

CMEEC Board of Director's Meeting

August 25, 2016

MINUTES

A special meeting of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) Board of Directors (sometimes referred to as the “Board” or “BOD”) was held on Thursday, August 25, 2016 at in the Third Taxing District at the Pastime Club, 59 Seaview Avenue, East Norwalk, CT.

The meeting was legally noticed in compliance with the Connecticut State law and all proceedings and actions hereinafter recorded occurred during the publicly open portions of the meeting.

Vice Chairman, John Bilda, called the meeting to order at 10:04 a.m. and determined a quorum was present.

The following Member Representatives/Directors participated:

Bozrah Light and Power Company – David Collard, Richard Tanger
Jewett City – Louis Demicco (by phone), Kenneth Sullivan (by phone)
Groton – Edward DeMuzzio, Ronald Gaudet,
Norwich – John Bilda, Robert Groner, Stephen Sinko
East Norwalk – David Brown, James Smith
South Norwalk – Kevin Barber, Paul Yatcko

The following individuals from CMEEC management participated:

Drew Rankin, CMEEC, Chief Executive Officer
Edward Pryor, CMEEC, Chief Financial Officer
Justin Connell, CMEEC, Director, Portfolio Management
Robin Kipnis, CMEEC, Assistant General Counsel
Michael Rall, CMEEC, Director, Asset Management
Philip Sussler, CMEEC, General Counsel
Scott Whittier, CMEEC, Director Enabling Services
Dylan Phillips, CMEEC, Risk Analyst
Ellen Kachmar, CMEEC, Office and Facility Manager

Others Present:

Debora Goldstein, TTD Commissioner
Dr. Michael Intrieri, TTD Commissioner
Charles Yost, TTD Commissioner
Michael Haeflich, iRestore Guest Presenter
Deepak Swamy, iRestore Guest Presenter

Ms. Kachmar recorded.

Standard Action Items

(A) Approve Minutes of the CMEEC July 22, 2016 CMEEC Board of Director's Meeting.

A motion was made by Director Brown, seconded by Director Groner, to approve the Minutes of the July 22, 2016 Board of Directors meeting as Amended, removing the word "Special" from the title.

Vote passed (unanimously).

(16-08-01)

Specific Action Items

(B) July 2016 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 the established target value for the performance month, year to date, and projected for 2016 year end. Director DeMuzzio inquired about the Pierce Project, to which Mr. Rankin responded that revised pro forma would be reviewed at the October Board of Directors meeting.

(C) July 2016 Market Analysis

Mr. Connell reported July energy costs essentially at budget, with actual energy demand over 5,000 MWh lower. Natural gas transportation costs were lower than expected and budgeted for the month. Unit contingent resources were lower than budget, due in part to the Solar Farms not yet being online. Mr. Connell commented on what appears to be a shift between coal and natural gas, noting recent withdrawals from natural gas supplies. Mr. Rankin remarked that CMEEC is currently stress testing the supply portfolio for the Winter period, and when prepared, will schedule a review with the Risk Management Committee. Mr. Connell pointed out a couple of changes to the format of data tables.

(D) Guest Presentation on Utility Reader

Mr. Haeflich and Mr. Swamy of iRestore presented on their company's outage intelligence software, which uses mobile, smartphone, and tablet apps to do a range of functions for restoring distribution services by leveraging first responders.

A motion to enter into Executive Session to discuss resource bidding strategy and Board strategy on existing customers continuing business development matters was made by Director DeMuzzio, seconded by Director Smith, with direction to the Board to come back into public session upon completion of the discussion in Executive Session.

Vote passed unanimously.

(16-08-02)

The basis for going into executive session was Conn. Gen. Stat. Secs. 1-200(6)(B) and 1-200(6)(E). Present during the discussion were the Board representatives, and Msrs. Rankin, Pryor, Connell, Rall, Philips, Sussler, Whittier, and Ms. Kipnis. The meeting went into executive session at 11:50 a.m.

The meeting returned to public session at 1:12 p.m.

A motion was made by Director DeMuzzio, seconded by Director Groner, to approve Resolution 16-08-03 terminating the previously authorized additional power project entailing diesel electric generator installations at the U. S. Navy SUBASE.

Vote passed unanimously. (16-08-03)

A motion was made by Director Gaudet, seconded by Director Brown, to approve Resolution 16-08-04 for initial establishment and acquisition of an additional power project at the Norwich Spa.

Vote passed unanimously. (16-08-04)

Vice Chairman Bilda inquired whether there were further matters to come before the Board. Finding that there were no further matters to come before the Board, Vice Chairman Bilda indicated that he would entertain a motion to adjourn the meeting.

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

Vote passed unanimously. (16-08-05)

There being no further business to come before the Board, the meeting was adjourned at 1:16 p.m.

