



CMEEC Board of Directors' Meeting

October 24, 2013

MINUTES

The Connecticut Municipal Electric Energy Cooperative (“CMEEC”) Board of Directors (sometimes referred to below as the “Board” or the “BOD”) conducted a regular meeting of the Board on Thursday, October 24, 2013 at CMEEC’s offices, 30 Stott Avenue, Norwich, CT, 06360. Legally noticed, in compliance with Connecticut State Law, all proceedings and actions hereinafter recorded occurred during the publicly open portions of the meeting.

Vice Chairman Bilda served as interim Chair for Chairman Hiscock, until Chairman Hiscock’s pre-notified late arrival, and called the meeting to order at 9:34 a.m. and determined a quorum was present. Mr. Sussler noted that according to Art. III, Section 5 of the CMEEC By-laws, a majority (or six (6) out of the ten (10)) of the director/member or alternate member representatives must be present to comprise a quorum. Chairman Hiscock acted as the Chair of the meeting upon his arrival and throughout the balance of the meeting.

The following Directors/Member Representatives/Alternates participated:

Jewett City – Richard Throwe
Groton – Edward DeMuzzio, David Collard, Paul Yatcko
Norwich – John Bilda, James Sullivan, Stephen Sinko
East Norwalk – David Brown (joined 9:49 am), James Smith (joined at 9:49 am)
South Norwalk – John Hiscock (joined at 9:54 am), Mark Harris (joined at 10:01 am), Scott Whittier

The following staff participated:

Drew Rankin, CMEEC, Chief Executive Officer
Edward Pryor, CMEEC, Chief Financial Officer
Philip Sussler, CMEEC, General Counsel
Brian Forshaw, CMEEC, Chief Regulatory and Risk Officer
Thomas Solinsky, CMEEC, Director, Asset Management
Gabriel Stern, CMEEC, Director, Strategic Planning & Technical Services
Michael Cassella, CMEEC, Director, Customer Program Management
Justin Connell, CMEEC, Director, Portfolio Management
Ellen Kachmar, CMEEC, Office and Facility Manager

Ms. Kachmar recorded

Standard Action Items:

(A) Approve Minutes of the CMEEC September 26, 2013 BOD Meeting.

Motion by Director J. seconded by Director R. Throwe, to approve the Minutes of the September 26, 2013 CMEEC BOD Meeting.

Vote Passed. Director D. Collard abstained.

(13-57)

Agenda - Specific Action Items

(B) Review Objective(s) Summary Report.

Mr. Rankin summarized the Objective Summary Report of CMEEC's operations and financial performance for the prior month (August), year to date ("YTD"), and projections for the remainder of the year. He noted CMEEC experienced a "mediocre" month in August overall. CMEEC did not reach its targets for the month for Regional Competitiveness and Customer Fulfillment. This shortcoming was primarily due customer loads lower than original budgeted values, which were about 4.9% below budget. Mr. Rankin explained CMEEC believes these actual load values were impacted more than expected by the Conservation Load Management programs. He noted that as result of the most recent load analysis and forecast modeling currently underway, forecasted loads for 2014 will be reduced by 2-3% to better reflect this reduction in loads. The YTD experience for the Regional Competitiveness measures "without investments" is anticipated not to achieve the targets, whereas reaching the targets with the Regional Competitiveness measures in the "with investments" case will be tight. The "with investments" YTD experience and projected year end result reflects the benefits resulting from the CMEEC 2013 global refinancing.

Mr. Rankin reported the Financial Stability summary metrics were solid for the month of August. He noted that the Net A&G had a zero percent deviation from the budget and year end will be strong.

Mr. Rankin noted that the Maximize Asset Value metrics were good for the month. The MicroGen project and Trans Project #1 realized good margins over and above budget. The market distributed generation ("DG") project experienced a negative net benefit due to fuel inventory close-out expense that were realized during August. Mr. Rankin reported plans for the Asset Management group to evaluate the risks and rewards of the Pierce plant potentially entering the ten (10) minute market, noting the Director of Asset Management are more finitely measuring and trending plant start time lifecycle components, which would be discussed later in the Board meeting.

