# Connecticut Municipal Electric Energy Cooperative

## Forensic Examination Report

**For the Fiscal Years Ended**
**December 31, 2013 through December 31, 2017**

COHN REZNICK

ACCOUNTING • TAX • ADVISORY

December 21, 2018

Connecticut Municipal Electric Energy Cooperative
30 Stott Avenue
Norwich, CT 06360

**Connecticut Municipal Electric Energy Cooperative Forensic Examination Report**

## I. DESCRIPTION OF ENGAGEMENT

CohnReznick LLP ("CohnReznick") was retained in June, 2018 by the Connecticut Municipal Electric Energy Cooperative ("CMEEC", the "Client" or the "Organization"). We were retained to perform a specific forensic accounting examination of CMEEC's financial records and to report our findings related to the review of CMEEC's revenues and expenditures for the fiscal years ended December 31, 2013 through December 31, 2017 (as set forth in PA 17-73, as amended by Section 26 of PA 18-50).

CMEEC requested the following services (the "Services"), which are summarized as follows:

A. Provide an opinion on conformance of the operating procedures of CMEEC in accordance with Connecticut General Statute Chapter 101a - Municipal Electric Energy Cooperatives ("Chapter 101a") (See Exhibit I);

B. Provide an opinion on conformance of the operating procedures of CMEEC in accordance with its By-Laws (See Exhibit II);

C. Provide recommendations for corrective action to ensure conformance to both Chapter 101a and CMEEC's By-Laws; and

D. Perform a review of the revenue and expenditures of CMEEC for five (5) years, which include fiscal years ended December 31, 2013 through December 31, 2017.

The scope of our analysis, our procedures and our findings through the date of this letter are set forth below. Our work was performed under the direction of CMEEC. We understand that this work product will be made available to the General Assembly pursuant to applicable law or regulation and that a copy of the report (with all disclaimers and limiting language intact) will be posted on the Client's website.

As noted in our engagement letter, our work does not constitute an audit, review or compilation in accordance with Generally Accepted Auditing Standards ("GAAS") or Generally Accepted Accounting Principles ("GAAP") of the information provided to us.

Public Act 17-73 (See Exhibit III), as amended by Section 26 of PA 18-50 ("the Act") (See Exhibit IV) set forth CMEEC's responsibility to perform a forensic examination for a five-year period. The forensic examination requirement is further described in Section 26(h).

As stated in the Act, the forensic examination includes a report on CMEEC's conformance with the provisions of Chapter 101a. The procedures we performed were based on our professional judgment, our understanding of the engagement, and our conversations with CMEEC's management.

The opinions and conclusions presented in this report are based on the information reviewed to date. The information reviewed provided sufficient reliable facts and data within the accounting field to render our opinions to a reasonable degree of accounting certainty. Should additional relevant information or documents be produced, our opinions and conclusions could be influenced by this information. As such, CohnReznick reserves the right to amend this report accordingly.

## II. BACKGROUND AND UNDERSTANDING

As CMEEC explains on its website, over 2,000 communities in the U.S. rely on not-for-profit electric utilities that are locally owned and operated by the people they serve. In 1976, Connecticut's municipal electric utilities joined to form CMEEC, the Connecticut Municipal Electric Energy Cooperative.

Currently, CMEEC is owned and governed by six member communities, namely, the cities of Groton and Norwich, the Borough of Jewett City, Bozrah Light & Power Company, and the Second (South Norwalk) and Third (East Norwalk) Taxing Districts of Norwalk (the "Member Utilities"). CMEEC provides wholesale power and related services to the Member Utilities, to the Mohegan Tribal Utility Authority and to major electric customers in and beyond Connecticut (collectively, the "CMEEC's Customers").

CMEEC represents that it consistently provides the most affordable, reliable and sustainable energy solutions available in New England, and that CMEEC's customers rely on CMEEC's world-class energy procurement, production and transmission, and comprehensive specialty services.

## III. OPINION ON CONFORMANCE OF THE OPERATING PROCEDURES IN ACCORDANCE WITH CHAPTER 101a

Based on our procedures performed, CMEEC's operating procedures conform with Chapter 101a's requirements.

## IV. OPINION ON CONFORMANCE OF THE OPERATING PROCEDURES IN ACCORDANCE WITH CMEEC's BY-LAWS

Based on our procedures performed, CMEEC's operating procedures conform with CMEEC's By-Laws, except as noted in our findings below. The following findings are independent and cumulative of each other:

**Finding 1 – Vendor Payments Paid by Check:**
CMEEC's By-Laws provides that

> the purposes for which CMEEC is organized are to undertake: (a) the procurement, management, provision, and transmission of electric products, including, but not limited to, electric commodity, ancillary and support services, and transmission services; (b) the planning, financing, development, acquisition, construction, reconstruction, improvement, enlargement, betterment, operation, and maintenance of a project or projects to supply electric power and energy for the present and future needs of its Members, and others as contractually provided; and (c) to do and perform all acts and things for the benefit of its Members, and others as contractually provided, which by law, expressed or implied, it is authorized, empowered, or permitted to do and perform." (See Exhibit II; Section 5. Purposes of CMEEC's By-Laws).

Based on our procedures performed and the sample we tested, we noted several expense categories, during the period 2013 through 2017, that appeared inconsistent with CMEEC's purpose:

| Type of Spending | Total Amount | |
|---|---|---|
| Board retreat & event spend | $ 1,179,300 | |
| Refund of event spend | $ (90,129) | **{A}** |
| Spend with questionable business purpose | $ 10,000 | |
| Total | $ 1,099,171 | |

**{A}** The vendor refunded this amount in fiscal year 2017.

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**Finding 2 – Vendor Payments Paid by P-Card Payments:**
Certain CMEEC expenses were executed with P-Cards ("Purchasing Cards"). Based on our procedures performed and the sample we tested, the P-Card transactions that appeared contrary to CMEEC's business purpose are set forth below:

| Type of Spending | Total Amount |
|---|---|
| Board retreat & event spend | $ 187,475 |
| Spend with questionable business purpose | $ 73,499 |
| Spending with no support | $ 12,080 |
| Total | $ 273,054 |

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**Finding 3 – Vendor Payments Paid via Wire Disbursements:**
Based on our procedures performed and the sample we tested, we noted the following wire executed transactions that appear contrary to CMEEC's purpose are set forth below:

| Type of Spending | Total Amount |
|---|---|
| Board retreat & event spend | $ 60,989 |
| Spend with questionable business purpose | $ 33,840 |
| Total | $ 94,829 |

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**Finding 4 – Other expenditures:**

Based on our procedures performed, we noted $66,061 paid to James Sullivan for lobbying and other expenditures. Given that we (a) have not requested or reviewed any supporting documents or (b) have not been provided with the business purpose of certain of these expenses, we are unable to determine whether the James Sullivan related expenditures are in compliance with Chapter 101a and CMEEC's By-Laws.

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**Finding 5 – Contributions:**

Based on our procedures performed and the sample we tested, we noted payments to four (4) vendors totaling $208,022. These payments were recorded as contribution payments and they appeared inconsistent with CMEEC's operating procedures and its By-Laws.

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

## V. RECOMMENDATIONS FOR CORRECTIVE ACTION TO ENSURE CONFORMANCE WITH CHAPTER 101a AND CMEEC'S BY-LAWS

**Recommendation 1 – Expenditures:**

We recommend that all organizational expenses incurred and paid must be aligned with CMEEC's purpose as stated in CMEEC's By-Laws. In addition, we recommend CMEEC abide by the parameters for strategic retreats, gifts and entertainment included in Public Act No. 17-73, as amended by Public Act No. 18-50, and CMEEC's By-Laws.

**Recommendation 2 – Contributions:**

We recommend CMEEC develop a written policy regarding charitable contributions and gifts that is voted on and approved by the CMEEC Board of Directors.

Management of CMEEC's responses to the recommendations listed above are included in Exhibit V of this report.

## VI. REVIEW OF REVENUE AND EXPENDITURES OF CMEEC FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 THROUGH DECEMBER 31, 2017

We have read the audited financial statements for the fiscal years ended December 31, 2013 through December 31, 2017, and noted they were released with unqualified/unmodified opinions. We did not note any management letters being issued for any of these five years. Based on our procedures performed, we have identified the following findings arising from our review of revenue and expenditures for the fiscal years ended December 31, 2013 through December 31, 2017:

**Finding 1 – Revenue and Cost Allocations:**

Based upon our procedures performed and the sample we selected for testing revenue and cost allocations, we identified one finding arising from a "true up" adjustment, which was performed to reconcile estimated activity with actual results. In the June 2016 true-up, the Generation Service charge was understated by $73.57, and the Addition to the Rate Stabilization Fund was overstated by $73.57.

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**Finding 2 – Economic Development Fund Withdrawals:**

An Economic Development Fund (the "Fund") was established to promote economic development within the Member Utilities' communities. Member Utilities that elect to participate in the Fund (the "Participating Members") are charged a monthly fee based on their request in accordance with a contractually determined amount by the Participating Members. The Participating Members can request withdrawals from their portion of the Fund for economic development projects. Based on the procedures performed and the sample we tested of Fund withdrawals, we were unable to determine whether the funds were used for economic development purposes. In addition, we noted that related party relationships exist between some of these organizations and certain CMEEC Board Members.

We recommend that CMEEC remits economic development funds directly to the Participating Members on a monthly basis. This will eliminate CMEEC's custodial responsibilities over these funds.

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**CMEEC did not retain or request CohnReznick to perform any procedures, opine, comment or respond to CMEEC's responses.**

Our analysis and findings expressed herein are based on the information provided to us and the associated procedures performed as of the date of this report. We reserve the right to amend or supplement this report if additional relevant information becomes available and to report as to other issues, if any, hereafter raised. We have not provided any opinion on the Organization's financial condition as part of any of the procedures performed.

Respectfully submitted,

CohnReznick LLP

CohnReznick LLP

# CHAPTER 101a
# MUNICIPAL ELECTRIC ENERGY COOPERATIVES

**Table of Contents**

**Sec. 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. The provisions of this chapter shall be deemed to apply to the acquisition, construction, reconstruction, operation, repair, extension or improvement of such facilities, or the acquisition of any interest therein or of any capacity thereof, by a separate legal entity created by concurrent resolutions of two or more municipal electric utilities as herein provided. It is found and declared that there exists in the state a great and growing need for the furnishing of efficient, low cost and reliable electric power to the residents thereof; that the construction and acquisition of suitable facilities for the furnishing of efficient, low cost and reliable electric power is an important governmental function in which municipal electric utilities should be enabled to act jointly for the purposes of carrying out the provisions of this chapter and therefore the necessity for the provisions of this chapter is hereby declared as a matter of legislative determination to be in the public interest and for the public benefit and good of this state.

**Sec. 7-233b. Definitions.** As used in this chapter, the following terms shall have the following meanings, unless a different meaning clearly appears from the context and any use of plural terms herein shall be deemed to refer to the singular thereof:

(1) "Area of operation" means the geographic area served by a municipal electric utility at the time it becomes a member of a municipal electric energy cooperative pursuant to this chapter and such other areas as the municipal electric energy cooperative may serve pursuant to contract entered into under the provisions of this chapter;

(2) "Bonds" means bonds issued by a municipal electric energy cooperative pursuant to this chapter;

(3) "Cost" means, in addition to the usual connotations thereof, the cost of all or any property, rights, easements, privileges, agreements and franchises deemed by the municipal electric energy cooperative to be necessary or useful and convenient to a project or projects or in connection therewith, including discount on bonds, cost of issuance of bonds, engineering and inspection costs and legal expenses, cost of financial, professional and other estimates advice, organization, administrative, operating and other expenses of the municipal electric energy cooperative prior to and during the acquisition or construction of a project or projects and all such other expenses as may be necessary or incident to the financing, acquisition, construction and completion of said project or projects or part thereof and the placing of the same in operation, and also such provision or reserves for working capital, operating,

maintenance or replacement expenses or for reserves for the payment of the principal of or interest on bonds during or after such acquisition or construction as the municipal electric energy cooperative may determine, and reimbursements to the municipal electric energy cooperative or any member thereof or any other participant in such project or projects of any moneys theretofore expended for the purposes of the municipal electric energy cooperative;

(4) "Electric utility" means any electric public service company, as defined in section 16-1;

(5) "Governing body" means the board of commissioners of a municipal electric utility or such other duly elected or appointed officials charged by law with managing the affairs of a municipal electric utility;

(6) "Member" means any municipal electric utility within the state which has been in continuous operation for at least five years and whose governing body authorizes membership in, and which becomes a member of, a municipal electric energy cooperative;

(7) "Municipal electric energy cooperative" or "municipal cooperative" means a separate legal entity hereafter created by concurrent resolutions of two or more municipal electric utilities to exercise any of the powers as provided in this chapter in connection with the acquisition, construction, reconstruction, operation, repair, extension or improvement of electric power generation or transmission facilities, or the acquisition of any interest therein or of any capacity thereof;

(8) "Municipal electric utility" means an electric department, agency or other body of a municipality which provides for the production, supply and/or distribution of electric energy to the inhabitants or any portion thereof as well as others, which department, agency or other body has been established in accordance with applicable provisions of law;

(9) "Municipality" means any town, city or borough located within the state and any district as defined in section 7-324 or special services district established under chapter 105a which is authorized to produce, supply or distribute electric energy;

(10) "Notes" means notes issued by a municipal electric energy cooperative pursuant to this chapter;

(11) "Participant" means any member of a municipal electric energy cooperative, a nonmember municipal electric utility, an electric utility, or any other public or private electric power entity located within or without the state, any of which may contract

for services with a municipal electric energy cooperative pursuant to the provisions of this chapter;

(12) "Project" means any plant or plants, hydro plants, works, system, facilities, or real or personal property, together with all parts thereof and appurtenances thereto, used or useful in connection with the generation, production, transmission, purchase, sale, exchange or interchange of electric power or energy, or any interest therein or right to capacity thereof. "Project" also includes stock or other ownership interests in, or evidences of indebtedness of, any corporation or business entity which constructs electric power generation or transmission facilities or generates, produces, transmits, purchases, sells or exchanges electric power and energy to, or insures the liabilities of, public or private electric power entities located within or without the state, provided the outstanding stock of such corporation is owned in whole or in part by such public or private electric power entities;

(13) "Real property" includes lands, structures, franchises, and interests in land, including lands under water and riparian rights, and any and all things and rights usually included within said term, and includes not only fees simple absolute but also any and all lesser interests, such as easements, rights-of-way, uses, leases, licenses and all other incorporeal hereditaments, and every estate, interest or right, legal or equitable, including terms of years and liens thereon by way of judgments, mortgages or otherwise, and also claims for damage to real estate.

**Sec. 7-233c. Municipal electric energy cooperative membership. Board representatives, appointment, term, removal. Officers. Meetings. Staff. Apportionment of expenses.** (a) Any two or more municipal electric utilities may, by concurrent resolutions, duly adopted by the governing bodies of each of such municipal electric utilities, create and become members of a municipal electric energy cooperative under the name and style of "the .... municipal electric energy cooperative", with some identifying phrase inserted. The managing body of the municipal electric energy cooperative shall be a cooperative utility board which shall be charged with carrying out the corporate purposes and powers of the municipal electric energy cooperative. The number of representatives to be appointed at any time for full terms of office by the governing bodies of such municipal electric utilities shall be such uniform numbers as may be mutually agreed upon in said resolutions which number shall be not less than two nor more than six for each member. After the taking effect of the said resolutions of all such municipal electric utilities and after the filing of certified copies thereof pursuant to subsection (a) of section 7-233d, the agreed number of representatives shall be appointed to the cooperative utility board by the governing body of each municipal electric utility. The qualification of such representatives, terms of office for the original representatives and their successors and compensation, if any, by the member pursuant to this section or by the municipal

cooperative pursuant to section 7-233p, shall be prescribed by each such governing body; provided, each representative shall be an official or employee of such municipal electric utility. In addition to paying such compensation as may be prescribed pursuant to this section or section 7-233p, a member may reimburse its representatives for expenses for travel, both within and without the state, incurred by them in connection with services as a designated representative on such board. Before such municipal cooperative can be validly and legally formed each of the municipalities represented by a municipal electric utility joining together to form the municipal cooperative must, by proper proceedings duly adopted, consent and agree to such formation of the municipal cooperative.

(b) After the creation of a municipal cooperative under subsection (a) of this section, any other municipal electric utility may become a member of the municipal cooperative if (1) the municipal electric utility files with the municipal cooperative (A) a resolution, duly adopted by its governing body, requesting membership in such cooperative, and (B) a certified copy of the proper proceedings, duly adopted by the municipality represented by the municipal electric utility, consenting and agreeing to such membership, and (2) after the municipal cooperative receives such filing, the governing bodies of at least two-thirds of the municipal electric utilities comprising the membership of the municipal cooperative at the time of such filing duly adopt a resolution approving membership of such municipal electric utility in the municipal cooperative. After the filing of certified copies of all such resolutions with the Secretary of the State pursuant to subsection (b) of section 7-233d, the governing body of the municipal electric utility being added to the municipal cooperative shall appoint representatives to the cooperative utility board of the municipal cooperative. The number of such appointed representatives shall be the same as the number mutually agreed upon by the other members of the municipal cooperative pursuant to subsection (a) of this section. The provisions of said subsection (a) concerning the qualification, compensation and terms of office of, and reimbursement of travel expenses for, representatives of the existing members of the municipal cooperative shall apply to representatives of such municipal electric utility.

(c) A municipal electric utility that is a member of a municipal cooperative may withdraw from the municipal cooperative if: (1) Such withdrawing municipal electric utility continues to fully perform all of its obligations under any contract it has with the municipal cooperative or provides sufficient funds in trust for the benefit of the municipal cooperative to satisfy such obligations, (2) the withdrawing municipal electric utility files with the municipal cooperative a resolution, duly adopted by its governing body, approving the withdrawal, and such resolution is filed with the Secretary of the State in the same manner as provided in subsection (c) of section 7-233d, and (3) the municipality represented by the withdrawing municipal electric

utility does not disapprove of such withdrawal, by vote of the municipality's legislative body, within thirty days after the adoption of such a resolution.

(d) Upon appointment of its representatives by the members of the municipal cooperative, the cooperative utility board shall organize, select its chairman and vice-chairman from among said board and proceed to consider those matters which have been recommended to it by the several members of the municipal cooperative. The cooperative utility board may hold such meetings and public hearings as it deems desirable and the powers of the municipal cooperative shall be vested in the representatives thereof in office from time to time. A majority of the entire authorized number of representatives of the municipal cooperative shall constitute a quorum at any meeting thereof. Action may be taken, motions voted and resolutions adopted by the municipal cooperative at any meeting of the cooperative utility board by vote of a majority of the representatives present, unless in any case the bylaws of a municipal cooperative or an amendment to such bylaws shall require a larger number for adoption or any representative of the cooperative utility board requests that the vote be based on megawatt-hour purchases. If such a request is made, (1) each representative shall have a number of votes equal to the total number of megawatt-hours purchased by the representative's member municipal electric utility from the municipal cooperative during the preceding completed calendar year, provided, if the municipal cooperative includes a new member municipal electric utility which purchased part or all of its power and energy from a supplier or suppliers other than the municipal cooperative during such year, each representative of such new member municipal electric utility shall have a number of votes equal to the total megawatt-hours purchased by such new member from such other suppliers during such year plus the total number of megawatt-hours purchased from the municipal cooperative during such year, and (2) any action, motion or resolution taken, voted or adopted by the municipal cooperative at such meeting shall be by a favorable vote of sixty-seven per cent or more of the total of such votes of the representatives who are present at the meeting and who vote, provided at least a majority of the members of the municipal cooperative approves such action, motion or resolution. Notwithstanding any provision of this subsection or of subsection (g) of this section to the contrary, a unanimous vote of all of the representatives of the municipal cooperative shall be required before said municipal cooperative can exercise the power of condemnation or eminent domain provided in this chapter. The cooperative utility board may appoint and employ a chief executive officer, a treasurer, a secretary, a general counsel and such officers, advisors, consultants and other agents and employees as it may deem necessary, and the cooperative utility board shall determine their qualifications, terms of office, duties and compensation.

(e) Organizational expenses incurred by a municipal cooperative shall be paid ratably by each member in the same proportion as the population or area of operation

serviced by each such member bears to the total population or area of operation serviced by all members or by such other method as determined to be fair and equitable by the cooperative utility board. Such payments shall be made by each member whether or not that member utilizes the electric power or energy made available or furnished to such member.

(f) Each representative of a municipal electric energy cooperative shall hold office for the term for which he was appointed and until his successor has been appointed and has qualified. A representative of a municipal electric energy cooperative may be removed only by the cooperative utility board for inefficiency or neglect of duty or misconduct in office and after he shall have been given a copy of the charges against him and, not sooner than ten days thereafter, had opportunity in person or by counsel to be heard thereon by such governing body. A member may remove one or more of its representatives with or without cause at any time.

(g) A municipal cooperative may adopt, on a prospective basis, methods of voting for all or specifically designated matters. Any such methods shall be specified in the bylaws of a municipal cooperative or in an amendment to such bylaws unanimously adopted by the members of the municipal cooperative. A municipal cooperative may distinguish the voting rights of its members based on whether a member is a full requirements customer or a partial requirements customer of the municipal cooperative or based on the term of the contractual obligations for power and transmission supply each member incurs with respect to the municipal cooperative, provided any such distinctions shall treat similarly situated members in a comparable and nondiscriminatory manner. For purposes of this subsection, "full requirements customer" means a wholesale purchaser of electric power or transmission services whose electric energy supplier is the sole source of long-term firm power, and "partial requirements customer" means a wholesale purchaser of electric power or transmission services that directly owns or operates generating or transmission assets that are insufficient to carry all of such purchaser's electric load and whose electric energy supplier is a supplemental source of long-term firm power.

**Sec. 7-233d. Filings with Secretary of the State. Effect.** (a) A certified copy of each concurrent resolution creating a municipal electric energy cooperative, which is adopted pursuant to subsection (a) of section 7-233c, and a certified copy of each of the proceedings of the municipalities consenting and agreeing to the formation of the municipal electric energy cooperative as required by said subsection (a), shall be filed in the office of the Secretary of the State. Upon proof of such filing of a certified copy of the concurrent resolutions creating the municipal electric energy cooperative and the municipal proceedings as aforesaid, the municipal electric energy cooperative therein referred to shall, in any suit, action or proceeding involving the validity or enforcement of, or relating to, any contract or obligation or act of the municipal

electric energy cooperative, be conclusively deemed to have been lawfully and properly created, organized and established and authorized to transact business and exercise its powers under this chapter.

(b) A certified copy of each resolution approving the addition of a municipal electric utility to an existing municipal cooperative, which is adopted pursuant to subsection (b) of section 7-233c, and a certified copy of the proceedings of the municipality represented by such municipal electric utility consenting and agreeing to membership in such municipal cooperative as required by said subsection (b), shall be filed in the office of the Secretary of the State. Upon proof of such filing of a certified copy of such resolutions and such municipal proceedings, such municipal electric utility shall be deemed to be a member of such municipal cooperative.

(c) A certified copy of the resolution approving the withdrawal of a municipal electric utility from an existing municipal cooperative, which is adopted pursuant to subsection (c) of section 7-233c, and an affidavit by the withdrawing municipal electric utility stating that the legislative body of the municipality has not disapproved of such withdrawal in the manner provided under said subsection (c), shall be filed in the office of the Secretary of the State. Upon proof of such filing of a certified copy of such resolution and such affidavit, such municipal electric utility shall conclusively be deemed to have lawfully and properly withdrawn from the municipal cooperative. The withdrawing municipal electric utility shall have rights to retained earnings and assets of the municipal cooperative as set forth in the contract or contracts for power supply between the withdrawing municipal electric utility and the municipal cooperative or in any other contract between such municipal electric utility and such municipal cooperative, provided any such contract shall treat similarly situated members in a comparable and nondiscriminatory manner and provided further the withdrawing municipal electric utility complies with the provisions of subsection (c) of section 7-233c for withdrawal from the municipal cooperative.

(d) A copy of any such resolutions or proceedings filed under this section, duly certified by or on behalf of the Secretary of the State, shall be admissible in evidence in any suit, action or proceeding and shall be conclusive evidence of the due and proper filing thereof as aforesaid.

**Sec. 7-233e. Powers.** (a) As used in this section, "person without the state" means a person located outside the state that complies with the standards for interconnection to the transmission or distribution facilities of the public utility to which such person is interconnected.

