

SUBJECT TO FINAL BOARD APPROVAL

SPECIAL MEETING OF
THE BOARD OF DIRECTORS
OF THE
CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

February 26, 2018

A Special meeting of the Board of Directors (“Board”) of the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) was held on Monday, February 26, 2018 at CMEEC, 30 Stott Avenue, Norwich, CT and via telephone.

The meeting was legally noticed in compliance with Connecticut State law and all proceedings and actions hereafter recorded occurred during the publicly open portions of the meeting.

Chairperson Kenneth Sullivan called the meeting to order at 4:33 p.m. and determined a quorum was present.

The following Member Representatives/Alternate Member Representatives/Municipal Representatives participated via telephone:

Norwich – John Bilda, Dr. Grace Jones, Stewart Peil
Jewett City – Kenneth Sullivan, Louis Demicco, Richard Throwe
Groton – Ronald Gaudet, Keith Hedrick, Mark Oefinger
Bozrah Light and Power Company – David Collard, Ralph Winslow
East Norwalk – Kevin Barber, Debora Goldstein, Pete Johnson
South Norwalk – Paul Yatcko

The following CMEEC staff participated:

Drew Rankin, CMEEC Chief Executive Officer
Robin Kipnis, CMEEC General Counsel
Ellen Kachmar, CMEEC Office & Facility Manager
Margaret Job, CMEEC Administrative Staff

Other participants:

Michael Boucher, Groton, CT Resident
William Kowalski, Municipal Electric Consumer Advocate
Stephanie Menders, Reporter, Norwich Bulletin

Ms. Job Recorded.

Standard Action Items

(A) Public Attendee Comment Period

Chairman Sullivan asked if there were any members of the public present who wished to make remarks to the CMEEC Board. No members of the public had any remarks.

(B) Conduct Voting Roster / Roll Call

Ms. Kachmar took roll call identifying who was eligible to vote at today's meeting.

(C) Resolution Withdrawing CMEEC Resolution 17-12-03

Ms. Kipnis explained that at its Regular meeting on February 22, 2018, the Board of Directors held a discussion in Executive Session related to and authorizing the withdrawal of CMEEC Resolution 17-12-03 appointing BlumShapiro to perform the requirements of Public Act 17-73. Ms. Kipnis read aloud the draft Resolution Withdrawing the Appointment of the Certified Independent Accounting Firm of BlumShapiro to Perform the Requirements of Public Act 17-73.

Chairman Sullivan confirmed Ms. Kipnis completed her explanation of the draft resolution and entertained any questions for her. Member Representative David Collard stated that he felt there was some confusion between the second and third "whereas" clauses and noted that he felt they should be revised to reflect the appropriate chronological order of the events noted in those clauses.

Municipal Representative Mark Oefinger suggested that the Board should first move and second the original resolution as written and presented at this meeting, then accept Member Representative Collard's amendments. He stated he would move in favor of the resolution as originally proposed to which Member Representative Gaudet seconded such motion.

Municipal Representative Oefinger stated that as a point of order the purpose of moving to accept the originally drafted resolution and having a second to that motion, puts the Board in a position to discuss that first resolution.

Ms. Kipnis explained that the Board would move on the first resolution, second that motion and then discuss Member Representative Collard's proposed amendments to that first resolution.

Member Representative Collard proposed to amend the original resolution with his suggested amendment to organize the second and third "whereas" clause in appropriate chronological order. He added that his suggested amended language would create an additional "whereas" clause. Member Representative Collard then read aloud his suggested amended language.

Alternate Member Representative Debora Goldstein suggested that the original language should be mirrored as close as possible if an amendment is going to be written.

Municipal Representative Oefinger noted that the original resolution and Member Representative Collard's suggested amendment states that on December 14, 2017 CMEEC notified the legislature of its selection of forensic auditor to perform the requirements of Public Act 17-73. He questioned what representative CMEEC governing body notified the legislature and who at the legislature was notified. He noted that clarification should be made as to who at the legislature was informed.

