

**MINUTES OF THE
JOINT AUDIT COMMITTEE MEETING OF THE
BOARDS OF DIRECTORS OF
CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE and
CONNECTICUT TRANSMISSION MUNICIPAL ELECTRIC ENERGY COOPERATIVE**

November 29, 2018

The Joint Audit Committee of the Boards of Directors of Connecticut Municipal Electric Energy Cooperative (“CMEEC”) and Connecticut Transmission Municipal Electric Energy Cooperative (“Transco” or “CTMEEC”) met at the CMEEC offices on Thursday, November 29, 2018.

David Collard, Committee Chairman, called the meeting to order at 10:00 a.m.

The following Committee Members participated:

Groton Utilities – David Collard
Norwich Public Utilities – Stewart Peil
East Norwalk – Kevin Barber
South Norwalk Electric and Water – Paul Yatcko (via telephone)

The following Committee Members Elected to serve for the Year 2019 participated:

Groton Utilities – Mark Oefinger
Jewett City Department of Public Utilities – Kenneth Sullivan
South Norwalk Electric and Water – Dawn DelGreco

The following individuals from CMEEC Management participated:

Michael Lane, CMEEC Director of Finance and Accounting, Interim CEO
Robin Kipnis, CMEEC General Counsel
Joanne Menard, CMEEC Controller
Linda Timman, CMEEC Principal Accountant
Margaret Job, CMEEC Administrative Staff

The following invited consultant participated:

Jonathan Fink, Blum Shapiro, Engagement Partner

Other participants:

Michael Boucher, Resident, Groton, CT
William Kowalski, Municipal Electric Consumer Advocate (via telephone)
Jean Rienzo, Student, Eastern Connecticut State University

Ms. Job recorded.

Specific Action Items

(A) Annual Audit Planning

Chairman Collard turned the meeting over to Michael Lane who introduced Jonathan Fink of Blum Shapiro. Mr. Fink followed the Blum Shapiro agenda discussed below.

Agenda Item I – Team Members

Johnathan Fink, Blum Shapiro Engagement Partner, explained that this meeting is being held to confirm the scope of services and plan for the 2019 audit activities for 2018 year-end. He shared contact information of Vanessa Rossitto, Concurring Partner, and Matthew Coit, Manager, who make up the balance of the team conducting audit activities but were unable to attend today's meeting. He added that the team welcomes questions the Committee may have during the audit process and encouraged they reach out to any of them.

Agenda Item II – Scope of Services

Mr. Fink explained that the scope of services consists of the financial statement audit for the year ended December 31, 2018; the standalone financial statements for Transco for the year ended December 31, 2018; preparation of the CMEEC and standalone Transco financial statements; debt compliance letters for the year ended December 31, 2018 for CMEEC and Transco; and verification of CEO performance metrics. Mr. Fink inquired if the Committee would like Blum Shapiro to continue to conduct this last service related to verification of CEO performance metrics, to which Chairman Collard indicated that it would.

Agenda Item III – Financial Statement Audit Objectives and Responsibilities

Mr. Fink provided an overview of the audit objectives. He explained that Blum Shapiro will express an opinion as to whether the financial statements present financial position and activities of CMEEC and Transco. He added that Blum will not provide an opinion on internal control over financial reporting explaining that because CMEEC is a public company, such an opinion is not required.

William Kowalski, Municipal Electric Consumer Advocate, inquired whether the activities conducted during the preparation of financial statements would reveal any of the alleged activities alleged to have been conducted in the indictments to which both he and Mr. Fink concurred that would have been revealed in a forensic audit which this audit is not.

Mr. Fink provided a brief overview of both the auditor's and management's responsibilities.

Agenda Item IV – GASB Considerations

Mr. Fink provided an overview of future standards that may be applicable to CMEEC. Discussion followed regarding the potential addition of a three-year comparative management discussion analysis. Mr. Fink reminded the Committee that it had requested a two-year comparative look back in the previous year. He inquired whether the Committee would like to expand that to three years to which Mr. Lane stated that he recommends to the Committee that it move to a three-year comparison. Chairman Collard and the Committee confirmed that it would prefer to move to a three-year comparative lookback.