(b) A municipal electric energy cooperative created in the manner provided in this chapter shall constitute a public body corporate and politic, and in furtherance of its

purpose of providing facilities for the generation and transmission of electric power such municipal electric energy cooperative shall be deemed to be exercising an essential governmental function and shall have the following powers, to wit:

(1) To adopt and have a common seal and to alter the same;

(2) To sue and be sued;

(3) To contract and be contracted with;

(4) To plan, acquire, construct, reconstruct, operate, maintain, repair, extend or improve one or more projects within or without the state; or to acquire any interest in or any right to capacity of such a project and to act as agent, or designate one or more of the other participants in such project to act as agent, for all the participants in such project in connection with the planning, acquisition, construction, reconstruction, operation, maintenance, repair, extension or improvement of such project;

(5) To investigate the desirability of and necessity for additional sources and supplies of electric power, and to make such studies, surveys and estimates as may be necessary to determine the feasibility and cost of any such additional sources and supplies of electric power;

(6) To cooperate with private electric utilities, member and nonmember municipal electric utilities and other public or private electric power entities, within and without the state, or with any person without the state, in the development of such sources and supplies of electric power;

(7) To procure from the United States of America or any agency or instrumentality thereof, or from any state or agency or instrumentality thereof, any consents, authorizations or approvals that may be requisite to enable any project within its powers to be carried forward;

(8) To do and perform any acts and things authorized by the act under, through or by means of its cooperative utility board, officers, agents or employees;

(9) To acquire, hold, use and dispose of its income, revenues, funds and moneys;

(10) To acquire, own, hire, use, operate and dispose of personal property;

(11) To acquire, own, use, lease, operate and dispose of real property and interests in real property, and to make improvements thereon;

(12) To grant the use, by lease or otherwise, and to make charges for the use, of any property or facility owned or controlled by it;

(13) To borrow money and to issue its negotiable bonds or notes, and to enter into any agreements with the purchasers or holders of such bonds or notes or with others for their benefit;

(14) Subject to any agreement with bondholders or noteholders, to invest moneys of the municipal cooperative not required for immediate use, including proceeds from the sale of any bonds or notes, in such obligations, securities and other investments as the cooperative utility board shall deem prudent and in accordance with the laws of the state regarding the investment of public moneys;

(15) To exercise the right of eminent domain, subject to the limitations contained herein;

(16) To fix and determine the location and character of, and all other matters in connection with, any and all projects it may be authorized to acquire, hold, establish, effectuate, operate or control;

(17) To contract with any electric utility, any member or nonmember municipal electric utility, any public or private electric power entity within or without the state, or any person without the state, for the sale, exchange or transmission of electric power or energy generated by any project, or any interest therein or any right to capacity thereof, on such terms and for such period of time as the cooperative utility board shall determine;

(18) To purchase, sell, exchange or transmit electric power and energy within and without the state, to any electric utility, any member or nonmember municipal electric utility or any other public or private electric power entity, or any person without the state; and to enter into agreements with respect to such purchase, sale, exchange, or transmission to any electric utility, any member or nonmember municipal electric utility or any other public or private electric power entity; as one means of implementing the power granted by this subdivision, a municipal electric energy cooperative, if its cooperative utility board shall so determine, may enter into or become a participant in the New England Power Pool or become a market participant pursuant to rules and procedures of the regional independent system operator, as defined in section 16-1; and to acquire, own, hold and dispose of stock or other ownership interests in, or evidences of indebtedness of, any corporation or business entity that constructs electric power generation or transmission facilities or generates, produces, transmits, purchases, sells or exchanges electric power and energy to, or insures the liabilities of, public or private electric power entities located within or without the state, provided the outstanding stock of such corporation is owned in whole or in part by such public or private electric power entities;

(19) To procure insurance against any losses in connection with its property, operations or assets in such amounts and from such insurers as the cooperative utility board deems desirable;

(20) To contract for and to accept any gifts or grants or loans of funds or property or financial or other aid in any form from the United States of America or any agency or instrumentality thereof, or from any other source, and to comply, subject to the provisions of this chapter, with the terms and conditions thereof;

(21) To mortgage, or otherwise hypothecate, any or all of its property or assets to secure the payment of its bonds, notes or other obligations;

(22) To submit to arbitration any disputes with others or among its members;

(23) To produce electric power by the use of cogeneration technology or renewable fuel resources, as defined in section 16-1;

(24) To contract for the purchase or exchange of electricity produced by a person using cogeneration technology or renewable fuel resources, as defined in section 16-1, or for the sale or exchange of electricity produced by the municipal cooperative to such person, provided such purchase, sale or exchange is subject to the rates and conditions of service established in accordance with section 16-243a;

(25) To provide in any agreement executed in connection with a project by or among a municipal cooperative and other participants in such project that, if one or more of such participants defaults in its obligations under such agreement including, without limitation, the payment of principal or interest on their indebtedness issued with respect to such project, the municipal cooperative and the other nondefaulting participants, if any, shall be required to pay such obligations, including the principal of and the interest on such indebtedness, for which the defaulting participant or participants were to have paid, upon such terms and conditions and with such limitations as the cooperative utility board may determine;

(26) To guarantee, in connection with any project, the punctual payment of the principal of and interest on the indebtedness or other contractual obligations of any of the participants in such project;

(27) (A) To enter into agreements with any entity to receive or procure the supply, or the prepayment of the supply, of natural gas for the sole benefit of its member, the City of Norwich Department of Public Utilities, a municipal gas utility, provided (i) such supply, or prepayment of supply, is consumed or used by said utility or by any retail customer of said utility entirely within the geographic boundaries of the city of Norwich or the town of Preston, and (ii) no part of such supply, or prepayment of

supply, shall be consumed or used within or transported to any other municipality or utility, territory, land held in trust by the United States on behalf of a Native American tribe or land located within a Native American reservation or other jurisdiction;

(B) No power granted to a municipal cooperative pursuant to this subdivision shall be exercised so as to impair any existing right, power or privilege of any gas company, as defined in section 16-1;

(28) To exercise and perform all or part of its power and functions for the sole purpose of purchasing, selling, exchanging or transmitting electric power and energy on a wholesale basis, as provided in this chapter, through one or more wholly owned or partly owned corporations or other business entities; and

(29) To exercise all other powers not inconsistent with the state Constitution or the United States Constitution, which may be reasonably necessary or appropriate for or incidental to the effectuation of its authorized purposes or to the exercise of any of the foregoing powers, and generally to exercise in connection with its property and affairs, and in connection with property within its control, any and all powers that might be exercised by a natural person or a private corporation in connection with similar property and affairs.

**Sec. 7-233f. Bonds.** (a) A municipal cooperative shall have the power and is hereby authorized from time to time to issue revenue bonds in such principal amounts as the cooperative utility board shall deem necessary for any of its corporate purposes as set forth under this chapter. A member of a municipal cooperative may not revoke or in any way terminate, amend or modify its membership resolution to the detriment of the bondholders if revenue bonds or obligations issued in anticipation of the issuance of said revenue bonds have been issued and are then outstanding and unpaid as provided for herein.

(b) Revenue bonds of a municipal cooperative shall be payable as to both principal and interest (1) exclusively from the income and revenues of the municipal cooperative derived from one or more of its projects financed from the proceeds of such bonds; or (2) from the income received from one or more revenue producing contracts made by the municipal cooperative with any participant or other contracts entered into for the sale of electric energy authorized under this chapter; or (3) from its revenues generally, subject, however, to any agreements previously made by the municipal cooperative with the holders of any of its outstanding bonds. Any such bonds may be additionally secured by a pledge of any grant, subsidy or contribution from the United States of America or any agency or instrumentality or political subdivision thereof, or a pledge of any income or revenues, funds or moneys of the municipal cooperative derived from any source whatsoever.

(c) Any provision of any law to the contrary notwithstanding, any bonds issued pursuant to this chapter shall be deemed to be negotiable instruments within the meaning and for all purposes of title 42a, and each holder or owner of such bonds, or of any coupons appurtenant thereto, by accepting such bonds or coupons shall be conclusively deemed to have agreed that such bonds or coupons are and shall be fully negotiable within the meaning and for all purposes of said Uniform Commercial Code.

(d) Bonds of a municipal cooperative issued pursuant to this chapter may be issued as serial bonds or as term bonds, or the municipal cooperative, in its discretion, may issue bonds of both types. Bonds shall be authorized by resolution of the cooperative utility board and may be issued in one or more series and shall bear such date or dates, mature at such time or times not exceeding forty years from the date of said bonds, bear interest at such rate or rates, be in such denominations, be in such form, either coupon or registered, carry such conversion, registration and exchange privileges, have such rank or priority, be executed in such manner, be payable in such medium of payment at such place or places within or without the state, be subject to such terms of redemption (with or without premium), and contain or be subject to such other terms, all as such resolution may provide.

(e) If any officer whose signature or a facsimile of whose signature appears on any bonds or coupons ceases to be such officer before delivery of such bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Pending preparation of the definitive bonds, a municipal cooperative may issue temporary bonds which shall be exchanged for such definitive bonds.

(f) Bonds of a municipal cooperative may be sold at public or private sale for such price or prices and in such manner as the cooperative utility board shall determine. Bonds of a municipal cooperative may be issued under the provisions of this chapter without obtaining the consent of any department, division, commission, board, bureau or agency of the state, and without any other proceeding or the happening of any other conditions or other things than those proceedings, conditions or things which are specifically required by this chapter.

(g) The resolution under which any bonds shall be issued shall constitute a contract with the holders of said bonds and may contain provisions, among others, as to:

(1) The terms and provisions of the bonds;

(2) Pledging all or any part of the revenues from any project or projects or any revenue-producing contract or contracts made by the municipal cooperative with any participant to secure the payment of said bonds as provided in the authorizing

resolution, subject to such agreements with the holders of outstanding bonds as may then exist;

(3) The custody, collection, securing, investment and payment of any revenues, assets, moneys, funds or property of a municipal cooperative with respect to which the municipal cooperative may have any rights or interest;

(4) The rates or charges for electric power and energy sold by, or services rendered by, the municipal cooperative, the amount to be raised by such rates or charges and the use and disposition of any or all revenue;

(5) The creation of reserves or sinking funds and the regulation and disposition thereof;

(6) Limitations on the purposes to which the proceeds from the sale of any bonds then or thereafter to be issued may be applied and pledging such proceeds to secure the payment of any such bonds;

(7) Limitations on the issuance of any additional bonds, the terms upon which additional bonds may be issued and secured, and the refunding of outstanding bonds;

(8) The rank or priority of any bonds with respect to any lien or security or as to the acceleration of the maturity of any such bonds;

(9) The creation of special funds or moneys to be held in trust or otherwise for operating expenses, payment or redemption of bonds, reserves or other purposes and as to the use and disposition of moneys held in such funds;

(10) The procedure by which the terms of any contract with or for the benefit of the holders of bonds may be amended or abrogated, the amount of bonds the holders of which must consent thereto, and the manner in which such consent may be given;

(11) Defining the acts or omissions to act which shall constitute a default in the duties of the municipal cooperative to holders of its bonds and providing the rights and remedies of such holders in the event of such default including, if the cooperative utility board shall so determine, the right to accelerate the due date of the bonds or the right to appoint a receiver or receivers of the property or revenues subject to the lien of the resolution;

(12) Any other or additional agreements with or for the benefit of the holders of bonds or any covenants or restrictions necessary or desirable to safeguard the interests of such holders;

(13) The custody of any of its properties or investments, the safekeeping thereof, the insurance to be carried thereon, and the use and disposition of insurance moneys;

(14) Vesting in a trustee or trustees within or without the state such properties, rights, powers and duties in trust as the cooperative utility board may determine, which may include any or all of the rights, powers and duties of any trustee appointed pursuant to this section; or limiting or abrogating the rights of the holders of any bonds of a municipal cooperative to appoint a trustee under this chapter or limiting the rights, powers and duties of such trustee; and

(15) Appointing and providing for the duties and obligations of a paying agent or paying agents or such other fiduciaries within or without the state.

(h) (1) It is the intention hereof that any pledge of revenues or other moneys or of a revenue producing contract or contracts made by a municipal cooperative pursuant to this chapter shall be valid and binding from the time when the pledge is made; that the revenues or other moneys or proceeds of any contract or contracts so pledged and thereafter received by the municipal cooperative shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act; and that the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the municipal cooperative irrespective of whether such parties have notice thereof. Neither the cooperative utility board nor any official executing bonds or notes shall be liable personally on the bonds or notes or be subject to any personal liability or accountability by reason of the issuance thereof.

(2) The principal of and interest on bonds issued by a municipal cooperative shall be payable solely from the revenues or funds pledged or available for their payment as authorized in this chapter. Each bond shall contain a statement that the principal thereof or interest thereon is payable solely from such revenues or funds of the municipal cooperative and that neither the state nor any political subdivision thereof nor any member participating in establishing the municipal cooperative nor other participant is obligated to pay such principal or interest and that neither the faith or credit nor taxing power of the state or any political subdivision thereof nor any such member or other participant is pledged to the payment of the principal of or the interest on such bonds. A municipal cooperative shall have no power to pledge the credit or create a debt or liability of the state or any political subdivision thereof or of any member participating in establishing the municipal cooperative or of any participant, and any bonds issued under the provisions of this chapter shall not create or constitute an indebtedness, liability or obligation of the state or of any such political subdivision or any such member or other participant or be or constitute a pledge of the faith and credit of the state or any such political subdivision or any such

member or other participant but all such bonds, unless funded or refunded by bonds of the municipal cooperative, shall be payable solely from revenues or funds pledged or available for their payment as authorized in this chapter.

**Sec. 7-233g. Filing of bond resolution. Notice. Action challenging validity of bond resolution to be brought within twenty days or forever barred.** Any municipal cooperative may cause a copy of any bond resolution adopted by it to be filed for public inspection in its office and in the office of the appropriate public official of the governing body of each of its members and may thereupon cause to be published in a newspaper or newspapers published or circulating in the area of operation a notice stating the fact and date of such adoption and the places where such bond resolution has been so filed for public inspection and also the date of the first publication of such notice and also that any action or proceeding of any kind or nature in any court questioning the validity or proper authorization of bonds provided for by the bond resolution, or the validity of any covenants, agreements or contract provided for by the bond resolution shall be commenced within twenty days after the first publication of such notice. If any such notice shall at any time be published and if no action or proceeding questioning the validity or proper authorization of bonds provided for by the bond resolution referred to in said notice, or the validity of any covenants, agreements or contracts provided for by said bond resolution shall be commenced or instituted within twenty days after the first publication of said notice, then all residents and taxpayers and owners of property in the area of operation and users of the project and all other persons whatsoever shall be forever barred and foreclosed from instituting or commencing any action or proceeding in any court, or from pleading any defense to any action or proceedings, questioning the validity or proper authorization of such bonds, or the validity of any such covenants, agreements or contracts, and said bonds, covenants, agreements and contracts shall be conclusively deemed to be valid and binding obligations in accordance with their terms and tenor.

**Sec. 7-233h. Trust indenture.** In the discretion of the cooperative utility board any bonds issued under the provisions of this chapter may be secured by a trust indenture by way of conveyance, deed of trust or mortgage of any project or any other property of the municipal cooperative, whether or not financed in whole or in part from the proceeds of such bonds, or by a trust agreement by and between the municipal cooperative and a corporate trustee, which may be any trust company or bank having the powers of a trust company within or without the state or by both such conveyance, deed of trust or mortgage and indenture or trust agreement. Such trust indenture or agreement may pledge or assign any or all fees, rents and other charges to be received or proceeds of any contract or contracts pledged, and may convey or mortgage any property of the municipal cooperative. Such trust indenture or agreement may contain such provisions for protecting and enforcing the rights and remedies of the

bondholders as may be reasonable and proper and not in violation of law, including particularly such provisions as have hereinabove been specifically authorized to be included in any resolution or resolutions of the municipal cooperative authorizing the issue of bonds. Any bank or trust company incorporated under the laws of the state may act as depository of the proceeds of such bonds or of revenues or other moneys and may furnish such indemnifying bonds or pledge such securities as may be required by the municipal cooperative. Such trust indenture may set forth the rights and remedies of the bondholders and of the trustee, and may restrict the individual right of action by bondholders. In addition to the foregoing, such trust indenture or agreement may contain such other provisions as the municipal cooperative may deem reasonable and proper for the security of the bondholders. All expenses incurred in carrying out the provisions of such trust indenture or agreement may be treated as a part of the cost of a project.

**Sec. 7-233i. Bond anticipation notes.** A municipal cooperative shall have the power at any time and from time to time after the issuance of bonds thereof shall have been authorized by resolution duly adopted as hereinbefore provided, to borrow money for the purposes for which such bonds are to be issued in anticipation of the receipt of the proceeds of the sale of such bonds and within the authorized maximum amount of such bond issue. Any such loan shall be paid within five (5) years after the date of the initial loan. Bond anticipation notes shall be issued for all moneys so borrowed under the provisions of this section, and such notes may be renewed from time to time, but all such renewal notes shall mature within the time above limited for the payment of the initial loan. Such notes shall be authorized by resolution of the cooperative utility board and shall be in such denomination or denominations, shall bear interest at such rate or rates, shall be in such form and shall be executed in such manner, all as such cooperative utility board shall prescribe in said resolution. If such notes shall be renewal notes, they may be exchanged for notes then outstanding on such terms as the cooperative utility board shall determine. The cooperative utility board may, in its discretion, retire any such notes from the revenues derived from the project or projects or from such other moneys of the municipal cooperative which are lawfully available therefor or from a combination of each, in lieu of retiring them by means of bond proceeds, provided, however, that before the retirement of such notes by any means other than the issuance of bonds it shall amend and modify the resolution authorizing the issuance of the bonds in anticipation of the proceeds of the sale of which such notes shall have been issued so as to reduce the authorized amount of the bond issue by the amount of the notes so retired. Such amendatory or modifying resolution shall take effect immediately upon its passage.

**Sec. 7-233j. Interconnection of electric system lines. Contracts for sale of electricity.** The municipal cooperative is authorized to (1) interconnect the lines of its system with those of other electric systems within or without the state, and to enter

into contracts for the sale of electric energy within or without the state to electric systems constructed, owned, controlled or operated by any electric utility, member or nonmember municipal electric utility or any other public or private electric power entity, or any person without the state; and (2) enter into contracts with other electric utilities, member or nonmember municipal electric utilities, or any other public or private electric power entities within or without the state for standby power upon suitable terms, and for the sale of any surplus power not required for its own operation for sale to any electric utility, member or nonmember municipal electric utility or any other public or private electric power entity within or without the state.

**Sec. 7-233k. Eminent domain.** If a municipal cooperative is unable to agree with the owner or owners of real or personal property upon the terms for the acquisition of the same for any reason whatsoever, then the municipal cooperative may acquire, and is hereby authorized to acquire, all real or personal property that it deems necessary for carrying out the purposes of this chapter, whether a fee simple absolute or a lesser interest, by condemnation or the exercise of the right of eminent domain, under and pursuant to the provisions of part I of chapter 835 and related statutes; provided that, notwithstanding anything herein to the contrary, the municipal cooperative shall have no power of eminent domain with respect to any real or personal property owned by an electric utility, nonmember municipal electric utility or any other public or private electric power entity and used in connection with a system or plant of such electric utility, nonmember municipal electric utility or any other public or private electric power entity. The power of a municipal cooperative to acquire real or personal property by condemnation or the exercise of the power of eminent domain shall be a continuing power and no exercise thereof shall be deemed to exhaust it.

**Sec. 7-233*l*. Rates.** A municipal cooperative is hereby authorized to fix, establish, maintain and collect, or to authorize, by contract, franchise, lease or otherwise, the establishment, levying and collection of, such rates, fees, rental or other charges, including connection charges, for the services afforded by the municipal cooperative or by or in connection with any properties which it may construct, erect, acquire, own, operate or control, and for the sale of electric energy or transmission capacity or service as it may deem necessary, proper, desirable and reasonable, which said rates, fees, rentals or other charges shall be fixed and established by the municipal cooperative in the manner prescribed in the following section hereof.

(**Sec. 7-233m. Sufficiency of rate schedule. Public hearing. Public inspection.** A municipal cooperative shall prescribe and from time to time when necessary revise a schedule of all of its rates, fees, rentals or other charges, which shall comply with the terms of any resolution, contract or other agreement of the municipal cooperative and shall be such that the revenues of the municipal cooperative will at all times be adequate to pay the expenses of operation and maintenance of its project or projects,

including all reserves, insurance, extension, and replacement costs and to pay the principal of and interest on any bonds or notes of the municipal cooperative issued under this chapter, and to maintain such reserves therefor as may be required by the terms of any resolution, contract or other agreement of the municipal cooperative or as may be deemed necessary or desirable by the municipal cooperative. Said schedule shall thus be prescribed and from time to time revised by the municipal cooperative after public hearing thereon which shall be held by the municipal cooperative at least seven days after notice thereof has been published at least once in the area of operation. A copy of the schedule of such rates, fees, rentals or other charges of the municipal cooperative then in effect shall at all times be kept on file at the principal office of the municipal cooperative and shall at all reasonable times be open to public inspection.

**Sec. 7-233n. Dissolution of cooperative.** The governing bodies of two or more municipal electric utilities which have created a municipal electric energy cooperative pursuant to section 7-233c may, by concurrent resolutions duly adopted by each of such governing bodies within any single calendar year, dissolve such municipal electric energy cooperative on the conditions set forth in this section. Such municipal electric energy cooperative may be dissolved on condition that either the representatives of the municipal electric energy cooperative by resolution duly adopted consent to such dissolution and the municipal electric energy cooperative has no debts or obligations outstanding or that sufficient moneys have been set aside irrevocably in trust to satisfy all of the outstanding debts or obligations of such municipal electric energy cooperative. A copy of each concurrent resolution for the dissolution of a municipal electric energy cooperative adopted pursuant to this section, duly certified by the appropriate officer of the municipal electric utility, shall be filed in the office of the Secretary of the State. Upon proof of such filing of certified copies of the concurrent resolutions for the dissolution of a municipal electric energy cooperative as aforesaid and upon proof either that such municipal electric energy cooperative had no debts or obligations outstanding at the time of the adoption of such resolutions, or that sufficient moneys have been set aside irrevocably in trust to satisfy all of its outstanding debts or obligations, the municipal electric energy cooperative therein referred to shall be conclusively deemed to have been lawfully and properly dissolved and the property of the municipal electric energy cooperative shall be vested in the creating municipal electric utilities or as otherwise provided in agreements between the municipal electric energy cooperative and the members of the municipal electric energy cooperative, provided any such agreements shall treat similarly situated members in a comparable and nondiscriminatory manner. A copy of any such concurrent resolution, duly certified by or on behalf of the Secretary of the State, shall be admissible in evidence in any suit, action, or proceeding, and shall be conclusive evidence of due and proper filing thereof as aforesaid.

**Sec. 7-233o. Conflict of interest.** No representative, officer or employee of a municipal electric energy cooperative shall have or acquire any personal interest, direct or indirect, in any project or in any property included or planned to be included in any project or in any contract or proposed contract for materials or services to be furnished to or used by the municipal electric energy cooperative, but neither the holding of any office or employment in the government of any municipal electric utility or in any municipal electric energy cooperative under any law of the state nor the owning of any property within the state shall be deemed a disqualification for representation on or employment by a municipal electric energy cooperative.

**Sec. 7-233p. Representative compensation.** If the members of a municipal electric energy cooperative are not paying compensation to their representatives pursuant to subsection (a) of section 7-233c, such municipal electric energy cooperative may reimburse its representatives for necessary expenses incurred in the discharge of their duties and pay such reasonable, uniformly applicable compensation to such representatives for their service on the board of such municipal electric energy cooperative as provided in this section. The concurrent resolutions creating a municipal electric energy cooperative may provide that the representatives of the municipal electric energy cooperative may receive annual compensation for their services within limitations to be stated in such concurrent resolutions and in that event, each representative may receive from the municipal electric energy cooperative such compensation for his services as the municipal electric energy cooperative may determine within the limitations stated in such concurrent resolutions. Said provisions or limitations stated in any such resolutions may be amended by subsequent concurrent resolutions, but no reduction of any such limitation shall be effective as to any representative of the municipal electric energy cooperative then in office except upon the written consent of such representative.

