

REGULAR MEETING OF THE
BOARD OF DIRECTORS OF

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

April 27, 2017

MINUTES

The Regular April meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Thursday, April 27, 2017 at the offices of CMEEC, 30 Stott Avenue, 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.

Chairman Kenneth Sullivan called the meeting to order at 10:00 a.m. and determined a quorum was present.

The following Member Representatives/Directors Participated:

Norwich – John Bilda; Robert Groner
Jewett City – Louis Demicco; Kenneth Sullivan; Richard Throwe
Groton – Edward DeMuzzio; Ronald Gaudet
Bozrah Light and Power Company – David Collard; Richard Tanger
South Norwalk – Kevin Barber
East Norwalk – David Brown

The following Individuals from CMEEC Management Participated:

Drew Rankin, CMEEC, Chief Executive Officer
Gabe Stern, CMEEC, Director, Technical Services
Robin Kipnis, Esquire, CMEEC, General Counsel
Michael Lane, CMEEC, Controller
Justin Connell, CMEEC, Director, Portfolio Management
Michael Rall, CMEEC, Director, Asset Management
Scott Whittier, CMEEC, Director, Enabling Services
Dylan Phillips, CMEEC, Risk Analyst
Ellen Kachmar, CMEEC, Manager, Office and Facilities
Margaret Job, CMEEC, Administrative II

The following invited guests were in attendance:

Captain Paul A. Whitescarver, Commanding Officer, SUBASE, New London
Christopher Lendon, Public Relations Officer, SUBASE, New London

The following member of the public attended:

Ralph Winslow, Bozrah Light and Power

Ms. Job Recorded

Chairman Sullivan opened the floor for public comment. No comments were made.

Chairman Sullivan called the meeting to order at 10:00 a.m.

Standard Action Item

(A) Approve Minutes of the CMEEC Regular March 23, 2017 Board of Directors Meeting

A motion was made by Director Collard, Seconded by Director Throwe, to approve the Minutes of the Regular March 23, 2017 Board of Directors Meeting with one correction to the attendance list. Director David Collard is noted to be a Representative of Groton, however he should be noted as a Representative of Bozrah Light and Power Company. The change is so noted and the Minutes were approved with said change.

Vote passed unanimously.

(17-04-01)

Specific Action Items

(B) March 2017 Objective Summary Review

Mr. Rankin provided an overview of the exceptions to the 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 noted that CMEEC had an excellent month in Regional Competitiveness by meeting target value of 30% under the Deviation to Benchmark TMR View and a Power Cost Only Rate 9 view of only 21% versus a 25% target. Year to date performance is strong as is year end projection.

Mr. Rankin discussed the Financial Stability metrics noting that it was a strong performance month for each of Risk Management Plan Compliance, Current Ratio, Equity to Debt and Days Cash on Hand. He noted that the year end 2017 Net Non-Fuel Operating Expenses are projected at higher than target value due to outside consulting services.

Mr. Rankin discussed the Maximize Asset Value metrics noting that Pierce ran three times in March, one for load and two for test. Lower actual LMPs versus budgeted LMPs contributed as well as LFR penalties due to a maintenance outage. He noted that the MicroGen under-performed in March with lower than budgeted peak reduction and lower ISO related rates versus budgeted rates. He noted that during the month, a majority of the peak was missed mainly due to pop up storms that occurred which reduced the peaking time to a portion of an earlier hour. He added that Hydro-Quebec under-performed due to capacity credits not being what CMEEC expected. He noted that CMEEC Margin is slightly under, and CMEEC Equity remain strong and on target. The CMEEC Investment Performance is a newer addition to this report which provides an overview of the low risk investment of cash reserves. He noted that the month of March investment performance was higher than budgeted due to accrued source of funds invested being greater than originally planned.

(C) SUBASE Commander Guest Presentation

Captain Paul Whitescarver, Commanding Officer of Naval Submarine Base, New London (SUBASE) led a presentation on the infrastructure of the SUBASE, his role there, and an overview of the boats under his command.

The presentation was well received. A question and answer session followed the presentation.

(D) SUBASE Fuel Cell Project Revised Resolution, Entitlement Allocations & Exhibit I (Vote)

Mr. Rankin proposed that the Agenda be modified to move this Agenda Item (D) to follow Agenda Item (F) Adjusted Net Interchange (“ANI”) Educational Presentation by Justin Connell. He noted that moving this Agenda Item (D) after that presentation would help facilitate an educated decision by the Board on the Entitlement Allocation portion of this Agenda Item (D).

A motion was made by Director Bilda, Seconded by Director Gaudet, to modify the Agenda to move Agenda Item (D) to follow Agenda Item (F).

Vote passed unanimously.

(17-04-02)

(E) Ethics Consultation Selection

Director Gaudet provided a brief overview of the selection of the consultant to aid in potentially enhancing the existing ethics policy for CMEEC and the Board. He noted that the firm The Human Resource Consortium, LLC was selected and meetings have begun with specific Board members and select CMEEC staff.

