

CMEEC Board of Directors' Regular Meeting

October 23, 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 October 23, 2014 at CMEEC’s offices, 30 Stott Avenue, Norwich, CT. 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 9:33 a.m. and determined that a quorum was present.

The following Member Representatives/Directors participated:

Jewett City – Louis Demicco (joined at 10:10 a.m.), Kenneth Sullivan, Richard Throwe

Groton – Edward DeMuzzio, Paul Yatcko, David Collard

Norwich – James Sullivan (departed at 10:43 a.m.)

East Norwalk – James Smith

South Norwalk – Mark Harris, John Hiscock, Scott Whittier

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 Regulatory and Risk Officer

Ellen Kachmar, CMEEC, Office and Facility Manager

Michael Rall, CMEEC, Director, Asset Management

Philip Sussler, CMEEC, General Counsel

Ms. Kachmar recorded.

Chairman James Sullivan announced that he had to leave the meeting at 10:30 a.m., and, upon the Chairman's departure from the meeting, Vice Chairman Kenneth Sullivan would thereafter assume the chair's duties for the remainder of the meeting.

Standard Action Items.

(A) Approval of the Minutes of the CMEEC September 25, 2014 regular Board of Directors' Meeting

A motion was made by Director Yatcko, seconded by Director Smith, to approve the Minutes of the September 25, 2014 regular CMEEC Board of Directors' Meeting.

Vote passed. Director Harris abstained. (14-61)

Specific Action Items

(B) Objective Summary Review.

Mr. Rankin provided a discussion of the summary dashboard report on CMEEC operations and metrics included in the package circulated to the Board of Directors in advance of the meeting. Mr. Rankin began by noting that CMEEC's Finance and Accounting group, under Mr. Pryor's lead, had updated financial information, included in the package, for the most recent completed month, September, but certain of the ISO-New England supplied data had to be estimated due to the two month lead time still required to finalize such data. Currently, information is reported to the Board for the completed calendar month two months prior to the reporting date. Consistent with CMEEC initiatives previously reported to the Board, CMEEC staff is engaged in compiling the information so that reports will be made for the most recently completed calendar month. Mr. Rankin said the CMEEC Asset Management and Portfolio Management departments are working on getting the data compiled and included into the reports for the most recent prior calendar month as well.

Mr. Rankin reported August as a good month under the Regional Competitiveness metric with a deviation from the benchmark for CL&P of -37%, with investments, and -33%, without investments, due to reductions in CMEEC's costs, good hedge performance, and the generation assets and transmission project #1 doing well. Mr. Rankin noted that the Regional Competitiveness target values will be set as and made consistent with the budget targets in 2015.

Mr. Rankin continued his review with a summary of the customer fulfillment metric, noting that it was a good month, with the results effectively equivalent to the budget, but by year-end the gap will not completely closed.

He further noted that CMEEC is in compliance with the Enterprise Risk Management policy ("ERMP"). He also indicated that new reporting dashboards will be developed for the balance of the new ERMP standards that are intended to make it easier for the Board to interpret and review CMEEC's performance.

Mr. Rankin next noted that the current ratio, equity to debt, and days' cash on hand parameters to CMEEC's Financial Stability Metrics were strong for September and are well within the targets. The net A&G was 5% under budget in September, and is estimated to be approximately 9% under budget by year-end.

Mr. Rankin reported on the Maximize Asset Value metrics, noting that the Pierce plant had an exceptional month due to high Locational Forward Reserves ("LFR") prices as well as frequent dispatches by ISO-NE to run the plant. The DG units reported strong performance as well due to high the LFR rates. The MicroGen units performed well in August, but the financial results were adversely affected by a budgeting error which assumed avoided costs in the same month, instead of the subsequent month as it flows through from ISO-New England ("ISO-NE"). Mr. Rankin reported that Transmission Project #1 under-performed based on lower RNS revenues due to lower loads and provisioning for the reduction in the RNS return on equity ("ROE") resulting from FERC's final decision on the RNS ROE. CMEEC margin was 3% below target for August, but year-end is anticipated to be strong.

Director DeMuzzio raised a question as to whether or not the margin was included in the year-end reported all-in costs. Mr. Rankin responded that it was not, but that investments were included. A question was posed regarding the status of the true-up numbers for Wallingford and Bozrah with respect to their participation in the MicroGen project. Mr. Rankin explained that the entitlement allocations ("EAs") for these entities would not be calculated until the determination of the final capital cost for the project, as that value is required to calculate the EAs for these entities and the residual EAs for the other project participants. A discussion was also had regarding the alignment of the Regional Competition and Customer Fulfillment metrics and comparative position of CMEEC with the regional bench-mark pricing.

