

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes

March 5, 2013

Present:	Mary Burgess Maria Borges-Lopez Mary Geake Sherelle Harris	Chairperson Vice Chairperson
Also Present:	John M. Hiscock Kevin Barber Lisa Roland	General Manager Director Admin. & Customer Service District Clerk
Public Present:	Kara Murphy, Esq.	
Absent:	Mary Mann César Ramirez	

Call To Order:

Commissioner Burgess called the Regular Meeting of The Second Taxing District Commissioners to order at 7:03 p.m. on Tuesday, March 5, 2013. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

1. Acceptance of the Minutes:

Commissioner Burgess: "I will call the Second Taxing District Regular Meeting of Commissioners to order on Tuesday, March 5, 2013 at 7:03 p.m. First thing I need is a motion for the acceptance of the minutes of the Regular Meeting of February 19, 2013."

Commissioner Borges-Lopez: "So moved."

Commissioner Harris: "Second."

Commissioner Burgess: "Any corrections? Ok, all in favor?"

Commissioners Unanimously: "Aye"

Commissioner Burgess: "Opposed or abstentions?"

[No Abstentions / None Opposed]

Public Participation

Commissioner Burgess: “You pretending?”

[Directed at Kevin Barber]

[Laughter]

Commissioner Burgess: “Ok Regular Agenda. Next, Approve the CMEEC Revised Power Sales Contract. John go ahead.”

Regular Agenda

2. Approved the CMEEC Revised Power Sales Contract

John Hiscock: “Ok, at the last meeting we went over the CMEEC Revised Power Sales Contract in some detail and since that point in time we have had no questions from the Commission. I assume all of the Commission’s questions were answered. All of the other munis have approved this contract; we are the last ones. Most of them did it about a week or so ago, maybe a little bit more than that. So, it is before you this evening for approval. There is a Resolution in the board book that I am sure you have sort of looked at. A typical Resolution with a pile of Whereas, which sort of defines the issues a little bit and then a group of Resolved. We will go through the Resolved quickly. ‘The Revised Power Sales Contract between CMEEC and SNEW acting through the District Commissioners of the Second Taxing District as presented to the District Commissioners on this date is hereby approved.’ That is the approval. ‘Resolved that the above mentioned approval is subject to the approval and review of the RPSC by local legal counsel for the District’ that is Kara and myself. Which means in case there is a minor non-substantive change, we are authorized to approve that change. The next one is ‘Resolved that the above mentioned approval is subject to the condition that any material revisions must be returned to the District Commissioners’ so that directs Kara and I to send something back to the Commissioners if it is a material change. Kara is probably the one who is going to decide material changes for everything other than maybe business arrangements and I don’t believe there would be a business arrangement that isn’t material so, it really is legal counsel. The next one is I am authorized to direct and directed to file the RPSC with the Clerk and the Clerk is at the other end of the table, pursuant to the Charter and a 30-day notice, Special Meeting of the Electors of the City of Norwalk. And I think we discussed it the last time, the way the Statute is worded the Electors have the right, because they are the legislative body in our form of

government, which is town meeting government. They have the right to invalidate, the word is...”

Attorney Murphy: “Disapprove.”

John Hiscock: “Disapproved.”

Attorney Murphy: “Which causes a lot of confusion.”

John Hiscock: “Yes.”

Attorney Murphy: “Not just in our town but in others too.”

John Hiscock: “Yes, they have the right to disapprove the contract and the action of the Commission. Normally, it is the City Council of a city and everybody presumes that the City Council would be cognizant of what is going on and they would have notice of this contract. In our case, our Electors won’t have notice of this contract so we actually call an Electors Meeting giving them the opportunity. Basically the Commission says do not disapprove please and that is sort of the process we go through. And then the final issue is that the General Manager is hereby authorized to execute after the Special Meeting of the Electors, presuming of course that they don’t disapprove and deliver it to the cooperatives. So that is the Resolution. Legal counsel will go from here in case there is anything else that she wants to add.” [Directed to Attorney Murphy]

Attorney Murphy: “This is the second prong of a three phased process. The first prong is the General Transmission Services Agreement, which was about one year ago this month. I think it was around March 12th or something that we had our meeting last year and we went through the same process. The Commissioners approved the Transmission Services Agreement and then 30 days later we had a Special Meeting of the Electors so that I could answer any questions of the Electors and as I recall no one attended. I was ready, willing and able at that time to answer any questions and then the Transmission Services Agreement was signed by John. So, we will go through the same process this time, if you approve it tonight, we will notice a Special Meeting of the Electors and I will be ready, willing and able to answer any Electors’ questions then or at any time in the next month and if the Electors don’t disapprove, than John can sign the Power Sales Contract. I know we had some discussions a few weeks ago about the contents of the Revised Power Sales Contract. I am happy to answer any additional questions. I know that you wanted some time to digest it. It is a complicated agreement. But overall, this agreement is beneficial to the District because it most importantly permits you to withdraw from CMEEC and/or have more flexibility in your business decisions with CMEEC. Given the commercial environment that we are in today and the economy we are in today, it is a better agreement than what is currently existing.”