**Sec. 7-233q. Competitive bidding. Contracts.** (a) All purchases for supplies, materials or equipment to be made in excess of twenty-five thousand dollars shall be submitted for competitive bid provided that more than one source of such supplies, materials or equipment is available, except this subsection shall not apply to any project or projects in which a municipal electric energy cooperative is an owner of a portion if the project itself is not required to be subject to competitive bidding.

(b) (1) Notwithstanding subsection (a) of this section, any contracts to be entered into by a cooperative created pursuant to this chapter or any project in which such cooperative has an interest or any joint venture or partnership thereof may be entered into as the result of either negotiation, request for proposals, open-bid or sealed-bid method of procurement. In determining the type of procurement method it deems most prudent, the cooperative may consider the scope of work, the management complexities associated therewith, the extent of current and future technological

development requirements and the best interests of the cooperative and its members and participants. The cooperative shall determine the terms and conditions of such contracts and the fees or other compensation to be paid pursuant to such contracts.

(2) The entry into any contract resulting from negotiation or the conduct of a request for proposals pursuant to subdivision (1) of this subsection may be by resolution or by the terms of written policies adopted by the cooperative at the option of the governing body of said cooperative. If the cooperative elects to proceed by negotiation or request for proposals for the procurement of any such contract by the terms of written policies adopted by the cooperative, the contract and the factual basis for the method of procurement shall be recorded and open for public inspection immediately after the award of such contract.

**Sec. 7-233r. Cooperative bonds and notes deemed legal investment.** To the extent permitted by law, the state and all public officers, governmental units and agencies thereof, all banks, trust companies, savings banks and institutions, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes issued pursuant to this chapter, and such bonds or notes shall be authorized security for any and all public deposits.

**Sec. 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. The real and personal property of a municipal electric energy cooperative, and its income and operations, shall be exempt from all taxation by the state and any political subdivision thereof; provided, however, that in connection with the acquisition or construction or ownership of any project or projects, or portions thereof, which may be located outside the boundaries of the members of the municipal cooperative, the municipal cooperative may make payments in lieu of taxation and enter into a contract therefor to the appropriate taxing entity in which such project or projects, or portions thereof, are so acquired or constructed. The state covenants with the purchasers and all subsequent holders and transferees of the notes or bonds issued by a municipal cooperative, in consideration of the acceptance of any payment for the notes or bonds, that the notes or bonds of a municipal cooperative, issued pursuant to this chapter and the income therefrom shall at all times be free from taxation.

**Sec. 7-233t. Exemption from jurisdiction of Public Utilities Regulatory Authority.** A municipal electric energy cooperative created pursuant to the provisions of this chapter shall be exempt from the jurisdiction and control of the Public Utilities Regulatory Authority of this state, except to the extent municipal electric utilities are subject to the Public Utilities Regulatory Authority as of the date of the formation of the municipal cooperative.

**Sec. 7-233u. Severability of provisions.** The respective words, clauses, sentences, paragraphs and sections of this chapter are severable, and the declaration of invalidity of any such word, clause, sentence, paragraph or section shall not invalidate the remaining portions of the chapter.

**Sec. 7-233v. Liberal construction.** This chapter shall be construed liberally to effectuate the legislative intent and the purposes of this chapter as complete and independent authority for the performance of each and every act and thing herein authorized and all authority herein granted shall be broadly interpreted to effectuate such intent and purposes and not as a limitation of powers.

**Sec. 7-233w. Controlling provisions in case of conflict.** Insofar as the provisions of this chapter are inconsistent with the provisions of any other law, general, special or local, or any limitation imposed by a corporate or municipal charter, the provisions of this chapter shall be controlling and all other conflicting laws or limitations of any nature whatsoever are hereby repealed, revoked and rescinded.

**Sec. 7-233x. Power supply contracts between cooperatives and municipal electric utilities.** Any municipal electric utility, as defined in section 7-233b, shall have power, acting on behalf of the municipality with respect to which such municipal electric utility is a department, agency or other such related body, to enter into agreements with any municipal electric energy cooperative, as defined in said section 7-233b, for the purchase, sale, exchange or transmission of electric power or energy on such terms and for such periods of time as agreed upon by such municipal electric utility and such municipal electric energy cooperative, and any such agreement shall be binding on the parties thereto and such municipality, provided such municipality may disapprove and thereby invalidate such agreement by vote of its legislative body at any time no later than thirty days following the date such agreement is filed and appropriately recorded in such municipality for consideration by its legislative body. Any such agreement may include terms providing that the municipal electric utility (1) make payments for electric power and energy based on a formula stated in the agreement, (2) make such payments unconditionally whether or not the agreed upon electric power or energy is provided or otherwise made available or a particular project is completed, operable or operating, and (3) pay obligations of another municipal electric utility if such municipal electric utility fails to make such payments

as required in such agreement. Payments made under such agreements may be recovered in the prices charged by the municipal electric utility.

**Sec. 7-233y. Municipal energy conservation and load management fund.** (a) Each municipal electric utility created pursuant to chapter 101 or by special act shall, for investment in renewable energy sources and for conservation and load management programs pursuant to this section, accrue from each kilowatt hour of its metered firm electric retail sales, exclusive of such sales to United States government naval facilities in this state, no less than the following amounts during the following periods, in a manner conforming to the requirement of this section: (1) 1.0 mills on and after January 1, 2006; (2) 1.3 mills on and after January 1, 2007; (3) 1.6 mills on and after January 1, 2008; (4) 1.9 mills on and after January 1, 2009; (5) 2.2 mills on and after January 1, 2010; and (6) 2.5 mills on and after January 1, 2011.

(b) There is hereby created a municipal energy conservation and load management fund in each municipal electric energy cooperative created pursuant to this chapter, which fund shall be a separate and dedicated fund to be held and administered by such cooperative. Each municipal electric utility created pursuant to chapter 101 or by special act that is a member or participant in such a municipal electric energy cooperative shall accrue and deposit such amounts as specified in subsection (a) of this section into such fund. Any balance remaining in the fund at the end of any fiscal year shall be carried forward in the fiscal year next succeeding. Disbursements from the fund shall be made pursuant to the comprehensive electric conservation and load management plan prepared by the cooperative in accordance with subsection (c) of this section.

(c) Such cooperative shall, annually, adopt a comprehensive plan for the expenditure of such funds by the cooperative on behalf of such municipal electric utilities for the purpose of carrying out electric conservation, investments in renewable energy sources, energy efficiency and electric load management programs funded by the charge accrued pursuant to subsection (a) of this section. The cooperative shall expend or cause to be expended the amounts held in such fund in conformity with the adopted plan. The plan may direct the expenditure of funds on facilities or measures located in any one or more of the service areas of the municipal electric utilities who are members or participants in such cooperative and may provide for the establishment of goals and standards for measuring the cost effectiveness of expenditures made from such fund, for the minimization of federally mandated congestion charges and for achieving appropriate geographic coverage and scope in each such service area. Such plan shall be consistent with the comprehensive plan of the Energy Conservation Management Board established under section 16-245m. Such cooperative, annually, shall submit its plan to such board for review.

**Sec. 7-233z. Comprehensive report.** (a) A municipal electric energy cooperative, created pursuant to this chapter, shall submit a comprehensive report on the activities of the municipal electric utilities with regard to promotion of renewable energy resources. Such report shall identify the standards and activities of municipal electric utilities in the promotion, encouragement and expansion of the deployment and use of renewable energy sources within the service areas of the municipal electric utilities for the prior calendar year. The cooperative shall submit the report to the Clean Energy Finance and Investment Authority not later than ninety days after the end of each calendar year that describes the activities undertaken pursuant to this subsection during the previous calendar year for the promotion and development of renewable energy sources for all electric customer classes.

(b) Such cooperative shall develop standards for the promotion of renewable resources that apply to each municipal electric utility. On or before January 1, 2008, and annually thereafter, such cooperative shall submit such standards to the Clean Energy Finance and Investment Authority.

**Secs. 7-233aa to 7-233hh.** Reserved for future use.

# BYLAWS
# OF THE
# CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE

(Approved October 22, 1976)

(Amended March 15, 1977; April 15, 1981; April 19, 1988; September 24, 1992; October 26, 1995; December 21, 2005; November 21, 2007; April 25, 2013, October 8, 2015) Amended April 27, 2017 with such amendment dated referred to herein as the "2017 Bylaws Amendment".



## ARTICLE I
## DEFINITIONS, NAME, LOCATION, SEAL, PURPOSES, AND GENERAL DESCRIPTION OF GOVERNANCE STRUCTURE

### SECTION 1. DEFINITIONS.

Capitalized terms used herein shall have the meanings afforded to them as provided herein. If not otherwise expressly defined herein such terms shall have the meanings afforded to such terms pursuant to the Act, or as are provided in the Replacement Power Supply Contracts, as amended ("RPSC") by and between CMEEC and each of the Members or the General Transmission Services Agreement, as amended by and between CMEEC and each of the Members (the "GTSA") or the Membership Agreement, as defined below.

In addition to the foregoing, the following terms shall the following meanings:

"Act" means Public Act 75-634 of the Acts of the State of Connecticut of 1975, subsequently enacted as Title 7, Chapter 101a, Sections 7-233a *et. seq.* of the General Statutes of Connecticut, as amended.

"Alternate Delegate" is as defined in Article I, Section 9.

"Applicable Law" means the requirements of any federal and/or state law, code, statute, rule, regulation, or decree, including the Act, as well as any decree, order or judgment, not otherwise subject to appeal, validly issued or promulgated, and then in effect, by any court, tribunal, arbitrator or governmental agency having competent jurisdiction.

"Associate" is as defined in Article I, Section 8.

"Associate Representative" is as defined in Article I, Section 11.

"CMEEC" is as defined in Article I, Section 2.

"CMEEC Board of Directors" is as further defined in Article I, Section 6. The term "Board" and

"Board of Directors" is used interchangeably with this term and has the same meaning.

"CMEEC Member Delegation" or "Member Delegation" is as further defined in Article I, Section 6.

"CMEEC Vision, Mission, and Objectives" means the formally published business management tools, as revised from time to time, consisting of hierarchically related components, including CMEEC's visionary statement of its future desired state ("Vision"), CMEEC's mission statement defining the manner in which the Vision shall be achieved ("Mission"), and the CMEEC key performance areas of focus and the associated metrics used in executing to the Mission and Vision ("Objectives"); such Vision, Mission and Objectives, and subsequent amendments thereto, shall be recommended by the CMEEC Chief Executive Officer to the CMEEC Board of Directors and approved by the CMEEC Board of Directors.

"Common Control" means two (2) or more Members that are Related Party Members, where one Related Party Member or its municipality, Owns and/or Controls the other Related Party Member(s). For purposes of this definition and that of "Related Party Member", to "Own" means that a Member or its municipality has legal or equitable title or other incidents of ownership comprising more than ten percent (10%) of the ownership interests in another Member; to "Control" means to have the power to appoint or designate a majority of the officials of the governing body of another Member.

"Creating Agreement" means the "Restated and Amended Agreement made by and between the Boards of Public Utility Commissioners of the City of Norwich, the City of Groton**,** and the Borough of Jewett City, all of Connecticut", dated October 1, 1987, as amended and restated.

"Director" is as defined in Article I, Section 10. The term "Member Representative" is used interchangeably with this term and has the same meaning.

"Legislative Body Appointee" is a person or persons appointed by a Member's legislative body or a Connecticut State legislative or regulatory body to serve as an ex officio, non-voting monitor of CMEEC Board meetings, and not possessing CMEEC fiduciary responsibilities. The Legislative Body Appointee, when monitoring any CMEEC Regular Board of Directors' meeting pursuant to these Bylaws, shall not be entitled to vote on any matter coming before the Board and may only provide his or her specific perspective and or position on the matter. The Legislative Body Appointee(s) shall not serve in any Officer role, Member Representative, Alternate Representative, Member Delegate, Alternate Delegate, as further defined herein, or act in, the capacity of an agent or representative of CMEEC.

"Member" is as defined in Article I, Section 7.

"Member Delegate" is as defined in Article I, Section 9.

"Member Delegation Chair" is as defined in Article II, Section 1.

"Member Representative" is as defined in Article I, Section 10. The term "Director" is used interchangeably with this term and has the same meaning.

"Membership Agreement" or "MA" shall mean a certain Membership Agreement, as it may be amended, by and among the Members of CMEEC, and such other future Members who become Members of CMEEC in accordance with the Act and such Membership Agreement.

"Municipal Electric Utility" shall have the same meaning as is afforded such term by the Act.

"New Member" shall mean a Member first becoming a Member of CMEEC following the Effective Date of the 2017 Bylaw Amendments.

"Related Party Member" means a Member that is related to another Member by reason of the following: (i) such Member, or its municipality, owns another Member or is owned by another Member, or its municipality; and/or (ii) such Member, or its municipality, Controls another Member or is Controlled by another Member, or its municipality.

**SECTION 2. NAME.**

The name of the Cooperative is the Connecticut Municipal Electric Energy Cooperative ("Cooperative" or "CMEEC").

**SECTION 3. LOCATION.**

The principal office of CMEEC shall be located in Norwich, Connecticut, or in such other location in the State of Connecticut as may be designated by the CMEEC Board of Directors.

**SECTION 4. CORPORATE SEAL.**

The Board may adopt and alter the seal of CMEEC.

**SECTION 5. PURPOSES.**

The purposes for which CMEEC is organized are to undertake: (a) the procurement, management, provision, and transmission of electric products, including, but not limited to, electric commodity, ancillary and support services, and transmission services; (b) the planning, financing, development, acquisition, construction, reconstruction, improvement, enlargement, betterment, operation, and maintenance of a project or projects to supply electric power and energy for the present and future needs of its Members, and others as contractually provided; and (c) to do and perform all acts and things for the benefit of its Members, and others as contractually provided, which by law, expressed or implied, it is authorized, empowered, or permitted to do and perform.

## SECTION 6: GENERAL GOVERNANCE STRUCTURE.

### SECTION 6.1. GENERAL.

CMEEC shall be managed by two governing bodies, subject to separate and distinct sets of structures, and requirements, for the purpose of maintaining appropriate segregation of interests and responsibilities, namely: (a) the CMEEC Member Delegation, through which the CMEEC Members act collectively, as defined further below, with respect to issues relating to their ownership, as Members of CMEEC, and (b) the CMEEC Board of Directors, comprised of Member Representatives named by each of the Members, as further defined herein, with respect to the operational management of CMEEC and as otherwise required pursuant to the Act. The roles and function of each of the CMEEC Member Delegation and the CMEEC Board of Directors are further described below in Article I, Sections 6.2 and 6.3.

### SECTION 6.2. CMEEC Member Delegation.

The CMEEC Member Delegation is established and shall serve as the body to oversee and administer the individual and collective ownership-related interests of the Members in CMEEC, in their capacity as Members of CMEEC. The CMEEC Member Delegation shall be established and shall operate pursuant to Article II below. The CMEEC Member Delegation scope of responsibilities shall include, but not be limited to ensuring the interests of the Member Delegation are achieved through the development and implementation of, and ongoing execution to the CMEEC Vision, Mission, and Objectives by the CMEEC Board of Directors. The CMEEC Member Delegation shall possess the primary responsibility for managing all matters related to membership, equity requirements, and the financial stability of CMEEC, and as provided for in the voting requirements in Article II, applicable to the Member Delegation.

### SECTION 6.3. CMEEC Board of Directors.

The CMEEC Board of Directors shall serve as the governing and oversight body for the individual and collective interests of the Members and customers of CMEEC, with such fiduciary duties as apply pursuant to the Act and Applicable Law, with respect to CMEEC's operations and in otherwise fulfilling the purposes as stated in this Section 6.3, and as further defined in Article III, and in Article IV hereof. The CMEEC Board of Directors, comprised of the Member Representatives, as further defined herein, shall provide operational oversight of the CMEEC Chief Executive Officer in executing to and fulfilling the Vision, Mission, and Objectives.

**SECTION 7. MEMBER(S).**

The Member(s) of CMEEC (individually a "Member", collectively the "Members") are defined as the Municipal Electric Utilities within Connecticut, which have executed and acceded to participation under the Membership Agreement to participate as Members in CMEEC. The Member(s) shall include, where the context in these Bylaws requires, the Cities of Norwich and Groton, the Borough of Jewett City, the Second and Third Taxing Districts of the City of Norwalk, Bozrah Light and Power Company, acting by and through their Municipal Electric Utilities by authority of their Boards of Public Utility Commissioners, and such other Municipal Electric Utilities as may apply for, and be approved as New Members, by entering into and satisfactorily fulfilling the requirements for entry into the Membership Agreement, and by the due adoption and filing of such documentation as is required of the Members to authorize such additional Members and the filing of such documentation with the office of the Secretary of State of the State of Connecticut, as applicable, all in accordance with the Act and the provisions of the Membership Agreement.

**SECTION 8. ASSOCIATE of CMEEC.**

An Associate of CMEEC ("Associate") is a Municipal Electric Utility or other entity that is a full requirements customer of CMEEC under Rate 9, or the then current Rate reference, where such Rate provides for the supply by CMEEC of a consolidated customer portfolio for the provision of Electric Products and Transmission Services to a customer group formed primarily by the Members. Associate status is available to those non-Member customers of CMEEC contracted for service from CMEEC under Rate 9, subject to the determination by the Board in the exercise of its sole and exclusive discretion. An Associate may be granted, by the determination of the Board, one (1) seat for participation at the CMEEC Regular Board of Director. The method for appointment and roles and responsibilities of such Associate Representative shall be as provided for in Article I, Section 11 below.

**SECTION 9. MEMBER DELEGATE SERVICE ON THE CMEEC MEMBER DELEGATION.**

From the two (2) Member Representatives and the two (2) Alternate Representatives, appointed pursuant to Article I, Section 10 below, one (1) shall be selected and further appointed by the Member as the sole Member Delegate, to act with the full powers and duties of the Member while serving on the CMEEC Member Delegation with respect to all matters which come before the Member Delegation and one (1) shall be selected and further appointed to act with the full powers and duties of the Member Delegate representing such Member with respect to matters coming before the CMEEC Member Delegation in the event of the absence or unavailability of the Member Delegate of such Member (with such person referred to herein as the "Alternate Delegate"). The Member shall transmit notice of such appointments to CMEEC and such appointments shall thereafter be effective for all purposes, except in cases of resignation, removal, or replacement as provided in a subsequent notice by the Member to CMEEC. The Alternate Delegate position may be filled by one (1) of the remaining three (3) Member Representatives or Alternate Representatives as an alternate to serve in his/her place as

the Member Delegate on an as required basis when the Member Delegate is not available to participate and/or vote on matters coming before the CMEEC Member Delegation.

**SECTION 10. CMEEC MEMBER REPRESENTATIVES SERVING ON THE CMEEC BOARD OF DIRECTORS.**

Member Representative(s or Director(s)) is (are) defined as the person or persons appointed by each Member's governing body to serve on the C MEEC Board of Directors. Each Member MEU governing body shall appoint two (2) Member Representatives to the CMEEC Board of Directors. Each Member MEU governing body shall also appoint two (2) alternate representatives (the "Member Representative Alternates"). Each such Member Representative Alternate shall be empowered to serve in the place of either of the Member Representatives to the CMEEC Board of Directors or both, as applicable, in the event of the absence or unavailability of such Member Representative(s) to participate and/or vote on matters coming before the CMEEC Board of Directors, to serve in the place of either or both of the Member Representatives, as the case may be, and to act with the full powers and duties of the Member Representative(s) in such circumstances. Each Member Representative or Member Representative Alternate must be an Official (Officer, Director, Commissioner, or high-ranking employee) of such Member.

**SECTION 11. ASSOCIATE REPRESENTATIVE.**

Each Associate Representative is defined as the person appointed by the governing body of an Associate to participate in CMEEC Regular Board of Directors' meetings as provided pursuant to these Bylaws. The Associate Representative appointed by their governing body is subject to CMEEC Board of Directors' approval, not to be unreasonably withheld. The Associate Representative is not entitled to participate in the deliberations, the taking of any votes or other governance in any form of CMEEC Member Delegation meetings, or CMEEC Board of Director Special meetings, Annual meetings, or any Executive Sessions of meetings of the Member Delegation or CMEEC Board of Directors, other than if specifically invited by the Member Delegation or CMEEC Board of Directors, as applicable. The Associate Representative shall be either the highest-ranking utility employee of the Associate, or a member of the governing body of the Associate. When participating in any CMEEC Regular Board of Directors' meeting pursuant to this Section, the Associate Representative(s) shall not be entitled to vote on any matter coming before the Board and may only provide his or her specific perspective and or position on the matter. The Associate Representative shall not serve in any Officer role, as further defined herein, or act in, the capacity of an agent or representative of CMEEC.

# ARTICLE II
# CMEEC MEMBER DELEGATION MEETINGS.

## SECTION 1. GENERAL MATTERS.

The Member Delegation shall appoint from among the Member Delegates by majority vote during each Annual Meeting, to serve for a term of the longer of one (1) year or until the completion of the next Annual Meeting following such initial selection and appointment, a person (the "Member Delegation Chair") to act in the capacity of chairperson with respect to the administration requirements of the CMEEC Member Delegation and the conduct and administration of the meetings of the CMEEC Member Delegation. The Member Delegation Chair may also serve simultaneously as the Chairperson of the Board if so elected by the Board pursuant to the procedures set forth herein. The Member Delegation may convene in Executive Session during any meeting of the Member Delegation in accordance with the provisions of Applicable Law.

## SECTION 2. ANNUAL CMEEC MEMBER DELEGATION MEETING.

The annual meeting of the CMEEC Member Delegation shall be conducted on the third Thursday of November of each year at the offices of CMEEC, or on such other date or in such other location in the State of Connecticut as the CMEEC Member Delegation shall determine by official action of the CMEEC Member Delegation.

## SECTION 3. CMEEC MEMBER DELEGATION SPECIAL MEETINGS.

The Member Delegation Chair may call special CMEEC Member Delegation meetings at any time, subject to compliance with the notice requirements of Applicable Law. The Member Delegation Chair shall call a Special CMEEC Member Delegation meeting whenever so requested in writing by a majority of the Member Delegates. No business other than the subject matter specified in the call for the meeting shall be transacted at any such special meeting of the CMEEC Member Delegation. Meetings of the CMEEC Member Delegation, other than the Annual CMEEC Member Delegation meeting, may be conducted in any geographic location, and such meetings are not restricted to the State of Connecticut as long as properly noticed.

## SECTION 4. CMEEC MEMBER DELEGATION QUORUM.

The Member Delegate or Alternate Delegate in substitution for such Member Delegate, as provided herein, shall vote on behalf of such Member at any Special or Annual meetings of the CMEEC Member Delegation. The physical, in person presence at such meeting, or presence and participation via any form of real-time electronic communication technology, of a majority of Member Delegates (or Alternate Delegates) representing the majority of the Members shall be necessary to constitute a quorum for the transaction of business in any meeting of the Member Delegation. The Member Delegate (or Alternate Delegate) of a Member then in default which is not cured under the RPSC or GTSA, a Member subject to the procedure for Involuntary

Withdrawal under the MA, and or a Member that has provided notice of withdrawal under the MA, the RPSC, and/or the GTSA, as applicable, shall no longer retain voting rights with respect to matters coming before the Member Delegation for vote and shall not be considered in constituting a quorum.

**SECTION 5. CMEEC MEMBER DELEGATION VOTING.**

At all meetings of the CMEEC Member Delegation, all formal actions shall be determined by a majority vote of the Members cast by the Member Delegates, present in person or present and participating by means of real time electronic communication technology, except where such vote is specifically regulated by statute, including the Act, or as further defined in this Section 5 below. Each Member Delegate, or Alternate Delegate if authorized pursuant to these Bylaws, shall be entitled to cast one (1) vote in any vote taken by the Member Delegation. At all meetings of the CMEEC Member Delegation, all actions requiring vote by the Members are subject to the majority, supra-majority, unanimous, and weighted voting requirements as listed below, as identified by specific topic or category. Where not specifically identified herein, the subject matter of a vote or formal action coming before and/or required of the Member Delegation voting shall be determined by the Regular Vote Requirement as set forth below.

