



CMEEC Board of Directors' Meeting

April 24, 2014

MINUTES

The Connecticut Municipal Electric Energy Cooperative (“CMEEC”) Board of Directors (referred to hereafter sometimes as the “Board” or “BOD”) conducted a regular meeting of the Board on Thursday, April 24, 2014, at CMEEC’s offices. The meeting was legally noticed, in compliance with Connecticut State Law, and all proceedings and actions hereinafter recorded occurred during the publicly open portions of the meeting.

Chairman James Sullivan called the meeting to order at 9:30 A.M. and determined that a quorum was present.

The following Directors participated:

Jewett City – Louis Demicco, Kenneth Sullivan, Richard Throwe
Groton – Edward DeMuzzio, David Collard
Norwich – John Bilda, James Sullivan, Stephen Sinko
East Norwalk – David Brown, James Smith
South Norwalk – Mark Harris, John Hiscock (by phone), Scott Whittier (by phone)

The following staff and guests participated:

Drew Rankin, CMEEC, Chief Executive Officer
Edward Pryor, CMEEC, Chief Financial Officer
Michael Cassella, CMEEC, Director, Customer Programs
Justin Connell, CMEEC, Director, Portfolio Management
Brian Forshaw, CMEEC, Chief Regulatory and Risk Officer
Robin Kipnis, CMEEC, Assistant General Counsel
Michael Rall, CMEEC, Project Manager
Thomas Solinsky, CMEEC, Director, Asset Management
Gabriel Stern, CMEEC, Director, Strategic Planning
Philip Sussler, CMEEC, General Counsel
Ellen Kachmar, CMEEC, Office and Facility Manager

Ms. Kachmar Recorded

Standard Action Items:

(A) Approval of the Minutes of the March 27, 2014 CMEEC Board of Directors' Meeting.

A Motion was made by Director DeMuzzio, seconded by Director Demicco, to approve the Minutes of the March 27, 2014 CMEEC Board of Directors' Meeting.

Vote passed unanimously.

(14-26)

Specific Agenda Items

(B) Review: Objective (s) Summary Report

Mr. Rankin began by noting two modified sections of the Object Summary Report; the addition of target value vs. projected for year end; and a total line added to the maximize asset value section. Mr. Rankin noted that a goal of CMEEC management and staff is to drive the data reporting and disclosure made available to the Board in the distributed materials to reflect periods closer in time to the present. The objectives reporting and disclosure materials in the Board package reflect information to the end of February, 2014. Mr. Rankin reported that the Regional Competitiveness metric was adversely impacted by the experience with energy prices and the Pierce Plant Locational Forward Reserve ("LFR") penalty, resulting from start failures. Another factor to consider is that CMEEC reflects its costs in each month, as incurred, in contrast to what is anticipated for Connecticut Light and Power Company ("CL&P") standard service, where some cost impacts are flowed through with a six month lag. The inability to view CL&P's standard service costs in real time creates certain difficulties in establishing the comparisons anchoring CMEEC's power costs under the Regional Competitiveness metric. CMEEC staff is engaged in refining the review and analysis of CL&P's power costs to better anchor the metric.

Mr. Rankin reported with respect to the Customer Fulfillment Objective metric. Budget-to-actual energy costs were adversely impacted by higher than anticipated loads creating open positions. These open positions, coupled with higher than budgeted energy prices, caused significant adverse cost impacts in excess of the budget projections.

Mr. Rankin updated the Board on the Financial Stability metric noting the current ratio's projected strength through the balance of the year. Mr. Rankin noted that the new Enterprise Risk Management Policy ("ERMP") slated for vote during the meeting, if adopted, will expand the number of compliance items subject to reporting. CMEEC's equity-to-debt ratio for February is 4% above target at 25% and an equity distribution to the member systems is an option for consideration by the members systems. Mr. Rankin reminded the Board that a member delegation meeting will be scheduled to discuss whether or not to have an equity distribution. In response to a suggestion by Director Smith, Mr. Rankin indicated that he will provide, in advance of the member delegation meeting, an outline to the Board of the options available for the distribution, and the pros/cons of each such option. Director DeMuzzio requested the

member systems discuss what they are considering regarding the request for a potential equity distribution and their use of the funds if distributed. Mr. Rankin reported the net A&G is projected to be under budget, and that CMEEC is adopting a rigorous approach regarding its expenditures, expending only those amounts that are necessary for prudent operations.

