



CMEEC Board of Directors' Meeting

June 27, 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, June 27, 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
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
Thomas Solinsky, CMEEC, Director, Asset Management
Gabriel Stern, CMEEC, Director, Strategic Planning
Michael Cassella, CMEEC, Director, Customer Program Management
Michael Rall, CMEEC, Backus Microgrid Project Manager
Michael Cyr, Power Supply
Kristen Wood, CMEEC, Office and Executive Specialist
Michael Martone, Murtha Cullina (during the discussion of item 2 below)
Paul McCary, Murtha Cullina (during the Executive Session discussion below)

Mrs. Wood recorded



Standard Action Items:

(1) Approval of the Minutes of the CMEEC May 23, 2013 Board of Directors' Meeting.

A motion was made by Director David Collard, seconded by Director Mark Harris to approve the Minutes of the May 27, 2013 CMEEC Board of Directors' Meeting.

Vote Passed. Unanimous.

(13-38)

Specific Agenda Items

(2) Discussion: Murtha Cullina Report on the Completion of the 2013 Connecticut Legislative Session

Michael Martone from Murtha Cullina was introduced by Mr. Rankin to discuss the 2013 Connecticut Legislative Session which just recently ended. Mr. Martone distributed a written handout which summarized the session.

As discussed by Mr. Martone, the first three months of the session were dominated by efforts to enact legislation to regulate firearms, following on the tragic Newtown, CT events. Once this effort was concluded, the Legislature returned to dealing with the state biennial budget. The state budget is subject to a constitutional spending cap restriction which only limits the amount of expenditure increase which is permitted from the prior biennial budget. The budget was originally in excess of this cap, but various items were removed from the proposed expenditures to allow for the budget to remain below the spending cap.

Mr. Martone summarized additional highlights of the session, relevant to entities operating in the energy sector. Among these items, the Legislature decided to sunset the State tax previously imposed on electric generators operating within the State and the final package approved by the Legislature sunsets the tax, so it expires on October 1st. As a result the anticipated amounts collected from the tax during the 2013-2014 fiscal year are anticipated to be reduced to \$17.5 MM.

Mr. Martone also reviewed the Act Concerning Implementation of Connecticut's Comprehensive Energy Strategy ("CES") (referred to as the "CES Act"), passed by the Legislature. The main focus of this legislation is to create a suite of incentives to try to move customers away from fuel oil and onto natural gas. In this regard, the CES Act provides a number of incentives for expansion of the State's natural gas distribution system. The CES Act also expands opportunities for virtual net metering and sub metering for customers of the electric distribution companies ("EDCs" – i.e., CL&P and UI). With this new legislation, now municipalities on an expanded basis from present provisions, and, newly provided for in this change, state agencies and agricultural customers are eligible to implement virtual net metering for up to five (5) customer accounts, and an additional five (5) accounts, if connected to a microgrid, subject to a maximum state-wide "subsidy" (entailing "cost-shifting" to the extent that the EDCs' do not recover their transmission and distribution costs related to serving these customers from such customers) of \$10MM. Mr. Sussler inquired if this latter change applies to the municipal electric utilities ("MEUs"). Mr. Martone specified that it applies to the EDCs only, and not the MEUs, at this time.

In regards to the Serious Illness Life Threatening issue (SILTs), there was a meeting with Sen. Robert Duff to discuss the issue. Based on the information received, it appears the legislative leadership felt there were too many other issues being considered to allow for the required focus on this issue during the current legislative session. There was an expressed willingness to consider possible reform in this area for the next legislative

session. Mr. Martone stressed that the key to successful reform in this area is to try to get the legislators involved now. Mr. Rankin stated that CMEEC, through its Legislative Committee and Kenneth Sullivan's leading role, will facilitate the mapping out of strategies for addressing this issue and will start exploring options.