John Hiscock: “And to that end, Item 4 on the Agenda is going to talk about, and we will get to that later, the next two documents that have to fall in place to complete this process that we have been going through for three years now.”

Commissioner Burgess: “Any questions?”

John Hiscock: “In case you need it on the record, my recommendation as General Manager is that you approve this document, which is in line with our work for the last two to three years to create a document that allows SNEW and the District to withdraw from CMEEC, if necessary and creates favorable terms for that withdrawal and it also provides a lot of flexibility with respect to the projects that we get into or that we don’t get into and we also believe that it allows CMEEC to operate in a more efficient manner and with CMEEC operating more efficiently, it’s to our benefit as a member. Yes?”

Commissioner Harris: “How did CMEEC feel about our ability to withdraw so easily?”

John Hiscock: “It is actually not easily. It is a very, very long process and we talk about the Member Agreement later. Some of the details are spelled out there. It was a...at first it was unpleasant. The former CEO of CMEEC has been involved in this process since about 1980 or so. He along with others designed this arrangement in which once you became involved you couldn’t withdraw due to the documents. The original agreement was signed in 1979 or 1980 with a 50-year timeframe and one of the provisions of the timeframe was that no debt could be issued past December 1, 2029. The reason that CMEEC entertained the changes allowing withdrawal is because SNEW insisted that it would not sign another arrangement and CMEEC was running into the timeframe difficulty that the time between the present and December 1, 2029 was too short to issue bond and indebtedness for projects to make the cash flow in the projects appropriate and acceptable. So, I think that Mo Scully, the former CEO, became aware that SNEW was going to block any efforts to do anything else and came to the realization that the best way to resolve the problem is to come to an arrangement that was acceptable to SNEW. As the processes moved along and with a new CEO, who doesn’t have an historical interest in the former document, was more than willing to create what he has dubbed a more commercially reasonable contractual arrangement. So, as we have gone through this process, I think we have won everybody over and I think everybody kind of believes that the document is appropriate and actually protects everybody’s interests. So, we have gone from opposition to grudging acceptance to I think general acceptance.”

[Laughter]

Commissioner Harris: “Thank you.”

John Hiscock: “So in other words, we played hardball.”

Commissioner Harris: “Alright.”

Commissioner Borges-Lopez: “So, I make a motion to approve the CMEEC Revised Power Sales Contract.”

Commissioner Geake: “I will second it.”

Commissioner Borges-Lopez: “I am sorry?” [Directed to John Hiscock]

John Hiscock: “In accordance with the Resolution.”

Commissioner Borges-Lopez: “In accordance with the Resolution.”

John Hiscock: “In the board book.”

Commissioner Borges-Lopez: “In the board book.”

Commissioner Geake: “And I will second that as well.”

Commissioner Burgess: “Ok. Any questions still? All in favor?”

Commissioners Unanimously: “Aye.”

Commissioner Burgess: “Opposed or abstentions?”

[None Opposed / No Abstentions]

3. Approve and Recommend to the Electors the 2013/2014 District Budget

John Hiscock: “Ok, the next item on the Agenda is Approve and Recommend to the Electors the 2013/2014 District Budget. We have Kevin here this evening to answer any questions that you might have. We made the three corrections to the Budget that we had discussed at the last meeting, at the Budget discussion. We have included it in the document so it is part of the Draft Budget that gets presented to the Electors. We put in the Board Book the Budget as it will go to the Electors for Electors’ approval and as you can see, even though it is printed on both sides, it is only 19 pages long as opposed to the very large document that you had in front of you at the last meeting. So, at this point I will entertain any additional questions that you may have with respect to the Budget or any Budget issues.”

Commissioner Geake: "Through the Chair, I make a motion that we accept the Budget as it has been written with the changes."

Commissioner Burgess: "Do you recommend it to the Electors?"

Commissioner Geake: "Yes."

Commissioner Borges-Lopez: "I second the motion."

Commissioner Burgess: "Any questions? All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Opposed or abstentions?"

[None Opposed / No Abstentions]

John Hiscock: "Our Annual Budget Meeting is two weeks from tonight and we definitely need a quorum. And while the good news is that this Budget is probably acceptable to the Electors the bad news is that means we are going to have to work harder to get a quorum out because the Electors show up when they are unhappy. And when they are happy, when we do things right, they don't have a tendency to be here. So, please do your best to make sure we have fifteen Electors here."

Commissioner Harris: "Should we spread a bad rumor to get them here?"

