



## CMEEC Board of Directors' Meeting

December 19, 2013

### 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, December 19, 2013, 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 Hiscock called the meeting to order at 9:35 A.M. and determined that a quorum was present.

#### **The following Directors participated:**

Jewett City – Kenneth Sullivan, Richard Throwe, Louis Demicco  
Groton – Edward DeMuzzio, David Collard, Paul Yatcko  
Norwich – John Bilda, James Sullivan  
East Norwalk – David Brown, James Smith  
South Norwalk – John Hiscock, Mark Harris, Scott Whittier

#### **The following staff and guests participated:**

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

Ms. Kachmar Recorded

### **Standard Action Items:**

**(A) Approval of the Minutes of the CMEEC Joint Annual and Regular November 21, 2013 Board of Directors' Meeting.**

**A motion was made by Director DeMuzzio, seconded by Director Brown, to approve the Minutes of the November 21, 2013 Joint Annual and Regular November Board of Directors' Meeting.**

**Vote passed unanimously.**

**(13-79)**

### **Specific Agenda Items**

**(B) Review: Objective (s) Summary Report**

Mr. Rankin discussed the Dashboard Summary of CMEEC's performance metrics in order to provide a succinct summary of the more comprehensive and detailed information supporting the Dashboard Summary also provided in the Board package. This report is a summary of the key Objectives and associated metrics defining the financial and operating health of CMEEC for the previous month, year-to-date ("YTD"), and year-end projections.

Mr. Rankin reviewed the status of the Objectives including Regional Competitiveness, Customer Fulfillment, Financial Stability, and Maximize Asset Value. While reviewing Regional Competitiveness, Mr. Rankin pointed out that performance was not satisfactory in October. A comparison to CL&P's benchmark rates "With Investments" revealed a deviation of (15%), and "Without Investments" (13%). Mr. Rankin noted the projected end of year performance of actual to target would be close, but the gap would not be completely closed due to the higher power supply cost realized in January and February of 2013. Mr. Rankin explained that due to changes effected by the Public Utilities Regulatory Authority ("PURA") to the rate filing by Connecticut Light and Power Company ("CL&P") for standard service, which takes effect 1/1/14, the Regional Competitiveness metric projection will be positively impacted for 2014. This CL&P filing, along with the weighted average cost of CMEEC's out-of-market hedges which will be rolling off during this period, should improve CMEEC's cost projections.

Mr. Rankin reported with respect to the Customer Fulfillment Objective metric, that October's "All-In" Cost "with Investments" was \$5/MWh under budget and the "All-In" Cost "without investments" was \$2/MWh over budget. This was primarily driven by the timing of the transmission load reconciliation.

Mr. Rankin updated the Board on the Financial Stability metric, pointing out that the metrics are very strong, the Risk Management plan is in compliance with the targets, and the equity to debt ratio is stable at 23%. He mentioned also that the day's cash on hand metric is projected to reduce due to Trust Fund withdrawals. The net YTD A&G budget is expected to be 16% under that previously projected.

With respect to the Maximize Asset Value metric, Mr. Rankin reported that the Pierce Project experienced a \$400k positive variance, the DG units are doing well, the MicroGen units had a \$300k positive variance, and Transmission Project #1 is very strong.

**(C) Draft Enterprise Risk Management (“ERM”) Policy – Notice / Plan**

Mr. Rankin reported changes will be made to the existing ERM policy draft based on input from the Risk Management Committee. The current year definition of procurement targets relative to load will be changed so that base/intermediate/peak load percentages will be consolidated into a single percentage of load. Mr. Rankin explained that the ERM policy modification under development would encompass many other facets of CMEEC’s operations beyond the current focus on power supply, including assets, financials, contracts beyond 5 years, risk relating to other non-power supply type contracts, intellectual property and other material operational issues, such as succession planning. Mr. Rankin proposed as a schedule for Board engagement and vote for approval of the Enterprise Risk Management Policy, resulting from these proposed modifications and expansions, to undertake the required review and comment so as to be ready to act on the ERM Policy at the regular February 2014 Board meeting.

**(D) Ratify November 2013 Regular Meeting Board Vote**

Mr. Rankin explained that Wallingford Electric Division’s (“WED”) previous Power Supply Contract language provided a seat at the Board table, voting rights, and input in the governance of CMEEC. When the CMEEC members revised the By-laws in May 2013, WED was given participant status, which allowed input and discussion, but no voting rights or participation in executive sessions. During the November 21, 2013 regular Board meeting, Mr. Gessert, a representative of WED, made a motion which was not consistent with the new CMEEC By-laws. This vote is intended to ratify the Board votes from the November 21, 2013 meeting to conform with the revised CMEEC Bylaws.