(F) Adjusted Net Interchange (“ANI”) Educational Presentation

Mr. Connell presented the Adjusted Net Interchange (ANI) educational presentation. The discussion was provided in order to allow the directors to understand the use of the ANI allocation entitlement formula in connection with the SUBASE project and entitlement allocation for the Member Electric Utilities (MEUs). Mr. Rankin noted that this educational session is the result of discussion at last month’s Board of Directors meeting which revealed some misunderstanding related to the use of the ANI allocation convention.

Mr. Connell explained that the ANI, as applied by CMEEC, is a monthly load ratio share allocation convention between all member residual loads.

Mr. Connell provided a brief overview of the process CMEEC follows in applying the ANI convention and why it is used adding that the ANI allocation convention is utilized by CMEEC to ensure hedges are proportionately and effectively balanced between individual members, based on actual loads. He stated that the goal is to ensure no imbalance occurs between hedges and customer loads. As an overview of how the ANI works, Mr. Connell added that CMEEC purchases forward energy contracts to hedge the member energy requirements and based on

actual member loads, CMEEC allocates hedge benefits based on a load ratio share calculation in order to achieve balance and proportionality of resources and energy requirements.

(D) SUBASE Fuel Cell Project Revised Resolution, Entitlement Allocations & Exhibit I (Vote)

Mr. Rankin provide an overview of the SUBASE Fuel Cell Project Revised Resolution, Entitlement Allocations and Exhibit I brought to this Board for consideration and approval. He noted that in the March Board of Directors Meeting (the “March Meeting”) the Board processed and approved an Additional Power Project with a draft Resolution and draft Replacement Power Supply Contract Exhibit I based on recommended structure of utilizing ANI as an entitlement allocation convention.

He noted a change in the parameter PPA from \$45.50 per MWh in the draft Resolution to a slightly higher parameter PPA of \$49.50 per MWh for final pricing. This change in PPA was the result of diving deeper into site analysis; which wasn’t available during pricing in the draft Resolution, and load leveling asset review necessary to manage supply and demand balancing.

He added that the CEO is not authorized to execute the agreement on the approved project without the Board voting for a revised Resolution incorporating the final PPA. He explained that the Resolution was not approving a new project, rather it is to approve the change in the parameter Resolution to change the PPA rate so that the project may be initiated by executing the PPA.

A motion was made by Director Bilda, seconded by Director Demicco, to approve revised Resolution allowing CEO to execute the agreement at the parameter PPA rate change of \$49.50.

Vote passed with Director Barber abstaining. (17-04-03)

A motion was made by Director Collard, seconded by Director Bilda, to table Attachment B – Project Participants and Participant EAs – SUBASE Fuel Cell Power Project Entitlement Allocation Option

Vote passed with Director Brown abstaining. (17-04-04)

(G) March 2017 Energy Market Analysis

Mr. Connell provided a brief overview of the March 2017 Energy Market Analysis highlighting activity over the month.

There being no further business, Chairman Sullivan indicated he would entertain a motion to adjourn the meeting.

A motion was made by Director Collard, seconded by Director Barber, to adjourn the meeting.

Vote passed unanimously.

(17-04-05)

There being no further business to come before this Board, the meeting was adjourned at 12:22 p.m.

**Connecticut Municipal Electric Energy Cooperative
Board of Directors Meeting
Resolution 17-04-03**

**RESOLUTION FOR INITIAL ESTABLISHMENT AND ACQUISITION OF
ADDITIONAL FUEL CELL POWER PROJECT AT THE SUBBASE**

WHEREAS, by Resolution 13-32, the Board authorized an Additional Power Project that provided for the procurement, installation, and operation by CMEEC of 8 MW of diesel electric generation (the “Prior Project”), but which authorization was withdrawn by the Board pursuant to Resolution 16-08-03 after CMEEC was informed by the Navy that it intended to install 10 MW or more of base-load generation and improve energy efficiency on the U.S. Navy Subbase located in Groton, Connecticut (the “Subbase”), thereby altering the assumptions utilized by the Board in authorizing the Prior Project.

WHEREAS, CMEEC management has continued to further its strategic partnership with the Navy at the U.S. Navy Subbase and has facilitated the development of an electric power generation project (the “Project”) on land to be leased from the U.S. Navy located in Groton, Connecticut, pursuant to the Enhanced Use Lease ("EUL") between the U.S. Navy and CMEEC (the “Project”) and (i) to be comprised of fuel cell electric generating facilities with a nominally rated generating capacity of 7.4 megawatts (“MW”s), including load levelers for grid independent mode, and all required and necessary ancillary equipment, including electric interconnection facilities and telemetry communications between the Project location and CMEEC's offices (the “Facilities”) and (ii) the execution, subject to terms and conditions to be negotiated and agreed, of a “Take and Pay” power purchase agreement (“PPA”) not to exceed twenty (20) years from commencement of commercial operation of the Project and providing for the purchase by CMEEC of the electric energy generated by the Facilities; and (iii) the resale or other disposition of such electric energy by CMEEC for the benefit of the municipal electric utilities (“MEUs”) participating in the Power Project (the “Project Participants”).

