



CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

CMEEC Board of Directors' Meeting

August 23, 2012

MINUTES

A regular meeting of the Board of Directors of the Connecticut Municipal Electric Energy Cooperative ("CMEEC") was conducted on Thursday, August 23, 2012 at CMEEC's offices. The meeting was legally noticed in compliance with Connecticut State Law and all proceedings and actions hereinafter recorded, occurred, and/or were taken while the meeting was open to the attendance of the public.

Chairman Hiscock called the meeting to order at 9:36 a.m. and determined a quorum was present.

The following were present:

List Representatives/Directors Present:

Directors and Alternate Directors:

Jewett City – Louis Demicco, Kenneth Sullivan, Richard Throwe
Groton – Edward DeMuzzio, David Collard
Norwich – James Sullivan, John Bilda, Stephen Sinko
East Norwalk – David Brown, James Smith
South Norwalk – Mark Harris, John Hiscock, Scott Whittier
Wallingford – George Adair, Robert Beaumont

Also present were the following:

Michael Cassella, CMEEC, Director, Customer Program Management
Edward Pryor, CMEEC, Director, Finance and Accounting
Drew Rankin, CMEEC, Chief Executive Officer
Philip Sussler, CMEEC, General Counsel
Brian Forshaw, CMEEC, Director Power Supply
Jessica Sharkey, CMEEC, Performance Analytics and Development
Kristen Rollins, CMEEC, Office and Executive Specialist

Ms. Rollins recorded

(1) Approve Amended Minutes of the CMEEC July 26, 2012] Board of Directors' Meeting

Director DeMuzzio inquired concerning the documentation of the vote and discussion regarding the 50 in 5 Project. Mr. Rankin confirmed the vote that was recorded was to not to make decision on build out at this time. The vote was to stay under existing \$34 million cap and continue working toward providing the Board with sufficient materials to support decision-making with respect to the project.

Motion by Director Smith, seconded by Director Demicco to approve the minutes of the CMEEC July 26, 2012 Board of Directors' Meeting.

**Vote for approval by all Representatives/Directors present,
with Representative Beaumont abstaining.**

[12-37]

Specific Action Items

(2) Discussion of Medical Life Threatening Rulings

Director Kenneth Sullivan discussed how Jewett City has been adversely affected by use of Medical Life Threatening Rulings in the billing process, which now aggregates to more than 3.5 percent of annual operating revenue. Reportedly, the average for the investor owned utilities is about 0.5 percent. Jewett City currently is experiencing about four life threatening medical filings a month. Director K. Sullivan urged that there should be a collective approach to state decision-makers and regulators regarding looking more closely at addressing loopholes or potential abuses of the process. The statute is well intended but is being abused.

Director Bilda expressed that Norwich faces many of the same challenges; but that there a number of factors to be balanced in addressing reform of the system. Director Collard expressed how the utility has a right to challenge the doctor's certificate to determine if it is fraudulent or not; however, to his knowledge, that right had not been asserted to date.

Director Adair would like to have a committee to look further into this and to consider a strategic approach to addressing this issue. Mr. Rankin responded that CMEEC would review the issue and find out how impacting it is across all the municipal electric utilities ("MEUs") and then evaluate the extent of support that is needed and get consensus among the MEUs regarding the next steps to be taken. Mr. Rankin specified that after today's meeting, staff will investigate this issue further.

Director Hiscock offered additional commentary regarding this issue as it has affected SNEW, with a similar adverse economic impact resulting from major increases in these filings. A problem with the program, in his view, is the lack of clear criteria for use by the doctors who provide the certification required to trigger the requirement for utility customers. Director Collard noted that an intent of the law creating the program is that the affected customer also make and commit to an arrangement to pay, albeit on a deferred basis, which is not being complied with under current circumstances.

The Board consensus was to have CMEEC staff investigate this issue further.

(3) Review / Revise Board Committee schedule / Topic

Mr. Rankin presented the topic to the Board to discuss the scheduling and planning for upcoming committee meetings for September and October.

The Risk Management Committee (“RMC”) meetings set up for September and October are to review and approve the revision drafted by CMEEC of the Risk Management Plan (“RMP”). There is a joint RMC and Budget & Finance Committee Meeting scheduled in September, to address dual objectives of optimizing regional competitiveness and addressing potential generation asset investment opportunities. The follow up meeting for this is set up for October followed by attempting to get approval at the October full CMEEC Board meeting.