**Unanimous Vote Requirement**

(Equal to one hundred percent (100%) of the votes of the Member Delegates (or Alternate Delegates duly authorized) present or participating through real time electronic technology):

- Changes in voting method and requirements, as provided in these Bylaws.
- Membership involuntary withdrawal for Extraordinary Circumstances

**Special Vote Requirement of Two-Thirds**

(Equal to or greater than two thirds (for convention purposes equated to 66.666% of the votes of the Member Delegates (or Alternate Delegate(s) duly authorized) present or participating through real time electronic technology) :

- New Membership request and acceptance
- Associate Representative: establishment, acceptance and termination
- Membership involuntary withdrawal
- CMEEC Target Equity Levels, and as provided for in the Membership Agreement, Member Target Equity Levels
- Membership Interest Levels for New Members and annual recalculation
- Equity allocation and declaration of equity
- Bylaw revisions and amendments, excluding changes in voting method and requirements.

**Regular Vote Requirement of Simple Majority:**

(Equal to or greater than fifty-one percent (51%) of the votes of the Member Delegates (or Alternate Delegate(s) duly authorized) present or participating through real time electronic technology):

- Trust Fund utilization requirements in a manner in conformity and compliance with the requirements of any applicable trust instrument.
- Schedule of CMEEC Member Delegation meetings

**Weighted Vote Requirement:**

Pursuant to Conn. Gen. Stat. Section 7-233c(g), CMEEC does hereby adopt, for prospective effect, the following procedure for the taking of a weighted vote with respect to actions coming before and made by the Member Delegation. A weighted vote, if called with respect to matters coming before and taken by the Member Delegation, shall require: (a) a vote equal to or greater than sixty percent (60%) of the votes of the Member Delegates for each Member present, where each Member Delegate's vote is weighted by the fraction comprised of the previous five (5) year rolling average total load of the Member appointing such Member Delegate, divided by the previous five (5) year rolling average total load of all of the Members; and (b) a minimum of two (2) Member Delegates' votes constituting the sixty percent (60%). For purposes of satisfying sub-part (b) of this Art. II, sec. 5, the votes of the Member Delegates of two (2) or more Related Party Members under Common Control shall be deemed to be a single vote. For purpose of weighted voting, only one Member Delegate per Member is permitted to vote, and the five year period to determine load shall be the then most recent period starting on July 1 for the five prior years and ending on June 30 in the most recent or current year. As used in this section, "load" shall mean with respect to any Member, the total electric energy measured in megawatt hours (MWh) delivered by CMEEC to the applicable Member, including special contracts of the Member, and as reconstituted for CMEEC program-level load reduction activities. As used in this section, "load" with respect to New Members shall be based on the total electric energy delivered by CMEEC to such New Member during the five prior years shall occur as provided in the prior sentence, inclusive of such periods before such New Member became a Member. No partial voting by any one Member Delegate is permitted.

A Member Delegate may request a weighted vote at any time with respect to the Regular Vote Requirement only. Matters subject to determination by Special Vote and Unanimous Vote are not subject to the Weighted Vote requirement by definition.

**SECTION 6. NOTICE.**

Notice of the time and place and general purposes of all Annual and Special CMEEC Member Delegation meetings shall be mailed or otherwise issued by electronic correspondence, as

provided by and in conformity with Applicable Law and as provided in these Bylaws, by the CMEEC Member Delegation Chair and shall include transmittal of notice of such meeting by electronic correspondence to each Member Delegate, or, upon the default or assignment, by the person calling the meeting. Notices must be transmitted no less than seven (7) days in advance of the meeting and no greater than forty (40) days in advance of the meeting, provided that, other than in emergency conditions, the call for the meeting shall normally be issued with as much advance notice as practical. Special meetings of the CMEEC Member Delegation may be scheduled at such time and place as the CMEEC Member Delegation may determine.

**SECTION 7. WAIVER OF NOTICE.**

Whenever any notice is required to be given to any Member Delegate under the provisions of law, a waiver thereof in writing signed by such Member Delegate, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a Member Delegate at any meeting of the CMEEC Member Delegation shall constitute a waiver by such Member Delegate of notice of such meeting, except when such Member Delegate attends such meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

## ARTICLE III
## CMEEC BOARD of DIRECTORS

**SECTION 1. PURPOSE AND NUMBER OF DIRECTORS.**

The operational affairs and business of CMEEC shall be managed by a CMEEC Board of Directors appointed in accordance with Article I herein. The number of persons serving on the CMEEC Board of Directors at any time shall be two (2) Member Representatives named by each Member and representing such Member on the CMEEC Board of Directors.

**SECTION 2. TERM OF OFFICE OF MEMBER REPRESENTATIVES.**

The term of office of each Member Representative shall be determined by each Member's governing body, and as may be thereafter modified by the Member's governing body, with notice of such term of appointment or modification thereof provided by the Member to CMEEC. The appointment and continued service on the CMEEC Board of Directors of any Member Representative shall be deemed effective for all purposes unless and until modified by notice transmitted by the Member to CMEEC. The Member's governing body retains the responsibility to re-appoint any Member Representative or to appoint a replacement upon the expiration of his or her term of office and to appoint a replacement in the event of resignation of a Member Representative prior to the expiration of his or her term or to appoint a replacement. To maintain continuity of representation on the CMEEC Board of Directors, the term of office of each Member Representative shall be no less than one (1) year and the terms of office of each Member Representative representing a single Member shall expire at intervals no less than one (1) year apart, unless appointment of a Member Representative is required on a more frequent basis to fill the office due to the resignation of a Member Representative or if an emergency condition exists.

## SECTION 3. DUTIES AND EXPECTATIONS OF BOARD OF DIRECTORS.

The duties of the Board of Directors shall be to govern the business and affairs of CMEEC; to exercise all powers of CMEEC; to comply with the provisions of the Act; and to keep the minutes of its proceedings. The Board of Directors shall be comprised of the Member Representatives (and Alternate Representatives as duly authorized pursuant to these Bylaws). The expectations of performance of duties of the Member Representatives (and duly authorized Alternate Representatives) in serving on the CMEEC Board of Directors are as defined herein, and shall include, but not be limited to:

(a) To attend and participate in at least sixty-five percent (65%) of the combined, applicable CMEEC Board of Director Committee meetings, with such attendance and participation requirement satisfied by physical presence or presence by real-time electronic means as otherwise provided under these Bylaws, CMEEC Board of Director meetings, and formally called industry and role development sessions;
(b) To become familiar and knowledgeable about, and develop opinions on, the material provided to the CMEEC Board of Directors and presented at the CMEEC Board of Director meetings and Committee meetings;
(c) To be prepared to discuss information provided to the CMEEC Board of Directors for the scheduled Board of Director meetings and Committee meetings;
(d) To become knowledgeable about the issues of importance to the electric utility industry, the Municipal Electric Utilities and the CMEEC Board of Directors Committee matters in which the individual is participating;
(e) To be prepared to evaluate the performance of the CMEEC Board of Directors and CMEEC overall in achieving the goals established by the Board of Directors for the benefit of achieving the CMEEC Vision, Mission, and Objectives.

## SECTION 4. CMEEC BOARD OF DIRECTOR MEETINGS.

(a) The Annual Meeting of the CMEEC Board of Directors shall be conducted in conjunction with the Annual meeting of the CMEEC Member Delegation, unless otherwise required for schedule adjustment or by direction of the Member Delegation Chair.
(b) Regular CMEEC Board of Director meetings shall be conducted at such times as the Board of Directors may determine, or as required by Applicable Law.
(c) Special CMEEC Board of Director meetings may be called by order of the Chairperson of the CMEEC Board of Directors, or whenever so requested in writing by a majority of the Member Representatives, with notice by the Secretary of the CMEEC Board of Directors made in accordance with Applicable Law.
(d) Any and all CMEEC Board of Directors meetings shall be conducted within the State of Connecticut.
(e) CMEEC Board of Director meetings may be held from time to time by unanimous resolution of all Member Representatives, designating the time and place for the holding of an emergency CMEEC Board of Directors meeting without notice to the Member Representatives other than pursuant to such resolution.

(f) The CMEEC Board of Directors adopts "Robert's Rules of Order" as the general guide for the parliamentary governance and conduct of the meetings of the Board of Directors except where such rules are in conflict with the Act, the Membership Agreement, or the Bylaws, in which case the Act, the Membership Agreement, and/or the Bylaws shall prevail.

**SECTION 5. CMEEC BOARD OF DIRECTORS QUORUM.**

At any meeting of the CMEEC Board of Directors, a majority of the voting Member Representatives (and any Alternate Representative(s) substituting for Member Representative(s) as provided herein), present or present by real-time electronic means, shall constitute a quorum for the transaction of business; but in the event of a quorum not being present, a lesser number may adjourn the meeting to some future time, not less than one (1) day later nor more than thirty-five (35) days later. The act of a majority of the Member Representatives (or duly authorized Alternate Representatives) present or present by real-time electronic means at a CMEEC Board of Directors' meeting at which there is a quorum shall be the act of the Board of Directors, unless the Secretary determines that a Board of Directors' supra-majority or unanimous vote is required, or unless there is a call by any Member Representative for a weighted vote, subject to the provisions of Section 6 of this Article III. Associate Representatives shall not be included in constituting a quorum.

The Member Representatives (and Alternate Representatives) of a Member in default and not cured under the RPSC or GTSA, a Member subject to Involuntary Withdrawal under the MA and or a Member that has provided notice of withdrawal under the MA, the RPSC and/or the GTSA., shall no longer retain voting rights on the Board of Directors following, as applicable, such default, initiation of procedure or notice of termination and shall not be considered in constituting a quorum. Attendance and participation of the Member Representatives or Alternate Representatives, if otherwise applicable, for purposes of satisfying the quorum requirements set forth herein may be satisfied through attendance and participation by real-time electronic means as provided in Art. II, Section 4 hereof.

**SECTION 6. CMEEC BOARD OF DIRECTORS VOTING.**

At all CMEEC Board of Director meetings, all formal actions shall be determined by a majority vote of the Members via their Member Representatives, present in person or by real time electronic communication technology, except where such vote is specifically regulated by statute, including the Act, or as further defined in this Section 6 below. Each Member Representative shall be entitled to cast one (1) vote. At all CMEEC Board of Director meetings, all actions requiring vote by the Members are subject to the majority, supra-majority, unanimous, and weighted voting requirements as listed below, as identified by specific topic or category. Where not specifically identified herein, subject matter requiring a vote or formal action by the Member Representatives shall be made pursuant to the Regular Vote Requirement.

**Unanimous Vote Requirement**

(Equal to one hundred percent (100%) of the votes of the Member Representatives

present or participating by real-time electronic technology):

- (no unanimous vote requirements currently established for the CMEEC Board of Directors)

**Special Vote Requirement of Two-Thirds**

(By convention determined to be equal to or greater than 66.666% of the votes of the Member Representatives present or participating by real-time electronic technology):

- (no special vote requirements currently established for the CMEEC Board of Directors)

**Regular Vote Requirement of Simple Majority:**

(Equal to or greater than fifty-one percent (51%) of the votes of the Member Representatives present or participating by real-time electronic technology)

- Resolution for calling a Regular CMEEC Board of Directors meeting
- Board Officer(s) and Board Committee appointments and terminations
- Policy changes for Board of Director compensation and reimbursement
- Debt issuance and restructuring, and other instruments utilized for indebtedness and liquidity
- Changes to Rate 9, Rate 10, or other specific rates, for purpose of electric products and transmission services
- Budget approval and budget revision
- Contract execution for full or partial requirements electric energy supply, or other contracts binding on CMEEC with a term extending for more than five (5) years, regardless of the contracted service, product, or other purpose of such contract.
- Risk Management Policy and other Board directives or policies in conducting CMEEC business.
- CEO employment related actions, including contract terms and conditions, compensation adjustments, etc.

**Weighted Vote Requirement:**

Pursuant to Conn. Gen. Stat. Section 7-233c(g), CMEEC does hereby adopt the following procedure for the taking of a weighted vote with respect to actions coming before and made by the Board of Directors. A weighted vote of the Board of Directors, if called pursuant to the Act, shall require: (a) a vote equal to or greater than sixty percent (60%) of the votes of the Member Representatives present, where each Member Representative's vote is weighted by the fraction comprised of the previous five (5) year rolling average total load of the Member appointing such Member Representative, divided by the previous five (5) year rolling average total load of all of the Members; and (b) a minimum of four (4) Member Representatives' votes constituting the sixty percent (60%). For purposes of satisfying sub-part (b) of this Art. III, sec. 6, the collective votes of the

Member Representatives of two (2) or more Related Party Members under Common Control shall be deemed to be two (2) votes. For purpose of weighted voting, two Member Representatives per Member are permitted to vote, and the five year period to determine load shall be the then most recent period starting on July 1 for the five prior years and ending on June 30 in the most recent or current year. As used in this section, "load" shall mean with respect to any Member, the total electric energy measured in megawatt hours (MWh) delivered by CMEEC to the applicable Member, including special contracts of the Member, and as reconstituted for CMEEC program- level load reduction activities. As used in this section, "load" with respect to New Members shall be based on the total electric energy delivered by CMEEC to such New Member during the five prior years shall occur as provided in the prior sentence, inclusive of such periods before such New Member became a Member. No partial voting by any one Member Representative is permitted.

A Member Representative may request a weighted vote at any time with respect to matters subject to the Regular Vote Requirement only. Special Vote and Unanimous Vote are not eligible for Weighted Vote, by definition, because their respective minimum requirements are greater than the Weighted Vote convention.

**SECTION 7. CMEEC BOARD OF DIRECTORS VACANCIES.**

A vacancy occurring in the CMEEC Board of Directors, whether such vacancy be the result of a resignation, death, removal, or disability, shall be filled by the appointment of a successor Member Representative by the Member which appointed the Member Representative whose position has become vacant.

**SECTION 8. CMEEC BOARD OF DIRECTORS REMOVAL OF REPRESENTATIVE.**

A Member Representative may be removed as provided in the Act, Membership Agreement, Bylaws, and Applicable Law.

The Legislative Body Appointments (or ex officio monitor) shall cease to serve in such role immediately and automatically upon the appointing authority ceasing to be in office or no longer holding the position from which the appointing authority originated. No further action of the CMEEC Board of Directors is required.

**SECTION 9. CMEEC BOARD OF DIRECTORS UNANIMOUS CONSENT.**

Under an emergency condition and in lieu of any Regular or Special CMEEC Board of Directors meetings and vote of the Member Representatives, the unanimous written consent of all Member Representatives may be filed with the Secretary of the CMEEC Board of Directors with respect to any action taken, or to be taken, by the Member Representatives. Said consents shall, when filed, have the same force and effect as a unanimous vote of the Member Representatives.

**SECTION 10. CMEEC BOARD OF DIRECTOR CHAIRPERSON.**

The CMEEC Board of Directors shall elect a Chairperson and a Vice-Chairperson who shall meet the requirements set forth in the Bylaws.

**SECTION 11. POWERS OF CMEEC BOARD OF DIRECTORS.**

The business of CMEEC shall be governed by the Board of Directors, which shall have and may exercise all the powers of CMEEC provided in the Act and as otherwise further defined in the Membership Agreement and Bylaws.

**SECTION 12. EXECUTIVE SESSIONS OF THE CMEEC BOARD OF DIRECTORS.**

The Board of Directors may call and hold any Executive Sessions for Member Representatives in accordance with the provisions of the Open Meeting laws of the State of Connecticut and applicable law governing the conduct of such Executive Sessions.

**SECTION 13. CONTRACTS.**

Except as otherwise provided by law, the CMEEC Board of Directors may authorize any Officer or Officers, agent or agents, employee or employees, to enter into any contract or to execute and deliver any instrument in the name and on behalf of CMEEC.

**SECTION 14. CHECKS, DRAFTS, FINANCIAL DOCUMENTATION.**

All checks, drafts, or other orders for payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of CMEEC shall be signed by such Officer or Officers, agent or agents, employee or employees of CMEEC, and in such manner consistent with policies of the CMEEC Board of Directors.

**SECTION 15. DEPOSITS.**

All funds of CMEEC shall be deposited from time to time to the credit of CMEEC, pursuant to law, in such bank or banks as the CMEEC Board of Directors may approve, in conformance with CMEEC's Power Supply System Revenue Bond Resolution(s) as amended.

**SECTION 16. COMMITTEES OF THE CMEEC BOARD OF DIRECTORS.**

The CMEEC Board of Directors may appoint designated committees (individually or collectively referred to herein as the "Committee(s)") of the Board of Directors as it deems necessary from time to time to perform duties as may be approved and delegated by the Board of Directors. Such Committees and participation in such Committees shall be determined by the Board of Directors based on the qualifications deemed appropriate for such participation and the duties deemed necessary to be performed. The Board of Directors may appoint any qualified

person, Member Representative, or CMEEC employee to serve on such Committees based on the qualifications specified by the Charter of the affected Committee as approved by the Board of Directors, and where appropriate, the Board of Directors may set compensation for service by any such individual(s) on such Committees. The standing Committees of the Board of Directors, as may be changed at any time from time to time by vote of the Board of Directors, shall include the following:

- Budget & Finance Committee
- Audit Committee
- Compensation and/ or Policy Committee
- Risk Management Committee
- Governance Committee
- Legislative Committee



## ARTICLE IV
## CMEEC OFFICERS

### SECTION 1. NUMBER OF OFFICERS.

The Officers of CMEEC shall be a Chairperson, Vice- Chairperson, Secretary, Treasurer, Chief Executive Officer, Chief Financial Officer, and such other Officers and assistant Officers as may be authorized by the Board of Directors from time to time to perform such duties as may be approved by the Board of Directors. The Chairperson and Vice-Chairperson shall be Member Representatives on the Board of Directors. The offices of the Secretary and Treasurer may be fulfilled by CMEEC employees, as approved by vote of the Board of Directors. The Chief Executive Officer and the Chief Financial Officer shall be CMEEC employees, and shall not be subject to the initial and regular elections and terms of office as provided for in Article IV, Section 2.

### SECTION 2. ELECTION OF OFFICERS.

(a) Initial Election of Officers. At the first meeting of the Board of Directors, the Member Representatives shall elect the Chairperson, Vice Chairperson, Secretary, and Treasurer Officer roles, who shall serve as such Officers of CMEEC until the next succeeding Annual CMEEC Board of Directors meeting, or such later term as may be approved by the Board of Directors and shall serve in such office until their successors are elected and qualified. as provided in this Article IV, Section 2(a).

(b) Regular Elections and Term of Office. The Chairperson, Vice Chairperson, Secretary, and Treasurer shall be elected annually, or for a longer term as approved by the Board of Directors, by action duly taken at the Annual CMEEC Board of Directors meeting. If the election of the Chairperson, Vice Chairperson, Secretary, and Treasurer shall not be held at such meeting, such election shall be held as soon thereafter as may be

convenient. Vacancies of the Chairperson, Vice Chairperson, Secretary, and Treasurer may be filled at any meeting of the Board of Directors. Each Chairperson, Vice Chairperson, Secretary, and Treasurer shall hold office until the next succeeding Annual Meeting of the Board of Directors or until their successor is elected and qualified, whichever is later.

**SECTION 3. DUTIES OF OFFICERS.**

In addition to duties designated by the Board of Directors, the duties of the Officers of the Board of Directors and of CMEEC are as follows:

**Chairperson:** The Chairperson shall preside at all meetings of the Board of Directors and, except as otherwise delegated by the Board of Directors, shall execute all legal instruments of CMEEC. When and while a vacancy exists in the office of the Chief Executive Officer, the Chairperson shall act to cause a temporary appointment of a qualified individual to serve in the Chief Executive Officer role. The Chairperson shall perform such other duties as the Board of Directors may prescribe from time to time. The qualifications for the office of Chairperson shall be as set forth in the Bylaws and as otherwise may be approved by the Board of Directors by resolution consistent with the Bylaws.

**Vice-Chairperson:** The Vice-Chairperson, in the absence of the Chairperson or in the event of their inability or refusal to act, shall perform the duties of the Chairperson and when so acting shall have all the powers of, and be subject to, all the restrictions upon the Chairperson. The Vice-Chairperson shall also perform such other duties as may be prescribed by the Board of Directors from time to time. Qualifications for the office of Vice-Chairperson shall be as set forth in the Bylaws and as otherwise may be approved by the Board of Directors by resolution consistent with the Bylaws.

**Secretary/Assistant Secretary(s):** The Secretary shall maintain the official records of the Board of Directors, the minutes of meetings of the Board of Directors, and a register of names and addresses of Member Representatives and Officers, and shall issue notice of meetings, attest and affix the CMEEC seal to all documents of CMEEC, and shall perform such other duties as the Board of Directors may prescribe from time to time. Any Assistant Secretary(s), in the absence of the Secretary or in the event of their inability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of, and be subject to, all restrictions upon the Secretary. Any Assistant Secretary(s) shall also perform such other duties as may be prescribed by the Board of Directors from time to time. The qualifications for the office of Secretary shall be as set forth in the Bylaws and as otherwise approved by the Board of Directors by resolution consistent with the Bylaws.

**Treasurer/Assistant Treasurers:** The Treasurer shall be responsible for ensuring that all appropriate and relevant financial information and issues are brought before the Board of Directors and shall perform other duties as the Board of Directors may prescribe from time to time including, but not limited to participation and leadership of Board of Directors Committees related to financial issues. Any Assistant Treasurers, in the absence of the

Treasurer or in the event of their inability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of, and be subject to, all restrictions upon the Treasurer. Any Assistant Treasurers shall also perform such other duties as may be prescribed by the Board from time to time. The qualifications for the office of Treasurer shall be as set forth in the Bylaws and as otherwise approved by the Board of Directors by resolution consistent with the Bylaws.

**Chief Executive Officer:** The Chief Executive Officer shall be the principal executive Officer of CMEEC with full responsibility for the planning, operations, and administrative affairs of CMEEC and the coordination thereof pursuant to policies and programs approved by the Board of Directors from time to time, and shall be the agent for service of process on CMEEC. The qualifications for the office of Chief Executive Officer shall be determined by the Board of Directors.

**Chief Financial Officer:** The Chief Financial Officer shall be the principal financial Officer of CMEEC with full responsibility for financial planning and reporting, Treasury function, debt issuance, credit management, and the coordination thereof pursuant to policies and programs approved by the Board of Directors from time to time, and shall be the agent for financial service on CMEEC. The qualifications for the office of Chief Financial Officer shall be determined by the Chief Executive Officer.

**SECTION 3.1. POSITION OF GENERAL COUNSEL.**

There shall be a position of General Counsel of CMEC. The General Counsel shall have full responsibility for the legal affairs of CMEEC and ensuring compliance of CMEEC with applicable laws and regulations. The qualifications for the General Counsel shall be determined by the Chief Executive Officer.

**SECTION 4. BONDS OF OFFICERS.**

The Treasurer, and any other Officer, agent, or employee of CMEEC charged with responsibility for the custody of any of its funds or property shall give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other Officer, agent, or employee of CMEEC to give bond in such amount and with such surety as it shall determine. The cost of such bond shall be an expense payable by CMEEC.

**SECTION 5. OFFICER VACANCIES, HOW FILLED.**

All vacancies in any Officer role or position described in these Bylaws shall be filled by the Board of Directors without undue delay at its Regular CMEEC Board of Directors meeting or at a Special CMEEC Board of Directors meeting called for that purpose, other than vacancies in the Chief Financial Officer and General Counsel roles, which shall be filled by the Chief Executive Officer without similar undue delay.

**SECTION 6. COMPENSATION AND INDEMNIFICATION.**

The Officers and Member Representatives shall receive such salary or compensation and expense reimbursement as may be determined by the Board of Directors. Each Member Representative and Officer of CMEEC and persons occupying positions in the CMEEC organization pursuant to these Bylaws, whether or not then in office, and their personal representatives, shall be indemnified and held harmless by CMEEC against all costs and expenses, including reasonable attorney fees and/or defense of suit, actually incurred by them in connection with the defense of any claim, action, suit, or proceeding in which they may be involved or to which they may be made a party by reason of their being or having been such Member Representative or Officer, except in relation to matters as to which they shall be finally adjudged in such action, suit, or proceeding to be liable for willful or wanton negligence or misconduct in the performance of duty. Such costs and expenses shall include but not be limited to amounts reasonably paid in settlement for curtailing the costs of litigation, but only if CMEEC is advised in writing by its counsel that in their opinion the person indemnified did not commit such willful or wanton negligence or misconduct. The foregoing right of indemnification shall not be exclusive of other rights to which such Member Representative or Officer or other office described in these Bylaws may be entitled as a matter of law or by agreement.

**SECTION 7. REMOVAL OF OFFICERS/APPOINTED POSITIONS.**

Any Officer or agent or person filling a position provided for under these Bylaws by the Board of Directors may be removed from office by the Board of Directors, with or without cause, whenever in its judgment the best interests of CMEEC will be served thereby, other than the Chief Financial Officer and General Counsel, which shall only be subject to removal by determination of the Chief Executive Officer.

