CMEEC Board of Directors' Regular Meeting

July 24, 2014

MINUTES

The Board of Directors (referred to hereafter as the "Board" or the "BOD") of the Connecticut Municipal Electric Energy Cooperative ("CMEEC") conducted a regular meeting of the Board on July 24, 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 J. Sullivan called the meeting to order at 9:35 AM and determined that a quorum was present.

The following Member Representatives/Directors participated:

Groton - Edward DeMuzzio
Jewett City - Louis Demicco, Kenneth Sullivan, Richard Throwe,
Norwich - Stephen Sinko, James Sullivan
East Norwalk – David Brown, James Smith
South Norwalk – John Hiscock (by phone), Mark Harris (by phone),

The following individuals from CMEEC management and staff participated:

Drew Rankin, CMEEC, Chief Executive Officer
Edward Pryor, CMEEC, Chief Financial Officer
Michael Cassella, CMEEC, Director, Customer Programs
Justin Connell, CMEEC, Director, Portfolio Management
Brian Forshaw, CMEEC, Chief Risk and Regulatory Officer
Michael Rall, CMEEC, Director, Asset Management
Philip Sussler, CMEEC, General Counsel
Gabriel Stern, CMEEC, Director

Guests and other participants:
Edward Meyers, BMO Capital Markets

Mr. Sussler recorded.

<u>Standard Action Items.</u>

(A) Approval of the minutes of the June 26, 2014 CMEEC Regular Board of Directors' meeting.

A motion was made by Director Demicco, seconded by Director DeMuzzio, to approve the minutes of the June 26, 2014 CMEEC BOD regular meeting.

Vote passed unanimously. (14-37)

<u>Specific Agenda Items.</u>

(B) Visit of Northeast Utilities ("NU") representative.

Mr. Rankin noted that the scheduled visit of the representative of NU, listed as an item on the agenda, has been postponed. William O'Hara has been named on an interim basis as the NU representative to the Connecticut municipal electric utilities ("MEUs"). It is CMEEC intention to invite the NU representative to an upcoming CMEEC Board meeting.

(C) Objectives Summary Review.

Mr. Rankin reviewed CMEEC's performance under the various established metrics for the most recent reporting month (May, 2014), year to date ("YTD") and projected for the end of the year ("PEY"). Under the regional competitiveness metric, CMEEC had an excellent month, experiencing the first month when CMEEC exceeded the 20% target (when analyzed with investments), reporting a 10% positive variance "with investments" (i.e., 10% better than the target performance of at least 20% lower than the benchmark, and a 35% positive variance when measured "without investments." For YTD, the variances are a negative variance 25% reflecting the extreme wholesale energy market volatility this past winter, but are projected to be positive variance 27% and 24%, respectively (versus the 20% target) on a PEY basis due to anticipated increases in the benchmarks used to measure CMEEC's regional competitiveness metric. Mr. Rankin emphasized that these are very positive competitive developments for CMEEC. In prior years, CMEEC's operations as measured by this metric were converging with the benchmarks, and CMEEC's improving position reflects in part the realizing of certain legacy hedge positions contracted during a period of high wholesale electric market forward prices. CMEEC has also focused extensively on improving its power purchasing practices, taking a comprehensive and more strategic view of its power procurement and seeking to design out, on a cost effective basis, more of the volatility experienced in the wholesale electric markets. This improved competitive position for CMEEC should start to provide some rate relief or reduce pressure on rates for the MEUs at the retail level.

Mr. Rankin next reviewed the customer fulfillment metric, noting that CMEEC was adversely affected for the reporting month, reporting a 6.7% negative variance from the target with investments, for YTD, a negative variance of 16.9%, and a PEY negative variance of approximately $9/MWh from the budget value. When CMEEC operations are measured "without investments," PEY is estimated to finish the year at $100/MWh vs. the $91/MWh included in the budget. CMEEC management is expending substantial effort to design out and mitigate these above-target, negative variances.