[Laughter]

John Hiscock: "I was thinking of doing that."

Commissioner Borges-Lopez: "I can always motion to remove a line item here. I am sure then you would get a quorum. Should I do that John?"

[Laughter]

Commissioner Harris: "No, no."

John Hiscock: "I would prefer that you don't. We will do our best to get them here."

Commissioner Harris: "We will tell them to come out and say thank you or else it will be

removed.”

[Laughter]

John Hiscock: “Yes, and as you all know, all of the items the Electors objected to last year that were restored are in this year’s Budget.”

Lisa Roland: “John, a reminder, the Ethics Committee elections is at that meeting.”

John Hiscock: “Yes, thank you. And the other issue is the, and thank you Lisa for bringing it up, the election of the, since we are halfway through the year, the Electors to the Ethics Committee. At this point I believe we have...?”

Commissioner Geake: “I know of two.”

John Hiscock: “Two or three, two. That is right we have two individuals who have issued notices to us that if nominated they are willing to serve. And I think they have been sent to the Commission or not?”

Lisa Roland: “No they have not.”

John Hiscock: “They haven’t. Ok, but we have two on record in the form of an email.”

Commissioner Borges-Lopez: “So we need one more; at least one more.”

John Hiscock: “Yes, we need one more non-Democrat, presuming what happens is the Democrats will dominate the meeting and that is just a observation on my part, not a political commentary, and although we have had one Ethics Commission that have four Republicans on it at one point in time or a combination of four Republicans and an Unaffiliated. That did happen once. So that will also be on the Agenda.”

Commissioner Burgess: “John is that meeting going to be earlier?”

John Hiscock: “8 p.m.”

Commissioner Burgess: “All of it? Ok.”

John Hiscock: “Yes.”

4. Review the Revised CMEEC Member Agreement / By-Laws

Commissioner Burgess: “Ok, thank you. Alright, Item 4.”

John Hiscock: “Ok, Item 4. Item 4 speaks to the Revised CMEEC Membership Agreement and it’s really not a Revised Membership Agreement, it is a Membership Agreement that is a revision of something called the Creating Document. A document that created CMEEC in accordance with the Statute and gets filed with the Secretary of State’s Office. What the CEO of CMEEC and its counsel have decided to do, which is something we will discuss shortly and Kara will have some comments about, is to modify the Creating Agreement because the Creating Agreement itself had provisions in it to prevent withdrawal. So, this is just another one of this series of documents that prevented withdrawal under the old documents in place. And they are planning on altering the Creating Agreement, having everybody agree to it, taking out all of the Terms and Conditions other than pointing at the Member Agreement as the relationship between the parties. And the reason for that is the Creating Document has to get filed with the Secretary of State’s Office and it is easier just to file a bare-bones document and then refer to the Member Agreement. The way the Member Agreement, and we will talk about the detail in a minute, but the way the Member Agreement is structured, is that it takes unanimous consent of the Members to change it. So it is a really strong document that is difficult to change. It took, and it is actually not completely in that form at the moment and I will talk about the By-Laws, we are still working on the document. Kara and I spent some time last night from 5 to 6 p.m. on the phone, talking about some of the issues that we have., A few more surfaced this morning, but this spells out the relationship between the Members, its spells out how you become a Member, how you withdraw from Membership, it spells out when you withdraw what you get upon leaving, it talks about equity and how it gets paid out over time. It speaks to the notice required to withdraw, it also speaks to the equity that others have to pay to join. Because the presumption is that we will all have the same debt/equity ratio. In other words, we will have a target equity that we all have to keep up and because things like the RPSC allow you to either be part of a project or not, it’s conceivable that certain members would have higher debt responsibilities because they are in projects that are bonded than others so, it is all done on a percentage basis for what is called an equity target. So it is a fairly complex document. Kara, what else does it spell out? I think that is about all it spells out.”

Attorney Murphy: “About how to manage the money that you pay in. I think that is probably the simplest way of explaining it.”

John Hiscock: “Generally, for most of the decisions related to how it’s managed, it points to the By-Laws and all of the voting requirements are in the By-Laws and we will talk about that in a minute. But, it basically is designed and hopefully as we get through and keep improving it, it is designed to be a fair document for everybody involved, treating everybody equally, uniformly but again allowing people to be part of certain projects and not others and as Kara has said,

manage the money and the cash/debt, the equity and the provisions for involuntary withdrawal or provisions with respect to default by the Members and default by CMEEC but that's obviously not the way it is worded, it is more likely that a member would default certainly because CMEEC is nothing more than the Members themselves. So those provisions are there. There are provisions with respect to dispute resolution and arbitration and that kind of arrangement and information. I am going to stop and let Kara talk."