Connecticut Municipal Electric Energy Cooperative

Board of Directors Meeting

Resolution 16-08-03

**RESOLUTION TERMINATING THE PREVIOUSLY AUTHORIZED ADDITIONAL
POWER PROJECT ENTAILING DIESEL ELECTRIC GENERATOR
INSTALLATIONS AT THE U.S. NAVY SUBASE**

WHEREAS, the CMEEC Board of Directors in Resolution 13-32 authorized the entering into an Enhanced Use Lease Agreement with the United States Navy that provided for the procurement, installation, and operation by CMEEC of 8 MW of diesel electric generation on property leased from the US Navy in Groton, Connecticut (the "Project");

WHEREAS, CMEEC management prepared and provided forecasts for review and consideration by the Board of the economic benefit resulting from the development and operation of the Project by CMEEC over its anticipated useful life, which subject to the assumptions utilized in such forecasts, projected a positive net benefit to accrue from participation in the Project;

WHEREAS, Resolution 13-32 also established the Project as an "Additional Power Project" as that is defined in the Replacement Power Sales Contracts ("RPSCs") and the CMEEC Membership Agreement with Groton Utilities, Norwich Public Utilities and Jewett City Department of Public Utilities electing in aggregate to acquire 100% of the Entitlement Allocations ("EAs") in the Project in accordance with their Membership Interest Level as provided in the Membership Agreement and obligating themselves for the payment of the Fixed Cost obligations associated with the Project in the manner provided in the RPSC;

WHEREAS, Resolution 13-32 also authorized CMEEC's Chief Executive Officer (the "CEO") to enter into an Enhanced Use Lease, which was executed in May of 2014 and which set forth the terms and conditions for the Project;

WHEREAS, CMEEC has been informed by the Navy that it intends to install 10 MW of base-load electric generation and take steps to improve energy efficiency on the Subbase, both of which alter substantially the assumptions utilized by the Board in previously authorizing the Project and will result in the Project having a negative net benefit for CMEEC; and

WHEREAS, CMEEC presented a revised pro forma to CMEEC's Risk Management Committee on August 16, 2016 revising the assumptions to include the impact of the Navy's decision to add 10 MW of base load and increase energy efficiency and, based on the revised assumptions and expected negative net benefit to CMEEC, has recommended that the authorization for the Project be withdrawn.

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF CMEEC AS FOLLOWS:

Section1: That Resolution 13-32 authorizing CMEEC to pursue the Project is terminated with the result that CEO is no longer authorized to pursue the Project or to expend funds in

furtherance of the Project other than such funds as are necessary and appropriate to accomplish termination of the Project in a manner which is maximally beneficial to CMEEEC and the participants in the Project, as determined by the CEO.

Section 2: That the CEO is hereby authorized to take such actions as deemed necessary and appropriate to terminate CMEEEC's involvement in the Project, including, but not limited to, modifying or terminating the Enhanced Use Lease Agreement in accordance with its terms, and or evaluating the accrued Fixed Cost of the Project for potential application to any potential future Subbase project, if any.

Section 3: In conjunction with the Members who have an EA in the Project, the CEO is authorized to determine the method and manner for assessing the Fixed Cost obligations associated with the planning and development of the Project that may not be applicable to any potential future Subbase project.

Section 4: The CEO shall provide to the Board periodic updates on the status of CMEEEC's withdrawal from and termination of the Project.

August 25, 2016



Edward DeMuzzio, Secretary

Connecticut Municipal Electric Energy Cooperative

Board of Directors Meeting

Resolution 16-08-04

**RESOLUTION FOR INITIAL ESTABLISHMENT AND ACQUISITION OF
ADDITIONAL POWER PROJECT AT THE NORWICH SPA**

WHEREAS, CMEEC management has been engaged in the development of an electric power generation project (the “Project”) proposed to be located at the Norwich Spa in Norwich, Connecticut, comprising the installation, construction, putting into service and operation of a 460 kW fuel cell electric generating facility and inclusive of all required and necessary ancillary equipment, including electric interconnection facilities and telemetry communications between the Project location and CMEEC’s offices.

WHEREAS, CMEEC management has prepared and provided forecasts for review and consideration by the Board of Directors of the economic benefit resulting from the development and operation of the Project by CMEEC over its anticipated useful life, which subject to the assumptions utilized in such forecasts, 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 100% of the EAs in the Project, and thereby comprising an Additional Power Project, as that term is defined in the RPSCs, and in a manner which is sufficient to establish the Project as a qualifying Additional Power Project under the RPSCs, allowing for the issuance of CMEEC indebtedness to finance the Project and the incurrence of Fixed Costs obligations under the RPSCs with respect to such Project and the specific Members electing to participate in the Project (“Project Participants”).