(C) SUBASE MicroGrid Project Update

Mr. Rall reported continuing progress in the planning and execution of the project, including refinement of the capital cost estimates. Current activities, pending filing of the air emissions permit application, entail refining the estimates and preparing the application. Mr. Rall reported that the target capital budget for the project was increased from \$5 million to \$5.3 million due to the DG units being repurposed and requiring additional equipment for the Selective Catalytic Reduction environmental controls ("SCRs"). Additional incremental finance charges for the project in the amount of \$157K were also added to the total project capital cost. Mr. Rall noted that due to the absence of information on the fourth unit, which has not been purchased yet, the ISO-NE stability Section I.3.9 filing was delayed. He did note, however, that this is not anticipated to delay the overall construction timeline. Mr. Rall reported that CMEEC is working with Groton Utilities on the Interconnection Agreement for the project. He noted the air emissions permit application modeling was also an issue due to the fact that the fourth unit has not been purchased, but staff is exploring addressing this issue by utilizing data from proxy units for the modeling. Mr. Rall indicated that he currently anticipates no further material adjustments to the overall budget and scheduled in-service date for the project.

(D) Energy Cost Analysis Summary Overview

Mr. Connell reported energy costs above budget by 1.91% in September, with actual demand 4,354 MWh higher than anticipated, and unit contingent resources 2,222 MWh lower than budget. Mr. Connell noted energy was 89% hedged, and spot purchases covered the rest of the load. He reported natural gas transmission “congestion” costs were lower than expected. Director Harris questioned the quantity of fuel oil on hand for the Pierce plant since fuel costs are low, to which Mr. Rall answered there was a 190,000 gallons on hand (with maximum storage capacity of approximately 210,000 gallons). Mr. Rankin noted that, under the current provisions of the Pierce Plant air emissions permit, CMEEC is obligated to use natural gas as a fuel source when it is available.

(E) October’s Five Year Forecast Summary

Mr. Connell updated the Board on the current 2014 projection for power supply compared to the April projection and original budget, as well as the current 5 year projection compared to the April projection and original budget. He noted that Portfolio Management will provide highlights of this data at quarterly intervals. Mr. Connell noted that lower electric loads and fixed transmission costs in August created increased unit costs. Director DeMuzzio requested the data from this year be kept for comparison to equivalent data from next year to allow for assessment of performance.

A discussion about electric generation and infrastructure capacity issues in New England arose. Mr. Forshaw informed the Board about the measures being taken to raise awareness of the issues at FERC, as well as regionally, and locally. Mr. Forshaw went on to describe the efforts of the New England states to build a new natural gas pipeline, which had not progressed due most notably to the recent failure of proposed Massachusetts legislation, authorizing participation by Massachusetts, to be approved. Mr. Forshaw informed the Board of efforts of the New England Public Power Association (“NEPPA”) regarding this issue, which included a recent meeting of a New England delegation of public power representatives with several staff representatives of U.S. Congressional members from the region to further discuss the issues. Chairman Sullivan commended Mr. Forshaw for his advocacy in raising awareness of the generation and infrastructure capacity issues, and thanked him for his dedication.

Chairman James Sullivan left the meeting at 10:43 a.m. Vice Chairman Kenneth Sullivan acted in the role of the chair for the remainder of the meeting.

(F) Summary Update on CMEEC Budget Process

Mr. Pryor reported on the budget status noting that a vote to adopt the TRANSCO 2015 Operating and Capital Budget was slated for today’s TRANSCO Board of Directors’ meeting. Mr. Pryor informed the Board that a Budget and Finance Committee meeting is scheduled for October 29 at 10 a.m. to finalize CMEEC’s 2015 Operating and Capital Budget. Mr. Pryor announced that a final budget discussion meeting, open to all Board members, will be scheduled prior to the November 20 Board meeting, at which the vote to approve CMEEC’s budget will take place. Mr. Pryor noted that one change in the budget will occur to accommodate the City of Marlborough, Massachusetts, municipal aggregation load, as it is a new customer load.

(G) Special Presentation / Award

Chairman Sullivan and Mr. Rankin presented an award to Director Scott Whittier for his participation and success in an Iron Man competition. Mr. Rankin distributed t-shirts with Mr. Whittier's photo and competition data on them to the Board.

Mr. Rankin informed the Board that CMEEC's bid to supply power under a managed portfolio scenario to the Cape Light Compact ("CLC") municipal aggregation load was not accepted. Mr. Rankin explained that although the committee presenting the power supply information to the CLC Board of Directors endorsed CMEEC and its proposal, the Board itself seemingly did not have sufficient understanding of the managed portfolio concept proposed by CMEEC, and chose to contract with a company offering flat rate power costs. Mr. Rankin noted that CLC is very interested in pursuing further engagement with CMEEC when the new contract is completed in two years.

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

Voted passed unanimously

(14-62)

There being no further matters to be discussed, the meeting was adjourned at 10:48 a.m.