



CMEEC Board of Directors' Meeting

July 25, 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, July 25, 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 9:36 a.m. and determined a quorum present.

The following Directors participated:

Jewett City –Kenneth Sullivan, Richard Throwe, Louis Demicco
Groton – Edward DeMuzzio, David Collard
Norwich – James Sullivan, Steve Sinko, John Bilda (arrived at 10:55a.m)
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, Director, Power Supply
Thomas Solinsky, CMEEC, Director, Asset Management
Gabriel Stern, CMEEC, Director, Strategic Planning
Michael Cassella, CMEEC, Director, Customer Program Management
Kristen Wood, CMEEC, Office and Executive Specialist

Mrs. Wood recorded



Standard Action Items:

(1) Approval of the Minutes of the CMEEEC June 27, 2013 Board of Directors' Meeting.

A motion was made by Director Edward DeMuzzio, seconded by Director Louis Demicco to approve the Minutes of the June 27, 2013 CMEEEC Board of Directors' Meeting.

Vote Passed. Unanimous.

(13-43)

Specific Agenda Items

(2) Review: Objective(s) Summary Report

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

Mr. Rankin reviewed the sections and associated metrics in the Board report for the subjects entitled, Regional Competitiveness, Customer Fulfillment, Financial Stability, and Maximize Asset Value. He noted that on an overall basis, CMEEEC experienced a good month from a financial and operational standpoint. He described the deviation of the comparison of CMEEEC's performance as measured against the CL&P standard service benchmark with the metric with CMEEEC Investments resulting in at approximately 30% versus the 20% target and the metric without CMEEEC Investments delivering about 34% versus the 20% target. This result is primarily driven by the revenues from renewable energy credits ("RECs") sales recognized for the month, which lowered net cost. By the end of the year, CMEEEC is projecting to be 14% with CMEEEC investments, when compared with the benchmark versus the 20% projected, and 18% without CMEEEC investments compared to the benchmark versus the 20% projected. Mr. Rankin explained that several of last month's projections were yellow (indicating less change than the bandwidth) and green (indicating favorable change in excess of the bandwidth) arrows which have changed to red (adverse change greater than the bandwidth) due to the expectation that the Public Utilities Regulatory Authority ("PURA") will defer and/or reduce the revenue requirements increases sought by CL&P for storm recovery and other expense items incorporated into a proposed CL&P rate increase not subject to the merger-related rate freeze, from those previously projected by CMEEEC in the Regional Competitiveness comparison. Mr. Rankin concluded that as a result, CMEEEC remains in a better position but this development pushes the anticipated improvement out a few months into the future. Mr. Rankin and the CMEEEC staff project the year-end position under the Regional Competitiveness metric will not be as strong as it was projected last month but the balance is looking favorable.

Mr. Rankin discussed the metrics under the Customer Fulfillment Objective. He began this discussion by informing the Board of two new graphs included in the Board report and noted that it is the second month in a row that CMEEEC has sent out monthly forecasts. Mr. Rankin suggested that if there was anyone, including the Board Member's staff, who would like to be further educated on the variables and interpreting the graphs, that CMEEEC intends to conduct sessions in the near future to explain and discuss the reporting format to interested participants.

Mr. Rankin updated the Board that the target for the metric for "All In" Cost with CMEEEC investments was \$102/MWh and the actual was \$75/MWh. He explained that CMEEEC budgeted for the revenues from sales of RECs to hit in June but it came in May and was reflected in that month and will cause the projections for the next month to not look as good as previously projected (when the REC revenues were previously included in the estimations).

Mr. Rankin reported that it was an excellent month for the Financial Stability metrics and that CMEEC maintained compliance with the Risk Management Policy. During the month, there were no additional forward energy contracts taken for 2014 and beyond. Mr. Rankin also added that the CMEEC internal 2014 Budget Kick-Off meeting was set for later in the afternoon after the Board Meeting. The topic of this meeting to be covered during this meeting is to discuss the schedule for preparation, review, and approval for the 2014 budgets, with a goal to meet or improve over the previous year's budget expenditures.

Mr. Rankin continued by discussing the metrics under the Maximize Asset Value Objective. He reported that the Alfred L. Pierce Plant has had positive performances during the month. The year-to-date trend for Pierce coming into the month was underperforming. However, due to the global refinancing and the new higher locational forward reserve ("LFR") market rates for the summer 2013 commitment period, the net financial performance of the Project was boosted.