WHEREAS, CMEEC currently anticipates paying for the Project through its existing lines of credit and/or through available cash, but, in order to provide planning flexibility also may fund such costs through the issuance of obligations (the “Bonds”) to fund the cost of acquisition and construction of the Project and) the expenditure of funds related to the Project prior to the issuance of the Bonds (the “Reimbursable Expenditures”); and

WHEREAS, section 1.150-2 of the Treasury Regulations (the “Treasury Regulations”) promulgated pursuant to the U.S. Internal Revenue Code of 1986, as amended, requires that in order that an allocation of proceeds of the Bonds to a capital expenditure made prior to the issuance of the Bonds be recognized by the Internal Revenue Service, CMEEC generally must

no later than sixty (60) days following such payment have declared its official intent to reimburse such payment of proceeds of debt obligations.

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 to develop, engineer, design, construct, commission and finance the capital costs, and undertake the on-going operation and maintenance of the Project, 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 Project EAs are as set forth in Attachment B, attached hereto.

Section 5. The CMEEC Chief Executive Officer (“CEO”) is hereby authorized to arrange for, negotiate and execute such agreements and/or provide for and enter into such other arrangements as are necessary and appropriate to develop and accomplish the Project, provided the CEO shall consult with the Risk Management Committee in the event of any material changes in the Project from that described in Attachment A.

Section 6. The CEO is authorized to spend or commit to spend the necessary funds in the nature of capitalized expenditures to develop, engineer, design, construct, and commission the Project, not to exceed \$2,750,000, and CMEEC is authorized to pursue the most favorable financing terms and structures to fund the Project and, if deemed appropriate by the CEO, to reimburse CMEEC for CMEEC funds utilized in connection with the Project from any such financing.

Section 7. This resolution is adopted, in addition, for the purposes of establishing compliance with the requirements of section 1.150-2 of the Treasury Regulations. This resolution does not obligate CMEEC to make any expenditure, issue the Bonds or proceed with the Project. CMEEC hereby declares its reasonable official intention to issue Bonds or incur other obligations in an amount that is not expected to exceed \$3,100,000 and, if Bonds are issued to finance the Project, to apply a portion of the proceeds thereof to the reimbursement for the prior payment of Reimbursable Expenditures. CMEEC recognizes that under section 1.150-2 of the Treasury Regulations, the allocation of the proceeds of the Bonds to Reimbursable Expenditures (other than certain de minimus or preliminary expenditures described in section 1.150-2(f) of the Treasury Regulations) will be recognized only if (i) the Reimbursable Expenditures were paid not earlier than sixty (60) days prior to the adoption of this Resolution and (ii) the allocation of the proceeds of the Bonds to such reimbursement is made not later than the later of (a) eighteen

(18) months after the date of payment of the Reimbursable Expenditures or (b) eighteen (18) months after the date upon which the Project is placed in service or abandoned but in no event more than three (3) years after the date of the original expenditure of such money.

August 25, 2016

Handwritten signature of Edward DeMuzzio in cursive script.

Edward DeMuzzio, Secretary

ATTACHMENT A – Additional Power Project Parameters

Installed Capacity:

460 kilowatts

Prime Mover:

Fuel Cell

Ancillary Equipment:

Utility Interconnection and End Use Customer Interconnection

Scope of Project:

CMEEC shall develop, arrange for and/or cause the procurement, design, construction, and operation of the Project to be located at or adjacent to the Norwich Spa in Norwich, Connecticut. The Project shall be comprised of the Prime Mover and Ancillary Equipment, as defined above, and is limited to the installed capacity, set forth above, and the operating business model applicable to the Project, and shall not be expanded or modified for any other reasons other than as set forth in this Attachment A. The Project shall be subject to and allow for the ability of the Project to comply with all requirements of Applicable Law, as defined in the RPSC, and any future change of law, performance improvements for the benefit of the Project Participants, and other directly relevant requirements to maintain the Project's viability consistent with the intent of this statement of Additional Power Project Parameters, and is inclusive, of permissible betterments included within the definition of the Project, comprising a single Additional Power Project as provided under the RPSC.

ATTACHMENT B - Project Participants and Participant EAs.

Alternative A:

Each of the MEUs, which are currently Members of CMEEC, shall have participation in the Project equal to such Members' Membership Interest Level as defined in section 4.1 of the MA.

Alternative B.

| Project Participant | <u>Bozrah Light and Power Company</u> | <u>Groton Utilities</u> | <u>Norwich Public Utilities</u> | <u>South Norwalk Electric & Water</u> | <u>Third Taxing District</u> | <u>Jewett City Department Public Utilities</u> |
|--------------------------------------|--|--------------------------------|--|--|-------------------------------------|---|
| Norwich Spa Fuel Cell Project | []% | []% | []% | []% | []% | []% |