



Municipal Electric Consumer Advocate: Annual Public Forum

BILL KOWALSKI

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Presentation overview:

- ▶ Background
- ▶ Achievements to Date
- ▶ Quarterly Reports
- ▶ Next Steps
- ▶ Public Comment/Suggestions

CMEEC Background Overview

- ▶ “CMEEC” – Connecticut Municipal Electric Energy Cooperative
- ▶ Created by Statute (CGS Title 7-233, Chapter 101a) by the 1976 Connecticut Legislature
- ▶ Made up of 6 Municipal Electric Utilities (Bozrah, Groton, Jewett City, New London, & 2 Taxing Districts in Norwalk);
- ▶ Providing wholesale power to member utilities and customers serving approximately 100,000 downstream residential, commercial/industrial and small business retail customers located across New England.

(Sources: CMEEC website; BlumShapiro 2017 CMEEC annual audit)

A VERY Brief History of Electric Cooperatives

- Rochdale Principles: 1844 Rochdale, England
 - Voluntary
 - Democratic member control
 - Member economic participation
 - Autonomous
 - Concern for Community
- Electric Cooperatives Established in US by the New Deal: Rural Electrification Administration
- Non-profit Electric Cooperatives today: 897 nationwide in 47 states (834 Distribution; 63 G &T). [America's Electric Cooperatives: 2017 Fact Sheet](#)

Connecticut's Enactment/Public Purpose - 1976

- ▶ 2012 Connecticut General Statutes
Chapter 101a - Municipal Electric Energy Cooperatives
Section 7-233a - Legislative purpose and finding.
- ▶ The purpose of this chapter is to permit municipal electric utilities in Connecticut to join together and form cooperative **public** corporations for the financing of the construction and acquisition of facilities for the purpose of furnishing efficient, low cost and reliable electric power in their areas of operation.

Connecticut's Enactment/Public Purpose

- ▶ 2012 Connecticut General Statutes
Chapter 101a - Municipal Electric Energy Cooperatives
Section 7-233s - Taxation.
- ▶ The creation of a municipal electric energy cooperative pursuant to the provisions of this chapter is in all respects for the benefit of the people of the state and for the improvement of their health, safety, welfare, comfort and security, and its purposes are public purposes and a municipal cooperative will be performing an essential governmental function.

Who I am

PRIVATE SECTOR

- ▶ 25 years Corporate Legal Practice
 - ▶ Aetna: National Accounts Lead Counsel
 - ▶ Stop Loss Lead Counsel
 - ▶ First Proactive Programs Counsel
 - ▶ Head of Legislative Advisory Unit
 - ▶ State Government Affairs Director for MidAtlantic and Southeast Regions
 - ▶ Cigna: Director of State Government Affairs
- ▶ Attorney in Private Practice

PUBLIC SECTOR

- ▶ 7+ years Public Legal Service
 - ▶ Senior Counsel/Utility Ratepayer Advocate, Connecticut Office of Consumer Counsel
 - ▶ Clerk to Appellate Court Judge Edward Y. O'Connell
 - ▶ Connecticut Supreme & Appellate Court Staff Attorney
 - ▶ Law Student Intern to Special Litigation Unit, CT. Office of the Attorney General

Who I am: Municipal Electric Consumer Advocate Enabling Legislation: P.A. 17-73

- ▶ Sec. 3. (NEW) (Effective from passage) (a) There is established a Municipal Electric Consumer Advocate to act as an independent advocate for consumer interests in all matters which may affect municipal electric energy cooperative consumers, including, but not limited to, electric rates. ...
- ▶ (b) The Municipal Electric Consumer Advocate may appear and participate in municipal electric energy cooperative matters or any other federal or state regulatory or judicial proceeding in which consumers of any municipal electric energy cooperative may be involved. The Municipal Electric Consumer Advocate, in carrying out his or her duties, shall: (1) Have access to the records of a municipal electric energy cooperative, (2) have the right to make a reasonable number of copies of a municipal electric energy cooperative's records, (3) be entitled to call upon the assistance of a municipal electric energy cooperative's technical and legal experts, and (4) have the benefit of all other information of a municipal electric energy cooperative, except for employment records and other internal documents that are not relevant to the duties of the Municipal Electric Consumer Advocate.

