

SUBJECT TO FINAL BOARD APPROVAL

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

December 21, 2017

The November Regular meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Thursday, December 21, 2017 at the Norwich Inn and Spa, 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 10:05 a.m. and determined a quorum was present.

The following Member Representatives/Alternate Member Representatives Participated:

Norwich – Dr. Grace Jones, Stewart Peil
Jewett City – Kenneth Sullivan, Louis Demicco; Richard Throwe
Groton – Ronald Gaudet, Jeffrey Godley, Mark Oefinger, Keith Hedrick
Bozrah Light and Power Company – Richard Tanger; Ralph Winslow
South Norwalk – Paul Yatcko (by phone)
East Norwalk – Kevin Barber, David Brown, Debora Goldstein, Pete Johnson

The following Individuals from CMEEC Management Participated:

Drew Rankin, CMEEC, Chief Executive Officer
Robin Kipnis, CMEEC, General Counsel
Edward Pryor, CMEEC, Chief Financial Officer
Michael Lane, CMEEC, Controller
Michael Rall, CMEEC, Director, Asset Management
Scott Whittier, CMEEC, Director, Enabling Services
Dylan Phillips, CMEEC, Risk Analyst
Hao Ni, CMEEC, Lead Portfolio Analyst
Menglu Tang, CMEEC, Energy Market Analyst
Yuxin Liu, CMEEC, Application Programmer

The following Individual Representing the Public was in Attendance:

Michael Boucher, Groton

The following Invited Guest Presenter was in Attendance:

Brian Forshaw, CMEEC Consultant, Energy Market Advisors, LLC.

Ms. Kipnis recorded.

Chairman Sullivan asked if there were any members of the public who wished to make remarks to the CMEEC Board. Mr. Boucher requested that the meetings be recorded because the minutes do not reflect what occurs at the meetings. He also asked whether handouts to accompany the meeting could be made available to the public. He stated that he appreciated the good job being done by CMEEC. Chairman Sullivan thanked Mr. Boucher for his remarks.

Chairman Sullivan called for a motion to amend the Agenda to allow for the introduction of the CMEEC Board Members and CMEEC staff because there were several new Board Members in attendance.

A motion was made by Member Representative Ronald Gaudet, seconded by Alternate Member Representative Ralph Winslow to amend the Agenda to allow for the introduction of the CMEEC Board Members and CMEEC staff in attendance.

Motion passed unanimously. (17-12-01)

CMEEC Board Members in attendance and CMEEC staff introduced themselves.

Standard Action Items

(A) Approve Minutes of the CMEEC Annual and Regular November 16, 2017 Board of Directors Meeting

A motion was made by Member Representative Jeffrey Godley, Seconded by Member Representative Louis Demicco, to approve the Minutes of the Annual and Regular November 16, 2017 Board of Directors Meeting. Rate Payer Member Representative Pete Johnson and Member Representative Paul Yatcko abstained.

Motion passed. (17-12-02)

Specific Action Items

(B) November 2017 Objective Summary Review

Mr. Rankin provided an overview of the exceptions to the summary Master 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 and year to date. He briefly explained that the Objective Summary Review is intended as a snapshot of CMEEC's major metrics and that the color of the arrows reflected percentage variation from target and/or projected. He also urged all the new CMEEC Board Members to sign

up for CMEEC 101 because it would provide more insight into the composition of the CMEEC Master Dashboard.

With respect to Regional Competitiveness Total Member Return (TMR) view, year-end projected Deviation to Benchmark was 30% which was the target deviation for the year, despite a 13% deviation from the target value for the month of November. The Regional Competitiveness Rate 9 Power Cost Only view saw a negative variance to target with only a 12% deviation from benchmark versus a target of 25%. He explained that this was the result of lower CMEEC margin and compressed power costs.

Customer Fulfillment, which measures the deviation of CMEEC power cost projections for both the TMR and Rate 9 only view, evidenced substantial accuracy in projection, deviating for the year end for All in TMR at \$81 projected versus \$83 for the target value and \$87 actual versus \$86 targeted for the month of November only. The All in Cost Rate 9 Customer View was projected to meet the target value of \$99 for the 2017 year end and \$103 projected versus \$104 for the targeted value for the month of November, a positive variance.

