

CMEEC Board of Director's Special Meeting

July 22, 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 Friday, July 22, 2016 at CMEEC’s offices at 30 Stott Avenue, Norwich, 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.

The 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:

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

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
Brian Forshaw, CMEEC, Regulatory and Risk Officer
Robin Kipnis, CMEEC Assistant General Counsel
Dylan Phillips, CMEEC Risk Analyst
Michael Rall, CMEEC, Director, Asset Management
Philip Sussler, CMEEC General Counsel
Scott Whittier, CMEEC of Director Enabling Services

Others Present:

John Hiscock
Edward Meyer.

Mr. Sussler recorded.

Standard Action Items

(A) Approve Minutes of the CMEEEC June 23, 2016 CMEEEC Board of Director's Meeting.

A motion was made by Director DeMuzzio, seconded by Director Demicco, to approve the minutes of the June 23, 2016 Board of Directors' Meeting.

Vote passed (unanimously).

(16-07-01).

Specific Action Items

(B) June 2016 Objective Summary Review

Mr. Rankin summarized the results set forth in the Objective and Metric dashboard included in the Board packages distributed to the members of the Board. He noted that June was another excellent month for performance by CMEEEC, with CMEEEC achieving a 41% favorable deviation, compared to the 30% target for the Total Member Return ("TMR") and a 31% favorable deviation, compared to the 35% target for Rate 9 power costs ("R9") with respect to the Regional Competitiveness Metrics. He noted that end-of-year projections are still positive relative to targets for each metric, but the projections are expected to be adversely impacted by the second half of the year standard service reduction in rates anticipated to commence on July 1. He also noted a slight improvement in the Customer Fulfillment metrics (both TMR and R9) during the month. He noted that the financial stability metrics were all positive, with the exception of the Net Non-Fuel Operating Expense due primarily to increased non-budgeted expense associated with the on-going dispute resolution process. He stated that CMEEEC management is working hard to mitigate this impact for the balance of the year. He noted that the performance of the CMEEEC projects were impacted by, among other matters, lower than budgeted locational forward reserve ("LFRM") revenues and a performance audit of the Pierce Project completed in June, which reduced the capacity value otherwise received for the Project, as well as reduced loads supplied by CMEEEC adversely affecting CMEEEC Margin. He noted that the year-end equity value, on current projections, is substantially in excess of the target, but noted that CMEEEC may be incurring additional debt related to new projects which would require retention of equity to meet CMEEEC financial stability targets. He noted that any such projects and financings would be reviewed, prior to commitment, by the Risk Management Committee ("RMC") and the full Board. He also noted that staff is undertaking a review and analysis of the bidding practices of the generation asset projects to better optimize the bidding and forecasting for these assets. The Board inquired of Mr. Rankin of several of the matters discussed and Mr. Rankin responded to these inquiries.

(C) Investment Policy.

Mr. Pryor made a presentation regarding the Investment Policy proposed for adoption by the CMEEEC and Transco Boards. He noted that the Investment Policy was developed with the assistance of CMEEEC's external investment advisors and had previously been circulated to the full Board and reviewed with and vetted by the Joint Budget and Finance Committee ("B&F").

He noted that the purpose of the policy was to improve the earnings on CMEEC's funds, subject to appropriate and prudent investment controls and risk mitigation. Following the presentation, Mr. Pryor indicated he was available to respond to further questions or concerns by the Board.

Motion made by Director Collard, seconded by Director Demicco, to adopt and approve the "Resolution Regarding Approval of Investment Policy".

Vote passed (unanimously).

(16-07-02).

(D) Philip L Sussler Recognition.

Mr. Rankin noted that Mr. Sussler would be stepping down in his role as General Counsel to CMEEC and that CMEEC wished to recognize Mr. Sussler for his contributions to the organization during his tenure as General Counsel. Chairman Sullivan, and Directors Bilda, Smith and DeMuzzio and Mr. Rankin offered comments regarding Mr. Sussler. Mr Rankin then read a Resolution entitled "Acknowledgement and Appreciation of Extraordinary Service by Philip L. Sussler to the Connecticut Municipal Electric Energy Cooperative".

A motion was made by Director Bilda, seconded by Director Demicco, to adopt the proposed resolution, entitled "Acknowledgement and Appreciation of Extraordinary Service by Philip L. Sussler to the Connecticut Municipal Electric Energy Cooperative".