There is a priority to re-constitute the Audit Committee through election of a new chairman to replace George Leary, who previously served in that position, in time for the November meeting with the Auditor as part of CMEEC’s annual accounting reviews and statement preparation.

Issues to be addressed by the Governance Committee (“GC”) are also a priority. The matters slated to be addressed by the GC include the 2013 Board Schedule development and preparation (for approval by the CMEEC full Board at the full Board’s November meeting), the 2013 Committee Membership and CMEEC Officer nominations (also for review and approval at the CMEEC full Board November meeting), the naming of George Leary’s replacement on the Audit Committee, the review of a revised draft of the Board ethics policy and matrix of examples (for review and approval at the November Board meeting) and review and approval of a revised Charter for the Committees, incorporating more standardized language. Mr. Rankin inquired about Paul Yatcko’s availability to fulfill the role of chairman of the committee. Mr. Rankin emphasized the need for the GC to make the formal due dates of the schedule given the press of business to be addressed.

The Budget & Finance Committee meeting is being set up on or after October 18th. This is to look at the annual CMEEC 2013 budget which will then be submitted for review and approval in October.

The Legislative Committee is starting to look into next year, which will entail spending time to go over what are the things needed to be anticipated and mapping out a strategy for presentation to the CMEEC board at a full meeting to be scheduled in advance of the beginning of the 2013 legislative session.

There were no other comments or suggestions for meeting.

(4) Update / Next steps on 50 in 5

Mr. Rankin passed out a handout of which identified the various scenarios of fixed cost responsibility and entitlement allocation in the 50 in 5 project based on decisions for participation in the project to be exercised by Bozrah and Wallingford resulting from the increase in the capital budget above the previously approved level of \$34 million to \$37 million, based on current expenditures, and \$41 million if the project is fully built out.

Mr. Rankin informed the Board that WED had notified him that it had decided to maintain its level of participation at \$34 million, such that its entitlement allocation would be adjusted downward in proportion to the overall budget increase. Bozrah needs to make a similar decision with respect to its level of participation.

Director Bilda questioned the terms regarding the decision to select a site for the remaining four units included in the 50 in 5 project. He stated that CMEEC needs to make a decision soon or the Backus Hospital, given the schedule for decision-making communicated to Norwich, may opt for an alternative arrangement and be removed as a potential site for the location of these units.

Mr. Rankin added that, in his and CMEEC’s staff’s opinion and as previously reported to the Board, the current ranking, based on an evaluation of development and cost considerations, among the potential sites for deployment of the last four units, from most preferred to least, is: 1) Backus 2) SNEW 3) Sub base. CMEEC is engaged in further due diligence in evaluating these alternative sites, which includes arrangement for

contractors to visit the sites and extensive soils stability investigations in order to find out what site is the lowest cost to build out.

Director Kenneth Sullivan inquired whether the Board believed it had sufficient information to vote during this meeting to pursue the deployment of the last four units. Director DeMuzzio requested additional information from CMEEC staff in order to be able to vote next month. Director Bilda noted that Norwich could wait a month for a vote but wants the matter placed on the agenda for next month's full Board meeting in order to not wait any longer to give Backus Hospital an answer.

The consensus of the meeting was to place the issue of deployment of the last four units on the agenda for the September CMEEC Board meeting.

(5) CMEEC budget process overview and schedule (attachment)

Edward Pryor, CMEEC CFO, and Jessica Sharkey, CMEEC Performance Analytics and Development, have been working on a project for informational process.

Mr. Pryor explained the budgeting process. By using this new tool, CMEEC staff is able to get the budget materials ready for consideration by the Board for approval earlier during the budget cycle than has been done in the past. Mr. Pryor and Ms. Sharkey described the critical new role of budget facilitator which Ms. Sharkey is performing. CMEEC staff is using new tools that allow them to do a KT analysis of projects. This is now a requirement for screening any capital items that are requested in the budget. This insures the most economical decisions for CMEEC. The process owners on the CMEEC staff are fully embracing it. The schedule is included in the process. Mr. Pryor highlighted that the first pass at the Administrative and General ("A&G") portion of the budget is scheduled to be submitted by staff process owners to CMEEC management on 8/24.

