

SUBJECT TO BOARD APPROVAL

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

June 28, 2018

The June Regular Meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Thursday, June 28, 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 10:06 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 (via telephone)
Jewett City Department of Public Utilities: Louis Demicco, Kenneth Sullivan, Richard Throwe
Norwich Public Utilities: Rashid Haynes, Dr. Grace Jones, Stewart Peil
South Norwalk Electric & Water: Dawn Del Greco, David Westmoreland
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
Edward Pryor, CMEEC Chief Financial Officer
Michael Lane, CMEEC Director Finance and Accounting
Scott Whittier, CMEEC Director Enabling Services
Justin Connell, CMEEC Director Portfolio Management
Gabe Stern, CMEEC Director Technical Services
Dylan Phillips, CMEEC Risk Analyst
Ellen Kachmar, CMEEC Office & Facility Manager
Margaret Job, CMEEC Administrative Staff

Other participants:

Michael Boucher, Groton Resident
Stephanie Menders, Reporter, Norwich Bulletin
William Kowalski, Municipal Electric Consumer Advocate

Ms. Job recorded.

Standard Action Items

(A) Public Attendee Comment Period

Chairman Sullivan invited any member from the public present at today's meeting to comment. Michael Boucher, a resident from Groton, CT, stood and addressed the Board of Directors by stating he had a concern with the Ethics Policy being voted on at today's meeting. He stated that as a rate payer he was concerned the Ethics Policy appeared to be written so that CMEEC would be policing itself over ethics violations. Mr. Boucher also expressed disappointment in the documents provided to him in response to a recent Freedom of Information request and that he would exercise all his rights with respect to CMEEC's release of records under the Freedom of Information Act.

(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 May 23, 2018 Board of Directors' Meeting

Member Representative David Brown noted that his name was listed as having been present at the May 23, 2018 Board of Directors' meeting however he was not in attendance.

A motion was made by Alternate Member Representative Keith Hedrick, seconded by Member Representative Louis Demicco to approve the CMEEC Regular May 23, 2018 Board of Directors' Meeting with the correction noted on the attendance. Member Representative David Brown, Alternate Member Representative Stewart Peil and Municipal Representative Rashid Haynes Abstained.

Motion passed.

(18-06-01)

(D) Highlight Board Draft Norms (Chairman to Verbally List)

Chairman Kenneth Sullivan summarized the Board Health exercise conducted by, and the outcome of discussions resulting from the session with, Dr. Ashley Miles at the CMEEC

Regular May 23, 2018 Board of Directors' Meeting. He stressed the importance of not forgetting the timely messages learned during the session.

(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 a negative variance for the month of May noting this variance was not the result of typical seasonal compression. He explained the result was due to Asset Portfolio and Power Cost Only underperforming. He added that lower loads also adversely impacted this view as well as whole dollar value underperforming in the Portfolio. Deviation to Benchmark Rate 9 View realized a positive variance for May relative to the monthly target despite Power Cost Only being over budget.

Under Customer Fulfillment, All In Cost TMR View also realized a negative variance for May due to both Asset Portfolio and Power Cost only being 'sum total' over budget. He noted that lower loads also adversely impacted this view as well as Asset Portfolio and Margin.

All In Cost Rate 9 Customer View realized a negative variance for May due to lower loads. Energy cost and fixed cost were above budget.

Under Financial Stability the Risk Management Plan remains in compliance and is projected to remain in compliance through year end. Current Ratio realized excellent current and projected performance resulting in a positive variance. Equity to Debt also realized excellent current and projected performance resulting in positive variance. Mr. Rankin added that the month of May reflected a distribution eligible equity issuance which dropped equity from 31% but remains above increased target value of 22% for 2018. Days Cash on Hand also realized an excellent current and projected performance resulting in a positive variance for the month. Net Non-Fuel Operating Expense realized a negative variance due to contemplated but not budgeted outside services, which is true for the month and year to date. Mr. Rankin added that whole outside services costs are being partially offset by positive variances in most all other line item categories.

Under Maximize Asset Value, Mr. Rankin noted that CMEEC Project Portfolio realized a negative variance for the month due to Community Solar Garden accounting for 2017 RECs in May and MicroGen due to reduced peak shaving of 40MW versus 46 MW, and

for Transmission Project #1 due to lower network loads. He however stated that Projected Year End is still strong, but projected with an approximately 3% negative variance. CMEEC Margin Portfolio realized a negative variance for the month of May. Equity continues on a stable accumulation under the CMEEC Equity Creation and is projected to remain strong and positive for the balance of 2018. CMEEC Investment Portfolio realized a positive variance for May as yield improved significantly. Lower performance in the first quarter will be offset partially in the coming months, but is projected not to fully be restored to budgeted values.

