



## **CMEEC Board of Directors' Meeting**

**September 26, 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, September 26, 2013 at the Water’s Edge Resort, 1525 Boston Post Road, Westbrook, CT, 06498. Legally noticed, in compliance with Connecticut State Law, all proceedings and actions hereinafter recorded occurred during the publicly open portions of the meeting.

Chairman Hiscock called the meeting to order at 9:07 a.m. and determined a quorum was present.

#### **The following Directors/Member Representatives participated:**

Jewett City –Kenneth Sullivan, Louis Demicco (by telephone)

Groton – Edward DeMuzzio, Paul Yatcko

Norwich – James Sullivan, Stephen Sinko

East Norwalk – David Brown

South Norwalk – John Hiscock, Scott Whittier

#### **The following CMEEC staff participated:**

Drew Rankin, CMEEC, Chief Executive Officer

Edward Pryor, CMEEC, Chief Financial Officer

Philip Sussler, CMEEC, General Counsel

Mr. Sussler recorded.



## **Standard Action Items:**

**(A) Approve Minutes of the CMEEC August 22, 2013 BOD Meeting.**

**Motion by Director James Sullivan, seconded by Director Edward DeMuzzio to approve the Minutes of the August 22, 2013 CMEEC BOD Meeting.**

**Vote Passed. Unanimous.**

**(13-53)**

## **Agenda - Specific Action Items**

**(B) Review: Objective(s) Summary Report.**

Mr. Rankin summarized for the Board the objective summary report of CMEEC's operations and financial position for the prior month (July), year to date ("YTD") and projections for the remainder of the year. He noted that CMEEC had an excellent month of July overall, despite significant volatility and challenges in the New England wholesale electric market. He noted that directionally the relationships identified in the one-hour, peak circumstance analysis provided at last month's BOD meeting characterized much of the month of July. As a result, CMEEC's generating assets and forward contracts delivered real value in shielding CMEEC's customers from the adverse impacts of high and volatile prices in the wholesale electric market. As a result, CMEEC came close to or at its targets for the month for Regional Competitiveness, with investments (3% absolute value better than the target of 20% lower than equivalent rates for Connecticut Light and Power Company ("CL&P"), 15% relative to target) and without investments (matching target of 0% absolute, 0% relative). The YTD experience for the Regional Competitiveness measures, reflecting the good outcomes in July and recent prior months, are making up ground to come closer to, although still remaining below target. YTD results improvement for the "with investment" line item of analysis also reflects the recognition of the benefits of the CMEEC global refinancing. Continued improvement is anticipated to the end of the year, although achieving the targets may still be tight and subject to the avoidance during the remainder of the year of any severe disruptions similar to those which occurred in the first two months of 2013.

With regards to the Customer Fulfillment objectives, Mr. Rankin continued, CMEEC's results were favorable during the month (July) with a positive 8.8% and 3.7% result for the with and without investment all in cost of power. This also favorable impacted the YTD results and projections are for achieving the targets or coming close by the end of the year.

Mr. Rankin next addressed the Financial Stability summary metrics. He noted that CMEEC had an exceedance of the volume targets for forward energy procurement under for 2014 and 2015 under the Risk Management Policy ("RMP"). This was a result of a combination of factors, including the adoption of a new load forecast, which decreased projected electric loads by approximately 3%, changes in the mix of peak, intermediate and base-load due to the revised load shape in moving from a six to a five system forecast (reflecting Wallingford's departure from full requirements power supply) and the block extension of the purchase of energy from the Pilgrim plant. The volume exceedance was approximately 5 MW. Based on direction from the Risk Management Committee ("RMC") or the BOD, CMEEC can either elect to liquidate the volume exceedance or retain the committed volumes and sell the delivered volumes as the delivery dates occur, as the prices of these incremental forward purchases (approximately \$69/MWh) are currently at or nearly at the current equivalent forward market prices for delivery of the purchased volumes. The BOD engaged in discussion about the benefits and burdens of each of these alternatives. Director Yatkco noted that, in general terms, the ultimate goal is long-term price stability and avoidance of speculation; month-to-month finely tuned liquidations of relatively minor volume exceedances caused by normal volatility in loads may have a net cost and not appreciably affect CMEEC's risk position. Mr. Rankin noted that the RMP has built into its procedures certain allowances for purchases of forward energy to account for anticipated volatility and that adherence to the RMP

is important for risk compliance. As a result, CMEEC staff, unless otherwise directed by the BOD, intends to liquidate the excess volumes to achieve compliance with the RMP.

Mr. Rankin then proceeded to describe the remaining metrics for Financial Stability for CMEEC. He noted that each of these metrics were strong and improving. The daily cash on hand (“DCOH”) metric popped up during the month due to a change in the daily cash flow requirements and changes in the debt service levels, resulting from the global refinancing. The net A&G measure was off for the month because of the timing of expenditure versus the budget, but remained favorable for the YTD and end of year projections.