**A motion was made by Director K. Sullivan, seconded by Director Yatcko as follows:**

**Resolved, that the Board of Directors does hereby, ratify, confirm and approve all votes taken and approved by the Board of Directors at its November 21, 2013 Joint Annual and Regular November Board of Directors’ Meeting.**

**Vote passed unanimously.**

**(13-80)**

**(E) Approve the MMWEC Stony Brook No. 3 Project Close Out**

Mr. Rankin described the background to the issue. In 2008, the CMEEC Board of Directors approved funding of up to \$1.5 million for CMEEC to participate in a due diligence study and project development for a 280 MW combined cycle power plant proposed by the Massachusetts Municipal Wholesale Electric Company (“MMWEC”). Due to several challenges encountered during development, the plant was never built. Management now recommends that the project be closed out and the expenses incurred in connection with the project be billed out. Mr. Rankin

provided the Board with a financial analysis of closing out the project. Director Smith asked if there were any other closed or abandoned projects still on CMEEC's books that should be closed out with costs charged to participants. Mr. Rankin responded that no other projects are in that status. He explained that there are expended funds for the SUBASE project, but that project remains active; as a result, there is no requirement currently for close-out and charging to participants because the costs are anticipated to be capitalized and recovered over the project's life following the commencement of operation of the project. If at a later date, CMEEC should choose to cancel the project (which is not currently anticipated), then a similar close-out process would be undertaken.

**A Motion was made by Director Demicco, seconded by Director J. Sullivan, to approve the MMWEC Stony Brook No. 3 Project close out.**

**Vote passed unanimously. (13-81)**

A discussion occurred regarding interest, optional amortization periods, and impact on the cost per megawatt hour with respect to the timing and mechanics for recovery by CMEEC of the MMWEC Stony Brook No. 3 Project expenses.

**A Motion was made by Director Harris, seconded by Director J. Sullivan, to approve the write off of the MMWEC Stony Brook No. 3 Project expense over 12 months with no interest.**

**Voting yes: Directors Demicco, Harris, K. Sullivan, and Bilda**

**Voting no: Directors Brown, J. Sullivan, Throwe, Demicco, Smith, Hiscock, Whittier, DeMuzzio, Collard, and Yatcko**

**Motion failed. (13-82)**

**A Motion was made by Director DeMuzzio, seconded by Director J. Sullivan, to approve the write-off of the MMWEC Stony Brook No. 3 Project expense over 24 months with no interest.**

**Vote passed. All Directors voting in favor, with Director Harris voting no. (13-83)**

Due to the necessity of a Director having to leave the meeting early, the Board decided to alter the agenda and proceed into executive session discussions earlier than originally planned.

**Motion by Director Demicco, seconded by Director Brown, to alter the meeting agenda, move into executive session, and resume regular agenda items after the completion of the executive session.**

**Vote passed unanimously. (13-84)**

**Motion by Director Demicco, seconded by Director Smith, to go into Executive Session at 10:35 a.m. to discuss the update on the Wallingford Transition and the ENE Contract(s) Breach Dispute Resolution.**

**Vote passed unanimously.**

**(13-85)**

The meeting went into executive session at 10:35 A.M. The basis for going into executive session was Conn. Gen. Stat. 1- The basis for the going into executive session was Conn. Gen. Stat. Section 1-200(6) (B) (strategy and negotiations with respect to pending claims or pending litigation to which the public agency is a party) 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)). In addition to the Directors, Messrs. Rankin, Pryor, and Sussler remained in the meeting during the executive session.

**A motion was made to come out of Executive Session by Director Throwe, seconded by Director Harris, at 11:55 A.M.**

**Vote passed unanimously.**

**(13-86)**

Director J. Sullivan assumed the position of chair of the meeting during Director Hiscock's temporary absence. Director Hiscock returned to the meeting at 12:03 P.M. and resumed the position of chair of the meeting.

**(F&G) Review of November Energy Cost Analysis and Update on January-February Market Conditions**

Mr. Connell presented the January and February (2014) forward pricing trend, the current hedge position to load, and the unit contingent potential impacts. Mr. Connell also discussed next steps being undertaken by staff of CMEEC's Portfolio Management group ("PM") to include the development of an in- house contractual agreement in the form of flexible, physical call options to better manage CMEEC's assets in a consolidated fashion with CMEEC's forward energy purchases and cover procured on behalf of load. Mr. Connell continued by explaining that PM is exploring the possibility of leveraging flexible call options for existing customers through special contract arrangements. Mr. Rankin requested the Board let CMEEC staff know if any of their customers had excess generating or demand resource capacity which might be available for use in connection with such flexible call options. Director Smith noted his newest large customer could be a perfect candidate. Mr. Rankin noted that a large customer of Bozrah Light and Power Company was doubling the size of its plant by the end of 2015 and could also be a good candidate for these types of contractual and dispatch arrangements.

**Motion by Director Throwe, seconded by Director Collard, to adjourn the meeting.**

**Vote passed unanimously.**

**(13-87)**

There being no further matters to be discussed, the meeting was adjourned at 12:17 P.M.