(F) Ethics Policy (Resolution/Vote)

Member Representative Ronald Gaudet explained that the Ethics Sub-Committee of the Governance Committee aided in developing the Ethics Policy along with guidance from third party experts in the field, the Human Resource Consortium, as well as input from the Municipal Electric Consumer Advocate. He stated that at the May 23, 2018 Regular meeting of the CMEEC Board of Directors, Municipal Representative Mark Oefinger raised a question with respect to gift giving under section 1.5. Member Representative Gaudet stated that this section has been updated to reflect Municipal Representative Oefinger's concerns.

Alternate Member Representative Debora Goldstein stated that the minutes from the May 23, 2018 Board of Directors Meeting reflected a concern from a rate payer regarding the Ethics Policy and at that time, she had inquired whether his concerns were reflected in the policy. She was told at that time that they had been. However, she further stated that the same rate payer is present at today's meeting and has expressed concern about the Ethics Policy still. The concern was based on CMEEC policing itself under the policy.

Discussion followed with respect to the common practice of entities policing themselves under an ethics policy and the pros and con, including the costs to ratepayers of investigating any ethics complaints of enlisting an objective third party to review ethics complaints.

Suggestion was made by Municipal Electric Consumer Advocate to report out any ethics complaints made on a quarterly basis as a means of addressing independence and that the Municipal Electric Consumer Advocate could then review the investigation of the complaint.

There being no further discussion, Member Representative Gaudet entertained a motion to approve the Ethics Policy

A motion was made by Member Representative Gaudet, seconded by Alternate Member Representative Ralph Winslow to approve the Ethics Policy in the form presented to the Board of Directors today.

Motion approved unanimously.

(18-06-02)

(G) Forensic Examination (Resolution/Vote)

Member Representative David Collard explained that the Audit Committee received four responses from the RFPs that had been mailed. The Audit Committee reviewed the responses and provided a summary of them to the Board of Directors explaining the reason for selecting CohnReznik, LLC. He stated the resolution before this Board today is to hire CohnReznik, LLC and to increase the CMEEC budget in an amount not to exceed \$100,000 for costs.

A motion was made by Alternate Member Representative Keith Hedrick, seconded by Municipal Representative Pete Johnson to approve the Resolution Confirming the Appointment of CohnReznik, LLC and to Increase the CMEEC Budget for this Costs.

Motion approved unanimously.

(18-06-03)

(H) 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 5,133 MWh lower than budget. Actual Energy Costs were \$37.50, approximately \$2.31/MWh higher than budget. Average Daily LMPs were \$24.04/MWh.

He added that Henry Hub Gas Price was \$2.78/MMBTU, \$0.10/MMBTU lower than budget. He noted that the price ranges from \$2.68 to \$2.89 /MMBTU. Algonquin Citygate Gas Price was \$2.39/MMBTU, \$0.72/MMBTU lower than budget with a range of \$2.10 to \$2.67/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 \$7.03/ kW-Mo. The actual net regional capacity clearing price was \$6.87 / Kw-Mo, which was \$0.01 / Kw-Mo higher than the previous month.

Mr. Connell provided an overview of mitigating actions taken for the month and discussed the recent activities of Eversource, CMEEC's regional benchmark, by briefly discussing an RFP it issued as well as Eversource's release of its Residential Standard Service Generation Rates for July 2018 – December 2018. He added that the new Eversource rate is \$8.53 cents per kilowatt-hour, which he noted is down from the current rate of 9.078 cents per kilowatts-hour.

Mr. Connell explained the Member Residual Energy Cost for May 2018 noting the budgeted member residual cost for May 2018 was \$35.19 and the projected member residual energy cost was \$37.50. 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 May, the cost to CMEEC for the LMP (CMEEC Load) would have been \$25.43, 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 provided a brief overview of the procedure CMEEC employs to stress test the market and hedge positions. He stressed the goal is to find balance based on CMEEC customer objectives and current market conditions.

Mr. Connell briefly discussed natural gas storage report and rig count. He added that natural gas production level is the highest seen even through rig counts are low.

Chairman Sullivan entertained a motion to adjourn the meeting.

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

Motion approved unanimously.

(18-06-04)

There being no further business to come before this Board, the meeting was adjourned at 11:45 a.m.