Mr. Rankin also noted that the Maximize Asset Value metrics were also very good for the month. The Pierce Project had a very good experience. The market distributed generation (“DG”) project (the waste-water plant) was favorable. MicroGen (formerly the “50 in 5 Project”) also experienced a good month. Director Yatcko inquired whether some of this improvement was reflective of the extended financing terms associated with the MicroGen and Pierce Projects, reducing the cash flow requirements of debt service. Mr. Rankin confirmed that was a strongly contributing factor; but also affected favorably, in the case of MicroGen, by the dispatch accurately meeting the peak demand periods, improvements (from the asset perspective) in the locational forward reserve market (“LFRM”) prices and in continued prudent reductions in expenses related to the assets. The refinancing accomplished a \$3.4-4MM improvement cumulatively. With respect to the Transmission Project No.1, the result was affected by the pay-back of previously over-collected amounts and by revenue fluctuation in the Regional Network Service (“RNS”) rate. Mr. Rankin concluded the summary, by noting that the CMEEC Margin metric continues to be strong and is anticipated to be so to the end of the year. CMEEC has hedged out the Mohegan Tribal Utility Authority (“MTUA”) energy supply to the end of the year at lower cost than the fixed price commitment to MTUA of \$59.45/Mwh, with anticipated sharing of the benefits with the MTUA under the current contract. This split of benefits will go away in 2014, with the commencement of the new MTUA-CMEEC contract, which has been committed to by the parties and is subject to finalizing the documentation.

### **(C) Review Risk Management Policy (“RMP”) revision plan.**

Mr. Rankin summarized the presentation regarding the proposed RMP revision based on the materials in the BOD’s package. He also noted the tentative schedule for staff, RMC and BOD meetings to review and decide upon the adoption of the RMP revisions, with key dates, including a RMC meeting on Oct. 6, a BOD meeting on Oct. 24, Nov. 11 and, final, Dec. 10 to approve the revised report. The BOD package for today’s meeting is formatted as a summary, in term sheet format, which will be further developed into text as reviewers provide feedback. Director DeMuzzio requested that the BOD package materials be reformatted to allow for linking of materials to references in the summary and agenda to allow for ease of review on electronic devices. Mr. Rankin indicated that staff will address this.

### **(D) Summary of Monthly Forecast Session.**

Mr. Rankin presented the discussion, noting that CMEEC staff is engaging management and staff of CMEEC’s customers to develop reporting formats that are more useful and timely. CMEEC now produces a new five year forecast every month, when previously this was done quarterly and, before that, only once per year. The frequency and formatting of the forecasts is intended to assist in decision-making by CMEEC’s customers and, therefore, needs to reflect their input and suggestions. The materials circulated to the BOD, which have also been copied to each of the municipal electric utilities (“MEUs”), are intended to apprise the BOD representatives about the development and solicit their input. CMEEC staffs, with Mr. Pryor, met with management of the MEUs regarding this material and have received good feedback, including the move from calendar to fiscal year reporting conventions to better match the manner in which the MEUs utilize the information. Anticipated further work will include some further fine-tuning and adding additional graphical presentations to the reporting format, and further meetings with the MEU management and staff to provide

disclosure on what is being accomplished and solicit further feedback. Director Yatcko favorably commented on the direct discussions between CMEEC and MEU staffs regarding the process improvements underway and the movement to a more certain, customer-directed model for reporting. Mr. Rankin further elaborated on the process improvements, noting that budget and forecast reporting will be made consistent by line item and categorization and that the generation services portion of the reporting, equivalent to the equivalent offering of CL&P and the alternate competitive suppliers, will be separately reported. Mr. Sinko inquired whether the commercial and industrial alternate competitive supplier rates could be separately reported. Mr. Rankin stated that staff would investigate this. Discussion also ensued about how best to disseminate the reports, by making them available to users through posting to an access limited portal on CMEEC's internet web-site, currently under development and anticipated for deployment in October, 2013, or by other means.

**Motion by Director DeMuzzio, seconded by Director Yatcko, to go into Executive Session.**

**Vote Passed. Unanimous.**

**(13-54)**

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), (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 10:07 a.m. to discuss the matters relating to portfolio management, restructuring, talent development strategy/plan and Wallingford Transition Plan.

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

**Motion by Director Yatcko, seconded by Director Brown, to come out of Executive Session at 11:17 a.m**

**Vote Passed. Unanimous.**

**(13-55)**

**Motion to adjourn the meeting by Director Yatcko, seconded by Director DeMuzzio.**

**Vote Passed. Unanimous.**

**(13-56)**

There being no further business of the Board, the meeting was adjourned at 11:18 a.m.

Respectfully submitted,



Philip L. Sussler  
2<sup>nd</sup> Assistant Secretary

**CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE**

**BOARD OF DIRECTORS'**

**RESOLUTION 13-48**

**Resolution Approving the Third Taxing District's Request for  
Use of funds from its Account held pursuant to the Municipal Competitive Trust**

**WHEREAS**, Third Taxing District has submitted a request pursuant to the CMEEC Municipal Competitive Trust, created as of March 25, 2003 (the "MCT") to transfer an amount of \$2.2 million from its Account, as such term is defined by the MCT, held under the MCT.

**WHEREAS**, Third Taxing District has determined that this use of funds currently held for its account in the MCT will be used to pay town costs associated with the Fitch Street Substation.

**WHEREAS**, Resolution 03-07 of the CMEEC Board of Directors (the "Board") requires that 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**, that the Board does hereby approve the request of the Third Taxing District for the transfer from and use of funds from the Third Taxing District's Account held pursuant to the MCT as previously described in this resolution.



Kenneth Sullivan  
Secretary

August 22, 2013