Mr. Rankin explained that CMEEC received a letter from Senator Heather Somers requesting status on CMEEC's movement on the forensic examination to which Ms. Kipnis provided a formal response. He added that Ms. Kipnis copied the same members of the legislature that Senator Somers had copied in her request letter. He suggested that the resolution state that CMEEC notified Senator Somers in response to her inquiry and also copied the individuals copied on Senator Somers's letter to CMEEC.

Alternate Member Representative Goldstein suggested that certain members of the legislature be referenced on an Appendix A to the resolution and append CMEEC's letter.

Chairman Sullivan asked Municipal Representative Oefinger if the foregoing discussion satisfied his question to which he responded it had.

Alternate Member Representative Goldstein added that perhaps her suggestion for an appendix to be added to the resolution in lieu of including proper names in the resolution be a friendly amendment to Member Representative Collard's motion to amend the original proposed resolution.

Chairmen Sullivan stated he would entertain a vote on the amendment.

Municipal Representative Oefinger suggested that the record should note that Member Representative Collard and Member Representative Gaudet accept Alternate Member Representative Goldstein's friendly amendment.

Motion by Member Representative Collard, seconded by Member Representative Gaudet to accept Alternate Member Representative Goldstein's friendly amendment to Member Representative Collard's proposed amendment to the Resolution.

Motion passed unanimously.

(18-02-05)

Motion by Member Representative Collard, seconded by Member Representative Grace Jones to accept Member Representative Collard's proposed amendment to the Resolution.

Motion passed unanimously.

(18-02-06)

Motion by Member Representative Collard, seconded by Member Representative Louis Demicco to accept the proposed resolution with Member Representative Collard's proposed amendment.

Motion passed unanimously.

(18-02-07)

Chairman Sullivan inquired if anyone had anything further to add to which Municipal Representative Oefinger requested that when the updated resolution is available that it be sent to everyone along with the attachment.

Michael Boucher, resident of Groton, CT, asked that the original resolution and amended resolution be emailed to him at his personal email, which he announced at the call, but is not provided in these minutes.

There being no further business to come before this Board, Chairman Sullivan entertained a motion to adjourn.

Motion by Member Representative Gaudet, seconded by Member Representative Demicco to adjourn the meeting.

There being no further business to come before this Board, the meeting was adjourned at 4:58 p.m.

CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

AMENDED RESOLUTION 18-02-07

Resolution Withdrawing the Appointment of the Certified Independent Accounting Firm of Blum Shapiro to Perform the Requirements of Public Act 17-73

WHEREAS, On November 6, 2017, CMEEC issued a Request for Proposal (“RFP”) to seven (7) national and state level accounting firms for implementation of the forensic examination requirements of Public Act 17-73, and received only two (2) responses to the RFP, with one (1) firm subsequently withdrawing their response, leaving Blum Shapiro as the sole firm responding to the RFP;

WHEREAS, in an effort to timely comply with the forensic examination required by Public Act 17-73 and upon determination that there was not an actual conflict of interest by the provisions of the AICPA Code of Professional Responsibility, the Audit Committee decided on November 28, 2017 to bring the vote forward to the CMEEC Board of Directors;

WHEREAS, pursuant to a request from Senator Heather Somers for information from CMEEC including the status of the forensic examination required by Public Act 17-73, (a copy of which, together with CMEEC’s written response, is attached to this Resolution as Attachment 1.) CMEEC’s General Counsel, on December 14, 2017 provided the information requested to Senator Somers and the legislators copied on her letter to CMEEC;

WHEREAS, On December 21, 2017 the CMEEC Board of Directors voted to adopt Resolution 17-12-03 to approve the selection and retention of Blum Shapiro to perform the forensic examination requirements of Public Act 17-73;

WHEREAS, CMEEC was contacted by the Municipal Consumer Electric Advocate in January 2018 to review the selection of Blum Shapiro, starting a dialogue about the best manner in which to satisfy the requirements of Public Act 17-73 so as to avoid any perception that Blum Shapiro’s implementation of Public Act 17-73 would be questioned;

WHEREAS, CMEEC General Counsel reached out to the Connecticut Consumer Counsel’s Office which agreed to offer its expertise in structuring an RFP for a forensic examination;

WHEREAS, the CMEEC Board of Directors desires to utilize the resources made available to it by the Connecticut Consumer Counsel’s Office to develop an RFP that would result in additional responses;

WHEREAS, Blum Shapiro has been supportive of CMEEC’s efforts to address the requirements of the statute in light of the difficulty in implementing the statute;

WHEREAS, as a result, the CMEEC Board of Directors desires to withdraw Resolution 17-12-03 in its entirety;

NOW THEREFORE BE IT RESOLVED, that the CMEEC Board of Directors approve the withdrawal of Resolution 17-12-03.