Agenda Item V – Audit Approach

Mr. Fink provided a brief overview of the audit approach stating the focus would be on key business risks, audit risks and key business processes. The audit will assess key controls in business processes. He added that account balance testing and activity analysis will be conducted. The audit will review financial statements and disclosures assuring they are reasonable and appropriate. He identified significant items for 2018 focusing on rate stabilization funds and special funds; utility plant and property; non-member contracts; considerations of control and accounting in connection with federal indictments related to any responsibility shifts considering administrative leave of two CMEEC officers.

Mr. Fink also provided a high-level overview of the business risk and audit focus areas for this audit.

Referencing the Related Parties review identified on the focus areas table identified on Mr. Fink's agenda, Mr. Kowalski inquired if future audit activities might include former employees and former board of directors. Mr. Fink indicated such a review is not a requirement of a year-end audit. Discussion followed related to this item.

Agenda Item VI – Upcoming Schedule

Mr. Fink discussed the audit schedule by stating that preliminary field work will take place on December 10, 2018 and December 11, 2018. He added that final fieldwork will be conducted during the weeks of February 11, 2019 and February 18, 2019. It is anticipated that the Audit Committee will meet sometime in March 2019 with the final audit going to the Board of Directors at its board meeting scheduled to be held on March 28, 2019.

Agenda Item VII – Other Communication

Mr. Fink explained that when the audit is complete, the auditors will provide a written communication related to the audit. He explained that the list under the agenda item was simply a description of the items that the written communication will include in its explanation of potential items encountered during the audit process.

Agenda Item VIII – Fees

Mr. Fink provided an overview of Blum’s fees for the engagement and added that the fees will be included in the engagement letter to CMEEC.

Agenda Item IX – Committee areas of concern and/or knowledge of fraud

Mr. Fink asked if the Committee had any questions or areas of concern related to the audit. Discussion followed related to clarification by Blum Shapiro of what an audit is and specifically, what it is not, for clarification to anyone reading the engagement letter. Further discussion followed with respect to the fraud interviews conducted during the audit activities with Mr. Fink and Mr. Lane explaining the process. Upon inquiry of segregation of duties considering Mr. Lane’s interim CEO role and his role as CFO beginning in January 2019, Mr. Fink provided a brief review of the controls in accounting process. Mr. Lane explained the process instituted internally to address concerns related to segregation of duties.

(B) Engagement Letters

Discussion regarding the Blum Shapiro Engagement letter took place under the Blum Shapiro agenda item IX – Committees areas of concern and/or knowledge of fraud.

(C) CMEEC Operational Update: Subase accounting; Pierce reserve fund accounting; update on Transco ROE

Mr. Lane discussed the fuel cell project at Subase noting that project will not be fully operational in 2018 and he has been working with Blum Shapiro in connection with the year end audit. In connection with the Pierce reserve fund accounting, Mr. Lane informed the Committee that some work will be completed in 2019 on the plant and noted that a portion of the Pierce reserve fund will be utilized for that.

Mr. Lane provided a brief overview of the current litigation in connection with ISO New England and return on equity for transmission assets. Robin Kipnis, CMEEC General Counsel, noted that this matter is the subject of an appeal with the Circuit Court in Washington, DC and provided a high-level overview of that matter adding that the Court ordered a hearing on return of equity for which briefs are due in December of 2019.

(D) Report on Draft Report of Cohn Reznick on Forensic Examination

Mr. Lane explained that the forensic examination is on target and a final draft report will be brought to this Committee in the next two to three weeks for review. Following Committee review, the report will be brought to the Board of Directors for approval and further posted to CMEEC website and provided to the General Assembly in accordance with P.A. 17-73.

Chairman Collard entertained a motion to enter Executive Session to discuss Wallingford Arbitration Update and Bond Covenant Provisions in accordance with Connecticut General Statutes Sections 1-200(6), 1-210(b)(4) and 1-210(B).

A motion was made by Committee Member Kevin Barber, seconded by Committee Member Stewart Peil to enter Executive Session. Members of the Committee and Ms. Kipnis remained.

Motion passed unanimously.

The Committee entered Executive Session at 11:00 a.m.

The Committee came out of Executive Session and Chairman Collard entertained a motion to adjourn the meeting.

A motion was made by Committee Member Barber, seconded by Committee Member Peil to adjourn the meeting.

Motion passed unanimously.

Meeting adjourned at 11:17 a.m.