With respect to the financial stability metric, Mr. Rankin noted that CMEEC is in a strong position. CMEEC is in full compliance with the Enterprise Risk Management Policy ("ERMP") and is anticipated to be in compliance for the balance of the year. He also noted that CMEEC's Current Ratio for the reporting month (2.48), YTD (2.35) and PEY (2.48) are all better than target. Director DeMuzzio inquired whether May, the reporting month, was the first month during which the effects of the equity distribution would be seen. Mr. Rankin reported that this was the case, but that the decrease still left the financial metrics better than the targets, in almost all cases, and improving for the balance of the year as CMEEC equity is built back up due to continuing debt service coverage payments. Mr. Rankin noted the Days-Cash-On-Hand ("DCOH") metric had dropped to 89 days, better than the contractual minimum of 60 days, but less than the self-imposed target of 100, but with PEY projected to satisfy the 100-day target. Mr. Pryor noted that the target had been adopted to enhance CMEEC's metrics for purposes of credit rating agency review and for management of possible increased volatility in cash flows. CMEEC intends to discuss further this metric and the appropriate parameters in greater detail with the Budget and Finance Committee ("B&F").

Mr. Rankin, next, discussed the Net A&G metric, noting that during the reporting month CMEEC experienced a positive 7% variance for the month, and a 10% improvement from budget for YTD. CMEEC is projecting to end the year with reduction in net A&G of approximately $550,000 out of a total net A&G of approximately $6 MM, as reflected in the budget. CMEEC management is taking further efforts to design out costs on a prudent basis. When this cost is included with CMEEC Margin, projected for PEY at $3.28 MM, this results in an approximate $2.2 MM "net" cost of CMEEC A&G to the Rate 9 customers, which can be anticipated to be further enhanced by a possible equity distribution. Chairman Sullivan noted that for the prior year, the combination of the efforts at CMEEC for A&G cost control, the crediting of CMEEC Margin and the equity distribution had strongly proven CMEEC's value proposition, resulting in a $1.41/MWh net contribution, versus a net expense, to the MEUs. Mr. Rankin noted that similar trends this year, as projected to the end of the year, can be anticipated to deliver similar good results.

Mr. Rankin then discussed the Maximize Asset Value metric, noting that the Pierce Project experienced a minus $60,000 net benefit during the reporting month. This was due to a decrease in revenue caused by a prior period failure to start in response to a dispatch call by ISO-NE. ISO-NE requires that units, such as Pierce, participating in the locational forward reserve ("LFR") market must be at their dispatch point within thirty (30) minutes of being called by ISO-NE to run. Failure to achieve this level of response results in a reduction of LFR revenue, which can be restored over time through successful timely performance of the plant in response to subsequent dispatch calls. The LFR capacity reduction has now been eliminated by subsequent successful starts of the project, but the May reported results reflected the period before full restoration of the project's LFR qualifying capacity. Going forward, Pierce's performance is anticipated to experience substantial improvement due to the increase in the LFR price, determined in the ISO-NE administered auction setting the price for the summer months. PEY for the Project is also projected to be substantially improved due to the anticipated continued increase in the LFR price, pending the auction for the non-summer LFR, 2014-2015 period. Mr. Rankin also noted that the timing of realizing of certain expenses and cash-flow affecting the operational expense side of Pierce operations also affected adversely the performance of the project for the reporting month. He also noted that the performance issues affecting the project's start-up, including fuel oil caking and valve contamination have been corrected to address the start-up performance issues.

Chairman Sullivan inquired regarding management's level of confidence in the year-end projections for the Pierce project. Mr. Rankin noted that CMEEC was confident that the projections were reasonable and reflected CMEEC's learning from past experience and the incorporation of those lessons into operations. Mr. Rankin, also noted, in response to a query from the Board, that Michael Rall is taking the Director of Asset Management role, directly responsible for Pierce operations and balance of Asset Management responsibilities.

Mr. Rankin also discussed the distributed generation project (referred to as the "Market DG" project), which consists currently of the distributed generator ("DG") at the Norwich waste-water treatment plant, which reflected good performance on a month, YTD, and PEY basis.

He noted that the MicroGen project's results were adversely impacted because the project missed the April peak hour. For PEY projections, the project is anticipated to achieve the target. The project's improved performance is anticipated to be further benefitted by the Backus project achieving commercial operation shortly, with operation anticipated to occur in July and August. The impacts of the Backus project are not currently factored into the financial and operational reports for the project, but are budgeted for beginning in August. CMEEC's projections for the project assume that the operations will be successful during peak hours. Director K. Sullivan inquired regarding CMEEC's success rate for doing this during prior periods. Mr. Rankin noted that CMEEC has had a very high success rate to date, with the last such non-performance occurring in December, 2012. CMEEC management and staff also have adopted a continuous process for analyzing and reviewing and learning from performance with the goal of making forecasting more accurate and optimizing the run-times of the project's resources.