The Financial Stability metric continued to demonstrate strong financial performance for both the month of November and the 2017 Year End. Equity to Debt ratio continued to be strong at 28% projected for 2017 Year End versus 20% as a Target Value, even with the recent Equity Distribution voted on by the Board. There continued to be compliance with the Risk Management Plan and the Current Ratio continued to perform strongly with a projected 2.77 Ratio versus a target value of 2.20 for 2017 Year End. Days cash on hand continued to be above targeted value for the month and Year End of 151 days versus the target of 100.

The only negative variance occurring in the Financial Stability metric is both the month and year end values for net non-fuel operating expenses which are projected to be \$8,282,023 at year end compared to a targeted value of \$6,357,788, mainly attributable to non-budgeted but contemplated outside legal expenses.

In the category of Maximizing Asset Value which measures the performance of CMEEC physical and financial assets, Mr. Rankin discussed the November performance data, explaining that the Pierce plant underperformed due to a rescheduling of 10 year required maintenance on the fuel tanks to November which had originally been scheduled for January. He explained that despite the monthly performance negative variance, projected end of year performance was approximately \$30,000 positive variance over a target value for year-end of \$536,411.

Mr. Rankin pointed out that the Market DG was projected at 2017 Year End to exhibit a \$31,284 negative benefit but that the targeted negative net benefit was projected to be \$86,207. Transmission Project #1 and Hydro-Quebec, both projected at year end to exhibit a positive net benefit, but the actual net benefit less than targeted due to lower network loads.

CMEEC Margin, according to Mr. Rankin, performed below target due to lower than projected competitive supply loads and default of a competitive supply customer, although CMEEC Margin was projected to be, at year end, \$3,127,984. CMEEC Equity was projected to exceed target equity at year end by over \$2 million dollars, followed by a strong investment performance for the year-end of \$740,463 as compared to targeted year-end of \$463,000.

(C) Projected Year End 2017 and Significant Achievements

Mr. Rankin then reviewed the CMEEC 2017 Performance Summary and Projection, focusing on the highlighted sections of Tab. 3 of the Board materials. Highlights include the deployment of 1.5 MW of battery storage, 13 MW of community solar gardens and 7.4 MW of fuel cell technology. He also pointed out that by achieving the 30% lower cost of Member Net Wholesale Cost compared to the regional benchmark resulted in a \$27,500,000 power cost savings in 2017. CMEEC also created \$9,038,530 in Distribution Eligible Equity which was issued to the Members by the Member Delegation.

(D) Pierce and MicroGen 2017 Performance

Mike Rall, Director of Asset Management walked the Board through the Maximize Asset Value presentation regarding CMEEC's generation assets. He explained that Pierce Net Benefit for the month of November was lower than budgeted (\$95,236 as compared to the budgeted \$188,821) mainly due to an expense associated with the 10-year fuel tank inspection that was budgeted in January, but that occurred in November. With respect to the Microgen units, Mr. Rall summarized by stating that the Net Benefit was tracking close to budget, despite units not being available in April. Finally, Mr. Rall reported that 2017 was projected to be a strong year for the generation assets and that in 2018, the Net Benefit is projected to approach \$9 million dollars to the jump in capacity prices, which will offset Member power costs.

(E) November 2017 Energy Market Analysis

In the absence of Justin Connell, Hao Ni, Lead Portfolio Analyst, presented the November Energy Costs Analysis, beginning her discussion with noting that Member energy prices for the month of November were \$1.50 below budget, despite Member demand being lower for the month than budgeted and the budgeted LMP being higher than projected due to Algonquin transportation costs being volatile.