3) Review: Objective(s) Summary Report

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

Mr. Rankin reviewed the sections of the Board report for Regional Competiveness, Customer Fulfillment, Financial Stability, and Maximize Asset Value. He noted that the deviation to CL&P with Investments came in at about 11% vs. the 20% target and without investments was about 15% versus the 20%. By the end of the year, CMEEC is projecting to be at or near target on a monthly basis. This was due to the projection that CL&P rates will increase over the ensuing year. Mr. Rankin cautioned that these are CMEEC's best estimates currently, but they are still under evaluation.

Mr. Rankin also discussed the Customer Fulfillment Objective. He stated although the year to date is still in the "red", which represents a greater than 2.5% negative variance, by the year-end it is anticipated to improve to "green" (meaning a more than 2.5% positive variance) due to the benefit of the recent CMEEC global refinancing. Director DeMuzzio inquired if CMEEC is estimating that by the year end that the targets for both "All In" Cost with investments and without investments will be reached. Mr. Rankin offered that for the "all in" cost with investments is expected to be greater the 2.5% positive variance where the without investments is still too close to say and will be watched closely.

Mr. Rankin updated the Board on the Financial Stability Objective. Mr. Rankin stated he projects there to be positive outcomes in all or the majority of the metrics by end of the year. Director James Smith inquired what the major drivers for the savings in A&G expenditures and estimates are when measured against the budget. Mr. Rankin responded that there were some approved positions in the 2013 budget that were not filled and that CMEEC has been focused on leveraging its internal resources and relying less on outside resources, as well as continuing to evaluate every line item of cost as incurred. Mr. Rankin utilized the now removed annex as an example of designing out unnecessary costs. CMEEC's management's intent is show continued improvement in reduced A&G expenditures, without impairing CMEEC's ability to accomplish essential functions in a prudent manner.

Director DeMuzzio inquired regarding the reasons for the decrease in total cash on hand metric to the required minimum in April on the "CMEEC Days Cash on Hand 2013" chart. Mr. Pryor replied that it went down due the refinancing and the use of CMEEC funds, in addition to the amounts issued in new bonding, to pay off a portion of CMEEC's then existing indebtedness. This metric went back up in May with the new financial structure following the full implementation of the refinancing.

Mr. Rankin continued by discussing the Maximize Asset Value Objective. He explained it was not a good month relative to the asset projects, and the year to date summary report shows negative variances for all metrics. However the projected year end is positive due to the improvements resulting once the full effect of the refinancing is incorporated into operations.

4) Review: May Power Cost Analysis

Michael Cyr from CMEEC Power Supply provided an overview and update on the May Power Cost Analysis. Mr. Cyr explained that it is slightly below the approved 2013 budget forecast. He added that the Algonquin Gas Transmission (“AGT”) price for delivery of natural gas into New England is still affecting rates this summer, even though electric forward prices are trending down towards where they have been in prior years, for non-winter periods. Higher and volatile natural gas prices for delivery into New England are anticipated again to be a major factor influencing electric prices this coming winter.

Mr. Cyr stated that the unit contingent procurements for energy came in below the budget forecast for these expenditures. During recent periods, CMEEC has been going out and buying weekly contracts that are tied more closely to the LMPs in the energy market. Implementing this strategy was a reason for lowering power costs when compared to the budget estimates.

5) Resolution: Jewett City Department of Public Utility (“JCDPU”) Use of Trust Funds

Mr. Pryor reviewed the proposed resolution for the Board. He explained the resolution addresses a request of the JCDPU to borrow and utilize an amount of \$105,000, amended to state that the amount is not to exceed \$115,000, for purposes of funding certain energy related investments in its service territory. CMEEC staff finds that the request is consistent with the policy of the Municipal Competitive Trust and recommends that the Board approve this resolution as amended.

Director Kenneth Sullivan explained JCDPU is doing an energy conservation job for its largest customer, the Town of Griswold High School, with the amount requested to be repaid by the Town’s Board of Education under a lease arrangement. Director Hiscock inquired how long the term of the lease is for and what the implied interest rate would be. Director Sullivan clarified that the term was for five (5) years and the implied interest rate will be 3.5%.

A motion was made by Director DeMuzzio, seconded by Director Brown, to approve Resolution 13-39, approving JCDPU’s use of funds from its account held pursuant to the Municipal Competitive Trust.