Dated this 26th day of February, 2018.

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes.

Louis Demicco
Secretary



December 13, 2017

Senator Heather Somers
Legislative Office Building
300 Capital Avenue
Hartford, CT. 06106-1591

Dear Senator Somers;

Your letter dated November 30, 2017 and received by Drew Rankin on December 4, 2017 was forwarded to me for a reply.

Prior to addressing the balance of your requests, I would like to address the leading statement in your letter, which is attached for your convenient reference, as a mischaracterization of what actually occurred at the November 16, 2017 CMEEC Board of Directors meeting with respect to CMEEC's response to the reporter from the New London Day requesting a copy of the draft budget. You assert that I revealed only a portion of the non-fuel operating budget for 2018 to those in attendance at the meeting, at which two reporters were the only non-CMEEC related attendees. The reason I did not immediately provide the reporter with the complete proposed budget immediately is that the only copy I possessed at that time was a proposed version that was subject to Board revision during the meeting. Although the Board made no changes to the proposed version, the only copy was the copy labeled "DRAFT". Once the Board voted to approve the budget, it was no longer a "DRAFT" and I wanted to ensure that no misunderstanding of budget version occurred. However, I did inform the reporter I would promptly provide her with the Board approved and labeled copy, which I issued within twenty-four hours. Additionally, I provided a full, non-redacted copy of the final budget as approved by the CMEEC Board at the November 17, 2017 meeting, and not a redacted version as you assert. A guide to CMEEC's budget process, provided below, explains the genesis of the budget passed by the Board at the November 16, 2017 meeting.

In the future and to avoid any misunderstanding, I respectfully request that we communicate directly prior to drawing conclusions that may not be accurate. I always welcome and invite the opportunity to discuss any issue you may have at any mutually convenient time.

Budget Information Request:

With respect to your request for a detailed backup of the Board approved 2018 budget, it may be of value to understand the process CMEEC undergoes leading up to the budget that is voted on and approved by the Board. The rigorous process consists of the following steps:

1. The proposed budget is initially developed by the individual departments at CMEEC from a zero base, incorporating all of the necessary financial resources to achieve CMEEC's Vision, Mission, and Objectives for the upcoming year.



2. Next, the CMEEC CEO, CFO, and Finance & Accounting staff scrutinize the departmental level budgets, challenging assumptions, strategies, market variables, risks, etc. and make revisions as appropriate.
3. Once departmental level budgets are revised, the proposals are consolidated into a CMEEC level budget, and once again, scrutinized for consistency to, and active support of, our Vision, Mission, and Objectives, including potential conflicts, overlaps, voids, risks, etc.
4. Once a satisfactory consolidated budget from the CMEEC perspective has met the objectives, the proposed budget is submitted to the Board of Directors' Budget & Finance Committee for additional vetting and validation. Detailed inquiry by the Committee Members, including revisions to the proposed version, occurs over several meetings until a proposed draft budget is prepared. The balance of the Board of Directors are always invited to the Committee Meetings to provide them with as much interim content awareness as they might desire.
5. Once the Budget & Finance Committee determines the proposed draft budget is ready for Board action, the balance of the Board of Directors are again invited for a final review of the proposed draft budget prior to conducting the official Board Meeting for final review and approval.

It is important to note the CMEEC budget is much larger and more complex than the non-fuel operating portion, which is generally only five to ten percent (5% to 10%) of the total CMEEC budget, varying in proportion primarily due to energy market pricing variables. Total budgets range from \$200,000,000 to \$300,000,000 based on the market. The Budget & Finance Committee, and the total Board of Directors, thoroughly review the entire budget, and not just the non-fuel operating portion.