Improvements Implemented Since January 1, 2018

- ▶ New Ethics Code Provisions
- ▶ New Cost-saving Corporate Travel Policies
- ▶ Limitations on Indemnification & Future Litigation Expenses
- ▶ Reopened and Re-issued Forensic Audit Bid
- ▶ Improved Website Transparency
- ▶ Annual Ratepayer Disclosure Content
- ▶ Review of CMEEC Benchmarking Against Other Electric Co-operatives
- ▶ Ratepayer Advocacy Before CMEEC Board, Staff & Legal Counsel

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Ethics Code/Conflicts of Interest Policy Adopted

- ▶ Prohibits both actual and apparent or potential conflicts of interest
- ▶ Requires Board Members and Employees to act in accordance with the Public Interest
- ▶ Prohibits related party transactions favoring “immediate family” (defined to include “spouse, parent, child, aunt, uncle, in-law and other relatives”)
- ▶ Relates to all “Personal Interests” defined to include “financial or other significant benefit or loss, either actual or potential”
- ▶ Prohibits voting/participating in any matter posing a conflict of interest
- ▶ Prohibits soliciting or accepting gifts other than awards or nominal value
- ▶ Prohibits giving gifts to public officials or employees
- ▶ Precludes use of company property for personal use
- ▶ Obligates Board and Employees to report violations (can be anonymous) to CEO, CFO or GC
- ▶ Requires investigation resulting in written report
- ▶ Prohibits retaliation against those who report
- ▶ Requires annual Ethics training and certification for Board and employees

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New CMEEEC Travel Policy Enacted

- ▶ Board and employee business travel requires approval in advance by CEO or designee (e.g., CFO);
- ▶ Board member travel requires BOTH Board Chair & CEO advance approval
- ▶ CEO travel expenses require CFO approval
- ▶ Must be for a business-related purpose
- ▶ At location reasonable based upon both distance and expense
- ▶ Reimbursement based upon IRS standards
- ▶ Deviations from reasonable accommodation standards require CEO or designee approval
- ▶ Coach airfare only unless not available and then with CEO or designee approval only
- ▶ Strategic retreats must be located in Connecticut
- ▶ No companion travel expense reimbursement of any kind
- ▶ Monthly Board of Director expense reporting

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~~Proposed~~ **ADOPTED** Indemnification Revisions (adopted 10/9/18)

- ▶ insertion of "reasonable" between "all" and "costs and expenses" to eliminate open ended indemnification of all costs;
- ▶ elimination of over-broad "automatic" indemnification (previously indemnification was only withheld if there was a final adjudication of guilt or fault);
- ▶ inclusion of indemnification "consistent with applicable law" (rather than the prior, over-broad availability delineated in the Bylaws and Certificate of Incorporation);
- ▶ indemnification only if successful in defense, approved settlement or with approval consistent with law, not with previous broader bylaws and articles of incorporation;
- ▶ inclusion of a cap on indemnification if indemnitee rejects a reasonable settlement; and
- ▶ clarification that the improved Bylaws supersede the articles of incorporation, which were less favorable to downstream ratepayers.

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CMEEEC Forensic Audit

- ▶ Initial award rescinded and audit selection process re-opened;
- ▶ MECA, CMEEEC, OCC and Legislature revised language in PA 17-73 to insure greater auditor response to re-opened bid;
- ▶ Provided expanded list of forensic auditors to CMEEEC, which served as the basis for a broader dissemination of the re-opened bid;
- ▶ Reviewed new potential audit proposals and providing selection recommendation to Audit Committee - (that auditor was ultimately selected);
- ▶ Met with selected Auditor to provide questions and suggestions re: scope of forensic audit.