Mr. Rankin also reported the results for Transmission Project No. 1, noting that the project under-performed during the month, which was the result of varying electric load levels used as the billing determinant for the regional network service ("RNS") rate which compensates the Connecticut Transmission Municipal Electric Energy Cooperative ("CTMEEC") for the operating and capital expenses of the month. CMEEC Margin was also down for the reporting month, which was largely due to timing issues driven by the Bozrah Light and Power Company ("BL&P") and others, comprising special contract customers. CMEEC management and staff are looking at how to design out this variance. The CMEEC Margin, however, on a YTD and PEY basis are and are anticipated to be favorable.

(D) Backus project.

Michael Rall discussed the status of the Backus project. He noted that during the last month, significant progress has been made in the installation of the project. As of Tuesday of this week, all four generators have been set and on Wednesday were run fully loaded for several hours and were synched to the grid. AZ, the construction contractor, is wrapping up the completion of the exhaust equipment installation. The project did confront a scheduling issue due to delays in the manufacture and shipment of the selective catalytic reduction ("SCR") equipment, which are sourced from Switzerland. These parts are not scheduled to arrive until August 18th. All the generators are now available for testing, with a plan to do some functional testing through operations during the testing phase at the time of the anticipated August peak, projected to occur during the first week in August, when the SCR installation may not be complete. Emissions resulting from the units before installation of the SCRs, if the units are run for testing without this equipment, will need to be counted against the project's air emissions permit's annual limits. The permit may be read to allow for running under test conditions prior to commercial operations under more flexible conditions, with some issues still to be defined about the permissible scope of such operations. The current plan is to commission the SCR equipment in mid-August, with stack testing scheduled for end of August.

The project expenditures are currently $130,000 under budget on a self-imposed target, and nearly $800,000 on a budget basis. The Board, Mr. Rall and Mr. Rankin engaged in a discussion regarding the management of the project and the management tools put in place and utilized to assure successful project execution. Chairman Sullivan noted that the project has proven to be very worthwhile and successful and that the project success is testimony to the shared commitments of NPU to cap the project cost and those of Groton Utilities ("GU") and the other MEUs. Chairman Sullivan and Mr. Rankin also noted that Mr. Rall is to be commended for his successful management of the project. The Chairman also noted that this level of performance is a good indicator of CMEEC's ability to manage successfully future projects. Mr. Rankin noted that an event will be held in the near future, following project completion, to celebrate the project's successful execution and completion.

Director DeMuzzio inquired regarding the appointment of a project manager ("PM") for the Subase project. Mr. Rankin responded by noting that Mr. Rall is the current PM, but that CMEEC management will evaluate whether to appoint another PM with the appropriate skill sets, given Mr. Rall's other responsibilities, and will respond to the Board further on this in future months.

(E) Subase MicroGrid Project Update.

Mr. Rall reported on the status of the project, noting that there were no major items to report. He noted that CMEEC management is still working through the attachments which are part of the enhanced use lease ("EUL") and the contractual documents which will form the bid documents for letting the construction and installation of the project, including a final site survey. Air emissions modeling for the air emissions permit application has been initiated with completion anticipated within 2-3 months. Commencement of construction is anticipated for June, 2015, following receipt of the air emissions permit. Director DeMuzzio requested the preparation and distribution of a time-line for project execution. Mr. Rankin noted that a project execution "Charter" has been prepared and is under review for approval. This Charter incorporates internal management sign-offs and will be the framework for organizing, monitoring and managing project execution. It is anticipated that this document will be available on the CMEEC web-site.

Inquiry was also made by the Board representatives regarding the participation by the Wallingford Electric Division ("WED") in the MicroGen project, and whether that extended to include participation in the Backus Hospital project. Mr. Rankin noted that the Backus project is part of the MicroGen project and that WED decided not to participate above a $34MM cost cap contained in the MicroGen Project power sales agreement between CMEEC and WED. The effect of this decision is to lower WED's entitlement allocation ("EA") in the project, expressed as a percentage. Once the final capital expenditure ("capex") amounts for the project are known (including the build-out of the Backus project), CMEEC will calculate the WED EA, which will be the original WED EA proportioned by the relation between $34MM and the final capex amount for the project. BL&P has a similar arrangement and capped its participation at $34MM, so the same EA adjustment applies to BL&P.