## ARTICLE V
## PUBLIC MEETINGS AND RECORDS

**SECTION 1. PUBLIC ACCESS TO MEETINGS.**

The provisions of Title 1, Sections 1-200 *et seq*., as amended, of the Connecticut General Statutes relating to meeting of public boards and agencies shall apply to CMEEC and shall be observed with respect to all Annual, Regular or Special meetings of the CMEEC Board of Directors meetings and of the CMEEC Member Delegation. Except as provided in said Sections, all meetings of the Board of Directors and the Member Delegation shall be open to the public.

**SECTION 2. PUBLIC RECORDS.** The Secretary of CMEEC shall be the custodian of all public records of CMEEC, and the custodian and a designee appointed by official action of the CMEEC Board of Directors shall be responsible for the preservation and care of such public records. The provisions of Title 1, Sections 1-200 *et seq*., as amended, relating to the availability

of public records shall apply to CMEEC. It shall be the duty of the custodian of public records and the designee to see they are made available for public inspection and copying; they are carefully protected and preserved from deterioration, alteration, mutilation, loss, removal or destruction; and they are repaired, renovated, or rebound, when necessary, to preserve properly.

On application for public information to the custodian by any person, the custodian shall promptly produce such information for inspection or duplication, or both, in the offices of CMEEC. If the information is in active use or in storage and, therefore, not available at the time a person asks to examine it, the custodian shall certify this fact in writing to the applicant and set a date and hour within a reasonable time when the record will be available. Nothing herein shall authorize any person to remove original copies of public records from the offices of CMEEC without the written permission of the custodian of the records.

In the event the custodian of records is of the opinion the records or information should not be supplied to the person requesting them for review, they shall within a reasonable time, not later than ten (10) days after receiving a written request for the records, request a decision from the General Counsel to determine whether the information is privileged. The specific information requested shall be supplied to the General Counsel but shall not be disclosed until a final determination has been made.

**SECTION 3. CONFIDENTIAL RECORDS.**

All public records collected, assembled, or maintained by CMEEC pursuant to law or in connection with the transaction of official business is public information and available to the public during normal business hours of CMEEC, with the exceptions listed in Conn. Gen. Stat. Title I, chapter 14, Sections 1-200 *et seq.*, as amended.

**SECTION 4. CHARGES FOR PUBLIC RECORDS.**

The cost to any person requesting reproductions of public records shall be a reasonable fee.

## ARTICLE VI
## BUDGETS, AUDITS AND FISCAL YEAR

**SECTION 1. ADMINISTRATIVE BUDGET.** The Chief Executive Officer of CMEEC shall cause to be prepared a general administrative budget for each year, in coordination with the appropriate CMEEC Board of Directors' Committee, and submit the same to the Member Representatives of each Member then serving on the CMEEC Board of Directors for approval by the Board. The budget shall include an estimate of the amount of receipts and expenditures for general administrative purposes during the ensuing year, including all expenses necessary to conduct the operational responsibilities of CMEEC. The Chief Executive Officer of CMEEC shall cause to be prepared no less frequently than quarterly financial reports without audit and shall submit the same to the Board of Directors as soon as practical following the end of each quarter of the applicable fiscal year.

**SECTION 2. ELECTRIC PRODUCT AND TRANSMISSION SERVICES BUDGET.**

The Chief Executive Officer of CMEEC shall cause to be prepared an electric product and transmission services budget for each year, in coordination with the appropriate CMEEC Board of Directors' Committee, and submit the same to the Member Representatives of each Member on the CMEEC Board of Directors for the approval of the Board. The budget shall include an estimate of the amount of receipts and expenditures for electric products and transmission services during the ensuing year, including all expenses necessary to conduct the operational responsibilities of CMEEC. The Chief Executive Officer of CMEEC shall cause to be prepared no less frequently than quarterly financial reports without audit and shall submit the same to the Board of Directors as soon as practical following the end of each quarter of the applicable fiscal year.

**SECTION 3. ANNUAL AUDIT.**

Within one-hundred twenty (120) days after the end of each fiscal year, the Member Representatives, acting through the appropriate CMEEC Board of Directors Committee, shall cause the books, accounts, and records of CMEEC to be audited by an independent, certified public accountant licensed, registered, or entitled to practice and practicing as such under the laws of the State of Connecticut.

**SECTION 4. FISCAL YEAR.**

The fiscal year of CMEEC shall, unless otherwise formally modified by the Board of Directors, end December 31.

## ARTICLE VII
## EFFECTIVE DATE AND AMENDMENTS

**SECTION 1. EFFECTIVE DATE.**

The 2017 Bylaw Amendments shall become effective on and following the date on which a two-thirds majority of the Member Delegation votes in the affirmative to approve the 2017 Bylaw Amendments, unless and until further amended as provided in this Article VII.

**SECTION 2.HOW AMENDED.**

These Bylaws may be amended by an affirmative vote of the CMEEC Member Delegation at an Annual or Special CMEEC Member Delegation meeting, provided no less than seven (7) days' notice shall have been sent to each Member entitled to receive such notice, which notice shall state the amendments which are proposed to be made in such Bylaws, and further providing that no amendment may be made which is inconsistent with the Creating Agreement and/or the Membership Agreement and only such changes as have been specified in the notice shall be made.

***Substitute Senate Bill No. 4***

# *Public Act No. 17-73*

***AN ACT CONCERNING MUNICIPAL ELECTRIC UTILITY COOPERATIVES AND ESTABLISHING A MUNICIPAL ELECTRIC CONSUMER ADVOCATE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 7-233c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) Any two or more municipal electric utilities may, by concurrent resolutions, duly adopted by the governing bodies of each of such municipal electric utilities, create and become members of a municipal electric energy cooperative under the name and style of "the .... municipal electric energy cooperative", with some identifying phrase inserted. The managing body of the municipal electric energy cooperative shall be a cooperative utility board which shall be charged with carrying out the corporate purposes and powers of the municipal electric energy cooperative. The number of representatives to be appointed at any time for full terms of office **[**by the governing bodies of such municipal electric utilities**]** shall be such uniform numbers as may be mutually agreed upon in said resolutions which number shall be not less than two nor more than six for each member, provided one such representative shall be appointed by the legislative body of each municipality in which a member municipal electric utility operates,

pursuant to this subsection. After the taking effect of the said resolutions of all such municipal electric utilities and after the filing of certified copies thereof pursuant to subsection (a) of section 7-233d, the agreed number of representatives shall be appointed to the cooperative utility board by the governing body of each municipal electric utility **[**. The**]** and the legislative body of the municipality in which each municipal electric utility operates, pursuant to this subsection. For representatives appointed by the governing body of each municipal electric utility, the qualification of such representatives, terms of office for the original representatives and their successors and compensation, if any, by the member pursuant to this section or by the municipal electric energy cooperative pursuant to section 7-233p, as amended by this act, shall be prescribed by each such governing body; provided, each representative shall be an official or employee of such municipal electric utility. For each representative appointed by the legislative body of each municipality in which a member municipal electric utility operates, the qualification of such representative, terms of office for the original representative and his or her successors and compensation, if any, by the legislative body or by the municipal electric energy cooperative pursuant to section 7-233p, as amended by this act, shall be prescribed by each such legislative body and any such compensation shall be approved by such legislative body, provided each such legislative body shall appoint a representative who is a residential or commercial ratepayer of the municipal electric utility that operates in the municipality of such legislative body and who does not hold other official positions in and is not employed by (1) the governing body of such member municipal electric utility, (2) the municipality in which the member municipal electric utility operates, (3) the governing body of any other member municipal electric utility, (4) the municipality in which any other member municipal electric utility operates, or (5) the municipal electric energy cooperative. In addition to paying such compensation as may be prescribed pursuant to this section or section 7-233p, as amended by this act, a member

municipal electric utility or a legislative body, upon approval by such legislative body, may reimburse its representatives for expenses for travel, both within and without the state, incurred by them in connection with services as a designated representative on such board. Before such municipal electric energy cooperative can be validly and legally formed each of the municipalities represented by a municipal electric utility joining together to form the municipal electric energy cooperative must, by proper proceedings duly adopted, consent and agree to such formation of the municipal electric energy cooperative.

(b) After the creation of a municipal electric energy cooperative under subsection (a) of this section, any other municipal electric utility may become a member of the municipal electric energy cooperative if (1) the municipal electric utility files with the municipal electric energy cooperative (A) a resolution, duly adopted by its governing body, requesting membership in such cooperative, and (B) a certified copy of the proper proceedings, duly adopted by the municipality represented by the municipal electric utility, consenting and agreeing to such membership, and (2) after the municipal electric energy cooperative receives such filing, the governing bodies of at least two-thirds of the municipal electric utilities comprising the membership of the municipal electric energy cooperative at the time of such filing duly adopt a resolution approving membership of such municipal electric utility in the municipal electric energy cooperative. After the filing of certified copies of all such resolutions with the Secretary of the State pursuant to subsection (b) of section 7-233d, the governing body of the municipal electric utility being added to the municipal electric energy cooperative and the municipality in which such municipal electric utility operates shall appoint representatives to the cooperative utility board of the municipal electric energy cooperative. The number of such appointed representatives shall be the same as the number mutually agreed upon by the other members of the municipal electric energy cooperative pursuant to subsection (a) of this section. The

provisions of said subsection (a) concerning the qualification, compensation and terms of office of, and reimbursement of travel expenses for, representatives **[**of the existing members of the municipal cooperative**]** appointed by the existing member municipal electric utilities and the legislative bodies of the municipalities in which such member municipal electric utilities operate shall apply to representatives of such municipal electric utility.

(c) A municipal electric utility that is a member of a municipal electric energy cooperative may withdraw from the municipal electric energy cooperative if: (1) Such withdrawing municipal electric utility continues to fully perform all of its obligations under any contract it has with the municipal electric energy cooperative or provides sufficient funds in trust for the benefit of the municipal electric energy cooperative to satisfy such obligations, (2) the withdrawing municipal electric utility files with the municipal electric energy cooperative a resolution, duly adopted by its governing body, approving the withdrawal, and such resolution is filed with the Secretary of the State in the same manner as provided in subsection (c) of section 7-233d, and (3) the municipality **[**represented by the withdrawing municipal electric utility**]** in which the withdrawing municipal electric utility operates does not disapprove of such withdrawal, by vote of the municipality's legislative body, within thirty days after the adoption of such a resolution.

(d) (1) Upon appointment of its representatives by the **[**members of the municipal cooperative**]** member municipal electric utilities and legislative bodies of the municipalities in which such member municipal electric utilities operate, the cooperative utility board shall organize, select its chairman and vice-chairman from among said board and proceed to consider those matters which have been recommended to it by the several members of the municipal electric energy cooperative.

(2) The cooperative utility board may hold such meetings and public hearings as it deems desirable and the powers of the municipal electric energy cooperative shall be vested in the representatives thereof in office from time to time. The cooperative utility board shall hold any such meetings and public hearings in the state. The municipal electric energy cooperative shall post on its Internet web site and provide to participants notice of and the agenda for each meeting and public hearing, and any changes made thereto, not later than five days before such meeting or public hearing. Each participant shall post on its Internet web site and provide to the municipality in which it operates such notice, agenda and changes not later than four days before such meeting or public hearing. Each such municipality shall post on its Internet web site such notice, agenda and changes not later than three days before such meeting or public hearing.

(3) A majority of the entire authorized number of representatives of the municipal electric energy cooperative shall constitute a quorum at any meeting thereof. Action may be taken, motions voted and resolutions adopted by the municipal electric energy cooperative at any meeting of the cooperative utility board by vote of a majority of the representatives present, unless in any case the bylaws of a municipal electric energy cooperative or an amendment to such bylaws shall require a larger number for adoption or any representative of the cooperative utility board requests that the vote be based on megawatt-hour purchases. If such a request is made, **[**(1)**]** (A) each representative shall have a number of votes equal to the total number of megawatt-hours purchased from the municipal electric energy cooperative during the preceding completed calendar year by the **[**representative's**]** member municipal electric utility **[**from the municipal cooperative during the preceding completed calendar year**]** which appointed such representative or which operates in the municipality whose legislative body appointed such representative, provided, if the municipal electric energy cooperative includes a new

member municipal electric utility which purchased part or all of its power and energy from a supplier or suppliers other than the municipal electric energy cooperative during such year, each representative **[**of**]** appointed by such new member municipal electric utility or the legislative body of the municipality in which such new member municipal electric utility operates shall have a number of votes equal to the total megawatt-hours purchased by such new member from such other suppliers during such year plus the total number of megawatt-hours purchased from the municipal electric energy cooperative during such year, and **[**(2)**]** (B) any action, motion or resolution taken, voted or adopted by the municipal electric energy cooperative at such meeting shall be by a favorable vote of sixty-seven per cent or more of the total of such votes of the representatives who are present at the meeting and who vote, provided at least a majority of the members of the municipal electric energy cooperative approves such action, motion or resolution. Notwithstanding any provision of this subsection or of subsection (g) of this section to the contrary, a unanimous vote of all of the representatives of the municipal electric energy cooperative shall be required before said municipal electric energy cooperative can exercise the power of condemnation or eminent domain provided in this chapter.

(4) The municipal electric energy cooperative shall post on its Internet web site and provide to participants the minutes of such meeting or public hearing, including any actions taken, motions voted and resolutions adopted, not later than five days after such meeting or public hearing described in subdivision (2) of this subsection. Each participant shall post on its Internet web site and provide to the municipality in which it operates such minutes not later than six days after such meeting or public hearing. Each municipality shall post such minutes on its Internet web site not later than seven days after such meeting or public hearing.

(5) The cooperative utility board may appoint and employ a chief executive officer, a treasurer, a secretary, a general counsel and such officers, advisors, consultants and other agents and employees as it may deem necessary, and the cooperative utility board shall determine their qualifications, terms of office, duties and compensation.

(e) Organizational expenses incurred by a municipal electric energy cooperative shall be paid ratably by each member in the same proportion as the population or area of operation serviced by each such member bears to the total population or area of operation serviced by all members or by such other method as determined to be fair and equitable by the cooperative utility board. Such payments shall be made by each member whether or not that member utilizes the electric power or energy made available or furnished to such member.

(f) Each representative of a municipal electric energy cooperative shall hold office for the term for which he was appointed and until his successor has been appointed and has qualified. A representative of a municipal electric energy cooperative may be removed only by the cooperative utility board for inefficiency or neglect of duty or misconduct in office and after he shall have been given a copy of the charges against him and, not sooner than ten days thereafter, had opportunity in person or by counsel to be heard thereon by such governing body. A member municipal electric utility may remove one or more of **[**its**]** the representatives that it appointed with or without cause at any time. The legislative body of a municipality may remove the representative that it appointed with or without cause at any time.

(g) A municipal electric energy cooperative may adopt, on a prospective basis, methods of voting for all or specifically designated matters. Any such methods shall be specified in the bylaws of a municipal electric energy cooperative or in an amendment to such bylaws unanimously adopted by the members of the municipal electric energy cooperative. A municipal electric energy cooperative may

distinguish the voting rights of its members based on whether a member is a full requirements customer or a partial requirements customer of the municipal electric energy cooperative or based on the term of the contractual obligations for power and transmission supply each member incurs with respect to the municipal electric energy cooperative, provided any such distinctions shall treat similarly situated members in a comparable and nondiscriminatory manner. For purposes of this subsection, "full requirements customer" means a wholesale purchaser of electric power or transmission services whose electric energy supplier is the sole source of long-term firm power, and "partial requirements customer" means a wholesale purchaser of electric power or transmission services that directly owns or operates generating or transmission assets that are insufficient to carry all of such purchaser's electric load and whose electric energy supplier is a supplemental source of long-term firm power.

(h) A municipal electric energy cooperative shall cause a forensic examination conducted by a certified forensic auditor which shall include a review of the revenue and expenditures of a municipal electric energy cooperative for the preceding five years. The auditor shall submit (1) a report that includes an opinion regarding the financial statements and a management letter, and (2) a report that includes an opinion on conformance of the operating procedures of the municipal electric energy cooperative with the provisions of chapter 101a and the bylaws of the municipal electric energy cooperative, and any recommendations for any corrective actions needed to ensure such conformance. The municipal electric energy cooperative shall post on its Internet web site and provide to participants such reports not later than seven days after such reports are received by the municipal electric energy cooperative. Each participant shall post on its Internet web site and provide to the municipality in which it operates such reports not later than five days after such reports are received from the municipal electric energy cooperative. Each such municipality shall

post on its Internet web site such reports not later than five days after such reports are received from the participant.

(i) A municipal electric energy cooperative shall annually provide the following, in accordance with the provisions of section 11-4a, to the joint standing committee of the General Assembly having cognizance of matters relating to energy: (1) A list of the current members and officers of the cooperative utility board described in subsection (d) of this section; (2) a copy of the most recent annual report of the municipal electric energy cooperative; (3) a copy of the most recent audited financial statements, management letter and reports of the municipal electric energy cooperative that are required under subsection (h) of this section; (4) a copy of any conflicts of interest policy of the municipal electric energy cooperative; (5) a copy of the municipal electric energy cooperative's most recently filed Internal Revenue Service form 990, including all parts and schedules that are required to be made available for public inspection under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time; (6) a copy of the bylaws of the municipal electric energy cooperative; and (7) as to any employee of the municipal electric energy cooperative, a report listing the position of each employee and the amount of the salary, wages and fringe benefit expenses paid to each such employee.

(j) If a municipal electric energy cooperative holds a strategic retreat or similar activity, it shall hold such retreat or activity in the state. The cooperative utility board shall approve, at a meeting, such retreat or activity, including the location, the purpose, planned attendees, any entertainment and any gifts of value. Such retreat or activity shall include meetings to conduct business and the municipal electric energy cooperative shall provide to the cooperative utility board, not later than five days after such retreat or activity, an agenda, a list of attendees and the meeting minutes. Such retreat or activity shall not

include any entertainment or gifts of value other than that approved by the cooperative utility board.

Sec. 2. Section 7-233p of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

If the members of a municipal electric energy cooperative and the legislative bodies of the municipalities are not paying compensation to **[**their**]** the representatives they each appointed pursuant to subsection (a) of section 7-233c, as amended by this act, such municipal electric energy cooperative may reimburse its representatives for necessary expenses incurred in the discharge of their duties and pay such reasonable, uniformly applicable compensation to such representatives for their service on the board of such municipal electric energy cooperative as provided in this section. The concurrent resolutions creating a municipal electric energy cooperative may provide that the representatives of the municipal electric energy cooperative may receive annual compensation for their services within limitations to be stated in such concurrent resolutions and in that event, each representative may receive from the municipal electric energy cooperative such compensation for his services as the municipal electric energy cooperative may determine within the limitations stated in such concurrent resolutions. Said provisions or limitations stated in any such resolutions may be amended by subsequent concurrent resolutions, but no reduction of any such limitation shall be effective as to any representative of the municipal electric energy cooperative then in office except upon the written consent of such representative.

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. Costs related to the Municipal Electric

Consumer Advocate, including, but not limited to, hourly fees and necessary expenses, shall be paid for by all municipal electric energy cooperatives. The annual amount of such costs shall not exceed seventy thousand dollars for the first year and fifty thousand dollars for each year thereafter, unless there is a demonstration of substantial need made by the Municipal Electric Consumer Advocate and approved by the cooperative utility boards of all municipal electric energy cooperatives.

(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.

(c) (1) The Municipal Electric Consumer Advocate shall be a member of the bar of this state and shall have private legal experience in public utility law and policy, but shall not be a member of a municipal electric energy cooperative's cooperative utility board or a person who has or may have conflicts of interest, as defined by the Rules of Professional Conduct, in representing the municipal electric energy cooperative's consumers as a class. (2) Prior to November 1, 2017, and prior to November first in each odd-numbered year thereafter, the Consumer Counsel, appointed pursuant to section 16-2a of the general statutes, shall select the Municipal Electric Consumer

Advocate to serve for a two-year term commencing on the following first day of January. The Municipal Electric Consumer Advocate may be terminated by the Consumer Counsel prior to the completion of a two-year term only for misconduct, material neglect of duty or incompetence. (3) The Municipal Electric Consumer Advocate shall be independent of any municipal electric energy cooperative's cooperative utility board and may not be removed by a municipal electric energy cooperative's cooperative utility board for any reason. A municipal electric energy cooperative's cooperative utility board shall not direct or oversee the activities of the Municipal Electric Consumer Advocate. A municipal electric energy cooperative's cooperative utility board shall cooperate with reasonable requests of the Municipal Electric Consumer Advocate to enable the Municipal Electric Consumer Advocate to effectively perform his or her duties and functions.

(d) (1) The Municipal Electric Consumer Advocate shall prepare reports of his or her activities regarding each municipal electric energy cooperative and submit such reports regarding a municipal electric energy cooperative at the end of each calendar quarter to such municipal electric energy cooperative, the chief elected official of each municipality in which a participant of such municipal electric energy cooperative operates and to the Consumer Counsel. Each municipal electric energy cooperative and the Consumer Counsel shall post such quarterly reports on their respective Internet web sites. (2) The Municipal Electric Consumer Advocate shall hold an annual public forum on the second Wednesday of October each year at a location where a municipal electric energy cooperative holds hearings for the purpose of describing the recent activities of the Municipal Electric Consumer Advocate and receiving feedback from consumers. A municipal electric energy cooperative shall publicize the public forum through an announcement at the preceding scheduled meeting of such municipal electric energy cooperative, on its Internet web site and in a

notice on or attached to its consumer bills. The Municipal Electric Consumer Advocate may hold additional public forums as he or she deems necessary.

(e) Nothing in this section shall be construed to prevent any interested person, including, but not limited to, any individual consumer or group of consumers, from participating in any municipal electric energy cooperative meeting or hearing on their own behalf or through counsel.

(f) Any municipal electric energy cooperative shall promptly adopt any changes to its rules, regulations or other governing documents necessary to carry out the requirements of this section.

Approved June 30, 2017

**Exhibit IV - Public Act No. 18-50**

***Substitute Senate Bill No. 9***

# *Public Act No. 18-50*

***AN ACT CONCERNING CONNECTICUT'S ENERGY FUTURE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (a) of section 16-245a of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) **[**An**]** Subject to any modifications required by the Public Utilities Regulatory Authority for retiring renewable energy certificates on behalf of all electric ratepayers pursuant to subsection (h) of this section and sections 16a-3f, 16a-3g, 16a-3h, as amended by this act, 16a-3i, 16a-3j and 16a-3m, an electric supplier and an electric distribution company providing standard service or supplier of last resort service, pursuant to section 16-244c, as amended by this act, shall demonstrate:

(1) On and after January 1, 2006, that not less than two per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(2) On and after January 1, 2007, not less than three and one-half per cent of the total output or services of any such supplier or distribution

company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(3) On and after January 1, 2008, not less than five per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(4) On and after January 1, 2009, not less than six per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(5) On and after January 1, 2010, not less than seven per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(6) On and after January 1, 2011, not less than eight per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(7) On and after January 1, 2012, not less than nine per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(8) On and after January 1, 2013, not less than ten per cent of the

total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(9) On and after January 1, 2014, not less than eleven per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(10) On and after January 1, 2015, not less than twelve and one-half per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(11) On and after January 1, 2016, not less than fourteen per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(12) On and after January 1, 2017, not less than fifteen and one-half per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(13) On and after January 1, 2018, not less than seventeen per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(14) On and after January 1, 2019, not less than nineteen and one-half per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(15) On and after January 1, 2020, not less than **[**twenty**]** twenty-one per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources**, [.]** except that for any electric supplier that has entered into or renewed a retail electric supply contract on or before the effective date of this section, on and after January 1, 2020, not less than twenty per cent of the total output or services of any such electric supplier shall be generated from Class I renewable energy sources;

(16) On and after January 1, 2021, not less than twenty-two and one-half per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(17) On and after January 1, 2022, not less than twenty-four per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(18) On and after January 1, 2023, not less than twenty-six per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(19) On and after January 1, 2024, not less than twenty-eight per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(20) On and after January 1, 2025, not less than thirty per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(21) On and after January 1, 2026, not less than thirty-two per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(22) On and after January 1, 2027, not less than thirty-four per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(23) On and after January 1, 2028, not less than thirty-six per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(24) On and after January 1, 2029, not less than thirty-eight per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be

from Class I or Class II renewable energy sources;

(25) On and after January 1, 2030, not less than forty per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources.