Attorney Murphy: "Ok, so as I indicated before, the evolution of CMEEC over the last few years is to try and make it more commercially reasonable and reorganize CMEEC so that the documents more accurately reflect the interaction between the parties and currently the way the documents are set up the existing Power Sales Agreement discusses a lot of issues that have nothing to do with the acquisition of power but have to do with how Member money is managed and those issues really should not be in the Power Sales Contract and during this process by John asking a lot of questions, we determined that some of the issues regarding member money are not clearly flushed out. So, the goal of CMEEC and of John is to create a situation where we have documents that reflect what is really going on now and have documents that reflect a more commercially reasonable relationship between SNEW and CMEEC and the other members and CMEEC. And to make sure that everybody is on the same page as to how SNEW's money and also the other members money is paid into CMEEC and who's got control of it, how it is managed and if SNEW or someone else wants to pull out CMEEC, what can you get back and what can't you. And that is important because there are different pools are money that are paid into CMEEC and some of the money that gets paid into CMEEC is held in trust and the purpose of that is to really stabilize the rates that SNEW pays to CMEEC. And that is not CMEEC's money, that is SNEW's money and if SNEW pulls out, the goal that John and I have is that SNEW will get some of that money back, because it is not their money. They ought not be using that money to pay salaries or pay overhead or pay for their own light bill or phone bill. That is SNEW money and it belongs to the ratepayers in the Second District and they ought to get it back or some percentage of it back, so the goal that John and I have been working on is to, in the Membership Agreement, get all of these issues into the Membership Agreement and clarify all of these pools of money and who owns them, who controls them, how is that money going to be managed and if SNEW wants to voluntarily withdraw from membership in CMEEC, what money does SNEW get back and then the other part of it that John mentioned was involuntary withdrawal. While John and I don't think that SNEW would ever default on any agreement with CMEEC because SNEW manages its money well. Some other municipalities that are involved in this that may not be the case so if another municipality defaults and defaults on their agreement to CMEEC than the question is, how do you cease membership with them, which is what involuntary withdrawal is about. And essentially that gives CMEEC and the other MEUs, who are involved in CMEEC, the ability to say, the way you are managing your business is hurting us and we don't want you to be a member now and force them to basically withdraw from CMEEC. And the biggest reason would be let's say one of the municipalities filed for bankruptcy. That could affect the credit ratings of CMEEC and also SNEW, which has a good

credit rating. So you want to make sure you have any arrangement where you can force someone with a bad credit rating if they can't cure it, to get out and if they default for some reason the question is what do you do with the monies that they have paid in and if they owe you money you want to make sure you keep that money to lessen the debt that they owe you. So that is what the Membership Agreement spells out in much clearer detail than currently. It also spells out in clear detail, how you become a member because there are some MEUs that have contractual relationships with CMEEC right now that are not members of CMEEC. So, they have other contracts and they acquire power, but they have not become members. And they actually pay different rates to CMEEC than SNEW does. So, essentially what you want to do is create a situation where membership has its benefits, so that if you become a member you get favorable rates on your electricity. That is the point of all of this. So, by creating this Membership Agreement hopefully it will encourage the other municipal utilities of the State that are not Members but have contract with CMEEC, to become Members so that CMEEC becomes a stronger organization overall. As far as the details, John and I are still working them out. We spent about six hours with the President of CMEEC and General Counsel last week going through the entire agreement because there were a lot of details that needed to be worked out. Before that John and the other managers of the other municipal utilities had spent a lot of time working out the issues that they wanted to see in this Membership Agreement. And, in reviewing the revised draft of the Membership Agreement, there are some other issues we need to work out in the financial arrangements and John and I talked about that this evening and will probably talk about it some more tomorrow. So, the agreement is a work in progress right but we seem to be getting warmer and getting closer to where we need to be to make it commercially reasonable for everyone."

John Hiscock: "We can answer any questions you have. We are just sort of plowing through this document, which is a little hard to read but..."

Commissioner Harris: "Through the chair?"

Commissioner Burgess: "Yes go ahead."

Commissioner Harris: "If you decide that someone should pull out or someone shouldn't be in because they are in debt, can they appeal or is there a long process?"

John Hiscock: "Yes there is a due process provision, that if CMEEC attempts to force someone out they have to go through this very specific process explaining why, what they are doing, how they have to do it. There is an opportunity for the municipal to cure the problem and resolve the problem prior to being thrown out. So, it is not something that happens instantaneously and you are not in today and out tomorrow with no notice, it is not set up that way."

Attorney Murphy: "The withdrawal process that had been proposed involved certain things

that John and I found objectionable. One of them was that if you as Commissioners of the Second District decided that SNEW should withdraw from CMEEC, than it had to go to a vote to all of the other municipal utilities and every municipal utility has their own structure and for some of the municipal utilities they have to go to their City Council for approval, so John and I said 'no' we are not going to let the Groton City Council determine whether the Second Taxing District of Norwalk can withdraw from this agreement because we knew that this would never pass the mustard with anybody sitting at this table. So in our discussions last week, that was one of the types of things we asked them to take out because I couldn't in good faith and neither could John bring an agreement that said that to you. I didn't think you would ever agree to that nor would I ask you to agree to that."