Corresponding and proportionate upward adjustments to the EAs of the other project participants will be made to maintain 100% participation.

(F) **Energy Costs Analysis Summary**.

Mr. Connell led the discussion, noting that June was largely similar to May, in terms of activities in the wholesale power markets. He noted that there was an outage of a natural gas compressor serving the interstate natural gas pipeline in Cromwell during the month. This outage and relatively high electric loads increased the price of delivered natural gas and electric locational marginal prices ("LMPs") during certain periods in June. CMEEC procured slightly more resources than in the past and investigated the possibility of procuring call-options to allow for the purchase of additional resources on a contingent basis. Under current conditions, there was little to no interest in the market in offering cost-effective call-options. CMEEC procured an amount of energy, which turned out to be slightly excess to it needs; and then as loads were realized CMEEC sold off the excess, comprising about 5% of the projected needs, resulting in a small loss for the month. CMEEC staff anticipates that ancillary payments are likely to go up due to increases in the LFR price. It is anticipated that the Pierce Project's LFR revenues will more than offset this effect. CMEEC's June regional competitiveness position should be favorable. In addition, a large transmission credit should improve the June "with investments" metrics. June experienced relatively mild weather; and forward prices for July are approximately $2/MWh cheaper.

Discussion was also had regarding the impacts of weather phenomena, such as the Polar Vortex, on natural gas delivery prices and wholesale electric prices. It was noted in the discussion that volatility has been experienced with delivered natural gas prices also during non-winter periods, suggesting that the causation is more complicated than that ascribing the adverse impacts to a single weather related phenomenon such as this past winter's Polar Vortex.

Chairman Sullivan noted his participation as a witness for the American Public Gas Association ("APGA") in a recent hearing in Pittsburgh conducted as part of the quadrennial review by the US Department of Energy ("DOE"). In his participation in the hearing, he noted that he had raised questions about price fly-ups during periods not affected by the Polar Vortex, which seemingly are driven by other limitations, such as those related to infrastructure and planning. Mr. Rankin noted that these issues are being taken up by CMEEC management on a broader, more comprehensive basis addressing underlying structural problems in the market design and regional infrastructure, to be discussed in part in a later section of the meeting by Mr. Forshaw.

Director Smith inquired about the status of the equity distributions. Mr. Pryor noted that the cash amounts had not yet been transferred to the individual MEUs and that he intended to respond to the discussion at the last members' meeting regarding the intended use of the funds by each MEU. Director Hiscock stated that interest should accrue and be paid on the distributions during the period from the decision to make the distribution to the time of transfer and/or that interest not be charged on the rate stabilization fund in the same amount. Mr. Rankin reiterated that it was CMEEC's intent not to harm any Member based on a timing issue regarding the distribution of such funds.

(G) July Five Year Forecast Summary Overview.

A graph was distributed to the representatives showing a four-year look-ahead projection for CMEEC's all-in energy cost projection. It was noted that under this forward-looking view; energy pricing is anticipated to be higher due to a variety of factors, including forward price curves and modifications to CMEEC's hedging policy entailing less cover from the market, and, therefore, more exposure to the forward price curve. This is reflected in an increased energy cost forecast. The July values are slightly down from those in June due to the fact that the forward curve is dropping (based on storage injection numbers) which puts downward pressure on calendar year costs. There will still be a $10/MWh impact on the energy-cost side due to pipeline constraints, which slowly creeps down over time. In 2018, an increase resulting from changes in capacity prices is reflected. This review is provided to give relative context for anticipated price/cost movements over time. Mr. Rankin noted that CMEEC now undertakes a monthly forecast, significantly increasing the frequency from the previous annual forecasts and, more recently, quarterly forecasts undertaken by CMEEC. This process improvement is for the purpose of enhancing CMEEC's ability to manage power costs.

(H)Market Impacts Report Summary Overview.

Mr. Forshaw presented the discussion on regulatory and market design developments, with a focus on the impact of these developments on the wholesale electric market. Mr. Forshaw made reference to a graph on page 56 of the Board packages, showing wholesale cost projections for the period 2012 to 2019, and a subsequent write-up on pages 57-66 which lists the market rule changes in chronological sequence, based on the effective dates of the changes, briefly describes the changes and their current status and identifies the annual economic impacts resulting from these changes. CMEEC staff began providing this information in the monthly Board packages about two months ago. Under this analysis, the energy component of wholesale power costs is relatively stable, while the real driver of cost increases is changes in the capacity market. Mr. Forshaw has been participating in stakeholder discussions, along with other public power representatives, to try to favorably impact rule changes, specifically affecting the wholesale markets, particularly the capacity market.