As described by Mr. Rankin, the purpose of the newly created role of the Chief Regulatory and Risk Officer for CMEEC filled by Brian Forshaw is create and maintain a more strategic evaluation of ISO-New England's ("ISO-NE") decision points and processes for the next five (5) years, to quantify the potential cost impacts from future ISO-NE decisions, and to explain on a more structured basis what these developments mean to CMEEC's future performance. Analysis of the ISO-NE decision schedule will provide the opportunity to incorporate higher probability decisions into the forecast models. An updated schedule of these potential impacts will be provided to the Board monthly and in the monthly five (5) year forecasts

provided to the customers. Mr. Rankin noted that meetings to discuss monthly forecast projections are being scheduled individually with each municipal electric utility (“MEU”). He cautioned MEU leads regarding the potentially commercial sensitivity of some of the information being developed.

With regard to the Backus (MicroGen) Project, Director DeMuzzio requested descriptions of the specific project tasks to be included in the project summary distributed to the Board on a going forward basis versus the abbreviated task reference currently used. Mr. Rankin responded staff would provide the requested description of materials with respect to the Backus Project. Director DeMuzzio also inquired about the status of the SUBASE Project, and Mr. Rankin explained staff are currently creating the project management tools to administer the SUBASE Project, such as the charter, project plan, expense management processes and reports, and other best project management practice tools and processes. This preparatory work will continue until the SUBASE lease is signed by NAVFAC, which is expected in November. Mr. Rankin noted that support and grant funding was also being sought for the project from state government offices.

(C) Review Market Impacts Report (first generation)

Mr. Forshaw, CMEEC’s Chief Regulatory and Risk Officer, presented a discussion regarding the impact of ISO-NE’s future potential wholesale market changes. According to Mr. Forshaw, there will be twelve (12) major market design projects proposed to be implemented by ISO-NE over the next three (3) to four (4) years, the biggest cost driver being the redesign of the Forward Capacity Market (“FCM”). A discussion ensued regarding the various generation resources which will be retired in the region during the next couple of years and the ISO-NE’s options to offset those anticipated resource retirements. Director Smith asked how this would affect the MEUs’ five (5) year budget plans. Mr. Forshaw responded the Portfolio Management group would determine the probability of occurrence of the various ISO-NE initiatives and the confidence level with respect to such probabilities of certain ISO-NE decisions, and factor those impacts into the forecasts. Director DeMuzzio requested the probability factors be included in the monthly report to the Board as they relate to additional power costs incorporated in the forecasts.

(D) Review January – February Stress Tests

Mr. Connell, CMEEC’s Director of Portfolio Management, lead a discussion on the 2013-14 winter energy portfolio strategy. In January and February 2013, exceptionally high natural gas prices for delivery into New England caused an adverse impact on the cost of power. In an effort to mitigate this potential risk for 2014, Portfolio Management is analyzing various scenarios and products to try to ensure that this does not occur in 2013-2014. With the objective(s) of achieving the regional competitiveness and stability / predictability, Portfolio Management is actively stress testing multiple scenarios to select the most constructive structures to achieve the competing objectives. The group is also analyzing the possible hedging activities of the regional competitors to provide context and insight regarding the optimum strategy for purchasing power this upcoming winter.

(E) Review Successful Start Metrics (first generation)

Mr. Solinsky, CMEEC's Director of Asset Management, lead a presentation regarding the metrics developed to analyze the start-up operations of CMEEC's generating resources. He described the process of starting up and tracking the Pierce plant, distributed generation units, and the MicroGen project units. The start metrics, which will be included in the monthly Board package, will demonstrate the trends over time of the resources' standard operating parameters.

Following the presentations of CMEEC staff, Chairman Hiscock asked the Board if they had any specific further questions regarding the performance metrics review documentation, which were included in the Board package. There were no further questions.

Motion by Director J. Bilda, seconded by Director P. Yatecko, to go into Executive Session.

Vote Passed. Unanimous.

(13-58)

The basis for the 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)).

The meeting went into executive session at 11:05 a.m. to update the Board regarding matters relating to the Wallingford transition.

In addition to the Directors and Alternates, Mr. Rankin, Mr. Pryor, Mr. Sussler, and Mr. Solinsky were present.

Motion by Director E. DeMuzzio, seconded by Director J. Bilda to come out of Executive Session at 11:50 am.

Vote Passed. Unanimous.

(13-59)

Motion to adjourn the meeting by Director R. Throwe, seconded by Director D. Brown.

Vote Passed. Unanimous.

(13-60)

There being no further business of the Board, the meeting was adjourned at 11:51 am.

Respectfully submitted,



Philip L. Sussler
2nd Assistant Secretary