Mr. Rankin also noted that the Market DG units have been removed from the ISO-NE markets. He informed the Board that CMEEC is looking to sell these units to the Subbase Project for redeployment by that project, once committed, for a purchase price determined via an "arms' length" contract purchase basis. However, CMEEC will not commit the units to the Project until the Navy executes the lease associated with the Project. In addition, CMEEC is experiencing some minor maintenance costs associated with the units. Director DeMuzzio inquired why the lease had not been fully executed as of this date. Mr. Stern responded it has been approved by the base commander but, following Navy protocol, must then be sent to NAVFAC for final execution. CMEEC anticipates having the lease fully executed by November. There is a chain of command that needs to be followed with respect to approval of the lease. The lease is currently pre-approved, but needs still to go to NAVFAC and others for additional signatures.

Mr. Rankin then discussed the metrics under the Maximize Asset Value Objective relating to the Transmission Project #1. The Project is currently at target and the trend began to reverse in June when the payback of an over-recovery for the prior year ended and the Project's net revenue started increasing.

In addition to the Objective(s) Summary Report, Mr. Forshaw handed out a review of CMEEC and ISO System Operations during the heat wave which occurred July 15th through July 19th. Mr. Forshaw informed the Board that over the five day period the entire New England region experienced temperatures well above 90 ° and relative humidity about 70%. Mr. Forshaw explained that the typical pattern during a heat wave is the electric load builds progressively during the week. On Friday July 19th the New England region hit the anticipated annual peak load of 27,377 MW. Mr. Forshaw stated that CMEEC ran the load curtailment measures every day during the week. In terms of market prices, the average day ahead locational marginal price ("DA LMP") for the period was \$93.24/MWh, with a low of \$29.43/MWh and high of \$222.93/MWh. The real time LMP's average was \$177/MWh, the low was \$27/MWh and the high was \$797.08/ MWh. Mr. Forshaw further explained that CMEEC had prepared for these circumstances by putting a portfolio of bilateral purchases together so that when staff saw the heat wave coming they were able to buy forward energy at around \$80/MWh to avoid the much higher prices realized in the day ahead and real time markets as reflected in the DA LMP and RT LMP. Director James Sullivan commented, by way of example, on the member and customer benefits arising from CMEEC's purchasing program during these recently experienced peak hours, translated to the customer level. During a peak hour, a Norwich retail customer would be paying about \$64/MWh. Norwich's Jet Project, meanwhile, was earning revenues at about \$797/MWh from the market, while incurring expenses to operate at about \$260/MWh garnering a significant net benefit. He specified that this was a good deal and for what the CMEEC Board strives. He commended CMEEC for its efforts in achieving this result.

Objectives

Mr. Forshaw provided an overview and update on the June 2013 Energy Cost Analysis in the Financial Stability section of the Objectives. He informed the Board that energy costs were above budget by \$15.90/MWh.

(42.15%) and that the major cause of this deviation was due to a problem with the hourly LMP price curve for June. Staff used the original budget runs resulting in extreme swings in the LMPs during the off-peak and on-peak hours. These swings canceled each other out and on an around-the-clock basis, but skewed results for on-peak only contracts. He assured the Board that the problem was identified and corrected in the monthly energy runs for February 2013.

Mr. Forshaw stated that the base load pattern for CMEEC's aggregate loads was what staff had expected and that the landfill gas project continued to experience operational difficulties. He also added that the Pilgrim power plant had one relatively minor operational problem, relating to a temporary exceedance of its cooling discharge receiving water temperature limits in its operating permit, during the month, resulting in a short-term reduction in output. He also noted that a major cost driver in cost was the fact that the Intermediate Resources were much higher than budgeted.

Director DeMuzzio inquired if in the Hedge Report in the Maximize Asset Value section staff could discuss the impact of Wallingford Electric Division ("WED"). Mr. Rankin responded that the report reflects the removal of WED's requirements and volumes and isolates the impacts and position of the five systems without WED.

A motion was made by Director James Sullivan, seconded by Director Demicco, to go into Executive Session at 10:58 a.m. to discuss to discuss the update regarding the ENE Contract (s) dispute and to discuss the update on the Wallingford Transition Planning.

Vote Passed. Unanimous.

(13-44)

The basis for 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)).

Present during the executive session were the Directors/Representatives present during the public session of the meeting and present from CMEEC were Mr. Rankin, Mr. Pryor, and Mr. Sussler.

A motion to come out of Executive Session was made by Director Harris, seconded by Director Demicco.

Vote Passed. Unanimous.

(13-45).

The meeting came out of Executive Session at 12:22 p.m.

A motion was made by Director Bilda, seconded by Director DeMuzzio, to adjourn the meeting.

Vote Passed. Unanimous.

(13-46).

There being no further matters to be discussed, the meeting was adjourned at 12:23 p.m.

Respectfully submitted,



Philip L. Sussler
2nd Assistant Secretary