Vote Passed. Unanimous.

(13-39)

6) General Review: Backus Microgrid Project

Mr. Rankin introduced Michael Rall from CMEEC to speak about the Backus Microgrid Project. Mr. Rall is the project manager as well as the same role for the Subase project. Mr. Rall has been developing tools and templates for management and reporting of the progress of the project, in conjunction with CMEEC management, which will be published in the Board package monthly for review.

Mr. Rall described that CMEEC has submitted an application to the Department of Energy and Environmental Protection (“DEEP”) for Microgrid grant funds pursuant to the DEEP microgrid program. Mr. Rall opined that he believes that there is some probability that the project may be successful in obtaining grant funds, particularly, because the CMEEC application is the only one which entails providing back-up and reliability support to a critical hospital facility. Out of the twenty-seven (27) applicants that were approved during the DEEP first round of the process, only about two-thirds (2/3rd) of the applicants actually submitted applications during this second round.

Mr. Rall stated that CMEEC prepared and filed with DEEP the air emissions permit application for the Backus Microgrid project. The full process for preparation, agency review, and agency approval of the permit is the long lead-time item in the Project’s regulatory approval process. Although CMEEC is diligently following up with DEEP and the project could benefit from earlier issuance of the permit, DEEP issuance of the permit could take up to nine (9) months.

Mr. Rall also described the, now executed, Joint Development Agreement (“JDA”) between Norwich Public Utilities, Backus Hospital, and CMEEC relating to the project. The agreement breaks down into detail a schedule of tasks, responsibilities, and roles, including who owns and operates the different facilities and who is responsible for payment and costs under different circumstances.

The sense of the Board and, as directed by Mr. Rankin, was that the project report should be produced and updated every month for inclusion in the Board package and for review through Board meeting deliberations, if requested. An active agenda item will be included in the planned agenda and addressed if any exceptions arise.

A motion was made by Director Demicco, seconded by Director Harris to go into Executive Session at 11:07 a.m. to discuss updates on the Energy New England, LLC (“ENE”) matters and the Wallingford Transition Planning / Joint Meeting.

Vote Passed. Unanimous.

(13-40).

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 Messrs. Rankin, Pryor and Sussler, with Paul McCary, present during the discussion of the ENE matters, and Michael Cassella, present during the discussion of the Wallingford transition issues.

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

Vote Passed. Unanimous.

(13-41).

The meeting came out of Executive Session at 1:30 p.m.

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

Vote Passed. Unanimous.

(13-42).

There being no further matters to be discussed, the meeting was adjourned at 1:31 p.m.

Respectfully submitted,



Philip L. Sussler
2nd Assistant Secretary

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

BOARD OF DIRECTORS'

RESOLUTION 13-39

**Resolution Approving Jewett City's Request for
Use of funds from its account held pursuant to the Municipal Competitive Trust**

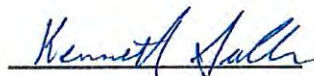
WHEREAS, Jewett City has submitted a request pursuant to the CMEEC Municipal Competitive Trust, created as of June 13, 2003 (the "MCT") to borrow and utilize an amount of \$115,000 from its account, as such term is defined by the MCT, held under the MCT.

WHEREAS, Jewett City has determined that this use of funds currently held for its account in the MCT will be used to fund a portion of a proposed lighting retrofit (energy conservation initiative) at the Griswold High School within their service territory.

WHEREAS, Resolution 03-07 of the CMEEC Board of Directors (the "Board") requires the Board approve or disapprove any proposed use of the funds being requested for transfer from the MCT; and,

WHEREAS, it has been determined that the proposed use of the funds is consistent with Resolution 03-07 and the terms of the MCT for use of such funds.

NOW THEREFORE BE IT RESOLVED, the Board does hereby approve the request of Jewett City for the transfer from, and use of, funds from Jewett City's account held pursuant to the MCT as previously described in this resolution.



Kenneth Sullivan
Secretary

June 27, 2013