Mr. Pryor explained how the process itself is going to be shifted from past practices. In the past the reports came out of CMARS. Now CMEEC staff is consolidating everything, including all reports and changes, in a new tool. When the budget is finally approved by the CMEEC Board, it will be uploaded into CMARS and into the financial report package. During the ensuing year, when CMEEC does reporting the budget package will be simplified and streamlined, with all information based in and coming out of CMARS. In regards to revenue and receipts there are now more tools with the new process. The reporting format will be enhanced by being broken down more structurally and with depiction by diagrams. The overall objective is to give more understanding and insight and to assist CMEEC staff in prioritizing costs and only approve cost. What the Board will be approving as part of the budget package are the resources required to run the company and then the reporting formats will allow each Board member to see the customer view in CMARS.

Director Demicco inquired if the Board members will receive this information by September / October. Mr. Rankin responded that CMEEC staff plans to distribute the information relative to the 2013 budget by October 18th.

Motion by Director Kenneth Sullivan, Seconded by Director Demicco to go into Executive Session.

Vote Unanimous

[12-38]

The basis for the going into executive session was Conn. Gen. Stat. Section 1-200(6) (A) 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)).

The meeting went into executive session at 11:16 a.m. to discuss Business Development update / opportunities, Wallingford Electric Division ("WED") RFP update and CEO performance /compensation.

Motion by Director Demicco, Seconded by Director Whittier to come out of Executive Session.

Vote Unanimous

[12-39]

The meeting came out of executive session at 12:25 p.m.

(6) Board to add CEO performance and compensation to Agenda

John Hiscock asked the board if they would agree to add the CMEEC CEO's compensation discussion to the agenda.

Motion by Director K. Sullivan, seconded by J. Sullivan, to add the issue of revision of the CMEEC CEO's annual compensation to the Board's meeting agenda.

Vote Passed. Unanimous

[12-40]

(7) Board vote to approve an additional \$10,000 to be added to the CEO's annual salary.

Director George Adair stated that he was pleased with Mr. Rankin's performance and the changes he has made for CMEEC; but that he plans to vote no on the resolution due to overall financial reasons affecting CMEEC but not related to the CEO's performance.

Motion by Director Collard, seconded by Demicco to approve Resolution 12-41 "Approving an additional \$10,000 to be added to the CMEEC CEO's annual salary".

Vote passed. Directors Adair and Beaumont voted no.

[12-41]

(8) Objectives:

Financial Stability.

Director James Sullivan inquired about CMEEC's credit requirement minimum at 60 days cash on hand and whether CMEEC should be considering alternatives regarding the amounts of cash held by CMEEC.

Mr. Rankin responded that 120 days was an arbitrary number, adopted for convention as part of developing the report; and that CMEEC did not desire having excess cash balances. CMEEC Staff is investigating the classifications and use of cash and current assets held by CMEEC and intends to propose policies to the Board for management of these assets.

Customer Fulfillment

Director Adair inquired about the deployment and use of the vintage 2011 Renewable Energy Credits ("REC") credits. Mr. Forshaw explained that CMEEC entered into a contract in April, 2012 for the sale of the RECs, purchased by CMEEC under a prior contract with a generator, and it took a while to complete contract. The closing of the transaction took place in May. One third of the total proceeds, CMEEC had. CMEEC had to sell balance of the 2011 RECs by June 15 and all of those related to the 2011 vintage RECs. Under the system for the creation of RECs, RECs are created and accounted for when the renewable generation of kilowatt-hours to which they relate takes place and the legal entitlement to the generation (the RECs themselves) get transferred in the following year, 90 days in arrears.

Maximize Asset Value

Director Harris inquired about the Pierce monthly budget amount reported for sales of generated power is \$50,000 while the corresponding cost is only \$4,200. Mr. Rankin responded that the reported values are correct; and

arise from possibly unusual circumstances when the locational marginal price (“LMP”) paid for the generated output was very elevated.

Motion to adjourn meeting by Director Beaumont, seconded by Director Bilda.

Vote unanimous.

[12-41A]

There being no further business of the Board, the meeting was adjourned at **12:30 p.m.**

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Philip L. Sussler".

Philip L. Sussler
2nd Assistant Secretary