John Hiscock: "And you know, withdrawal under this document is not easy. It takes a two year notice and then once the determination is made that you are going to withdraw, there is a phased process that takes place. Whatever equity that you are entitled to comes back over a five year timeframe. One of the things we argued for last week was at least get interest on it at the same rate that CMEEC funds draw interest. While that doesn't sound like a big to do right now with interest rates, but when they get up into the 4, 5, 6% range, it becomes a lot of money over five years. So, we think the withdrawal provision and the paying out of the equity is fair. It also obviously requires us to put up money if we owe money to them. We have to worry about the debt portion of projects that we are involved in, so we might have to put up money for that. But, it is a reasonably fair process to get in and to get out at this point, presuming they agree to all of our changes."

Commissioner Harris: "I am sorry, do you have a question?" [Directed to Commissioner Geake]

Commissioner Geake: "Yes I did, but I will wait."

Commissioner Harris: "Go ahead."

Commissioner Geake: "This will sound ridiculous but on page 23 they have an address with a phone number and they have a telecopy number. Now, I had to go to the internet and I put in telecopy because my husband and I had never heard of it before and it comes back with fax."

John Hiscock: "Yes it is."

Commissioner Geake: "What is the reason they would use telecopy rather than just fax? What was the reasoning behind that do you know?"

Attorney Murphy: "Just lawyers being lawyers."

Commissioner Geake: "Ok, I just was curious because I never heard of it in my life and then

suddenly it is here and I am like, what is it? I had to go to the internet to find out it is the same thing as a fax and was just wondering what the deal was. So, that was my stupid question.”

Attorney Murphy: “It is a fancy word for fax. My own firm’s letterhead says telecopier, but yes it is just lawyers being lawyers. It a fancy \$500 dollar word as opposed to a \$10 word.”

Commissioner Harris: “I just have a quick question.”

Commissioner Burgess: “Go ahead.”

Commissioner Harris: “Membership has its privileges and benefits, I can’t remember when we discussed rate stabilization before all of this came up, but I am just curious to know the rates for members of CMEEC and non-members. What is the difference?”

John Hiscock: “It works a slightly different way. For the most part, the non-Members have the same rate as the Members with the exception of what we call ‘Member Margins’. So when CMEEC takes more money in than it pays out in certain projects or issues, the Member Margin accrues only to the Members. So those companies that are on Rate 9 like we are, who pay the same rate under Rate 9 that we do but we are not Members, don’t get to share in the business ventures of CMEEC. Now, under the old arrangement they did. And that was one of the things that the new CEO ended as quickly as he could because he certainly did not feel that non-Members should gain any benefit that way. Another example of what we call a Member Margin which would only accrue to the members and the advantage to us is it becomes a discount off of our bill. So, in fact we are paying less, but we are paying less because of this discount that comes back to us. We supply power to Mohegan Sun and CMEEC makes a profit on that. There are some special contracts that CMEEC has entered into with large, commercial customers and the Member Margins as we call it or an easier term is we make a profit on that. It comes back to the Members. So, it gets distributed to the members and then comes off of the member’s bill. And doesn’t do it directly, it does it through a fairly long list of complications, but yes that is how it works. So that is the difference. Now, CMEEC also has Non-Rate 9 customers and the Mohegan’s are one of those. And they do a little bit better when dealing with them. They make a little bit more money and those are, we named them informally at this point, Rate 10, which is anything other than the standard Rate 9 member rate. Wallingford is on Rate 9 but is not a member. Previously they were getting their share of member margins, which amounted to a lot of money. That has been stopped and now that is distributed among the five members and not Wallingford.”

Commissioner Harris: “So are they one of the groups that objected to this whole arrangement?”

John Hiscock: "Well, the Wallingford issue is fairly complex because they are out looking at other suppliers possibly. So that is how we benefit as Rate 9 payers as members as opposed to Rate 9 payers as not members."

Commissioner Harris: "I will get you to explain the Rate 10 later."

[Laughter]

Commissioner Harris: "That went over my head. We will discuss that later."

John Hiscock: "The rate 10 has more overhead in it."

Commissioner Burgess: "Are there any other questions on this?"

John Hiscock: "And we will go over the By-Laws next. This was just the first half."

Commissioner Burgess: "Yes, ok. Has any of this been approved?"

John Hiscock: "Yes, except I was going to indicate to you that two of the munis have approved it in concept, leaving their management to negotiate the final terms. I personally think it is premature, but that is ok. And two other are waiting to see the outcome of SNEW's discussion with CMEEC. SNEW is the one who is leading these discussions."

