

CMEEC Board of Directors' Meeting

January 23, 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, January 23, 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 9:34 A.M. and determined that a quorum was present.

The following Directors participated:

Jewett City – Louis Demicco, Richard Throwe
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
Gabriel Stern, CMEEC, Director, Strategic Planning
Justin Connell, CMEEC, Director, Portfolio Management
Michael Cassella, CMEEC, Director, Customer Programs
Thomas Solinsky, CMEEC, Director, Asset Management
Ellen Kachmar, CMEEC, Office and Facility Manager

Ms. Kachmar Recorded

Standard Action Items:

(A) Approval of the Minutes of the December 19, 2013 CMEEC Board of Directors' Meeting.

A motion was made by Director Brown, seconded by Director Demicco, to approve the Minutes of the December 19, 2013 CMEEC Board of Directors' Meeting.

Vote passed unanimously.

(13-88)

Mr. Rankin took a moment to thank the new Chairman, James Sullivan, and acknowledged and thanked former Chairman John Hiscock, on behalf of CMEEC and the CMEEC Board, for doing an excellent job during his period of service as Chairman of the Board of CMEEC.

Specific Agenda Items

(B) Review: Objective (s) Summary Report

Mr. Rankin discussed the Objective Summary Report (or "Dashboard Report") of CMEEC's performance relative to its performance metrics, included in the Board package (tab 2 of the Board package). This is provided as a succinct summary of the more comprehensive and detailed information supporting the Objective Summary Report also provided in the Board package. The Dashboard R 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 CMEEC Objectives including Regional Competitiveness, Customer Fulfillment, Financial Stability, and Maximize Asset Value. While reviewing the Regional Competitiveness metric, Mr. Rankin pointed out the comparison to CL&P's benchmark retail (standard service) rates for the current month of CMEEC "With Investments" revealed a CMEEC favorable difference of 14%, and CMEEC "Without Investments" of 13%. Mr. Rankin noted the direction going forward on a twelve month basis would be positive for CMEEC and projected an approximate a 27% difference within twelve months.

Mr. Rankin reported with respect to the Customer Fulfillment Objective metric, that November's CMEEC "All-In" Cost "with Investments" was 7.2% under budget and the CMEEC "All-In" Cost "without investments" was 1.4% under budget. These metrics remain within the range of targets.

Mr. Rankin updated the Board on the Financial Stability metric, pointing out that the metrics are very strong, CMEEC's conforms to Risk Management Plan ("RMP") to the RMP's targets, and the CMEEC equity to debt ratio (current month) is stable at 23%. He mentioned that the days' cash on hand ("DCOH") (current month) is strong at 108. The target value of DCOH was changed from the 60 days minimum (as required by CMEEC's commitments under CMEEC's indebtedness instruments) to 100 days, which is closer to that preferred by the Credit Rating Agencies. CMEEC staff will work with the Budget and Finance Committee in early 2014 to

establish a more comprehensive target. Mr. Rankin noted that net administrative and general (“A&G”) for November, 2013, is 5% under budget.

With respect to the Maximize Asset Value metric, Mr. Rankin reported that performance is substantially superior to target, with the exception of Transmission Project #1. The exception for Transmission Project #1 is due to revenue receipt timing issues, but the project is very strong for year to date and anticipated to be so for the year-end projection. He also noted that CMEEC margin is strong. With CL&P’s projected recent rate increase of \$17/MWh effective in January, 2014, CMEEC’s regional competitiveness metrics will gain strength. It will also provide an opportunity for CMEEC to refine tools and processes and detect patterns for future stability.

Mr. Rankin reported that the Mohegan Tribal Utility Authority (“MTUA”) full requirement power supply and all related contracts were fully executed at the end of December along with a load reduction contract with the Mohegan Tribal Gaming Authority (“MTGA”).

(C) 2014 Member Delegation / Board / Committee Outlook

Mr. Rankin announced a new format for the Board and Committee outlook charts included in the Board package noting the necessity of getting upcoming issues “on the radar” two to three months in advance. He asked the Board to notify CMEEC staff of any issues they would like discussed on a forward-looking basis, and noted that CMEEC staff leads for each Committee would be setting up Committee meetings in the near future.

(D & E) December and January Market Analysis

Mr. Connell presented an analysis of energy modeling, market conditions, and the impacts which occurred in CMEEC’s procurement of electric power during December 2013 and January 2014. Mr. Connell reviewed the market prices, energy costs, budget to actual power sources and related power costs, the role of natural gas costs, the Locational Marginal Price (“LMP”) experience in the ISO-NE administered energy markets implied “heat rates” of energy supply, natural gas commodity and delivered price developments and the impact of these developments on the wholesale electric markets, the availability of unit contingent generating resources, and the mitigating actions taken.

Mr. Rankin stressed the importance of utilizing load forecast forensics analysis so longer term load forecasts can be reissued to reflect more accurate data going forward. Mr. Rankin reminded the system managers to look to their larger customers for opportunities to become involved in load reducing programs. Mr. Rankin also mentioned that CMEEC would like to better communicate market conditions to the customers who elect to hedge some of their power requirements.