Mr. Rankin recounted the situation giving rise to the Pierce Project LFR penalty and the project's recent adverse operating experience, noting that he will provide in the near future a more detailed explanation and discussion of remedial actions. The balance of the CMEEC and CTMEEC assets, the market distributed generators ("DGs"), the MicroGen units, and Transmission Project No. 1, and CMEEC margin performed well in February. In response to a question from Director DeMuzzio, Mr. Rankin noted that the Subase lease is in the final stages of receiving authorization from the U.S. Navy.

(C) Market Analysis Review

Mr. Connell provided a market assessment and overview for March, 2014, noting the relatively high and volatile energy costs, higher load demands, and the continued effects of the colder than normal winter. He also noted the differences in managing the portfolio for March, transitioning from the winter to spring periods, with associated changes in load and energy pricing.

(D) Enterprise Risk Management Policy

Mr. Rankin began by pointing out that the new proposed policy, for consideration for adoption at the meeting by the Board, is now entitled an "Enterprise Risk Management Policy" (or "ERMP"), with an emphasis on "enterprise", reflecting a more comprehensive focus than the existing "Risk Management Policy." The proposed policy is now inclusive of such things as physical assets, personnel as assets, values, and assurance that minimum / maximum standards will be met. Mr. Forshaw reported that three iterations of the ERMP in draft had been thoroughly vetted through the Risk Management Committee since September of 2013. He noted the increase in compliance requirements that are in the proposed policy, and emphasized to the Board that full compliance with the expanded ERMP, once adopted, will be attained in as short a time as possible. Mr. Forshaw thanked the Risk Management Committee for their efforts in relation to the development of the proposed new policy.

A motion was made by Director Bilda, seconded by Director Collard, to approve Resolution 14-27 which approves and adopts the Enterprise Risk Management Policy ("ERMP") and provides for Delegated Authorities for Electric Products and Hedging Procurement in Accordance with the ERMP.

Vote passed unanimously.

(14-27)

(E) Review of March 2014 Five Year Forecast

Mr. Connell reviewed CMEEC's current position in 2014 as it relates to the budget. He discussed the major drivers for adverse deviations and projected costs for 2015 based on the most recent data. Mr. Connell reviewed the monthly hedge positions for 2015. When asked by

Chairman J. Sullivan “what have we learned this year that we are going to do differently next year?”, Mr. Rankin answered that CMEEC would revisit, question and scrub any and all assumptions utilized in prior planning, perform more robust stress testing, and continue the refinement of all tools and forecasting ability. Mr. Rankin also noted that management is focused on deriving greater benefits from continuous process improvements already underway, including greater frequency of re-forecasting, active use of metrics to evaluate and align performance of all staff with enterprise objectives, with the intent of driving improved performance through better business structure.

(F) Backus MicroGrid Project Update

Mr. Rall reported the air emissions permit for the project was finally approved by the Department of Energy and Environmental Protection (“DEEP”) on April 3 and construction began on April 5. The site was being cleared, conduit is being laid, and preparation work on the foundations is underway. Mr. Rall reported that no sub-surface issues had arisen and that the site characteristics accorded with the soil samples tested as part of the project’s due diligence investigations. The project’s commissioning activities are currently on schedule for completion at the end of July, 2014, with project completion (at a cost projected to be under budget) by August 1, 2014. Mr. Rall thanked the line crews from Norwich Public Utilities who worked on the site. Chairman J. Sullivan suggested that some thought be given to a ribbon cutting upon completion of the project.

A motion was made to go into Executive Session by Director Demicco, and seconded by Director Brown, to discuss the CEO Labor Agreement

Vote passed unanimously. (14-28)

The meeting went into executive session at 10:52 a.m. The basis for the going into executive session was Conn. Gen. Stat. Section 1-200(6) (A) (Discussion concerning the appointment, employment, performance, evaluation, health or dismissal of a public officer or employee) and (E) (entailing discussion of any matter which would result in the disclosure of public records or the information contained therein described in sub-sections (b) (1), (5) and (7) of section (1-210)). Only the Directors remained in the meeting during the Executive Session.