Hopefully, this description of CMEEC's rigorous budget process provides you with the background needed to not only better understand the attached detail supporting the CMEEC non-fuel operating budget for 2018, but the budget voted on and approved by the CMEEC Board.

Forensic Examination Update Request:

With respect to the forensic examination, CMEEC submits the following progress and status in response to your proposed questions:

1. The Request for Proposal ("RFP") for the forensic examination has previously been issued and responses have been received, evaluated, and processed, including a purchase order issued to the successful entity. While you did not ask for a copy of the RFP, a copy is attached for your information.
2. CMEEC is scheduled to commence the forensic examination on the conclusion of CMEEC's annual certified audit of our financial statements (April 2018), which is our standard audit period. This timing will allow CMEEC's Finance and Accounting Staff to devote its focused time and attention to the typically resource intense audit of financial statements, and then the same diligent focused time and attention to the forensic examination.

3. The RFP does indeed include a comprehensive review of potential conflict of interests, as you may observe in the attached copy of the RFP.
4. The selection criteria requested may be observed in the attached copy of the RFP.
5. Building upon #2 answer above, CMEEC expects to commence the examination beginning in April 2018, and anticipates the examination to take approximately two (2) to three (3) months. Based on this projected timing, the Legislature may expect the examination report to be issued in the July to August 2018 time period.

In December 2017, the CMEEC Board of Directors will process an incremental budget allocation to address the RFP results for the selected examiner as well as any incremental CMEEC resource needs to fully execute the examination. As you may be aware, CMEEC, from an employee headcount perspective, is a fairly small entity with thirty-five (35) employees, of which only eight (8) are Finance & Accounting personnel, so the timing sequence described above ensures that adequate resources are engaged to sustain normal operations during periods of high intensity, such as the financial statement audit and the forensic examination.

CMEEC Margin Distributions:

The total CMEEC Margin reported to date and projected year end at the November 2017 Annual Meeting was \$3,140,528. CMEEC Margin is distributed on a monthly, as earned basis to the individual CMEEC Member's Rate Stabilization Fund ("RSF"). CMEEC Margin is directly distributed to the RSF based on a Member's ownership interest ("Membership Interest Level") in CMEEC. Membership Interest Level is annually determined by calculating the previous five-year rolling average of Member's total energy load. As the name suggests, the RSF enables each Member to actively manage volatile wholesale energy cost impacts to their retail ratepayers, providing maximally stable and low cost, in contrast to the monthly volatility of wholesale energy markets. The Rate Stabilization Funds are maintained and utilized by the Members at their sole discretion.

Chief Executive Officer Employment Agreement:

I have also enclosed, per your request, a copy of Drew Rankin's employment agreement, as well as the latest compensation survey (2017) performed by the public power joint action agency's national organization. CMEEC is in the category of over 1,000,000 MWh and \$175,000,000 of revenues, and based on the objective benchmark data, CEO Drew Rankin's compensation falls within the mid-point range for the chief officer of the public power entities.

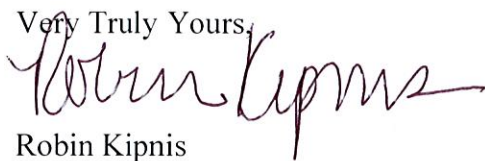
CMEEC 2017 Performance Insights:

Complementing the transparency provided herein based on your inquiry questions, I am happy to provide you with additional operational insights for 2017. As you will see in the attached performance highlights, CMEEC Members, customers, and their ratepayers, continue to benefit greatly from CMEEC's sustained lower cost wholesale energy solutions. The customers and ratepayers include significant employers and operations in Connecticut, including the Naval Submarine Base, Electric Boat, Airgas, PFIZER, Mohegan Sun, and many others.

As I know you do, CMEEC believes it is in the best interests of the Legislature, the State, and CMEEC to continue working together to strengthen CMEEC, and the fulfillment of our Vision, Mission, and Objectives, all to the bottom-line benefit of ratepayers and the State. For your convenience, I include CMEEC's Vision, Mission, Objectives, and key elements of the Strategic Measurement System in the performance highlights. To the extent you are interested, CMEEC encourages a review session with you, or any of your colleagues, of our Vision, Mission, and Objectives, including our Strategic Measurement System, to maximize the transparency of our operating model.