Sec. 2. Section 16-245a of the 2018 supplement to the general statutes is amended by adding subsection (h) as follows (*Effective from passage*):

(NEW) (h) The authority shall establish procedures for the disposition of renewable energy certificates purchased pursuant to section 7 of this act, which may include procedures for selling renewable energy certificates consistent with section 7 of this act or, if renewable energy certificates procured pursuant to section 7 of this act are retired and never used for compliance in any other jurisdiction, reductions to the percentage of the total output or services of an electric supplier or an electric distribution company generated from Class I renewable energy sources required pursuant to subsection (a) of this section. Any such reduction shall be based on the energy production that the authority forecasts will be procured pursuant to subsections (a) and (b) of section 7 of this act. The authority shall determine any such reduction of an annual renewable portfolio standard not later than one year prior to the effective date of such annual renewable portfolio standard. An electric distribution company shall not be responsible for any administrative or other costs or expenses associated with any difference between the number of renewable energy certificates planned to be retired pursuant to the authority's reduction and the actual number of renewable energy certificates retired.

Sec. 3. Subsection (h) of section 16-244c of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu

thereof (*Effective from passage*):

(h) (1) Notwithstanding the provisions of subsection (b) of this section regarding an alternative standard service option, an electric distribution company providing standard service, supplier of last resort service or back-up electric generation service in accordance with this section shall contract with its wholesale suppliers to comply with the renewable portfolio standards. The Public Utilities Regulatory Authority shall annually conduct an uncontested proceeding in order to determine whether the electric distribution company's wholesale suppliers met the renewable portfolio standards during the preceding year. On or before December 31, 2013, the authority shall issue a decision on any such proceeding for calendar years up to and including 2012, for which a decision has not already been issued. Not later than December 31, 2014, and annually thereafter, the authority shall, following such proceeding, issue a decision as to whether the electric distribution company's wholesale suppliers met the renewable portfolio standards during the preceding year. An electric distribution company shall include a provision in its contract with each wholesale supplier that requires the wholesale supplier to pay the electric distribution company an amount of: (A) For calendar years up to and including calendar year 2017, five and one-half cents per kilowatt hour if the wholesale supplier fails to comply with the renewable portfolio standards during the subject annual period, **[**and**]** (B) for calendar years commencing on **[**and after**]** January 1, 2018, up to and including the calendar year commencing on January 1, 2020, five and one-half cents per kilowatt hour if the wholesale supplier fails to comply with the renewable portfolio standards during the subject annual period for Class I renewable energy sources, and two and one-half cents per kilowatt hour if the wholesale supplier fails to comply with the renewable portfolio standards during the subject annual period for Class II renewable energy sources, and (C) for calendar years commencing on and after January 1, 2021, four cents per kilowatt hour

if the wholesale supplier fails to comply with the renewable portfolio standards during the subject annual period for Class I renewable energy sources, and two and one-half cents per kilowatt hour if the wholesale supplier fails to comply with the renewable portfolio standards during the subject annual period for Class II renewable energy sources. The electric distribution company shall promptly transfer any payment received from the wholesale supplier for the failure to meet the renewable portfolio standards to the Clean Energy Fund for the development of Class I renewable energy sources, provided, on and after June 5, 2013, any such payment shall be refunded to ratepayers by using such payment to offset the costs to all customers of electric distribution companies of the costs of contracts and tariffs entered into pursuant to sections 16-244r, as amended by this act, **[**and**]** 16-244t and section 7 of this act. Any excess amount remaining from such payment shall be applied to reduce the costs of contracts entered into pursuant to subdivision (2) of this subsection, and if any excess amount remains, such amount shall be applied to reduce costs collected through nonbypassable, federally mandated congestion charges, as defined in section 16-1, as amended by this act.

(2) Notwithstanding the provisions of subsection (b) of this section regarding an alternative standard service option, an electric distribution company providing transitional standard offer service, standard service, supplier of last resort service or back-up electric generation service in accordance with this section shall, not later than July 1, 2008, file with the Public Utilities Regulatory Authority for its approval one or more long-term power purchase contracts from Class I renewable energy source projects with a preference for projects located in Connecticut that receive funding from the Clean Energy Fund and that are not less than one megawatt in size, at a price that is either, at the determination of the project owner, (A) not more than the total of the comparable wholesale market price for generation plus five and one-half cents per kilowatt hour, or (B) fifty per cent of the wholesale

market electricity cost at the point at which transmission lines intersect with each other or interface with the distribution system, plus the project cost of fuel indexed to natural gas futures contracts on the New York Mercantile Exchange at the natural gas pipeline interchange located in Vermillion Parish, Louisiana that serves as the delivery point for such futures contracts, plus the fuel delivery charge for transporting fuel to the project, plus five and one-half cents per kilowatt hour. In its approval of such contracts, the authority shall give preference to purchase contracts from those projects that would provide a financial benefit to ratepayers and would enhance the reliability of the electric transmission system of the state. Such projects shall be located in this state. The owner of a fuel cell project principally manufactured in this state shall be allocated all available air emissions credits and tax credits attributable to the project and no less than fifty per cent of the energy credits in the Class I renewable energy credits program established in section 16-245a, as amended by this act, attributable to the project. On and after October 1, 2007, and until September 30, 2008, such contracts shall be comprised of not less than a total, apportioned among each electric distribution company, of one hundred twenty-five megawatts; and on and after October 1, 2008, such contracts shall be comprised of not less than a total, apportioned among each electrical distribution company, of one hundred fifty megawatts. The Public Utilities Regulatory Authority shall not issue any order that results in the extension of any in-service date or contractual arrangement made as a part of Project 100 or Project 150 beyond the termination date previously approved by the authority established by the contract, provided any party to such contract may provide a notice of termination in accordance with the terms of, and to the extent permitted under, its contract, except the authority shall grant, upon request, an extension of the latest of any such in-service date by (i) twelve months for any project located in a distressed municipality, as defined in section 32-9p, with a population of more than one hundred twenty-five thousand, and (ii) not more than thirty-

six months for any project having a capacity of less than five megawatts, provided any such project (I) commences construction by April 30, 2015, and (II) the authority has provided previous approval of such contract. The cost of such contracts and the administrative costs for the procurement of such contracts directly incurred shall be eligible for inclusion in the adjustment to any subsequent rates for standard service, provided such contracts are for a period of time sufficient to provide financing for such projects, but not less than ten years, and are for projects which began operation on or after July 1, 2003. Except as provided in this subdivision, the amount from Class I renewable energy sources contracted under such contracts shall be applied to reduce the applicable Class I renewable energy source portfolio standards. For purposes of this subdivision, the authority's determination of the comparable wholesale market price for generation shall be based upon a reasonable estimate. On or before September 1, 2011, the authority, in consultation with the Office of Consumer Counsel and the Connecticut Green Bank, shall study the operation of such renewable energy contracts and report its findings and recommendations to the joint standing committee of the General Assembly having cognizance of matters relating to energy.

(3) Notwithstanding the provisions of subsection (b) of this section regarding an alternative standard service option, an electric distribution company providing transitional standard offer service, standard service, supplier of last resort service or back-up electric generation service in accordance with this section that has within its service territory a biomass facility that is a Class I renewable energy source and began operation after December 1, 2013, shall, not later than July 1, 2018, file with the Public Utilities Regulatory Authority for its approval a ten-year power purchase contract not to exceed nine cents per kilowatt hour for energy and renewable energy certificates with such facility for generation equivalent to seven and one-half megawatts of electric capacity. The costs incurred by an electric

distribution company pursuant to this subdivision shall be recovered on a timely basis through a nonbypassable fully reconciling component of electric rates for all customers of such electric distribution company.

Sec. 4. Subsection (k) of section 16-245 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(k) Any licensee who fails to comply with a license condition or who violates any provision of this section, except for the renewable portfolio standards contained in subsection (g) of this section, shall be subject to civil penalties by the Public Utilities Regulatory Authority in accordance with section 16-41, or the suspension or revocation of such license or a prohibition on accepting new customers following a hearing that is conducted as a contested case in accordance with chapter 54. Notwithstanding the provisions of subsection (b) of section 16-244c regarding an alternative transitional standard offer option or an alternative standard service option, the authority shall require a payment by a licensee that fails to comply with the renewable portfolio standards in accordance with subdivision (4) of subsection (g) of this section in the amount of: (1) For calendar years up to and including calendar year 2017, five and one-half cents per kilowatt hour, **[**and**]** (2) for calendar years commencing on **[**and after**]** January 1, 2018, and up to and including the calendar year commencing on January 1, 2020, five and one-half cents per kilowatt hour if the licensee fails to comply with the renewable portfolio standards during the subject annual period for Class I renewable energy sources, and two and one-half cents per kilowatt hour if the licensee fails to comply with the renewable portfolio standards during the subject annual period for Class II renewable energy sources, and (3) for calendar years commencing on and after January 1, 2021, four cents per kilowatt hour if the licensee fails to comply with the renewable portfolio standards

during the subject annual period for Class I renewable energy sources, and two and one-half cents per kilowatt hour if the licensee fails to comply with the renewable portfolio standards during the subject annual period for Class II renewable energy sources. On or before December 31, 2013, the authority shall issue a decision, following an uncontested proceeding, on whether any licensee has failed to comply with the renewable portfolio standards for calendar years up to and including 2012, for which a decision has not already been issued. On and after June 5, 2013, the Public Utilities Regulatory Authority shall annually conduct an uncontested proceeding in order to determine whether any licensee has failed to comply with the renewable portfolio standards during the preceding year. Not later than December 31, 2014, and annually thereafter, the authority shall, following such proceeding, issue a decision as to whether the licensee has failed to comply with the renewable portfolio standards during the preceding year. The authority shall allocate such payment to the Clean Energy Fund for the development of Class I renewable energy sources, provided, on and after June 5, 2013, any such payment shall be refunded to ratepayers by using such payment to offset the costs to all customers of electric distribution companies of the costs of contracts and tariffs entered into pursuant to sections 16-244r, as amended by this act, **[**and**]** 16-244t and section 7 of this act. Any excess amount remaining from such payment shall be applied to reduce the costs of contracts entered into pursuant to subdivision (2) of subsection (j) of section 16-244c, and if any excess amount remains, such amount shall be applied to reduce costs collected through nonbypassable, federally mandated congestion charges, as defined in section 16-1, as amended by this act.

Sec. 5. Section 16-243h of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

On and after January 1, 2000, and until (1) for residential customers,

the expiration of the residential solar investment program pursuant to subsection (b) of section 16-245ff, and (2) for all other customers not covered in subdivision (1) of this section, the date the Public Utilities Regulatory Authority approves the procurement plan pursuant to subsection (a) of section 7 of this act, each electric supplier or any electric distribution company providing standard offer, transitional standard offer, standard service or back-up electric generation service, pursuant to section 16-244c, as amended by this act, shall give a credit for any electricity generated by a customer from a Class I renewable energy source or a hydropower facility that has a nameplate capacity rating of two megawatts or less for a term ending on December 31, 2039. The electric distribution company providing electric distribution services to such a customer shall make such interconnections necessary to accomplish such purpose. An electric distribution company, at the request of any residential customer served by such company and if necessary to implement the provisions of this section, shall provide for the installation of metering equipment that **[**(1)**]** (A) measures electricity consumed by such customer from the facilities of the electric distribution company, **[**(2)**]** (B) deducts from the measurement the amount of electricity produced by the customer and not consumed by the customer, and **[**(3)**]** (C) registers, for each billing period, the net amount of electricity either **[**(A)**]** (i) consumed and produced by the customer, or **[**(B)**]** (ii) the net amount of electricity produced by the customer. If, in a given monthly billing period, a customer-generator supplies more electricity to the electric distribution system than the electric distribution company or electric supplier delivers to the customer-generator, the electric distribution company or electric supplier shall credit the customer-generator for the excess by reducing the customer-generator's bill for the next monthly billing period to compensate for the excess electricity from the customer-generator in the previous billing period at a rate of one kilowatt-hour for one kilowatt-hour produced. The electric distribution company or electric supplier shall carry over the credits earned from monthly billing

period to monthly billing period, and the credits shall accumulate until the end of the annualized period. At the end of each annualized period, the electric distribution company or electric supplier shall compensate the customer-generator for any excess kilowatt-hours generated, at the avoided cost of wholesale power. A customer who generates electricity from a generating unit with a nameplate capacity of more than ten kilowatts of electricity pursuant to the provisions of this section shall be assessed for the competitive transition assessment, pursuant to section 16-245g and the systems benefits charge, pursuant to section 16-245*l*, based on the amount of electricity consumed by the customer from the facilities of the electric distribution company without netting any electricity produced by the customer. For purposes of this section, "residential customer" means a customer of a single-family dwelling or multifamily dwelling consisting of two to four units. The Public Utilities Regulatory Authority shall establish a rate on a cents-per-kilowatt-hour basis for the electric distribution company to purchase the electricity generated by a customer pursuant to this section after December 31, 2039.

Sec. 6. Subsection (c) of section 16-244r of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(c) (1) The aggregate procurement of renewable energy credits by electric distribution companies pursuant to this section shall (A) be eight million dollars in the first year, and (B) increase by an additional eight million dollars per year in years two to four, inclusive.

(2) After year four, the authority shall review contracts entered into pursuant to this section and if the cost of the technologies included in such contracts have been reduced, the authority shall seek to enter new contracts for the total of six years.

(3) After year six, the authority shall seek to enter new contracts for

the total of **[**seven**]** eight years.

(A) The aggregate procurement of renewable energy credits by electric distribution companies pursuant to this subdivision shall (i) increase by an additional eight million dollars per year in years five **[**, six and seven**]** to eight, inclusive, (ii) be **[**fifty-six**]** sixty-four million dollars in years **[**eight**]** nine to fifteen, inclusive, and (iii) decline by eight million dollars per year in years sixteen to **[**twenty-two**]** twenty-three, inclusive, provided any money not allocated in any given year may roll into the next year's available funds. On the date of approval of the procurement plan by the authority pursuant to subsection (a) of section 7 of this act, any money not yet allocated pursuant to this section shall expire.

(B) For the sixth, **[**and**]** seventh and eighth year solicitations, each electric distribution company shall solicit and file with the Public Utilities Regulatory Authority for its approval one or more long-term contracts with owners or developers of Class I generation projects that: (i) Emit no pollutants and that are less than one thousand kilowatts in size, located on the customer side of the revenue meter and serve the distribution system of the electric distribution company, provided such contracts do not exceed fifty per cent of the dollar amount established for years six, **[**and**]** seven and eight under subparagraph (A) of this subdivision; and (ii) are less than two megawatts in size, located on the customer side of the revenue meter, serve the distribution system of the electric distribution company, and use Class I technologies that have no emissions of no more than 0.07 pounds per megawatt-hour of nitrogen oxides, 0.10 pounds per megawatt-hour of carbon monoxide, 0.02 pounds per megawatt-hour of volatile organic compounds, and one grain per one hundred standard cubic feet, provided such contracts do not exceed fifty per cent of the dollar amount established for years six, **[**and**]** seven and eight under subparagraph (A) of this subdivision. The authority may give a preference to contracts for

technologies manufactured, researched or developed in the state.

(4) The production of a megawatt hour of electricity from a Class I renewable energy source first placed in service on or after July 1, 2011, shall create one renewable energy credit. A renewable energy credit shall have an effective life covering the year in which the credit was created and the following calendar year. The obligation to purchase renewable energy credits shall be apportioned to electric distribution companies based on their respective distribution system loads at the commencement of the procurement period, as determined by the authority. For contracts entered into in calendar year 2012, an electric distribution company shall not be required to enter into a contract that provides a payment of more than three hundred fifty dollars, per renewable energy credit in any year over the term of the contract. For contracts entered into in calendar years 2013 to 2017, inclusive, at least ninety days before each annual electric distribution company solicitation, the Public Utilities Regulatory Authority may lower the renewable energy credit price cap specified in this subsection by three to seven per cent annually, during each of the six years of the program over the term of the contract. For contracts entered into in calendar year 2018, at least ninety days before the electric distribution company solicitation, the Public Utilities Regulatory Authority may lower the renewable energy credit price cap specified in this subsection by sixty-four per cent, during year seven of the program over the term of the contract. <u>For contracts entered into in calendar year 2019, at least ninety days before the electric distribution company solicitation, the Public Utilities Regulatory Authority may lower the renewable energy credit price cap specified in this subsection by sixty-four per cent, during year eight of the program over the term of the contract.</u> In the course of lowering such price cap applicable to each annual solicitation, the authority shall, after notice and opportunity for public comment, consider such factors as the actual bid results from the most recent electric distribution company solicitation and reasonably

foreseeable reductions in the cost of eligible technologies.

Sec. 7. (NEW) (*Effective from passage*) (a) (1) (A) On or before September 1, 2018, the Public Utilities Regulatory Authority shall initiate a proceeding to establish a procurement plan for each electric distribution company pursuant to this subsection and may give a preference to technologies manufactured, researched or developed in the state, provided such procurement plan is consistent with and contributes to the requirements to reduce greenhouse gas emissions in accordance with section 22a-200a of the general statutes. Each electric distribution company shall develop such procurement plan in consultation with the Department of Energy and Environmental Protection and shall submit such procurement plan to the authority not later than sixty days after the authority initiates the proceeding pursuant to this subdivision, provided the department shall submit the program requirements pursuant to subparagraph (C) of this subdivision on or before July 1, 2019. The authority may require such electric distribution companies to conduct separate solicitations pursuant to subdivision (4) of this subsection for the resources in subparagraphs (A), (B) and (C) of said subdivision, including separate solicitations based upon the size of such resources to allow for a diversity of selected projects.

(B) On or before September 1, 2018, the authority shall initiate a proceeding to establish tariffs that provide for twenty-year terms of service described in subdivision (3) of this subsection for each electric distribution company pursuant to subparagraphs (A) and (B) of subdivision (2) of this subsection. In such proceeding, the authority shall establish the period of time that will be used for calculating the net amount of energy produced by a facility and not consumed, provided the authority shall assess whether to incorporate time-of-use rates or other dynamic pricing and such period of time shall be either (i) in real time, (ii) in one day, or (iii) in any fraction of a day not to

exceed one day. The rate for such tariffs shall be established by the solicitation pursuant to subdivision (2) of this subsection.

(C) On or before September 1, 2018, the Department of Energy and Environmental Protection shall (i) initiate a proceeding to develop program requirements and tariff proposals for shared clean energy facilities eligible pursuant to subparagraph (C) of subdivision (2) of this subsection, including, but not limited to, the requirements in subdivision (6) of this subsection, and (ii) establish either or both of the following tariff proposals: (I) A tariff proposal that includes a price cap on a cents-per-kilowatt-hour basis for any procurement for such resources based on the procurement results of any other procurement issued pursuant to this subsection, and (II) a tariff proposal that includes a tariff rate for customers eligible under subparagraph (C) of subdivision (2) of this subsection based on energy policy goals identified by the department in the Comprehensive Energy Strategy pursuant to section 16a-3d of the general statutes. On or before July 1, 2019, the department shall submit any such program requirements and tariff proposals to the authority for review and approval. On or before January 1, 2020, the authority shall approve or modify such program requirements and tariff proposals submitted by the department. If the authority approves two tariff proposals pursuant to this subparagraph, the authority shall determine how much of the total compensation authorized for customers eligible under this subparagraph pursuant to subparagraph (A) of subdivision (1) of subsection (c) of this section shall be available under each tariff.

(2) Not later than July 1, 2020, and annually thereafter, each electric distribution company shall solicit and file with the Public Utilities Regulatory Authority for its approval one or more projects selected resulting from any procurement issued pursuant to subdivision (1) of this subsection that are consistent with the tariffs approved by the authority pursuant to subparagraphs (B) and (C) of subdivision (1) of

this subsection and that are applicable to (A) customers that own or develop new generation projects on a customer's own premises that are less than two megawatts in size, serve the distribution system of the electric distribution company, are constructed after the solicitation conducted pursuant to subdivision (4) of this subsection to which the customer is responding, and use a Class I renewable energy source that either (i) uses anaerobic digestion, or (ii) has emissions of no more than 0.07 pounds per megawatt-hour of nitrogen oxides, 0.10 pounds per megawatt-hour of carbon monoxide, 0.02 pounds per megawatt-hour of volatile organic compounds and one grain per one hundred standard cubic feet, (B) customers that own or develop new generation projects on a customer's own premises that are less than two megawatts in size, serve the distribution system of the electric distribution company, are constructed after the solicitation conducted pursuant to subdivision (4) of this subsection to which the customer is responding, and use a Class I renewable energy source that emits no pollutants, and (C) customers that own or develop new generation projects that are a shared clean energy facility, as defined in section 16-244x of the general statutes, and subscriptions, as defined in such section, associated with such facility, consistent with the program requirements developed pursuant to subparagraph (C) of subdivision (1) of this subsection. Any project that is eligible pursuant to subparagraph (C) of this subdivision shall not be eligible pursuant to subparagraph (A) or (B) of this subdivision.

(3) A customer that is eligible pursuant to subparagraph (A) or (B) of subdivision (2) of this subsection may elect in any such solicitation to utilize either (A) a tariff for the purchase of all energy and renewable energy certificates on a cents-per-kilowatt-hour basis, or (B) a tariff for the purchase of any energy produced by a facility and not consumed in the period of time established by the authority pursuant to subparagraph (B) of subdivision (1) of this subsection and all renewable energy certificates generated by such facility on a cents-per-

kilowatt-hour basis.

(4) Each electric distribution company shall conduct an annual solicitation or solicitations, as determined by the authority, for the purchase of energy and renewable energy certificates produced by eligible generation projects under this subsection over the duration of each applicable tariff. Generation projects eligible pursuant to subparagraphs (A) and (B) of subdivision (2) of this subsection shall be sized so as not to exceed the load at the customer's individual electric meter or a set of electric meters, when such meters are combined for billing purposes, from the electric distribution company providing service to such customer, as determined by such electric distribution company, unless such customer is a state, municipal or agricultural customer, then such generation project shall be sized so as not to exceed the load at such customer's individual electric meter or a set of electric meters at the same customer premises, when such meters are combined for billing purposes, and the load of up to five state, municipal or agricultural beneficial accounts, as defined in section 16-244u of the general statutes, identified by such state, municipal or agricultural customer, and such state, municipal or agricultural customer may include the load of up to five additional nonstate or municipal beneficial accounts, as defined in section 16-244u of the general statutes, when sizing such generation project, provided such accounts are critical facilities, as defined in subdivision (2) of subsection (a) of section 16-243y of the general statutes, and are connected to a microgrid.

(5) The maximum selected purchase price of energy and renewable energy certificates on a cents-per-kilowatt-hour basis in any given solicitation shall not exceed such maximum selected purchase price for the same resources in the prior year's solicitation, unless the authority makes a determination that there are changed circumstances in any given year. For the first year solicitation issued pursuant to this

subsection, the authority shall establish a cap for the selected purchase price for energy and renewable energy certificates on a cents-per-kilowatt-hour basis for any resources authorized under this subsection.

(6) The program requirements for shared clean energy facilities developed pursuant to subparagraph (C) of subdivision (1) of this subsection shall include, but not be limited to, the following:

(A) The department shall allow cost-effective projects of various nameplate capacities that may allow for the construction of multiple projects in the service area of each electric distribution company that operates within the state.

(B) The department shall determine the billing credit for any subscriber of a shared clean energy facility that may be issued through the electric distribution companies' monthly billing systems, and establish consumer protections for subscribers and potential subscribers of such a facility, including, but not limited to, disclosures to be made when selling or reselling a subscription.

(C) Such program shall utilize one or more tariff mechanisms with the electric distribution companies for a term not to exceed twenty years, subject to approval by the Public Utilities Regulatory Authority, to pay for the purchase of any energy products and renewable energy certificates produced by any eligible shared clean energy facility, or to deliver any billing credit of any such facility.

(D) The department shall limit subscribers to (i) low-income customers, (ii) moderate-income customers, (iii) small business customers, (iv) state or municipal customers, (v) commercial customers, and (vi) residential customers who can demonstrate, pursuant to criteria determined by the department in the program requirements recommended by the department and approved by the authority, that they are unable to utilize the tariffs offered pursuant to

subsection (b) of this section.

