



CMEEC Board of Directors' Meeting

June 26, 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, June 26, 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 9:36 A.M. and determined that a quorum was present.

The following Directors participated:

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

The following staff and guests 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
Michael Rall, CMEEC, Project Manager
Gabriel Stern, CMEEC, Director
Philip Sussler, CMEEC, General Counsel
Ellen Kachmar, CMEEC, Office and Facility Manager

Ms. Kachmar Recorded

Standard Action Items:

(A) Approval of the Minutes of the April 24, 2014 CMEEC Special Board of Directors' Meeting.

A Motion was made by Director Demicco, seconded by Director Throwe, to approve the Minutes of the April 24, 2014 CMEEC Special Board of Directors' Meeting.

Vote passed unanimously. (14-31)

(B) Approval of the Minutes of the April 24, 2014 CMEEC Regular Board of Directors' Meeting.

A Motion was made by Director DeMuzzio, seconded by Director Smith, to approve the Minutes of the April 24, 2014 CMEEC Regular Board of Directors' Meeting.

Vote passed unanimously. (14-32)

Specific Agenda Items:

(C) Objectives Summary Review

Mr. Rankin reported CMEEC's operations as measured by the Regional Competitiveness Objective rebounded in April, hitting a twenty-one percent (21%) deviation to the benchmark utilized to measure wholesale rates. Improved performance than originally anticipated is projected throughout the balance of the year due to projected benchmark cost.

Mr. Rankin reported with respect to the Customer Fulfillment Objective. Budget-to-actual energy cost was adversely impacted by higher energy cost over budgeted values. All-In Cost with investments was adversely impacted by the Pierce Plant the MicroGen Fleet performance. Year-end All-In Cost projections reflect narrowing of the budget to actual costs, but are not expected to rebound enough to hit the original budget cost. This is due exclusively to the winter period high energy costs.

Mr. Rankin updated the Board on the Financial Stability Objective. Efforts continue to achieve full compliance under the requirements of the new Enterprise Risk Management Policy ("ERMP"). Dashboards are being developed as part of the transition to the new ERMP. CMEEC's Equity-to-Debt Ratio is strong measured on a year to date basis. The Equity-to-Debt Ratio will remain above target in compliance with the Membership Agreement. Days Cash On Hand ("DCOH") was adversely impacted by the higher energy costs experienced from December through April increasing the daily expense level.

Mr. Rankin reviewed the Maximize Asset Value ("MAV") Objective. Specifically, Pierce Plant under-performed in April due to incurring a Locational Forward Reserve ("LFR") penalty for

prior period failure to start on the prescribed time schedule, and also not receiving ISO-NE dispatches and associated energy revenue. Pierce's year-end projected financial performance is substantially improved, however, by the higher LFR auction prices received for the summer commitment period and anticipated for the fall/winter 2014/2015 period. The MicroGen fleet had a negative month due to an accounting reclassification revising prior omitted direct expenses to the project. Transmission Project No. 1 experienced positive financial performance. Mr. Rankin projected a strong year-end for CMEEC margin.

Discussion ensued in response to inquiries from Board Members about the derivation of the statistics (benchmark projection) used to analyze the Regional Competitiveness Objective, the frequency of projections, and anticipated future enhancements to the inputs to this projection.

(D) Backus MicroGrid/MicroGen Project Update

Mr. Rall reported on the status of the Backus MicroGrid/MicroGen Project stating the equipment and enclosures have been set on the foundations, the exhaust systems, transformers, and electric conduit are in place, and the exhaust pieces are ready for full installation, with full installation and commissioning anticipated to occur in July. Mr. Rall noted that there have been no safety issues, everyone is working well together, and the project is on schedule for completion by August 1, 2014. The cost of the project is currently \$170K under target budget, and \$800K under the approved budget (or about 9% of the total budget). Mr. Rankin remarked that the project was on target with the five definitions of success: (1) with respect to cost, by being at or under budget, (2) on or ahead of schedule, (3) incident and injury free, (4) no notices of violation of regulatory or permit requirements, and (5) achieving full functionality. Chairman Sullivan prompted a discussion with CMEEC management regarding about the biggest challenge faced during project execution and about the most trouble-free parts of the project. Among the project management techniques and related elements applied to achieve this exceptional performance, included putting in place extensive, timely and detailed project control and oversight mechanisms, comprehensive and detailed work scopes and affiliated contract, tight coordination with project contractors and suppliers, selecting a good construction site, improved site characterization in advance, good use of retained knowledge from prior projects, and easier and better logistics for transportation of prime mover equipment.

(E) SUBASE MicroGrid Project Update

Mr. Rall updated the Board on the status of the SUBASE MicroGrid Project by stating the Enhanced Use Lease (EUL) had been finalized with the Navy in May, and a kick-off meeting had been held the 2nd week of June. Mr. Rall stated within the near term, the final site survey will be completed. The interconnection and a joint development agreement will be negotiated to identify and allocate project execution responsibilities among the project's stakeholders, including CMEEC, the Navy, and Groton Utilities. The modeling for the air emissions permit application will take about three (3) or four (4) months, which will position submission of the air emission permit applications to the Department of Energy and Environmental Protection ("DEEP") around October 1st. Based on experience, the air emissions permit is critical path. The average time to receive the final air emissions permit, barring an appeal, measured from the

application filing date is nine (9) to ten (10) months, so construction is anticipated to begin approximately July 1, 2015. This places the projected completion of construction at the end of 2015. Director DeMuzzio requested a budget overview table be created for the SUBASE project.