Commissioner Burgess: "Are you suggesting that we approve the new concept?"

John Hiscock: "No, I am not, I am absolutely not. There are some, and one it is unfair to do that because there are things in here that Kara and I are absolutely objecting to and want changed. You have a draft revision 3 and there will be at least a 4 or maybe a 5. And we prefer to come back to the Commission. Now, if there was a desire on our part to move this, and there may be, we might come back to you the night of the Electors' Meeting and ask to hold a Commission Meeting before or after the Electors' Meeting and/or start it before the Electors' Meeting, suspend it until the Electors' Meeting is over and then finish up after the Electors' Meeting, presuming that the Electors' Meeting will be brief this year. So there is that possibility because we would like to move this along as rapidly as possible but I am not remotely comfortable with asking the Commission to approve this in concept. It is not a good enough concept yet and these documents, as I mentioned to you, have to be approved by the members with unanimous consent. A unanimous consent obviously needed to modify it and the members being the munis. The next document is the By-Laws. And By-Laws really spell out how the organization actually functions. It speaks to the day-to-day operations of CMEEC and how they change. It defines the role of the representatives of the munis and how they get put on the Board and outlines those items. We have two concepts, sort of legacy things. We have a Board of, I can't

remember what the Statute calls it, the Board of...cooperative or something, I can't remember."

Attorney Murphy: "The Statute refers to it as a Cooperative Board singularly but it operates really as a dual Board for a while now."

John Hiscock: "Which is the current CMEEC Board in which we all place two members on it and two alternates. Because there are certain things that we do as members and the Member Agreement modifications are one and modifications of the By-Laws is second and the way it is defined in the Statute, the member, which is the MEU gets to make some decisions. So, in this process, one of your representatives is going to be designated as the MEU Member representative to cast a vote on membership related issues and areas of concern. The membership issues are relatively minor in the By-Laws in relationship to the Membership Agreement. The day-to-day operation of CMEEC is sort of the more important things in the By-Laws and that is what the Board of Directors of CMEEC handles. This document can be modified by the member representatives... question?"

Attorney Murphy: "I just want to make sure they have the right documents."

Commissioner Geake: "Yeah, because ours is not in the book."

John Hiscock: "Oh, I am sorry. It says at the very top, 'version 7, 3/1/13' as you can see it says 'post SNEW meeting and internal reviews'. And it is the By-Laws of the Connecticut Municipal Electric Energy Cooperative."

Commissioner Borges-Lopez: "Thank you."

John Hiscock: "First are a series of Definitions and simply goes through the membership. It talks about associates of CMEEC, now Wallingford is called a 'participant'. They have become 'associates' under the terminology here. If they are not a Member but they are a Rate 9 customer, they are allowed to attend the Board Meetings, not the executive sessions, they are allowed to participate in the Board Meetings on an advice level and that is it and they have no formal vote whatsoever. So they sort of get to go to the Board Meetings, participate, state their position, but they have no real control or say. When we go to Section 9, this is where it speaks to the two-member representatives and two alternates appointed pursuant to Article I, Section 10 below and one shall be selected and further appointed by the member as the sole member delegate. That's the individual who is going to cast the member related votes. Next section talks about meetings of the member delegation, which is the one individual. It goes through the voting requirements and it defines voting under different sections and issues. If you look at page 9 of the document, unanimous voting requirements, there is only one and that is changes in voting method and requirements. So if you want to change the voting methods, it

takes a unanimous consent. Special vote requirements of two-thirds, new membership requests, associate representative, establishment, acceptance and termination, membership voluntary termination shows here that is an X, which we are requiring be removed. Membership expulsion is a two-thirds vote and that is not the terminology used in the Member Agreement, it's involuntary in the... no the RPSC."

Attorney Murphy: "No, in the Membership Agreement it is involuntary withdrawal so we have to ask them to correct that, otherwise it is too confusing for everybody to have two different terms that mean the same thing."