Substantial "policy" driven cost increases are projected for 2017, with results of the last forward capacity market ("FCM") auction held in February becoming effective, when over 3000 MW of capacity exits the market. This capacity included facilities such as the large coal plant at Brayton Point. The auction cleared short, reflecting a lack of sufficient supply, which, in turn, drove the clearing price higher, nearly double the prior level and limited only by an administratively determined cap approved by FERC resulting from an "exigent circumstances" filing by ISO-NE. For the upcoming 2018 auction, FERC required that ISO-NE develop a "demand curve" structure for determining the FCM clearing price. This structure, simply described, creates a sloped line of clearing-price/supply quantity pairs to set the FCM auction price, starting at a zero price with a 22-23% surplus quantity of generation supply, and increases the price along the sloped line as the corresponding surplus of generation supply diminishes.

An additional development adversely impacting (from the point of view of electric load) the capacity price is the adoption of the performance incentive program or "PIP" which imposes severe penalties on generators if they are not on-line when the regional system is short of reserves, entailing a charge of up to $5,500/MWh for deficiency for any reason. This development, starting in June, 2018, is estimated to create a risk premium for generators of approximately $2-4/kW-month or a $7/MWh increase charge to load. Capacity prices in future periods are anticipated to incorporate these developments.

Further developments, including the use of a demand curve on a zonal, rather than regional, basis in 2019 are not included in the projections, but are anticipated to further increase costs in the transmission constrained areas of Connecticut and metropolitan Boston.

Mr. Forshaw, Mr. Rankin and various Board representatives engaged in a discussion of policy initiatives affecting the wholesale electric market in New England. Mr. Forshaw and Board representatives discussed their efforts at educating decision-makers including those in the public power community, at the state and regional level and in Congress. Mr. Forshaw and Mr. Rankin summarized the effort as urging a “back-to-basics” strategy to promote achievement of the fundamental objectives of reliable electric service at reasonable cost. The current system, with increasing costs and inadequate and mis-aligned infrastructure is failing, requiring a full re-think of the premises and structure of the industry structure. The current market failures have an adverse impact on economic development in the state and the region. The policy initiative under consideration by CMEEC will entail recommendations for certain structural changes, including possibly removing ISO-NE from its current, central role in the administration of the capacity market, and the development of rules to allow for the procurement of capacity through traditional planning processes that balances the appropriate goals and supports generators procuring long-term contracts for power and natural gas supply. Board representatives and Mr. Forshaw and Mr. Rankin also discussed possible coalitions in support of such an initiative. Mr. Forshaw noted that he has had favorable feedback and interest expressed by other public power systems, such as MMWEC and NHEC, and from various regulatory groupings, such as NECPUC and NESCOE. There also has been interest expressed in convening a regional forum on infrastructure procurement. The Board and Mr. Forshaw and Mr. Rankin discussed other matters bearing on policy evolution for the wholesale electric markets, including the State’s recent efforts at procurement of renewable power, primarily with out-of-state resources. Discussion was also had regarding a public outreach and education strategy to carry forward these points. Mr. Rankin noted that CMEEC management intended to propose such a strategy to the Board in the near future responsive to these points.

(I) Conservation and Load Management (“CL&M”).

Mr. Cassella led the discussion regarding the CL&M annual cost and rate impact summary. He noted that this presentation was in response to the Chairman’s prior request to provide a comparison of CMEEC’s CL&M program to that provided by the investor-owned electric distribution companies (“EDCs”) program. He noted that the presentation is on pages 82-85 of the Board package. He further noted that CMEEC’s program is better in cost effectiveness when compared with that of the EDCs. He also noted that there are important interactions between the CL&M activities and developments in the FCM which can lead to real opportunities to lower electric costs particularly increasing capacity costs. Among these measures are leveraging demand response and CL&M against peak period usage, He noted finally that CMEEC will be convening a full day meeting next week to further analyze and discuss this initiative.

(J) Edward Meyers, BMO Capital Markets, Financial Markets Summary Overview.