(F) Market Analysis Review

Mr. Connell updated the Board on the energy markets, noting that the markets remained highly volatile (although less than during the winter period). CMEEC's energy procurement was after the fact "long" for the month of April because of mild weather and less than anticipated load. May's energy costs were approximately ten percent (10%) above budget, actual demand was eighty Megawatt-hours (80 MWh) lower, and unit contingent resources were 5,450 MWh lower than budget. To optimize bottom line portfolio performance, a portion of June forward energy was sold back to the market.

(G) Succession Plan Activity / Apprenticeship Update

Mr. Rankin reported CMEEC has interviewed and hired five (5) full time staff as part of an apprenticeship program, with focus in the Portfolio Management and Finance & Accounting functional areas. Mr. Rankin explained the program is highly structured, and will serve as a critical addition for future voids in the workforce, as well as provide increased analytics, tools, and scrutiny to CMEEC processes.

(H) Massachusetts Competitive Supplier Application Authorization Resolution

He explained the Resolution before the Board was to provide authorization for two (2) CMEEC officers, the CEO and CFO, to sign and file a competitive supplier application in Massachusetts. The authorization is required as part of the application. An example, subject to further revisions and review by CMEEC staff, of the application filing was circulated to the Board in the Board package. This was a necessary procedural step to prepare for expanded supply activity. Any commitments for power supply by CMEEC entail first coming back to the Board and the various Board Committees consistent with the ERMP for the appropriate additional approvals.

A Motion was made by Director DeMuzzio, seconded by Director Demicco, to approve Resolution 14-33 approving the Execution and Submission of Application for a License to be a Competitive Supplier to the Massachusetts Department of Public Utilities.

Vote passed unanimously. (14-33)

A Motion was made at 11:13 a.m. to go into Executive Session by Director Demicco, and seconded by Director Bilda, to discuss Business/Project Development and the CEO Labor Agreement.

Vote passed unanimously. (14-34)

The meeting went into executive session at 11:13 a.m. The basis for the going into executive session was Conn. Gen. Stat. Section 1-200(6) (A) (Discussion concerning the appointment, employment, performance, evaluation, health or dismissal of a public officer or employee) 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)). The Directors as well as Drew Rankin, Edward Pryor, Philip Sussler, Michael Cassella, and Justin Connell remained in the meeting during the Executive Session for the portion entailing discussion of Business/Project Development. During the portion of the executive session entailing discussion of the CEO Labor Agreement, only the Board Representatives were present.

A motion was made at 1:00 p.m. to come out of Executive Session by Director Throwe, seconded by Director Brown.

Vote passed unanimously. (14-35)

Motion by Director Throwe, seconded by Director Smith, to adjourn the meeting.

Vote passed unanimously. (14-36)

There being no further matters to be discussed, the meeting was adjourned at 1:01 p.m.

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

RESOLUTION 14-33

RESOLUTION AUTHORIZING THE EXECUTION AND SUBMISSION OF AN APPLICATION FOR A LICENSE TO BE A COMPETITIVE SUPPLIER TO THE MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES

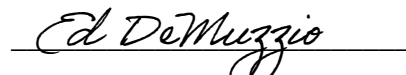
WHEREAS, CMEEC evaluated the possibility of participating in the provisions of Electric Products, as defined by ISO-NE, to municipal aggregations in the Commonwealth of Massachusetts as a means of benefitting the Members of CMEEC through increased sales of Electric Products to certain customers additional to those served under the Replacement Power Sales Contracts;

WHEREAS, CMEEC and the Risk Management Committee will undertake a detailed evaluation of any specific provision of Electric Products in the Commonwealth but as a preliminary first step, CMEEC is required to apply for and obtain a license as a “Competitive Supplier” in the Commonwealth (the “Application”);

WHEREAS, the Application requires the identification of two (2) Officers of CMEEC, further supplemented by authorization by the governing body, in this case, the CMEEC Board of Directors;

NOW THEREFORE BE IT RESOLVED, that the Board of Directors approves the submission of the Application to the Massachusetts Department of Public Utilities in substantially the form presented to the CMEEC Board of Directors at a regular meeting held on June, 26, 2014, with such changes to the Application as the Chief Executive Officer of CMEEC shall approve.

BE IT FURTHER RESOLVED, that the Chief Executive Officer of CMEEC, Drew Rankin and the Chief Financial Officer of CMEEC, Edward Pryor are hereby authorized to execute the Application on behalf of CMEEC and to execute and deliver such document as may be required to make effective the Application and that the actions taken and signatures made with respect to CMEEC’s application are hereby ratified and affirmed.


Secretary Edward DeMuzzio

June 26, 2014