John Hiscock: "We have the CMEEC target equity level by two-thirds vote, membership interest level, which is different than equity because it has to do with the power that you purchase from CMEEC on an annual basis. Your membership interest is defined based on the five-year rolling average of that to smooth out different levels of purchase over time as systems change. Equity allocation and declaration of equity Member Margins can eventually become equity as they are declared and then by-laws revisions and amendments excluding changes in voting methodology, so those are all the two-thirds. And the only simply majority vote is the CMEEC member delegation meetings, which is the annual meeting schedule. And there are notice provisions and then there's speaks to a new form of a weighted vote and the new weighted vote is designed to prohibit anyone from blocking actions and it takes at least two members to go forward with the change plus 60% of the weighted vote based on megawatt hours. And then we move onto Article 3, which is CMEEC Board of Directors, it defines what the Board's responsibilities are and that is more of the day-to-day operations governing the CMEEC business direction to the CEO, discussions about projects and all sorts of things that the Board deals with. There are duties and expectations of the board, there is spelling out of meetings, speaks to the Board of Directors quorum, which is not a complex issue, speaks to CMEEC Board of Director voting and here you will see that virtually everything is by majority. There are no unanimous vote requirements; there are no special vote requirements, which is two-thirds. Regular vote requirements are calling board meetings, scheduling board meetings, board committee officers and appointments, policy changes for Board of Director compensation and reimbursement, debt issuance and restructuring, all sorts of financial issues, changes to Rate 9 or Rate 10, budget approval, contract execution for full or partial requirements, electric energy supply or other contracts exceeding five years in length, the Risk Management Policy and CEO employment. Those were all by majority and that is how the Board generally operates. There is again a weighted vote requirement because that is one of those statutory things that is there. Again, it has been set up to prevent any one system from vetoing and to move forward and require at least two systems to approve anything on a weighted vote basis. It goes on to speak about vacancies, removal of representatives, if they are bad guys and don't do their jobs. It talks about the power of the Board, executive session, all the normal things that a Board would use to operate. Then it goes down to Article 4, to speak to the CMEEC officers which are the Chair, the Vice Chair, Secretary, Treasurer and various other officers. The Chairman and Vice

Chairman have to be member representatives and the other officers are the CEO, Chief Financial Officer and, we will have a discussion about whether General Counsel is an officer or not. That is going to get resolved. Vacancies, compensation and then Article V is Public Meetings and Records. And that really is all there is to the By-Laws. The By-Laws are actually approved by the Member Representatives. So those are things that will not come back to this Commission. I put it in here so you could see what is involved and how all of the documents relate to each other. I think we talked about this the last time. We have a Statute, then we have the Creating Agreement, which says very little other than we are creating CMEEC or we are continuing CMEEC and then it moves to the Member Agreement, which defines the relationship between all of the members and CMEEC, from there it moves down to the By-Laws and how we operate. And aside from that are the two contractual arrangements between CMEEC and the Members. One is already approved, the Transmission Services Agreement. We approved it last years as Kara had mentioned. And then the RPSC, which we approved tonight, the Power Sales Purchase Agreement. So, the Creating Agreement, Member Agreement and the By-Laws speak to the organization and then those two arrangements speak to the purchasing of power through CMEEC. One for power and one for transmission services. So, that is sort of the final and complete structure. And when we complete the Member Agreement and the By-Laws and presuming it goes how we anticipate it to go, we will be done with this rather lengthy process and we will have gotten what we wanted out of the process. So that is sort of an overview. If you have any legal questions, Kara can answer them or general questions about how the process is going.”

Attorney Murphy: “What they did in the new By-Laws is that they clarify the relationship between the Members acting as Members when they are with CMEEC and then the Members acting as Board of Directors of CMEEC. It may sound like it a distinction without a difference but it is important because when John is sitting as a Board Member or Member Representative he is acting in the interest of the Second District and SNEW. When he is sitting on the Board of Directors for CMEEC, he has an obligation to CMEEC as a whole organization and what the old By-Laws, it was not very clear as to those rules and it was not very clear as to what decisions the Member Representative could make and what decisions the Board of Directors could make. It became confusing over time. And so the new By-Laws have been reworked to make it explicitly clear that the Member Representatives, when they meet as what they call the Member Delegation, they are talking about Membership issues only. So that would be things like, the equity you put into the organization, the equity you get out, there is language in there about withdrawal that John pointed out. We are going to be asking that a lot of that withdrawal language be taken out because if it is a voluntary withdrawal by the Second District. They don’t want to be part of CMEEC anymore, the other Members should not really have a say about that except to the extent that if SNEW owned money, they should have a say as to having that money repaid and the mechanics of how it is going to be repaid, but the actual decision to withdraw should be SNEW’s and SNEW’s alone with its own District Commissioners giving them the approval. And then another membership issue is involuntary withdrawal, so when