WHEREAS, CMEEC management prepared and provided a pro forma for review and consideration by the Board of the economic and strategic benefits resulting from the Project and the PPA by CMEEC over its anticipated useful life, which subject to the assumptions utilized in such analysis, projects a positive net benefit to accrue from participation in the Project.

WHEREAS, participation has been offered in the Project to the Members in conformity with the provisions of the CMEEC Membership Agreement ("MA") and, in conformity with those procedures, two or more CMEEC Members have elected to acquire Entitlement Allocations ("EAs"), as that term is defined in the CMEEC Replacement Power Supply Contracts ("RPSCs"), comprising one hundred percent (100%) of the EAs in the Project, and thereby comprising an Additional Power Project, as that term is defined in the RPSC

WHEREAS, the Project comprises an Additional Power Project, as that term is defined in the RPSCs, thereby allowing for the incurrence by CMEEC of Fixed Costs obligations under the

RPSCs with respect to such Power Project and the Project Participants assume their obligation to pay for such Fixed Cost obligations as provided under the RPSCs.

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 Project, as further defined by the Additional Power Project Parameters as set forth in Section 3 and Attachment A hereof, is approved and CMEEC is authorized to enter into one or more PPAs for the procurement by CMEEC of the Electric Products from the Facilities and such other agreements as are appropriate and required for the construction and operation of the Facilities, subject to the terms of this Resolution.

Section 3. The Additional Power Project Parameters, as such term is defined in the RPSCs, are as set forth in Attachment A, attached hereto.

Section 4. The Project Participants and their respective EAs in the Project are as set forth in Attachment B, attached hereto. Each Project Participant, through its duly authorized representatives on the Board, has agreed to and approved the respective Project Participant's participation level in the Power Project, defined by the Project EA of such Project Participant, as set forth in Attachment B.

Section 5. The Chief Executive Officer ("CEO") is authorized on behalf of CMEEC to finalize, execute, and deliver the revised EUL and such other agreement as may be necessary and appropriate to permit fuel cell technology application within the EUL.

Section 6. The Chief Executive Officer ("CEO") is authorized on behalf of CMEEC to finalize, execute, and deliver the PPA and such other agreement as may be necessary and appropriate, subject to reasonable terms and conditions conforming to the general description of the Power Project as set forth in Attachment A.

Section 7. Expenses realized to date in connection with the Prior Project total \$547,000, and up to an additional \$400,000 for interconnection cost, which expenses are hereby authorized to be incorporated into the Fixed Costs associated with the Project to be allocated to the Project Participants in accordance with their EA in the Project.

Section 8. The CEO is authorized to enter into one or more PPAs with the Fuel Cell Prime Mover with respect to 7.4 MW in aggregate current nameplate capacity of fuel cell facilities at no greater cost than \$49.50/MWh (subject to a rate escalation of 2.5% per year).

April 27, 2017



Edward DeMuzzio
Secretary

ATTACHMENT A - Additional Power Project Parameters

A Power Purchase Agreement (“PPA”) in a “Take and Pay” structure for CMEEC to purchase one hundred percent (100%) of the electric production from fuel cell technology generation assets located on the SUBASE New London location in Groton, as enabled through an Enhanced Use Lease (“EUL”) between CMEEC and the United States Navy. The PPA is for electric energy only purchase, and does not include the purchase and or delivery of Renewable Energy Credits (“RECs”), as the PPA counterparty will assume ownership and potential value of the RECs, not CMEEC. The fuel cell energy will be produced on the SUBASE distribution system for contractual delivery to CMEEC through the Groton Utilities (“GU”) distribution system. Physical energy flow will generally remain on the SUBASE. In the event of a GU outage or a bulk power system outage, the fuel cell generation will be utilized to maintain the SUBASE electricity supply. The PPA is a twenty (20) year agreement. CMEEC will incur additional, and apply previously construction work in progress (“CWIP”), cost to the SUBASE Fuel Cell Power Purchase Agreement. \$547,000 of previously incurred CWIP will be capitalized and assigned to Entitlement Allocation holders, as will any additional capital requirements, not to exceed \$400,000.

**ATTACHMENT B - Project Participants and Participant EAs.
SUBASE Fuel Cell Power Project Entitlement Allocation Option**

South Norwalk Electric and Water has, at this time and subject to their reconsideration, elected not to participate in the Project. As a result, South Norwalk Electric and Water’s load used to calculate its Membership Interest Level as provided in section 4.1 of the MA has been distributed pro rata to the five (5) MEUs who have elected to participate in the Project, resulting in an Entitlement Allocation in the Project as set forth below:

Project Participant	Bozrah Light and Power Company	Groton Utilities	Norwich Public Utilities	South Norwalk Electric and Water	Third Taxing District	Jewett City Department of Public Utilities
SUBASE Fuel Cell Power Project	19.0491%	42.9321%	30.0739%	0%	5.7566%	2.1883%

NOT PREPARED