Voted passed (unanimously).

(16-07-03).

Mr. Sussler thanked the Board for its recognition of his service and thanked the Board and CMEEC management and staff. He noted that he much enjoyed and greatly appreciated the honor and opportunity to have worked, during his tenure, for CMEEC and with its Board members, management and staff.

(E) Market Analysis.

Mr. Connell reported on the market developments during the month of June, 2016. He noted that generally energy costs were below budget due primarily to lower than anticipated natural gas costs, which are the major driver of spot energy costs (as measured by locational marginal prices ("LMPs")) in the New England wholesale electric markets. He noted that the CMEEC incurred costs for the month are in excess of the spot market LMPs, which reflects an opportunity cost for CMEEC. He noted that CMEEC staff is exploring further ways to optimize its forward procurement of energy consistent with CMEEC's enterprise risk management policy ("ERMP"), while also noting that that CMEEC's incurred costs of supply represent a hedge benefitting CMEEC over the longer term and protecting it from the volatility that can occur in the spot market. He noted that CMEEC staff is engaged in continuing analysis of CMEEC's power procurement performance and may, based on that analysis, propose further changes to the ERMP, which will be subject to full review and vetting by the RMC as well as the Board. Mr. Connell and Mr. Rankin responded to further inquiry from the Board members.

(D) CMEEC Load Modeling Summary.

Mr. Connell presented information about the "forensics" undertaken by CMEEC management and staff regarding past load projections with the end of improving CMEEC's future electric load projections. Mr. Rankin and Mr. Connell noted that electric loads in the region and in the members' service territories have not followed past trends, with overall load stabilizing or decreasing. He noted that CMEEC staff is undertaking a full review of its load projection

practices. This includes analyzing the stability and reliability of inputs included in CMEEC's load forecasting as well as utilization of information from prior periods, particularly if the paradigm for and fundamental drivers of electric demand are changing, due to multiple factors, including increased penetration of distributed generation and changes in economic development in the region.

Following the completion of Mr. Connell's presentation, Chairman Sullivan inquired whether there were further matters to come before the Board. Finding that there were no further matters to come before the Board, Chairman Sullivan indicated that he would entertain a motion to adjourn the meeting.

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

Vote passed unanimously.

(16-07-04).

There being no further business to come before the Board, the meeting was adjourned at 11:25 a.m.

Connecticut Municipal Electric Energy Cooperative

Board of Directors Meeting

Resolution 16-07-02

RESOLUTION REGARDING APPROVAL OF INVESTMENT POLICY

WHEREAS, CMEEC management, with the assistance of an outside financial advisor, has developed an updated Investment Policy (the "Policy"); and,

WHEREAS, the proposed Policy in the form circulated to the Boards of Directors of CMEEC and Transco, at the meetings held on June 23, 2016, has been previously fully reviewed and vetted by the CMEEC / Transco Joint Budget and Finance Committee (the "B&FC") and circulated to the member representatives of the CMEEC and Transco Board of Directors for comment; and,

WHEREAS, the Policy provides a framework in which to operate with respect to the investment of funds by CMEEC and Transco and sets limitations to comply with the CMEEC and Transco Bond Resolutions and Connecticut state statutes applicable to the investment of municipal funds; and,

WHEREAS, the proposed Policy provides the framework to maximize the return on cash balances within appropriate risk parameters and is consistent with the objective of maximizing asset value; and,

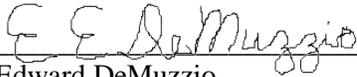
WHEREAS, the Policy outlines limits on the manner in which CMEEC and Transco can diversify the investment of funds, and delegates responsibility to the Chief Financial Officer (CFO) for the investment of funds, who can further delegate certain investment management responsibilities to outside investment advisory firms; and,

WHEREAS, monthly and quarterly investment performance and compliance reports will be produced and distributed to the Boards of Directors of CMEEC and Transco, respectively; and,

WHEREAS, the B&FC recommends approval by the CMEEC Board of Directors of the Policy as presented at this meeting or the CMEEC Board of Directors.

NOW THEREFORE BE IT RESOLVED, the CMEEC Board of Directors hereby approves the Policy in the form presented to the Board at this meeting, subject to approval of the Policy by the Transco Board or Directors at its meeting on July 22, 2016.

July 22, 2016


Edward DeMuzzio
Secretary