somebody is in default, what is the process again and more importantly when the Member Representatives get together, how are they going to handle that member who is in default? That is an issue that should only be discussed among the Members. And then on the CMEEC Board of Directors side, things like financing, bonding, general management, if the CEO resigns from the corporation and they need to hire a new CEO, those are the things that really are reserved for the Board of Directors of CMEEC. And so we have clarified those two issues. Other issues that were not clear in the old By-Laws and in prior drafts of the new By-Laws that we have worked on would be the representatives that you appoint to the CMEEC Boards, more specifically, how those representatives can be removed and under what process? Because there are two different issues there. If John is a Member Representative and a Board of Directors Member at CMEEC and for whatever reason he resigns his employment and goes to work for someone other than the Second District; that should be your decision to remove him from the Board of CMEEC because he is not working for you anymore. On the other hand, if a Board Member is doing something that is harmful to the organization, let's say he or she is acting in a way that is breaching one of their fiduciary duties. Maybe for a financial reasons and it is solely for them and it is hurting CMEEC as an organization, than CMEEC should have some say as to how that Board Member is removed and we have due process provisions in there for that removal. But in reality if that Board Member is going to be removed they would probably be invited to leave by speaking to the respected Commission, a municipal utility saying this isn't working, we need to appoint somebody different and replace them. We have those due process provisions in there just in case. And then the current By-Laws as John mentioned, it wasn't very clear some of the roles of the Officers. It was spelt out, but it left questions and we have worked on some of those questions but we need more clarification. For example, the old By-Laws implied that if the Chief Executive Officer of CMEEC left his position that the Chairman of the Board has to run CMEEC. And realistically you all know that would never happen because, for example John is the Chairman of the Board of CMEEC right now, but he wouldn't have time to run CMEEC himself. So, we clarified the language to say that John can appoint a qualified person employed by CMEEC to run the organization until they hire a new CEO. But there are some issues within that section for example. There is a question as to whether or not the General Counsel is an Officer or not. It seems to imply that General Counsel is an Officer. Usually General Counsel is not an Officer, so we need to clarify that. The Public Notice sections, we have done some clarification there. CMEEC is subject to the Freedom of Information Act, just like the Second District so we had to make sure that was clear and the notice given to the Board Members of the meetings, we did some clarification there, whether it could it be done by email, how much time they have to be given notice before a meeting and we have done some clarifications as to whether they can attend by phone or by Skype, if it is an emergency meeting or a regular meeting because there might be times where any organization has to have an emergency meeting and everybody can't get there, especially if the meeting is in Norwich and some of the Board Members are down here. You just can't get there but you have to have the meeting so to be able to have Board Members attend by phone is important especially on an emergency basis if you need to get something done. And so we have been working on those

areas as well. It is a working document still and we are still working on it but I think we are getting closer. Any questions?"

Commissioner Burgess: "Well, it is clearly getting better."

John Hiscock: "Yes."

Commissioner Burgess: "It may be still in the works but it is getting better from what I had to deal with before."

John Hiscock: "Yes. It is a vast importance and when it all fits into place it will all be suitable."

Commissioner Geake: "Can I ask a question?"

Commissioner Burgess: "Yes."

Commissioner Geake: "Why did you have to suddenly, well not suddenly because I know it has been a couple of years, but what was the factor that made you decide to make this clarification? I mean since it has been a concept for so long, why did they let it go like this for so long? Just a random question."

John Hiscock: "When the organization was formed and they wanted to issue debt for a project they had no history, it was a new organization, they had no credit rating, no track record at all so they had to create some very, very restrictive documents to protect the bond holders. And that is really why the organization was so tight originally. Once it started out that way, it expanded to include the two Districts in Norwalk and Jewett City in the 80's and we all came in under the original documents. It wasn't just recently that I would say that this has been an issue. I think I mentioned before that around 1999/2000 South Norwalk Electric Works, when it was South Norwalk Electric Works actually hired special counsel to determine how it could get out of the organization because it was extremely unhappy and basically they were told that you are in, you are in and there is no way out because in 2000 there was thirty years left to the terminal point of the organization so they could issue thirty year bonds and it wasn't a problem. It became an issue because I raised the issue because knowing (1) I knew SNEW was unhappy being handcuffed and locked in and (2) the things I have always discussed about relative power. When you only have 8% or 9% of the vote, you are along for the ride and the organization, and certainly my view for a long time; has been related to the economy of Southeastern Connecticut and we were just window dressing to get some additional political power. So, it came about sort of over time. When we joined, SNEW was in a very difficult position with CL&P and FERC. And I believe that management and the Commission of SNEW at the time in 87 or whenever it was, shows the lesser of two evils, CMEEC or CL&P. And when we joined the lesser of the two evils, we got locked into that one. I don't know if that directly answered your question but it is

sort of how we got where we are.”

Commissioner Geake: “It certainly does.”

Commissioner Burgess: “Any other questions?”

John Hiscock: “We will continue to work on the documents and we will get back to you for approval when we are satisfied with them.”

Commissioner Burgess: “I am very pleased that this is going on.”

John Hiscock: “It has been a pain, difficult and very time consuming but certainly worth the effort.”

Commissioner Burgess: “Is there a motion to adjourn?”

Commissioner Borges-Lopez: “A motion to adjourn.”

Commissioner Geake: “I will second it.”

Commissioner Burgess: “All in favor?”

Commissioners Unanimously: “Aye.”

Adjournment:

The meeting adjourned at 8:06 p.m.

Attest:

Lisa Roland
District Clerk