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Improved Website Transparency

- ▶ Creation of new homepage calendar of upcoming events;
- ▶ Elimination of need to “click through” 5 links and each committee to determine when/if particular committee meeting was scheduled;
- ▶ For example, the prior process required opening the CMEEC home page "Resources" tab, then the "Governance" tab, then either the "Board of Directors" or "Committees" tab, then a specific committee tab, then the "Notices" tab;
- ▶ Minimal expense/time/effort to effectuate.

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Comparing CMEEC Proposed Annual Report with other Co-op Reporting

MECA activities included:

- ▶ Reviewing CMEEC potential template;
- ▶ Researching and reviewing annual and monthly reports from other electrical co-operatives for best practices (e.g., ease of understanding of key financial and operational information);
- ▶ Providing specific content recommendations, referencing actual reports and specific graphic or textual content from other co-op reports (more detail on forthcoming slides).

New Annual Report Suggested Content

Suggested the CMEEC annual report contain the following content:

- ▶ Statement of Basic Financials, w/hyperlink to auditor's annual report
- ▶ Update on Key Infrastructure Projects for the past year
- ▶ Organization Mission/Vision Statement
- ▶ Brief Organizational History
- ▶ Messages from CEO, Board Chairman & CFO
- ▶ Board Member Names/bios
- ▶ List of CMEEC Member Utilities and each member's % allocation of the annual power provided
- ▶ List of Upcoming Monthly Board of Directors meetings
- ▶ Contact information, including that of Municipal Electric Consumer Advocate
- ▶ Summary of key legislative/industry news (optional)

Suggested Sample Content

- ▶ An effective presentation of financial information is found in that provided by the Massachusetts Municipal Wholesale Electric Company (MMWEC) in its 2017 report (providing a 3 year look back on Change in Net Position and Revenues vs. Expenses).
- ▶ The Delaware Municipal Electric Corporation in their 2017 Annual Report includes a "Financial Highlights" page, which contains a paragraph on the corporation's establishment, history and service area, as well as it's bond ratings by Fitch, Standard & Poor's and Moody's rating services. It also contains a table of current infrastructure investments as well as a margin block including 5 key operational and financial data points (e.g., total revenue from member sales & generation, margin obtained and distributed, gigawatt hours delivered, and cumulative 8 year rate reduction). All of the above are provided on one easily digested page.
- ▶ The Woodbury County Rural Electric Cooperative (Menville, IA) Annual "Live Lines" 2016 Annual Meeting Notice/Report at page 4, provides another example of a simple, clear, one page financial report, consisting of a 2 year "Balance Sheet" of Assets and Liabilities and a "Statement of Operations", as well as a pie chart breaking down a dollar charged for retail power into its component expenses. And while a discussion of retail power expense is not applicable to CMEEC as a wholesale power JAA, a similar graphic breaking down a dollar of CMEEC wholesale power purchased by member utilities into component expenses, would be equally illustrative.
- ▶ The Washington Electric Cooperative, Inc. (East Montpelier, Vermont) in its April, 2018 "Co-op Current" publication, also provides annual financial information in more detail than the prior examples, but again all on one page, including 2 illustrative pie charts entitled "2017 Sources and Costs of Power" and "2017 Where the Dollars Went". These graphics provide very clear and understandable explanations of power supply diversity and acquisition costs, as well as a breakdown of operational expense categories and their proportionate impact on overall operational costs.

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Review of CMEEEC Benchmarking

Ongoing - Activities to Date Include:

- ▶ Multiple conference calls and meetings with CMEEEC GC and CEO;
- ▶ CMEEEC outreach to other Co-ops at MECA request;
- ▶ Creation by CMEEEC of spreadsheet of information received to date;
- ▶ Research including contact with third parties (e.g., regulatory and regulated entities, MEUs, co-op trade associations and consultants);
- ▶ Upcoming CMEEEC presentation by American Public Power Association staff.