Mr. Pryor introduced Mr. Meyers of BMO Capital Markets. As noted by Mr. Pryor, Mr. Meyers has had a long relation with CMEEC. He acted as the co-manager on numerous CMEEC bond issues. In his current role at BMO, he was the principal representative for the lead underwriter on the last very successful CMEEC financing. He also, through BMO, arranged CMEEC's current credit facility. Mr. Pryor noted that Mr. Meyers' purpose at the meeting was to provide an update of current financial market conditions and to respond to questions from the Board representatives.

Mr. Meyers distributed a set of written materials, which he summarized in his oral presentation to the Board. He noted that since CMEEC's refinancing in April 2013, interest rates have come down slightly. The 10 year treasury rate was approximately 2.6% when CMEEC came to market and reached 2.44% in May, 2014. Rates, based on this metric, are about 40-50 basis points ("bps") better than when CMEEC came to market. These levels of rates, both now and at the time of CMEEC's financing, however, are near or at historic lows and the current interest rate environment is very favorable for financing. How long into the future this is likely to continue is uncertain, however, as the Federal Reserve has expressed interest in stopping its open-market purchases, leading to an expectation that interest rates will go up in late 2014. The financial markets are still reacting to a sluggish macro-economy and a year-over-year decline in municipal borrowing. Outflows from bonds, as well, are due to low bond yields and a strong stock market, with funds moving to equities from bonds. Credit circumstances also have adversely affected the municipal bond markets, such as the adverse credit conditions currently experienced by PREPA, and the Commonwealth of Puerto Rico. These circumstances have scared some investors, with credit spreads generally increasing by approximately 10bps due to Puerto Rico, but with these impacts occurring more in the lower rated segments of the public power sector. Mr. Meyers then summarized recent interest rate spreads achieved by several public power entities issuing debt during the last month. He noted also other conditions which will affect the markets going forward, including the state of consumer confidence, anticipated investor flight to quality in response to credit concerns, and other macro-economic impacts which move the market. He also noted that the municipal bond market has been recently generally adversely affected by serious credit problems affecting single, but large issuers, such as the State of Illinois and the City of Chicago, with large pension problems, Puerto Rico, currently and the City of Detroit, a year ago. Many of these impacts are as much a result of psychological as well as technical factors. Of possible interest to CMEEC in evaluating its financial metrics, Moody's downgraded Kansas City Utilities ("KCU"), at the time of its recent bond issuance. KCU had a DCOH of 47 days, when compared with a target of 75 days. Moody's cited this factor as a reason for down-grading the KCU issue from A2 to A3.

(K) Community Solar Garden Project Resolution Vote.

A Motion was made by Director DeMuzzio, seconded by Director Brown to go into Executive Session to discuss the Community Solar Garden Project.

Voted passed unanimously. (14-38)

The meeting went into executive session at 11:26 AM. The basis for going into executive session was Conn. Gen. Stat. Sec. 1-200(6)(E) (entailing discussion of any matter which would result in the disclosure of records or the information contained therein as described in sub-sections (b)(1), (5) and (7) of section 1-210). Mr. Rankin, Mr. Pryor and Mr. Sussler remained in the meeting during the Executive Session.

A Motion was made at 11:52 a.m. to come out of Executive Session by Director Demicco and seconded by Director Brown.

Vote passed unanimously. (14-39)

A motion was made by Director Hiscock, seconded by Director K. Sullivan, to approve the Parameter Resolution for the Community Solar Garden Project.

Vote passed unanimously. (14-40)

A motion was made by Director Demicco, seconded by Director Brown, to go into Executive Session to discuss the Mohegan Hills Development Project.

Vote passed unanimously. (14-41)

The meeting went into executive session at 11:54 A.M. The basis for going into executive session was Conn. Gen. Stat. Sec. 1-200(6)(D) (entailing discussion of site selection or acquisition of interests in real estate) and (6)(E) (entailing discussion of any matter which would result in the disclosure of records or the information contained therein as described in sub-sections (b)(1), (5) and (7) of section 1-210). Mr. Rankin, Mr. Pryor and Mr. Sussler remained in the meeting during the Executive Session.

A Motion was made at 12:03 p.m. to come out of Executive Session by Director Bilda and seconded by Director Demicco.

Vote passed unanimously. (14-42)

A motion was made to adjourn the meeting by Director Demicco and seconded by Director Smith.