Connecticut Municipal Electric Energy Cooperative

Resolution No. 18-06-02

**Resolution Adopting an Ethics Policy for the CMEEC Board of Directors and
CMEEC Employees**

WHEREAS, CMEEC, a state-chartered joint action agency, desires to revise, implement, and enforce an Ethics Policy consistent with its Vision, Mission, and Values;

WHEREAS, in order to revise and implement an Ethics Policy consistent with its Vision, Mission, and Values, a subcommittee of the CMEEC Board of Directors, with guidance from a knowledgeable third party resource, The Human Resources Consortium, developed a revised Ethics Policy substantially in the form attached to this Resolution;

WHEREAS, the CMEEC Governance Committee has considered and reviewed the Ethics Policy which policy will, on adoption by the CMEEC Board of Directors, be applicable to the CMEEC Board Members, CMEEC Employees and Independent Contractors doing business with CMEEC;

WHEREAS, the CMEEC Governance Committee recommends adoption of the Ethics Policy by the Board of Directors;

WHEREAS, the CMEEC Board of Directors has reviewed the Ethics Policy.

NOW THEREFORE, BE IT RESOLVED, that the CMEEC Board of Directors approves the adoption of the Ethics Policy in the form presented at this meeting.

BE IT FURTHER RESOLVED, that the Ethics Policy shall take effect from the date adoption of this Resolution with direction that the CMEEC Employees and Independent Contractors, and the Board shall receive training on compliance with the Ethics Policy within ninety (90) days of adoption.

June 28, 2018



Louis Demicco
Secretary

**CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE
RESOLUTION 18-06-03**

Resolution Confirming the Appointment of CohnReznick LLC to Perform the Requirements of Public Act 17-73 as amended and to Increase the CMEEC Budget for this Cost

WHEREAS, the CMEEC Board of Directors voted in December 2017 to adopt Resolution 17-12-03 to approve the selection and retention of Blum Shapiro to perform the forensic examination requirements of Public Act 17-73, but CMEEC was contacted by the Municipal Consumer Electric Advocate in January 2018 to review the selection of Blum Shapiro, starting a dialogue about the best manner in which to satisfy the requirements of Public Act 17-73 so as to avoid any perception that Blum Shapiro's implementation of Public Act 17-73 would be questioned;

WHEREAS, with the help of the Connecticut Consumer Counsel's Office which agreed to offer its expertise in structuring an RFP for a forensic examination that would result in additional responses and to draft and propose an amendment to PA 17-73 to clarify the requirements of the forensic examination;

WHEREAS, as a result, the CMEEC Board of Directors voted to withdraw Resolution 17-12-03 in its entirety including the authorization to increase the Operating Budget in the amount of one hundred thousand (\$100,000) dollars for the anticipated costs associated with the audit;

WHEREAS, CMEEC issued a revised Request for Proposal ("RFP"), reflecting the consultation with the Office of Consumer Counsel, to thirty (30) national and state level accounting firms for implementation of the forensic examination requirements of Public Act 17-73 as amended (the "Act"), and received four (4) responses to the RFP;

WHEREAS, the Audit Committee met on June 1, 2018 to evaluate the responses to the RFP and approve the retention of an audit firm;

WHEREAS, at the Audit Committee meeting on June 1, 2018, the Committee determined that CohnReznick LLC's response to the RFP fulfilled the requirements of the Act and recommended the selection of CohnReznick LLC to perform the forensic examination and other requirements of the Act;

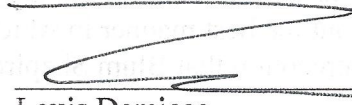
WHEREAS, the CMEEC Board of Directors approved an Operating and Capital budget in Resolution 17-11-02 that did not reflect the additional cost of the examination required by the Act; and

WHEREAS, in order to accurately reflect the additional cost of the work to be performed by CohnReznick LLC as well as any additional resources, not including CMEEC staff resources, needed to comply with the examination, it is necessary to amend the Administrative and General portion of CMEEC's annual 2018 budget, and specifically the line item relating to "Outside Accountants/Auditors, by one hundred thousand (\$100,000) dollars.

NOW THEREFORE BE IT RESOLVED that the Board of Directors of CMEEC approve the retention of CohnReznick LLC for the forensic examination required by the Act.

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 (\$100,000) dollars and the total CMEEC Capital and Operating Budget be adjusted to reflect the increase.

Dated this 28th day of June, 2018.



Louis Demicco
Secretary