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Downstream Ratepayer Advocacy

- ▶ Meeting and communication with downstream ratepayers in person and via phone, text and, email re: specific issues;
- ▶ Representing ratepayer interests at Board and Committee Meetings (e.g., suggested quarterly ethics code reporting adopted; recommended dissemination of benchmarking spreadsheet to board members implemented);
- ▶ Meetings with CEO, General Counsel and staff;
- ▶ Meetings and email outreach with municipal leaders;
- ▶ Dissemination of quarterly reports;
- ▶ Communication with the press directly & through letters to the editor;
- ▶ Response to legislator letter.

First Quarterly Report

- ▶ MUNICIPAL ELECTRIC CONSUMER ADVOCATE FIRST QUARTERLY REPORT (4/2/18)
- ▶ OUTREACH TO MEMBER MUNICIPALITY LEADERSHIP
- ▶ BOARD OF DIRECTORS MEETINGS
- ▶ ETHICS CODE/CODE OF CONDUCT REVISIONS
- ▶ BYLAWS AMENDMENTS
- ▶ FORENSIC AUDIT
- ▶ AUDIT COMMITTEE MEETING
- ▶ CMEEC COMPARATIVE BENCHMARKING
- ▶ INCREASING CMEEC OPERATIONAL TRANSPARENCY
- ▶ LEGISLATIVE COMMITTEE MEETING
- ▶ MISCELLANEOUS LEGAL RESEARCH
- ▶ CONSUMER INQUIRY RESPONSES

Second Quarterly Report

- ▶ MUNICIPAL ELECTRIC CONSUMER ADVOCATE SECOND QUARTERLY REPORT (6/29/18)
- ▶ FORENSIC AUDIT
- ▶ MEETING TRANSPARENCY
- ▶ ETHICS CODE/CODE OF CONDUCT REVISIONS
- ▶ BYLAWS AMENDMENTS/INDEMNIFICATION
- ▶ BENCHMARKING
- ▶ CMEEC ANNUAL REPORT
- ▶ BOARD OF DIRECTORS MEETINGS
- ▶ COMMITTEE MEETINGS
- ▶ MISCELLANEOUS LEGAL RESEARCH
- ▶ CONSUMER INQUIRY RESPONSES

Third Quarterly Report

- ▶ MUNICIPAL ELECTRIC CONSUMER ADVOCATE THIRD QUARTERLY REPORT (10/10/18)
- ▶ FORENSIC AUDIT
- ▶ RESPONSE TO LEGISLATOR
- ▶ LETTER TO THE EDITOR
- ▶ CMEEC ANNUAL REPORT
- ▶ BOARD OF DIRECTORS MEETINGS
- ▶ COMMITTEE MEETINGS
- ▶ RATEPAYOR COMMUNICATIONS
- ▶ OUTREACH TO MUNICIPAL LEADERS
- ▶ MISCELLANEOUS LEGAL RESEARCH

Remaining Open Issues for 2018

- ▶ ~~Monitor adoption of final language re: indemnification in CMEEC Bylaws;~~
- ▶ Resolve CMEEC wholesale price benchmarking;
- ▶ Review consumer information currently available; compare transparency with that of other co-ops;
- ▶ Finalize suggestions for CMEEC annual report.

Agenda & Issues for 2019

MORE RESEARCH-FOCUSED ACTIVITY - external, rather than internal in primary scope (i.e., more research, less committee meetings), including issues relating to:

- ▶ Wholesale Electric Marketplace/ NEPOOL/ISO New England (market)
- ▶ Bond Markets (financing)
- ▶ Contracts with other entities (sales)



Bill Kowalski
Attorney at Law, PLLC
P.O. Box 401
Durham, CT 06422

BKMECA18@GMAIL.COM

203.314.5601



Questions/Suggestions