A motion was made to come out of Executive Session by Director Demicco, seconded by Director Harris.

Vote passed unanimously. (14-29)

The meeting came out of executive session at 11:05 a.m.

Motion by Director Bilda, seconded by Director K. Sullivan, to adjourn the meeting.

Vote passed unanimously. (14-30)

There being no further matters to be discussed, the meeting was adjourned at 11:06 p.m.

Connecticut Municipal Electric Energy Cooperative

Board of Directors Meeting

Resolution 14-27

RESOLUTION REGARDING APPROVAL OF ENTERPRISE RISK MANAGEMENT POLICY (“ERMP”) AND DELEGATED AUTHORITIES FOR ELECTRIC PRODUCTS AND HEDGING PROCUREMENT IN ACCORDANCE WITH THE ERMP

WHEREAS, CMEEC continues to develop and optimize its tools and processes to address the evolution of the markets in which it operates so as to properly evaluate, plan for and manage the risks it assumes to the end of better providing for its financial stability and sustainability and better serving its customers and stakeholders.

WHEREAS, CMEEC, as part of this effort, restructured its full requirements power supply contracts with its member systems, by entering into the Replacement Power Sales Contracts (“RPSCs”) with such members systems.

WHEREAS, as a further part of that effort, CMEEC management, with the advice and direction of the CMEEC Board of Directors, has revised and updated its Risk Management Policy (the “RMP”), previously adopted and approved by the Board of Directors (the “Board”) by Resolution 12-44, and now, as updated in the version presented to the Board at its meeting of April 24, 2014, referred to as the CMEEC “Enterprise Risk Management Policy” or “ERMP” to reflect the expanded coverage of subject matter incorporated into the policy.

WHEREAS, the ERMP also provides for delegated authority within defined limits for the entering by CMEEC into contracts for procurement of electric power and hedging products with terms less than five years.

WHEREAS, the Board had previously adopted by resolution, CMEEC BOD Resolution 09-08, which provided for certain delegated authority for entering into contracts for power procurement, which authorities were superseded in part by the RMP, upon its adoption, and will be superseded by the ERMP, upon adoption as provided in this Resolution.

WHEREAS, the CMEEC Risk Management Committee (“RMC”) has previously reviewed and commented upon multiple draft versions of the ERMP, and modifications to the ERMP have been incorporated in the form of the ERMP presented to the Board at its meeting of April 24, 2014, responsive to such comments.

WHEREAS, the Board desires that the ERMP should be adopted to update and supersede the RMP, further incorporate the requirements of the RPSCs, and to consolidate provision for the delegation of authority and limitations thereto for CMEEC’s power procurement contracting.

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE AS FOLLOWS:

Section 1. The foregoing recitals are true and correct.

Section 2. The Board does hereby approve the ERMP in the form presented to the Board at its meeting of April 24, 2014. Said ERMP shall constitute the CMEEC Risk Management Policy, as such term is utilized in the RPSCs.

Section 3. The CMEEC Chief Executive Officer or CMEEC Chief Financial Officer are each authorized to enter into standard forms of agreement, contract and other instruments, including but not limited to, the Master Power Purchase and Sale Agreement adopted by the Edison Electric Institute, and subject to such Supplemental Resolutions as may be required by the applicable CMEEC Bond Resolutions, the Master Agreement of the International Swap Dealers Association (“ISDA”) as are customary and necessary for the purchase and sale of electric products, gas, oil or other fuel commodity products, or for any Financial Contracts, as defined in and subject to the RPSCs, with counterparties as deemed appropriate by any of the authorized officers of CMEEC (collectively, the “Enabling Agreements”) and to enter into individual transactions under said Enabling Agreements with said authority as further defined in and limited by the ERMP.

Section 4. All any and all prior actions by the officers of CMEEC with respect to the Enabling Agreements and transactions by CMEEC thereunder, consistent with the RPSCs, are ratified, authorized and confirmed.

Section 5. The Board does hereby supersede and withdraw Resolution 09-08.

April 24, 2014



Edward DeMuzzio
Secretary