Vote passed unanimously. (14-43)

There being no further matters to be discussed, the meeting was adjourned at 12:04 P.M.

Connecticut Municipal Electric Energy Cooperative

Board of Directors Meeting

Resolution 14-40

RESOLUTION FOR THE INITIAL ESTABLISHMENT AND ACQUISITION OF AN ADDITIONAL POWER PROJECT FOR COMMUNITY SOLAR GARDENS

WHEREAS, CMEEC management has been engaged in the planning for and development of a power project (the "Power Project"), pursuant to a letter of intent, dated April 15, 2014 by and between CMEEC and Brightfields Development LLC (the "Developer") which, subject to the receipt of such other approvals by CMEEC and/or the Developer as are required, contemplates (i) the siting, permitting, design, construction and operation of one or more larger-scale solar powered photo-voltaic ("PV") arrays (the "Facilities") by the Developer in the service territories of certain of the municipal electric utilities comprising Members or Participants of CMEEC; and (ii) the execution, subject to terms and conditions to be negotiated and agreed, by CMEEC and the Developer of one or more power purchase agreements ("PPAs"), each of a term not to exceed twenty (20) years from commencement of commercial operation of the Facilities, providing for the purchase by CMEEC from the Developer of the electric products and other marketable attributes generated by Facilities (the "Electric Products") and such other agreements by and between CMEEC and the Developer as are necessary and appropriate for the construction, maintenance and operation of the Facilities; and (iii) the resale or other disposition of such Electric Products by CMEEC for the benefit of the municipal electric utilities ("MEUs") participating in the Power Project (the "Project Participants").

WHEREAS, CMEEC management has prepared and provided forecasts for review and consideration by the Board of Directors (the "Board") of the economic benefit resulting from the Power Project by CMEEC, which subject to the assumptions utilized in such forecasts, project a positive net benefit to accrue from participation in the Power Project (the "Power Project Disclosure Materials").

WHEREAS, participation has been offered in the Power Project to the Members in conformity with the provisions of the CMEEC Membership Agreement ("MA") and, in conformity with those procedures, the CMEEC Members have elected to acquire in the Power Project Entitlement Allocations ("EAs"), as that term is defined in the CMEEC Replacement Power Sales Contracts ("RPSCs"), comprising one hundred percent (100%) of the EAs in the Power Project, with such EAs among the Project Participants established to be in the same proportion as the monthly electric loads of such Project Participants, designated as adjusted net interchange loads ("ANI") calculated by CMEEC as a billing determinant under and in conformity with Rate 9, pursuant to the RPSCs.

WHEREAS, the Power Project comprises an Additional Power Project, as that term is defined in the RPSCs, thereby allowing for the incurrence by CMEEC of Fixed Costs obligations under the RPSCs with respect to such Power Project and the Project Participants assume their obligation to pay for such Fixed Cost obligations as provided under the RPSCs.

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 Power Project, as further defined by the Additional Power Project Parameters as set forth in Section 3 and Attachment A hereof, is approved; and CMEEC is authorized to enter into one or more PPAs for the procurement by CMEEC of the Electric Products from the Facilities and such other agreements as are appropriate and required for the construction and operation of the Facilities, 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 EAs in the Power Project shall be determined in proportion to the monthly electric loads of the Project Participants, designated as adjusted net interchange loads ("ANI") calculated by CMEEC as a billing determinant under and in conformity with Rate 9, pursuant to the RPSCs. Each Project Participant through its duly authorized representatives on the Board has agreed and approved such Project Participant's participation in the Power Project as determined pursuant to this Section 4.

Section 5. The Chief Executive Officer of CMEEC (the "CEO") is authorized on behalf of CMEEC to finalize, execute, and deliver the PPAs and such other agreements as may be necessary and appropriate to be entered into by CMEEC with the Developer, subject to such reasonable terms and conditions conforming to the general description of the Power Project set forth in Attachment A and the Power Project Disclosure Materials.

Section 6. The CEO is authorized to enter into one or more PPAs with the Developer with respect to no more than fifteen megawatts (15 MW) in aggregate of alternating current nameplate capacity of solar powered PV facilities, and no more than five megawatts (5 MW) from any individual location, and at no greater than a net cost of $135 / MWh for the PPA rate for the PV facilities.

July 24, 2014

Ed DeMuzzio

Edward DeMuzzio
Secretary