Director Harris inquired about status of the forecast for loads and power costs for February, 2014. Mr. Connell responded by stating that the forward market for power purchases appears overpriced, the loads are projected to be lower than January, but the loads will still be higher than budgeted.

(F) Audit Schedule and Plan

Mr. Pryor reported that the Audit Committee met in November to discuss pre-planning of the 2013 annual financial audit. The auditors, Blum Shapiro, completed a preliminary audit in early December, and the CMEEC finance and accounting staff is working to close the 2013 books within the next week. Mr. Pryor reported no significant issues. The fieldwork auditors will be on-site at CMEEC February 10th through 14th. An Audit Committee meeting is scheduled for March 11th to review the results of the audit and the financials. Mr. Pryor stated that the schedule anticipates that the finalized 2013 audit be presented for Board Vote at the upcoming March 27th Board meeting.

(G) Conservation and Load Management Status Report

Mr. Rankin began by noting a new dashboard is being provided monthly in the Board package which illustrates the effectiveness of the conservation and load management (“C&LM”) programs. Mr. Rankin reported that the administration of programs was being evaluated to determine labor optimization and the use of modified tools for enhanced automation, which will ultimately reduce costs for the members. The minimum regulatory requirements are being assessed as well for reporting purposes.

Mr. Cassella reported on the six conservation and load management programs currently being implemented throughout the member systems. He noted a 60 / 40% split of Commercial/Industrial and Residential projects, respectively, and outlined the cost effectiveness of the programs. In the course of the eight years of C&LM program administration through CMEEC, the lighting program has distributed 1,250,000 compact fluorescent bulbs (“CFLs”). Mr. Cassella described the funding sources for the programs. He also reviewed ideas for new programs which have the potential to further reduce costs and help optimize CMEEC’s overall power supply procurement and costs, such as demand response, battery storage of 1, 2, or 3 megawatt (MW) capacity, retro-commissioning of building management systems, and servicing of electric vehicles. Chairman Sullivan asked to which State legislative or regulatory office is the reporting data submitted. Mr. Cassella answered that the agency is the Connecticut Energy Efficiency Board (“EEB”) through which the CMEEC report is made available to the legislature. The format of the data and its comparison to other Connecticut electric providers was inquired of by the Board. . Mr. Rankin and Mr. Cassella indicated that staff will obtain the comparison benchmark data and provide it to the Board.

(H) Enterprise Risk Management Policy Draft – General Questions and/or Feedback by Board or Staff

Mr. Rankin noted there was no formal presentation for the current Board meeting on the Draft Enterprise Risk Management Policy, revising the current RMP, but it is included in the Board package for Board review and anticipated later formal adoption at a subsequent meeting. The policy is inclusive of enterprise-wide risk areas such as regulatory compliance, rate structures,

and intellectual property. Mr. Rankin stated that the policy codifies the Board's requirements and interests. Mr. Rankin indicated that if any Director has comments or questions regarding the draft to get in touch with him to address the comment or question during further development of the draft.

Performance Objective Metric Detailed Review (elective)

Director DeMuzzio inquired about the status of ConnSMART. Mr. Rankin responded that Groton Utilities and Norwich Public Utilities are extending participation and activity until March of 2015, which has been approved through the Department of Energy ("DOE"). Director DeMuzzio asked if any funding remained, to which Mr. Rankin answered yes. Director DeMuzzio requested an outline of the project implementation and projected future spending schedule be provided in a future transmittal to the Board

Director DeMuzzio inquired about the status of the Backus MicroGrid Project. Mr. Rankin reported that regulatory review of the CMEEC new source review ("NSR") air emissions permit application for the project by the Connecticut Department of Energy and Environmental Protection ("DEEP") is reportedly nearly complete and the permit is anticipated to be issued in February. He noted that development of the Engineering Procurement and Construction ("EPC") Contract is well underway, that the Request for Proposal ("RFP") should be completed by February 7th, a well-defined project scope is completed, and currently the project is significantly under budget. Mr. Rankin estimates construction to begin in May or June, and possibly completed as early as August, although the original schedule is for completion in October.

Director DeMuzzio inquired about status of the Subase Project. Mr. Rankin stated that the lease with the U.S. government is still in process and awaiting final signature by the Navy. He suggested a meeting, coordinated through Groton Utilities, be scheduled with the new temporary energy manager of the Subase to better coordinate the development of the project

A motion was made to go into Executive Session by Director Bilda, and seconded by Director Demicco, to update the Board on the status of; (1) The Wallingford Electric Division ("WED") Dispute Resolution, and (2) The Energy New England ("ENE") Dispute Resolution.

Vote passed unanimously.

(13-89)

The meeting went into executive session at 10:55 A.M. 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 Hiscock, seconded by Director Demicco.

Vote passed unanimously. (13-90)

The meeting came out of executive session at 11:58 A.M.

Motion by Director Bilda, seconded by Director Demicco, to adjourn the meeting.

Vote passed unanimously. (13-91)

There being no further matters to be discussed, the meeting was adjourned at 11:59 A.M.