Thank you in advance for your review and consideration of the information provided herein, and to the end of continuing our mutual ever-strengthening of CMEEC, I welcome any opportunity to provide other information and or detailed review of the content to you or your colleagues at your convenience. I assumed, based on your original letter's Cc: list, you desired the same proper name listing to receive my response in the spirit of previously stated improved transparency, so I proactively copied them as well.

Very Truly Yours,

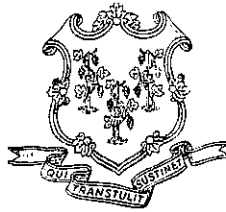
A handwritten signature in dark ink, appearing to read "Robin Kipnis", written in a cursive style.

Robin Kipnis

General Counsel

Connecticut Municipal Electric Energy Cooperative

Cc: Drew Rankin, CEO
Senator Len Fasano
Senator Paul Formica
Senator Gary Winfield
Senator Cathy Osten
Representative Lonnie Reed
Representative Laura Hoydick
Representative Jonathan Steinberg
Representative Charles Ferraro



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SENATOR HEATHER SOMERS
EIGHTEENTH DISTRICT

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SENATE

SENATE REPUBLICAN MAJORITY WHIP

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PUBLIC HEALTH COMMITTEE

VICE-CHAIR
EDUCATION COMMITTEE
ENVIRONMENT COMMITTEE
HIGHER EDUCATION & EMPLOYMENT COMMITTEE

MEMBER
APPROPRIATIONS COMMITTEE

November 30th, 2017

Drew Rankin
CMEEC
30 Stott Avenue
Norwich, CT 06360

Dear Mr. Rankin:

On November 16, 2017, CMEEC held its annual meeting where the CMEEC Board approved a \$7.3 million non-fuel operating budget for 2018. However, no copies of the budget were made available to those in attendance and your attorney, Robin Kipnis, revealed only a portion of the documents after the meeting and later sent redacted versions to those in attendance.

I kindly request a copy of the detailed budget approved for 2018 as required by Public Act 17-73 An Act Concerning Municipal Electric Utility Cooperatives and Establishing a Municipal Electric Consumer Advocate. Although the Public Act does not specify a date when the budget must be submitted to the Legislature, the budget has been voted and approved by the CMEEC Board, so clearly the detailed budget exists and is available.

In addition to the detailed Budget and in accordance with the Public Act, I am requesting a written response detailing the current status and delivery dates of the five-year forensic examination required by Section 1(h) of the Act, which took effect as of October 1, 2017. Specifically:

- 1) Has the RFQ for the certified forensic examiner been released?
- 2) If not, what is the timeframe for CMEEC to release the RFP for the services?
- 3) Does/did the RFQ for the certified forensic examiner include a conflict review?
- 4) Please list the selection criteria used for choosing the forensic examiner.
- 5) If the forensic examination has not yet begun, when do you expect the examination to begin? When can the legislature expect the forensic examination will be completed?

At the annual meeting, you reported Margin lower than anticipated but in excess of \$3,000,000. Please provide the total Margin as reported at the Annual Meeting as well as the details as to how

Margin is distributed among CMEEC's members, into which funds held at CMEEC Margin will be deposited for each member and the purpose of each fund.

Lastly, when we met earlier this year, you offered to provide your employment contract. I kindly request a copy of your employment agreement at this time as well as any other document that outlines your compensation, both monetary and non-monetary, along with the bonus program you described.

Should you have any questions do not hesitate to contact my office at 860-240-8800.

Sincerely

A handwritten signature in black ink that reads "Heather Somers". The signature is written in a cursive, flowing style.

Heather Somers
State Senator-18th District (CT)

Cc: Senator Len Fasano
Senator Paul Formica
Senator Gary Winfield
Senator Cathy Osten
Representative Lonnie Reed
Representative Laura Hoydick
Representative Christopher Davis
Representative Jonathan Steinberg
Representative Charles Ferraro