(E) The department shall require that (i) not less than ten per cent of the total capacity of each shared clean energy facility is sold, given or provided to low-income customers, and (ii) in addition to the requirement of clause (i) of this subparagraph, not less than ten per cent of the total capacity of each shared clean energy facility is sold, given or provided to low-income customers, moderate-income customers or low-income service organizations.

(F) The department may allow preferences to projects that serve low-income customers and shared clean energy facilities that benefit customers who reside in environmental justice communities.

(G) The department may create incentives or other financing mechanisms to encourage participation by low-income customers.

(H) The department may require that not more than fifty per cent of the total capacity of each shared clean energy facility is sold to commercial customers.

(7) For purposes of this subsection:

(A) "Environmental justice community" has the same meaning as provided in subsection (a) of section 22a-20a of the general statutes;

(B) "Low-income customer" means an in-state retail end user of an electric distribution company (i) whose income does not exceed eighty per cent of the area median income as defined by the United States Department of Housing and Urban Development, adjusted for family size, or (ii) that is an affordable housing facility as defined in section 8-39a of the general statutes;

(C) "Low-income service organization" means a for-profit or nonprofit organization that provides service or assistance to low-

income individuals;

(D) "Moderate-income customer" means an in-state retail end user of an electric distribution company whose income is between eighty per cent and one hundred per cent of the area median income as defined by the United States Department of Housing and Urban Development, adjusted for family size.

(b) (1) On or before September 1, 2019, the authority shall initiate a proceeding to establish (A) tariffs for each electric distribution company pursuant to subdivision (2) of this subsection, (B) a rate for such tariffs, which may be based upon the results of one or more competitive solicitations issued pursuant to subsection (a) of this section, or on the average cost of installing the generation project and a reasonable rate of return that is just, reasonable and adequate, as determined by the authority, and shall be guided by the Comprehensive Energy Strategy prepared pursuant to section 16a-3d of the general statutes, and (C) the period of time that will be used for calculating the net amount of energy produced by a facility and not consumed, provided the authority shall assess whether to incorporate time-of-use rates or other dynamic pricing and such period of time shall be either (i) in real time, (ii) in one day, or (iii) in any fraction of a day not to exceed one day. The authority may modify such rate for new customers under this subsection based on changed circumstances and may establish an interim tariff rate prior to the expiration of the residential solar investment program pursuant to subsection (b) of section 16-245ff of the general statutes as an alternative to such program, provided any residential customer utilizing a tariff pursuant to this subsection at such customer's electric meter shall not be eligible for any incentives offered pursuant to section 16-245ff of the general statutes at the same such electric meter and any residential customer utilizing any incentives offered pursuant to section 16-245ff of the general statutes at such customer's electric meter shall not be eligible

for a tariff pursuant to this subsection at the same such electric meter.

(2) At the expiration of the residential solar investment program pursuant to subsection (b) of section 16-245ff of the general statutes, each electric distribution company shall offer the following options to residential customers for the purchase of products generated from a Class I renewable energy source that is located on a customer's own premises and has a nameplate capacity rating of twenty-five kilowatts or less for a term not to exceed twenty years: (A) A tariff for the purchase of all energy and renewable energy certificates on a cents-per-kilowatt-hour basis; and (B) a tariff for the purchase of any energy produced and not consumed in the period of time established by the authority pursuant to subparagraph (C) of subdivision (1) of this subsection and all renewable energy certificates generated by such facility on a cents-per-kilowatt-hour basis. A residential customer shall select either option authorized pursuant to subparagraph (A) or (B) of this subdivision, consistent with the requirements of this section. Such generation projects shall be sized so as not to exceed the load at the customer's individual electric meter from the electric distribution company providing service to such customer, as determined by such electric distribution company. For purposes of this section, "residential customer" means a customer of a single-family dwelling or a multifamily dwelling consisting of two to four units.

(c) (1) (A) The aggregate total megawatts available to all customers utilizing a procurement and tariff offered by electric distribution companies pursuant to subsection (a) of this section shall be up to eighty-five megawatts in year one and increase by up to an additional eighty-five megawatts per year in each of the years two through six of such a tariff, provided the total megawatts available to customers eligible under subparagraph (A) of subdivision (2) of subsection (a) of this section shall not exceed ten megawatts per year, the total megawatts available to customers eligible under subparagraph (B) of

subdivision (2) of subsection (a) of this section shall not exceed fifty megawatts per year and the total megawatts available to customers eligible under subparagraph (C) of subdivision (2) of subsection (a) of this section shall not exceed twenty-five megawatts per year. The authority shall monitor the competitiveness of any procurements authorized pursuant to subsection (a) of this section and may adjust the annual purchase amount established in this subsection or other procurement parameters to maintain competitiveness. Any megawatts not allocated in any given year shall not roll into the next year's available megawatts. The obligation to purchase energy and renewable energy certificates shall be apportioned to electric distribution companies based on their respective distribution system loads, as determined by the authority.

(B) The electric distribution companies shall offer any tariffs developed pursuant to subsection (b) of this section for six years. At the end of the tariff term pursuant to subparagraph (B) of subdivision (2) of subsection (b) of this section, residential customers that elected the option pursuant to said subparagraph shall be credited all cents-per-kilowatt-hour charges pursuant to the tariff rate for such customer for energy produced by the Class I renewable energy source against any energy that is consumed in real time by such residential customer.

(C) The authority shall establish tariffs for the purchase of energy on a cents-per-kilowatt-hour basis at the expiration of any tariff terms authorized pursuant to this section.

(2) At the beginning of year six of the procurements authorized pursuant to this subsection, the department, in consultation with the authority, shall assess the tariff offerings pursuant to this section and determine if such offerings are competitive compared to the cost of the technologies. The department shall report, in accordance with section 11-4a of the general statutes, the results of such determination to the General Assembly.

(3) For any tariff established pursuant to this section, the authority shall examine how to incorporate the following energy system benefits into the rate established for any such tariff: (A) Energy storage systems that provide electric distribution benefits, (B) location of a facility on the distribution system, (C) time-of-use rates or other dynamic pricing, and (D) other energy policy benefits identified in the Comprehensive Energy Strategy prepared pursuant to section 16a-3d of the general statutes.

(d) In accordance with subsection (h) of section 16-245a of the general statutes, as amended by this act, the authority shall determine which of the following two options is in the best interest of ratepayers and shall direct each electric distribution company to either (1) retire the renewable energy certificates it purchases pursuant to subsections (a) and (b) of this section on behalf of all ratepayers to satisfy the obligations of all electric suppliers and electric distribution companies providing standard service or supplier of last resort service pursuant to section 16-245a of the general statutes, as amended by this act, or (2) sell such renewable energy certificates into the New England Power Pool Generation information system renewable energy credit market. The authority shall establish procedures for the retirement of such renewable energy certificates. Any net revenues from the sale of products purchased in accordance with this section shall be credited to customers through a nonbypassable fully reconciling component of electric rates for all customers of the electric distribution company.

(e) The costs incurred by an electric distribution company pursuant to this section shall be recovered on a timely basis through a nonbypassable fully reconciling component of electric rates for all customers of the electric distribution company. Any net revenues from the sale of products purchased in accordance with any tariff offered pursuant to this section shall be credited to customers through the same fully reconciling rate component for all customers of such electric

distribution company.

Sec. 8. (NEW) (*Effective from passage*) It shall be the policy of the state to reduce energy consumption by not less than 1.6 million MMBtu, or the equivalent megawatts of electricity, as defined in subdivision (4) of section 22a-197 of the general statutes, annually each year for calendar years commencing on and after January 1, 2020, up to and including calendar year 2025.

Sec. 9. Subdivision (1) of subsection (d) of section 16-245m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(d) (1) Not later than November 1, 2012, and every three years thereafter, electric distribution companies, as defined in section 16-1, as amended by this act, in coordination with the gas companies, as defined in section 16-1, as amended by this act, shall submit to the Energy Conservation Management Board a combined electric and gas Conservation and Load Management Plan, in accordance with the provisions of this section, to implement cost-effective energy conservation programs, demand management and market transformation initiatives. All supply and conservation and load management options shall be evaluated and selected within an integrated supply and demand planning framework. Services provided under the plan shall be available to all customers of electric distribution companies and gas companies, **[**. Each such company shall apply to the Energy Conservation Management Board for reimbursement for expenditures pursuant to the plan**]** provided a customer of an electric distribution company may not be denied such services based on the fuel such customer uses to heat such customer's home. The Energy Conservation Management Board shall advise and assist the electric distribution companies and gas companies in the development of such plan. The Energy Conservation Management Board shall approve the plan before transmitting it to the

Commissioner of Energy and Environmental Protection for approval. The commissioner shall, in an uncontested proceeding during which the commissioner may hold a public meeting, approve, modify or reject said plan prepared pursuant to this subsection. Following approval by the commissioner, the board shall assist the companies in implementing the plan and collaborate with the Connecticut Green Bank to further the goals of the plan. Said plan shall include a detailed budget sufficient to fund all energy efficiency that is cost-effective or lower cost than acquisition of equivalent supply, and shall be reviewed and approved by the commissioner. **[**To the extent that the budget in the plan approved by the commissioner with regard to electric distribution companies exceeds the revenues collected pursuant to subdivision (1) of subsection (a) of this section, the**]** The Public Utilities Regulatory Authority shall, not later than sixty days after the plan is approved by the commissioner, ensure that the balance of revenues required to fund such **[**budget**]** plan is provided through **[**a**]** fully reconciling conservation adjustment **[**mechanism of not more than three mills per kilowatt hour of electricity sold to each end use customer of an electric distribution company during the three years of any Conservation and Load Management Plan**]** mechanisms. Electric distribution companies shall collect a conservation adjustment mechanism that ensures the plan is fully funded by collecting an amount that is not more than the sum of six mills per kilowatt hour of electricity sold to each end use customer of an electric distribution company during the three years of any Conservation and Load Management Plan. The authority shall ensure that the revenues required to fund such **[**budget**]** plan with regard to gas companies are provided through a fully reconciling conservation adjustment mechanism for each gas company of not more than the equivalent of four and six-tenth cents per hundred cubic feet during the three years of any Conservation and Load Management Plan. Said plan shall include steps that would be needed to achieve the goal of weatherization of eighty per cent of the state's residential units by 2030

and to reduce energy consumption by 1.6 million MMBtu, or the equivalent megawatts of electricity, as defined in subdivision (4) of section 22a-197, annually each year for calendar years commencing on and after January 1, 2020, up to and including calendar year 2025. Each program contained in the plan shall be reviewed by such companies and accepted, modified or rejected by the Energy Conservation Management Board prior to submission to the commissioner for approval. The Energy Conservation Management Board shall, as part of its review, examine opportunities to offer joint programs providing similar efficiency measures that save more than one fuel resource or otherwise to coordinate programs targeted at saving more than one fuel resource. Any costs for joint programs shall be allocated equitably among the conservation programs. The Energy Conservation Management Board shall give preference to projects that maximize the reduction of federally mandated congestion charges.

Sec. 10. Subsection (h) of section 16-245n of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(h) (1) The state of Connecticut does hereby pledge to and agree with any person with whom the Connecticut Green Bank may enter into contracts pursuant to the provisions of this section that the state will not limit or alter the rights hereby vested in said bank until such contracts and the obligations thereunder are fully met and performed on the part of said bank, provided nothing herein contained shall preclude such limitation or alteration if adequate provision shall be made by law for the protection of such persons entering into contracts with said bank. The pledge provided by this subsection shall be interpreted and applied broadly to effectuate and maintain the bank's financial capacity to perform its essential public and governmental function.

(2) The contracts and obligations thereunder of said bank shall be

obligatory upon the bank, and the bank may appropriate in each year during the term of such contracts an amount of money that, together with other funds of the bank available for such purposes, shall be sufficient to pay such contracts and obligations or meet any contractual covenants or warranties.

Sec. 11. Subdivision (2) of subsection (c) of section 12-264 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(2) For purposes of this subsection, gross earnings from providing electric transmission services or electric distribution services shall include (A) all income classified as income from providing electric transmission services or electric distribution services, as determined by the Commissioner of Revenue Services in consultation with the Public Utilities Regulatory Authority, and (B) the competitive transition assessment collected pursuant to section 16-245g, other than any component of such assessment that constitutes transition property as to which an electric distribution company has no right, title or interest pursuant to subsection (a) of section 16-245h, the systems benefits charge collected pursuant to section 16-245*l*, the conservation adjustment mechanisms charged under section 16-245m, as amended by this act, and the assessments charged under **[**sections 16-245m and**]** section 16-245n, as amended by this act. Such gross earnings shall not include income from providing electric transmission services or electric distribution services to a company described in subsection (c) of section 12-265.

Sec. 12. Subsections (b) to (d), inclusive, of section 16-243q of the general statutes are repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(b) Except as provided in subsection (d) of this section, the Public Utilities Regulatory Authority shall assess each electric supplier and

each electric distribution company that fails to meet the percentage standards of subsection (a) of this section a charge of up to five and five-tenths cents for each kilowatt hour of electricity that such supplier or company is deficient in meeting such percentage standards. Seventy-five per cent of such assessed charges shall be **[**deposited in the Energy**]** used in furtherance of the Conservation and Load Management **[**Fund**]** Plan established in section 16-245m, as amended by this act, and twenty-five per cent shall be deposited in the Clean Energy Fund established in section 16-245n, as amended by this act, except that such seventy-five per cent of assessed charges with respect to an electric supplier shall be **[**divided**]** allocated among the **[**Energy**]** Conservation and Load Management **[**Funds**]** Plan of electric distribution companies in proportion to the amount of electricity such electric supplier provides to end use customers in the state using the facilities of each electric distribution company.

(c) An electric supplier or electric distribution company may satisfy the requirements of this section by participating in a conservation and distributed resources trading program approved by the Public Utilities Regulatory Authority. Credits created by conservation and customer-side distributed resources shall be allocated to the person that conserved the electricity or installed the project for customer-side distributed resources to which the credit is attributable and to the **[**Energy**]** Conservation and Load Management **[**Fund**]** Plan. Such credits shall be made in the following manner: A minimum of twenty-five per cent of the credits shall be allocated to the person that conserved the electricity or installed the project for customer-side distributed resources to which the energy credit is attributable and the remainder of the credits shall be **[**allocated to the Energy**]** used in furtherance of the Conservation and Load Management **[**Fund**]** Plan, based on a schedule created by the authority no later than January 1, 2007, and reviewed annually thereafter. The authority may, in a proceeding and for good cause shown, allocate a larger proportion of

such credits to the person who conserved the electricity or installed the customer-side distributed resources. The authority shall consider the proportion of investment made by a ratepayer through various ratepayer-funded incentive programs and the resulting reduction in federally mandated congestion charges. The portion **[**allocated to the Energy**]** used in furtherance of the Conservation and Load Management **[**Fund**]** Plan shall be used for measures that respond to energy demand and for peak reduction programs.

(d) An electric distribution company providing standard service may contract with its wholesale suppliers to comply with the conservation and customer-side distributed resources standards set forth in subsection (a) of this section. The Public Utilities Regulatory Authority shall annually conduct a contested case, in accordance with the provisions of chapter 54, to determine whether the electric distribution company's wholesale suppliers met the conservation and distributed resources standards during the preceding year. Any such contract shall include a provision that requires such supplier to pay the electric distribution company in an amount of up to five and one-half cents per kilowatt hour if the wholesale supplier fails to comply with the conservation and distributed resources standards during the subject annual period. The electric distribution company shall immediately transfer seventy-five per cent of any payment received from the wholesale supplier for the failure to meet the conservation and distributed resources standards to the **[**Energy**]** Conservation and Load Management **[**Fund**]** Plan and twenty-five per cent to the Clean Energy Fund. Any payment made pursuant to this section shall not be considered revenue or income to the electric distribution company.

Sec. 13. Section 16-243t of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(a) Notwithstanding the provisions of this title, a customer who implements energy conservation or customer-side distributed

resources, as defined in section 16-1, as amended by this act, on or after January 1, 2008, shall be eligible for Class III credits, pursuant to section 16-243q, as amended by this act. The Class III credit shall be not less than one cent per kilowatt hour. For nonresidential projects receiving conservation and load management funding, twenty-five per cent of the financial value derived from the credits earned pursuant to this section shall be directed to the customer who implements energy conservation or customer-side distribution resources pursuant to this section with the remainder of the financial value directed **[**to**]** in furtherance of the Conservation and Load Management **[**Funds**]** Plan. For nonresidential projects not receiving conservation and load management funding submitted on or after March 9, 2007, seventy-five per cent of the financial value derived from the credits earned pursuant to this section shall be directed to the customer who implements energy conservation or customer-side distribution resources pursuant to this section with the remainder of the financial value directed **[**to**]** in furtherance of the Conservation and Load Management **[**Funds**]** Plan. Not later than July 1, 2007, the Public Utilities Regulatory Authority shall initiate a contested case proceeding in accordance with the provisions of chapter 54, to implement the provisions of this section.

(b) In order to be eligible for ongoing Class III credits, the customer shall file an application that contains information necessary for the authority to determine that the resource qualifies for Class III status. Such application shall (1) certify that installation and metering requirements have been met where appropriate, (2) provide a detailed energy savings or energy output calculation for such time period as specified by the authority, and (3) include any other information that the authority deems appropriate.

(c) For conservation and load management projects that serve residential customers, seventy-five per cent of the financial value

derived from the credits shall be directed **[**to**]** in furtherance of the Conservation and Load Management **[**Funds**]** Plan.

Sec. 14. Subsections (d) and (e) of section 16-243v of the general statutes are repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(d) Commencing April 1, 2008, any person may apply to the authority for certification and funding as a Connecticut electric efficiency partner. Such application shall include the technologies that the applicant shall purchase or provide and that have been approved pursuant to subsection (b) of this section. In evaluating the application, the authority shall (1) consider the applicant's potential to reduce customers' electric demand, including peak electric demand, and associated electric charges tied to electric demand and peak electric demand growth, (2) determine the portion of the total cost of each project that shall be paid for by the customer participating in this program and the portion of the total cost of each project that shall be paid for by all electric ratepayers and collected pursuant to subsection (h) of this section. In making such determination, the authority shall ensure that all ratepayer investments maintain a minimum two-to-one payback ratio, and (3) specify that participating Connecticut electric efficiency partners shall maintain the technology for a period sufficient to achieve such investment payback ratio. The annual ratepayer contribution for projects approved pursuant to this section shall not exceed sixty million dollars. Not less than seventy-five per cent of such annual ratepayer investment shall be used for the technologies themselves. No person shall receive electric ratepayer funding pursuant to this subsection if such person has received or is receiving funding from the **[**Energy**]** Conservation and Load Management **[**Funds**]** Plan for the projects included in said person's application. No person shall receive electric ratepayer funding without receiving a certificate of public convenience and necessity as a Connecticut electric

efficiency partner by the authority. The authority may grant an applicant a certificate of public convenience if it possesses and demonstrates adequate financial resources, managerial ability and technical competency. The authority may conduct additional requests for proposals from time to time as it deems appropriate. The authority shall specify the manner in which a Connecticut electric efficiency partner shall address measures of effectiveness and shall include performance milestones.

(e) Beginning February 1, 2010, a certified Connecticut electric efficiency partner may only receive funding if selected in a request for proposal developed, issued and evaluated by the authority. In evaluating a proposal, the authority shall take into consideration the potential to reduce customers' electric demand including peak electric demand, and associated electric charges tied to electric demand and peak electric demand growth, including, but not limited to, federally mandated congestion charges and other electric costs, and shall utilize a cost benefit test established pursuant to subsection (c) of this section to rank responses for selection. The authority shall determine the portion of the total cost of each project that shall be paid by the customer participating in this program and the portion of the total cost of each project that shall be paid by all electric ratepayers and collected pursuant to the provisions of this subsection. In making such determination, the authority shall (1) ensure that all ratepayer investments maintain a minimum two-to-one payback ratio, and (2) specify that participating Connecticut electric efficiency partners shall maintain the technology for a period sufficient to achieve such investment payback ratio. The annual ratepayer contribution shall not exceed sixty million dollars. Not less than seventy-five per cent of such annual ratepayer investment shall be used for the technologies themselves. No Connecticut electric efficiency partner shall receive funding pursuant to this subsection if such partner has received or is receiving funding from the **[**Energy**]** Conservation and Load

Management **[**Funds**]** Plan for such technology. The authority may conduct additional requests for proposals from time to time as it deems appropriate. The authority shall specify the manner in which a Connecticut electric efficiency partner shall address measures of effectiveness and shall include performance milestones.

Sec. 15. Subsection (e) of section 16-245c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(e) Any municipal electric utility created on or after July 1, 1998, pursuant to section 7-214 or a special act and any municipal electric utility that expands its service area on or after July 1, 1998, shall collect from its new customers the competitive transition assessment imposed pursuant to section 16-245g, the systems benefits charge imposed pursuant to section 16-245*l*, three mills per kilowatt hour of electricity sold for the conservation adjustment mechanisms described in section 16-245m, as amended by this act, and the assessments charged under **[**sections 16-245m and**]** section 16-245n, as amended by this act, in such manner and at such rate as the authority prescribes, provided the authority shall order the collection of said assessment and said charge in a manner and rate equal to that to which the customers would have been subject had the municipal electric utility not been created or expanded.

Sec. 16. Subdivisions (1) and (2) of subsection (a) of section 16-245e of the general statutes are repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(1) "Rate reduction bonds" means bonds, notes, certificates of participation or beneficial interest, or other evidences of indebtedness or ownership, issued pursuant to an executed indenture or other agreement of a financing entity, in accordance with this section and sections 16-245f to 16-245k, inclusive, as amended by this act, the

proceeds of which are used, directly or indirectly, to provide, recover, finance, or refinance stranded costs or economic recovery transfer, or to sustain funding of conservation and load management and renewable energy investment programs by substituting for disbursements to the General Fund from the **[**Energy**]** Conservation and Load Management **[**Fund**]** Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, and which, directly or indirectly, are secured by, evidence ownership interests in, or are payable from, transition property;

(2) "Competitive transition assessment" means those nonbypassable rates and other charges, that are authorized by the authority (A) in a financing order in respect to the economic recovery transfer, or in a financing order, to sustain funding of conservation and load management and renewable energy investment programs by substituting disbursements to the General Fund from proceeds of rate reduction bonds for such disbursements from the **[**Energy**]** Conservation and Load Management **[**Fund**]** Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, or to recover those stranded costs that are eligible to be funded with the proceeds of rate reduction bonds pursuant to section 16-245f, as amended by this act, and the costs of providing, recovering, financing, or refinancing the economic recovery transfer or such substitution of disbursements to the General Fund or such stranded costs through a plan approved by the authority in the financing order, including the costs of issuing, servicing, and retiring rate reduction bonds, (B) to recover those stranded costs determined under this section but not eligible to be funded with the proceeds of rate reduction bonds pursuant to section 16-245f, as amended by this act, or (C) to recover costs determined under subdivision (1) of subsection (e) of section 16-244g. If requested by the electric distribution company, the authority

shall include in the competitive transition assessment nonbypassable rates and other charges to recover federal and state taxes whose recovery period is modified by the transactions contemplated in this section and sections 16-245f to 16-245k, inclusive, as amended by this act;

Sec. 17. Subdivision (13) of subsection (a) of section 16-245e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(13) "State rate reduction bonds" means the rate reduction bonds issued on June 23, 2004, by the state to sustain funding of conservation and load management and renewable energy investment programs by substituting for disbursements to the General Fund from the **[**Energy**]** Conservation and Load Management **[**Fund**]** Plan, established by section 16-245m, as amended by this act, and from the Clean Energy Fund, established by section 16-245n, as amended by this act. The state rate reduction bonds for the purposes of section 4-30a shall be deemed to be outstanding indebtedness of the state;

Sec. 18. Subsection (a) of section 16-245f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(a) An electric distribution company shall submit to the authority an application for a financing order with respect to any proposal to sustain funding of conservation and load management and renewable energy investment programs by substituting disbursements to the General Fund from proceeds of rate reduction bonds for such disbursements from the **[**Energy**]** Conservation and Load Management **[**Fund**]** Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, and may submit to the authority an application for a financing order with respect to the following stranded costs: (1)

The cost of mitigation efforts, as calculated pursuant to subsection (c) of section 16-245e; (2) generation-related regulatory assets, as calculated pursuant to subsection (e) of section 16-245e; and (3) those long-term contract costs that have been reduced to a fixed present value through the buyout, buydown, or renegotiation of such contracts, as calculated pursuant to subsection (f) of section 16-245e. No stranded costs shall be funded with the proceeds of rate reduction bonds unless (A) the electric distribution company proves to the satisfaction of the authority that the savings attributable to such funding will be directly passed on to customers through lower rates, and (B) the authority determines such funding will not result in giving the electric distribution company or any generation entities or affiliates an unfair competitive advantage. The authority shall hold a hearing for each such electric distribution company to determine the amount of disbursements to the General Fund from proceeds of rate reduction bonds that may be substituted for such disbursements from the **[**Energy**]** Conservation and Load Management **[**Fund**]** Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, and thereby constitute transition property and the portion of stranded costs that may be included in such funding and thereby constitute transition property. Any hearing shall be conducted as a contested case in accordance with chapter 54, except that any hearing with respect to a financing order or other order to sustain funding for conservation and load management and renewable energy investment programs by substituting the disbursement to the General Fund from the **[**Energy**]** Conservation and Load Management **[**Fund**]** Plan established by section 16-245m, as amended by this act, and from the Clean Energy Investment Fund established by section 16-245n, as amended by this act, shall not be a contested case, as defined in section 4-166. The authority shall not include any rate reduction bonds as debt of an electric distribution company in determining the capital structure of the company in a rate-making proceeding, for calculating the

company's return on equity or in any manner that would impact the electric distribution company for rate-making purposes, and shall not approve such rate reduction bonds that include covenants that have provisions prohibiting any change to their appointment of an administrator of the **[**Energy**]** Conservation and Load Management **[**Fund. Nothing in this subsection shall be deemed to affect the terms of subsection (b) of section 16-245m**]** Plan.