(F) ISO-New England Markets 101

Brian Forshaw next provided the CMEEC Board with a New England Energy Market Analysis, reviewing the major ISO-NE Markets and how they impact wholesale energy prices. He also pointed out that Transmission costs are a major driver of these prices and that these are anticipated to rise even more as additional transmission infrastructure is scheduled to be built. He pointed out that in the future, the CMEEC Members need to be aware that the building of additional pipelines south of Marcellus shale and the building of

an additional LNG facility in Maryland could put additional upward price pressure on the price of gas in New England, which in turn has a direct impact on electricity prices.

(G) Forensic Examination Budget Allocation

Mike Lane, CMEEC's Controller, presented the next agenda item, the Forensic Examination Budget Allocation Resolution and Vote. Mr. Lane walked the Board through the process by which a forensic examiner was chosen, beginning with the issuance of the Request for Proposal (RFP) to seven (7) entities: five (5) national firms and two (2) local firms. He said that the RFP provided a copy of the requirements of the legislation with respect to the audit and asked the firms to propose the requirements. Only the two local firms responded, with one subsequently withdrawing their proposal. The remaining firm, BlumShapiro, is CMEEC's financial statement auditor. They assured CMEEC that there was no conflict of interest and that there would be a separation of auditing staff between the financial statement audit and the forensic examination. Mr. Lane also referenced the fact that BlumShapiro has done many audits for the State of Connecticut including a forensic audit for the Connecticut Attorney General's office. General discussion followed.

A motion was made by Rate Payer Member Representative Mark Oefinger, seconded by Member Representative Louis Demicco to approve the Resolution approving the appointment of certified independent accounting firm of Blum Shapiro to perform the requirements of Pubic Act 17-73 and to increase the Administrative and General section of the Revised CMEEC 2018 Budget. Rate Payer Member Representative Pete Johnson abstained.

Motion Passed.

(17-12-03)

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

Motion Passed unanimously.

(17-12-04)

The reason for going into Executive Session was pursuant to C.G.S. sec. 1-210(b)(4) for General Counsel to provide an update on the status of CMEEC's pending litigation.

The Board returned to Public Session at 12:57 p.m.

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

Motion Passed unanimously.

(17-12-05)

There being no further business to come before this Board, the meeting was adjourned at 12:57 p.m.

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

RESOLUTION 17-12-03

Resolution Approving the Appointment of certified independent accounting firm of BlumShapiro to Perform the Requirements of Public Act 17-73 and to Increase the Administrative and General Section of the Revised CMEEC 2018 Budget

WHEREAS, the CMEEC Board of Directors previously adopted Resolution 17-11-02 which approved and adopted the 2018 CMEEC Operating and Capital Budget.

WHEREAS, Public Act 17-73 passed by the Connecticut Legislature requires, among other things, a forensic auditor to examine CMEEC's revenues and expenses for the previous five (5) year period.

WHEREAS, in response to the above, CMEEC issued a Request for Proposal ("RFP") to seven (7) national and state level accounting firms, and received two (2) responses to the Request for Proposal, with one firm subsequently withdrawing their response leaving BlumShapiro as the sole firm responding to the RFP.

WHEREAS, the Audit Committee met to review and evaluate the BlumShapiro proposal and determined that BlumShapiro's response fulfilled the requirements of Public Act 17-73.

WHEREAS, after the review and evaluation the Audit Committee recommends to the Board that it retain BlumShapiro to perform the forensic examination requirements of Public Act 17-73.

WHEREAS, in order to accurately reflect BlumShapiro's cost along with additional resources needed to complete the examination, it is recommended that the Board approve an increase to the Administrative and General portion of CMEEC's Operating and Capital Budget in an amount not to exceed one hundred thousand (\$100,000) dollars.

NOW THEREFORE BE IT RESOLVED that the Board of Directors of CMEEC approve the retention of BlumShapiro for the forensic examination required by Public Act 17-73.

BE IT FURTHER RESOLVED that as a result, the Administrative and General portion of the 2018 CMEEC Operating and Capital Budget, and specifically the line item relating to "Outside Accountants/Auditors", shall be increased by one hundred thousand dollars (\$100,000) and the total CMEEC Capital and Operating Budget be adjusted to reflect the increase.

Dated this 21st day of December, 2017.



Louis Demicco
Secretary