEEC Director of Enabling Services, provided an update on the recent visit by CMEEC staff to Washington, DC for the APPA Legislative Rally. He stated that they spoke to staff members for the Connecticut Delegation about the state of the Capacity Market and the changes to that Market planned by ISO-NE and their effects on the current market.

Mr. Meisinger added that he and Attorney Kipnis met with Senators Heather Somers, Paul Formica, Cathy Osten and Representative Kevin Ryan in Hartford on February 21, 2020. He stated that the meetings went well and added that Senator Somers expressed a willingness to start fresh. Ms. Kipnis added that Senator Somers informed them about a bill regarding billing process and information disclosure (SB 289). She also added that Senator Formica requested that CMEEC provide comments on the Bill and stated that she would provide that to the Board.

L Strategic Planning Committee Review Review and Possible Vote on Strategic Planning Committee Charter

Municipal Representative Mark Oefinger, Chair of the Strategic Planning Committee, informed the Board that this newly formed Committee held its first meeting on February 21, 2020 and that it was well attended.

He explained that the Committee nominated him as Chair and that they reviewed its Charter. He stated that the Resolution provided to the Board in advance of today's meeting is provided to approve the Committee's Charter.

He added that the Committee discussed the structure of the Committee. They had extensive discussion as to whether the Committee should be an "Ad Hoc" committee of the Board or a Standing Committee. After discussion it was determined that it would be an Ad Hoc Committee, subject to further review by the Board following completion of the 2020 Strategic Planning work.

He stated that the Committee discussed engaging Mr. Blodgett to facilitate the Strategic Planning meetings. He expressed the importance of the full Board participating and being engaged.

Chair Barber provided the Board a moment to review the Resolution included in the Board package and entertained a motion to approve and adopt the Charter of the CMEEC Strategic Planning Committee.

Motion was made by Member Representative Godley, seconded by Member Representative Demicco to Approve the Resolution for the Approval and Adoption of the Charter of the CMEEC Strategic Planning Committee.

Motion passed unanimously.

20-02-05

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

Motion was made by Alternate Member Representative Richard Throwe, seconded by Municipal Representative George Kennedy to adjourn.

Motion passed unanimously.

20-02-06

The meeting was adjourned at 12:29 p.m.