Sec. 19. Subsections (a) and (b) of section 16-245i of the general statutes are repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(a) The authority may issue financing orders in accordance with sections 16-245e to 16-245k, inclusive, as amended by this act, to fund the economic recovery transfer, to sustain funding of conservation and load management and renewable energy investment programs by substituting disbursements to the General Fund from proceeds of rate reduction bonds for such disbursements **[**from the Energy**]** in furtherance of the Conservation and Load Management **[**Fund**]** Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, and to facilitate the provision, recovery, financing, or refinancing of stranded costs. Except for a financing order in respect to the economic recovery revenue bonds, a financing order may be adopted only upon the application of an electric distribution company, pursuant to section 16-245f, as amended by this act, and shall become effective in accordance with its terms only after the electric distribution company files with the authority the electric distribution company's written consent to all terms and conditions of the financing order. Any financing order in respect to the economic recovery revenue bonds shall be effective on issuance.

(b) (1) Notwithstanding any general or special law, rule, or regulation to the contrary, except as otherwise provided in this

subsection with respect to transition property that has been made the basis for the issuance of rate reduction bonds, the financing orders and the competitive transition assessment shall be irrevocable and the authority shall not have authority either by rescinding, altering, or amending the financing order or otherwise, to revalue or revise for rate-making purposes the stranded costs, or the costs of providing, recovering, financing, or refinancing the stranded costs, the amount of the economic recovery transfer or the amount of disbursements to the General Fund from proceeds of rate reduction bonds substituted for such disbursements **[**from the Energy**]** in furtherance of the Conservation and Load Management **[**Fund**]** Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, determine that the competitive transition assessment is unjust or unreasonable, or in any way reduce or impair the value of transition property either directly or indirectly by taking the competitive transition assessment into account when setting other rates for the electric distribution company; nor shall the amount of revenues arising with respect thereto be subject to reduction, impairment, postponement, or termination.

(2) Notwithstanding any other provision of this section, the authority shall approve the adjustments to the competitive transition assessment as may be necessary to ensure timely recovery of all stranded costs that are the subject of the pertinent financing order, and the costs of capital associated with the provision, recovery, financing, or refinancing thereof, including the costs of issuing, servicing, and retiring the rate reduction bonds issued to recover stranded costs contemplated by the financing order and to ensure timely recovery of the costs of issuing, servicing, and retiring the rate reduction bonds issued to sustain funding of conservation and load management and renewable energy investment programs contemplated by the financing order, and to ensure timely recovery of the costs of issuing, servicing

and retiring the economic recovery revenue bonds issued to fund the economic recovery transfer contemplated by the financing order.

(3) Notwithstanding any general or special law, rule, or regulation to the contrary, any requirement under sections 16-245e to 16-245k, inclusive, as amended by this act, or a financing order that the authority take action with respect to the subject matter of a financing order shall be binding upon the authority, as it may be constituted from time to time, and any successor agency exercising functions similar to the authority and the authority shall have no authority to rescind, alter, or amend that requirement in a financing order. Section 16-43 shall not apply to any sale, assignment, or other transfer of or grant of a security interest in any transition property or the issuance of rate reduction bonds under sections 16-245e to 16-245k, inclusive, as amended by this act.

Sec. 20. Subparagraph (A) of subdivision (4) of subsection (c) of section 16-245j of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(4) (A) The proceeds of any rate reduction bonds, other than economic recovery revenue bonds, shall be used for the purposes approved by the authority in the financing order, including, but not limited to, disbursements to the General Fund in substitution for such disbursements **[**from the Energy**]** in furtherance of the Conservation and Load Management **[**Fund**]** Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, the costs of refinancing or retiring of debt of the electric distribution company, and associated federal and state tax liabilities; provided such proceeds shall not be applied to purchase generation assets or to purchase or redeem stock or to pay dividends to shareholders or operating expenses other than taxes resulting from the receipt of such proceeds.

Sec. 21. Subdivision (3) of subsection (d) of section 16-245m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(3) Programs included in the plan developed under subdivision (1) of this subsection shall be screened through cost-effectiveness testing that compares the value and payback period of program benefits for all energy savings to program costs to ensure that programs are designed to obtain energy savings and system benefits, including mitigation of federally mandated congestion charges, whose value is greater than the costs of the programs. Program cost-effectiveness shall be reviewed by the Commissioner of Energy and Environmental Protection annually, or otherwise as is practicable, and shall incorporate the results of the evaluation process set forth in subdivision (4) of this subsection. If a program is determined to fail the cost-effectiveness test as part of the review process, it shall either be modified to meet the test or shall be terminated, unless it is integral to other programs that in combination are cost-effective. On or before March 1, 2005, and on or before March first annually thereafter, the board shall provide a report, in accordance with the provisions of section 11-4a, to the joint standing committees of the General Assembly having cognizance of matters relating to energy and the environment that documents (A) expenditures and fund balances and evaluates the cost-effectiveness of such programs conducted in the preceding year, and (B) the extent to and manner in which the programs of such board collaborated and cooperated with programs, established under section 7-233y, of municipal electric energy cooperatives. To maximize the reduction of federally mandated congestion charges, programs in the plan may allow for disproportionate allocations between the amount of contributions **[**to the Energy Conservation and Load Management Funds**]** pursuant to this section by a certain rate class and the programs that benefit such a rate class. Before conducting such evaluation, the board shall consult with the board of directors of the

Connecticut Green Bank. The report shall include a description of the activities undertaken during the reporting period.

Sec. 22. Subdivision (1) of subsection (f) of section 16-245n of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(f) (1) The board shall issue annually a report to the Department of Energy and Environmental Protection reviewing the activities of the Connecticut Green Bank in detail and shall provide a copy of such report, in accordance with the provisions of section 11-4a, to the joint standing committees of the General Assembly having cognizance of matters relating to energy and commerce. The report shall include a description of the programs and activities undertaken during the reporting period jointly or in collaboration with the **[**Energy**]** Conservation and Load Management **[**Funds**]** Plan established pursuant to section 16-245m, as amended by this act.

Sec. 23. Subsection (b) of section 16-245w of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(b) The Public Utilities Regulatory Authority shall design a process for determining a fee to be paid by customers who have installed self-generation facilities in order to offset any loss or potential loss in revenue from such facilities toward the competitive transition assessment, the systems benefits charge, **[**the conservation and load management assessment**]** the conservation adjustment mechanisms collected under section 16-245m, as amended by this act, and the Clean Energy Fund assessment collected under section 16-245n, as amended by this act. Except as provided in subsection (c) of this section, such fee shall apply to customers who have installed self-generation facilities that begin operation on or after July 1, 1998.

Sec. 24. Subsection (d) of section 16-258d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(d) The Public Utilities Regulatory Authority shall ensure that the revenues required to fund such incentive payments made pursuant to this section are provided through a fully reconciling conservation adjustment mechanism, which shall not exceed more than nine million dollars in total for the program established under this section, provided (1) such revenues shall be in addition to the revenues authorized to fund the **[**conservation and load management fund**]** Conservation and Load Management Plan pursuant to section 16-245m, as amended by this act, and (2) such revenues exceeding two million dollars required to fund such incentive payments shall be paid over a period of not less than two years. Such revenues shall only be collected from the gas customers of the company in whose service area such district heating system is located.

Sec. 25. Section 4-141 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

As used in this chapter:

(1) "Claim" means a petition for the payment or refund of money by the state or for permission to sue the state;

(2) "Just claim" means a claim which in equity and justice the state should pay, provided the state has caused damage or injury or has received a benefit;

(3) "Person" means any individual, firm, partnership, corporation, limited liability company, association or other group, including political subdivisions of the state;

(4) "State agency" includes every department, division, board, office,

commission, arm, agency and institution of the state government, whatever its title or function; and

(5) "State officers and employees" includes (A) every person elected or appointed to or employed in any office, position or post in the state government, whatever such person's title, classification or function and whether such person serves with or without remuneration or compensation, including judges of probate courts, employees of such courts and special limited conservators appointed by such courts pursuant to section 17a-543a, and (B) attorneys appointed as victim compensation commissioners, attorneys appointed by the Public Defender Services Commission as public defenders, assistant public defenders or deputy assistant public defenders and attorneys appointed by the court as Division of Public Defender Services assigned counsel, individuals appointed by the Public Defender Services Commission, or by the court, as a guardian ad litem or attorney for a party in a neglect, abuse, termination of parental rights, delinquency or family with service needs proceeding, the Attorney General, the Deputy Attorney General and any associate attorney general or assistant attorney general, any other attorneys employed by any state agency, any commissioner of the Superior Court hearing small claims matters or acting as a fact-finder, arbitrator or magistrate or acting in any other quasi-judicial position, any person appointed to a committee established by law for the purpose of rendering services to the Judicial Department, including, but not limited to, the Legal Specialization Screening Committee, the State-Wide Grievance Committee, the Client Security Fund Committee, the advisory committee appointed pursuant to section 51-81d and the State Bar Examining Committee, any member of a multidisciplinary team established by the Commissioner of Children and Families pursuant to section 17a-106a, the Municipal Electric Consumer Advocate selected pursuant to section 7-121f, the Independent Consumer Advocate selected pursuant to section 7-334a, and any physicians or

psychologists employed by any state agency. "State officers and employees" does not include any medical or dental intern, resident or fellow of The University of Connecticut when (i) the intern, resident or fellow is assigned to a hospital affiliated with the university through an integrated residency program, and (ii) such hospital provides protection against professional liability claims in an amount and manner equivalent to that provided by the hospital to its full-time physician employees.

Sec. 26. Subsection (h) of section 7-233c of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(h) A municipal electric energy cooperative shall cause a forensic examination to be conducted by a certified forensic auditor which shall include a review of the revenue and expenditures of a municipal electric energy cooperative for the preceding five years. The auditor shall submit **[**(1) a report that includes an opinion regarding the financial statements and a management letter, and (2) a report that includes an opinion on conformance of the operating procedures of the municipal electric energy cooperative**]** a report that includes a review of whether such municipal electric energy cooperative's operating procedures conform with the provisions of chapter 101a and the bylaws of the municipal electric energy cooperative, and any recommendations for any corrective actions needed to ensure such conformance. The auditor shall not be required to perform a full financial audit of the five-year period or submit an opinion regarding the financial statements or a management letter. The municipal electric energy cooperative shall post on its Internet web site and provide to participants such reports not later than seven days after such reports are received by the municipal electric energy cooperative. Each participant shall post on its Internet web site and provide to the municipality in which it operates such reports not later than five days

after such reports are received from the municipal electric energy cooperative. Each such municipality shall post on its Internet web site such reports not later than five days after such reports are received from the participant.

Sec. 27. Subdivision (20) of subsection (a) of section 16-1 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(20) "Class I renewable energy source" means (A) electricity derived from (i) solar power, (ii) wind power, (iii) a fuel cell, (iv) geothermal, (v) landfill methane gas, anaerobic digestion or other biogas derived from biological sources, (vi) thermal electric direct energy conversion from a certified Class I renewable energy source, (vii) ocean thermal power, (viii) wave or tidal power, (ix) low emission advanced renewable energy conversion technologies, including, but not limited to, zero emission low grade heat power generation systems based on organic oil free rankine, kalina or other similar nonsteam cycles that use waste heat from an industrial or commercial process that does not generate electricity, (x) (I) a run-of-the-river hydropower facility that began operation after July 1, 2003, and has a generating capacity of not more than thirty megawatts, or (II) a run-of-the-river hydropower facility that received a new license after January 1, 2018, under the Federal Energy Regulatory Commission rules pursuant to 18 CFR 16, as amended from time to time, and provided a facility that applies for certification under this clause after January 1, 2013, shall not be based on a new dam or a dam identified by the commissioner as a candidate for removal, and shall meet applicable state and federal requirements, including applicable site-specific standards for water quality and fish passage, or (xi) a biomass facility that uses sustainable biomass fuel and has an average emission rate of equal to or less than .075 pounds of nitrogen oxides per million BTU of heat input for the previous calendar quarter, except that energy derived from a biomass facility

with a capacity of less than five hundred kilowatts that began construction before July 1, 2003, may be considered a Class I renewable energy source, or (B) any electrical generation, including distributed generation, generated from a Class I renewable energy source, provided, on and after January 1, 2014, any megawatt hours of electricity from a renewable energy source described under this subparagraph that are claimed or counted by a load-serving entity, province or state toward compliance with renewable portfolio standards or renewable energy policy goals in another province or state, other than the state of Connecticut, shall not be eligible for compliance with the renewable portfolio standards established pursuant to section 16-245a, as amended by this act;

Sec. 28. Subsection (b) of section 16-245a of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(b) (1) An electric supplier or electric distribution company may satisfy the requirements of this section **[**(1)**]** (A) by purchasing certificates issued by the New England Power Pool Generation Information System, provided the certificates are for **[**(A)**]** (i) energy produced by a generating unit using Class I or Class II renewable energy sources and the generating unit is located in the jurisdiction of the regional independent system operator, or **[**(B)**]** (ii) energy imported into the control area of the regional independent system operator pursuant to New England Power Pool Generation Information System Rule 2.7(c), as in effect on January 1, 2006; **[**(2)**]** (B) for those renewable energy certificates under contract to serve end use customers in the state on or before October 1, 2006, by participating in a renewable energy trading program within said jurisdictions as approved by the Public Utilities Regulatory Authority; or **[**(3)**]** (C) by purchasing eligible renewable electricity and associated attributes from residential customers who are net producers. (2) Not more than one per cent of

the total output or services of an electric supplier or electric distribution company shall be generated from Class I renewable energy sources eligible as described in subparagraph (A)(x)(II) of subdivision (20) of subsection (a) of section 16-1, as amended by this act.

Sec. 29. Subsection (e) of section 16a-3i of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(e) Notwithstanding subdivision (1) of subsection (b) of section 16-245a, as amended by this act, in the event that (1) for any calendar year commencing on or after January 1, 2014, there is such a presumption pursuant to subsection (a) of this section, (2) the commissioner finds material shortage of Class I renewable energy sources pursuant to subsection (b) of this section, (3) there is a determination of inadequacy pursuant to subsection (c) of this section, and (4) any contracts for Class I renewable energy sources approved by the Public Utilities Regulatory Authority pursuant to subsection (d) of this section yield an amount of Class I renewable energy sources that is insufficient to rectify any projected shortage pursuant to subsection (c) of this section, then commencing on or after January 1, 2016, the commissioner may allow not more than one percentage point of the Class I renewable portfolio standards established pursuant to section 16-245a, as amended by this act, effective for the succeeding and subsequent calendar years to be satisfied by large-scale hydropower procured pursuant to section 16a-3g. The requirements applicable to electric suppliers and electric distribution companies pursuant to section 16-245a, as amended by this act, shall consequently be reduced by not more than one percentage point in proportion to the commissioner's action, provided (A) the commissioner shall not allow a total of more than five percentage points of the Class I renewable portfolio standard to be met by large-scale hydropower by December 31, 2020, and (B) no

such large-scale hydropower shall be eligible to trade in the New England Power Pool Generation Information System renewable energy credit market.

Sec. 30. Subsection (c) of section 16-19f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(c) Each municipal electric company shall (1) **[**within two years**]** not later than July 1, 2018, consider and determine whether it is appropriate to implement any of the following rate design standards: (A) Cost of service; (B) prohibition of declining block rates; (C) time of day rates; (D) seasonal rates; (E) interruptible rates; and (F) load management techniques, and (2) not later than June 1, 2017, consider and determine whether it is appropriate to implement electric vehicle time of day rates for residential and commercial customers. The consideration of said standards by each municipal electric company shall be made after public notice and hearing. Each municipal electric company shall make a determination on whether it is appropriate to implement any of said standards. Said determination shall be in writing, shall take into consideration the evidence presented at the hearing and shall be available to the public. A standard shall be deemed to be appropriate for implementation if such implementation would encourage energy conservation, optimal and efficient use of facilities and resources by a municipal electric company and equitable rates for electric consumers. No municipal electric company that completed such consideration and determination regarding any rate design standard or electric vehicle time of day rate before July 1, 2017, shall be required to conduct another consideration and determination regarding the same such rate design standard or electric vehicle time of day rate.

Sec. 31. Section 16a-3h of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective*

*from passage*):

On or after October 1, 2013, the Commissioner of Energy and Environmental Protection, in consultation with the procurement manager identified in subsection (l) of section 16-2, the Office of Consumer Counsel and the Attorney General, may solicit proposals, in one solicitation or multiple solicitations, from providers of the following resources or any combination of the following resources: Run-of-the-river hydropower, landfill methane gas, biomass, fuel cell, offshore wind or anaerobic digestion, provided such source meets the definition of a Class I renewable energy source pursuant to section 16-1, as amended by this act, or energy storage systems. In making any selection of such proposals, the commissioner shall consider factors, including, but not limited to (1) whether the proposal is in the interest of ratepayers, including, but not limited to, the delivered price of such sources, (2) the emissions profile of a relevant facility, (3) any investments made by a relevant facility to improve the emissions profile of such facility, (4) the length of time a relevant facility has received renewable energy credits, (5) any positive impacts on the state's economic development, (6) whether the proposal is consistent with requirements to reduce greenhouse gas emissions in accordance with section 22a-200a, including, but not limited to, the development of combined heat and power systems, (7) whether the proposal is consistent with the policy goals outlined in the Comprehensive Energy Strategy adopted pursuant to section 16a-3d, (8) whether the proposal promotes electric distribution system reliability and other electric distribution system benefits, including, but not limited to, microgrids, (9) whether the proposal promotes the policy goals outlined in the state-wide solid waste management plan developed pursuant to section 22a-241a, and (10) the positive reuse of sites with limited development opportunities, including, but not limited to, brownfields or landfills, as identified by the commissioner in any solicitation issued pursuant to this section. The commissioner may select proposals from

such resources to meet up to **[**four**]** six per cent of the load distributed by the state's electric distribution companies, provided the commissioner shall not select proposals for more than three per cent of the load distributed by the state's electric distribution companies from offshore wind resources. The commissioner may direct the electric distribution companies to enter into power purchase agreements for energy, capacity and environmental attributes, or any combination thereof, for periods of not more than twenty years on behalf of all customers of the state's electric distribution companies. Certificates issued by the New England Power Pool Generation Information System for any Class I renewable energy sources procured under this section may be: (A) Sold in the New England Power Pool Generation Information System renewable energy credit market to be used by any electric supplier or electric distribution company to meet the requirements of section 16-245a, as amended by this act, provided the revenues from such sale are credited to all customers of the contracting electric distribution company; or (B) retained by the electric distribution company to meet the requirements of section 16-245a, as amended by this act. In considering whether to sell or retain such certificates, the company shall select the option that is in the best interest of such company's ratepayers. Any such agreement shall be subject to review and approval by the Public Utilities Regulatory Authority, which review shall be completed not later than sixty days after the date on which such agreement is filed with the authority. The net costs of any such agreement, including costs incurred by the electric distribution companies under the agreement and reasonable costs incurred by the electric distribution companies in connection with the agreement, shall be recovered through a fully reconciling component of electric rates for all customers of electric distribution companies. All reasonable costs incurred by the Department of Energy and Environmental Protection associated with the commissioner's solicitation and review of proposals pursuant to this section shall be recoverable through the nonbypassable federally mandated congestion

charges, as defined in section 16-1, as amended by this act.

Sec. 32. Subdivision (1) of subsection (a) and subsection (b) of section 16-245m of the general statutes are repealed. (*Effective January 1, 2020*)

Approved May 24, 2018

**CMEEC did not retain or request CohnReznick to perform any procedures, opine, comment or respond to CMEEC's responses within this Exhibit V.**

**Exhibit V – Management's Responses to the Findings and Recommendations Identified in the Report**

**SECTION IV - OPINION ON CONFORMANCE OF THE OPERATING PROCEDURES IN ACCORDANCE WITH CMEEC's BY-LAWS**

**Finding 1 – Vendor Payments Paid by Check:**

With the exception of the "Spend with Questionable Business Purpose" discussed below, the spending referenced in Finding 1 occurred in connection with Board Retreat and Event expenditures which have previously been identified, both formally and informally, as appearing inconsistent with CMEEC's purpose, and CMEEC has taken action accordingly. Subsequent to the review period of 2013-2017, to ensure conformance going forward, the CMEEC Board of Directors in May of 2018 adopted a Travel Policy covering both CMEEC Board Members and CMEEC Employees which requires that:

- Travel and all associated expenses must be for a demonstrated business purpose and must be reasonable in terms of distance and expense;
- Travel and all associated expenses must be subject to specified review and approval:
    - Board Member travel must be pre-approved by the Chairperson of the CMEEC Board of Directors and the CEO;
    - General employee travel must be pre-approved by the requesting party's immediate Director and, if applicable, Supervisor;
    - CEO travel is subject to review and approval by the CFO;
- Receipts and invoices must be provided before reimbursement is possible, and the cost of meals and any other legitimate travel-related expenses are tied to a per diem IRS rate;
- Air travel is at normal coach airfare rates only;
- Strategic retreats must be held in the State of Connecticut, approved by the Board, do not include gifts and entertainment and must include business meetings; and
- Travel expenses or reimbursement for spouses, relatives or other companions or colleagues is prohibited.

Action taken subsequent to the review period 2013-2017 also includes the adoption by the CMEEC Board of Directors on March 30, 2018 of an Ethics and Conflict of Interest Policy. This policy requires CMEEC Board Members and CMEEC Employees to act only in the public interest in connection with their CMEEC duties and to avoid actual and apparent conflicts of interest. The Policy also prohibits the giving or receiving of gifts or any benefit to or from a person, business entity, public official or government employee in excess of $100.

The "Spend with Questionable Business Purpose" identified in Finding 1 is a reference to an employee event held annually in 2014, 2015 and 2016 in which all CMEEC staff participated in records management activities, such as reviewing emails and documents on the CMEEC system for retention in accordance with CMEEC's record retention policy approved by the State of Connecticut. While CMEEC does not agree that the above event

has a "questionable business purpose," at the direction of CMEEC's Interim CEO, commencing in early January 2019, CMEEC will be conducting training for all employees to reinforce the requirements for support and documentation for expense authorization and reimbursement. Such expense authorization and reimbursement will be required to meet a standard of reasonableness that is demonstrably linked to a business purpose and must be accompanied by substantiating documentary evidence, including in the case of meetings and events a record of attendees and topics discussed.

Since 2017, CMEEC has been implementing best practices with respect to expense authorization and reimbursement and will continue that effort by, among other things, continuing to have Finance and Accounting staff review documentation submitted with expense authorization and reimbursement requests and monitoring compliance with the Travel and Ethics and Conflict of Interest policies. The Controller has been charged with conducting this review and will continue this role until all employees have been trained as provided above.

**Finding 2 – Vendor Payments Paid by P-Card:**

The vast percentage of the spending referenced in Finding 2 occurred in connection with Board Retreat and Event expenditures which have previously been identified, both formally and informally, as appearing inconsistent with CMEEC's purpose, and CMEEC has taken action accordingly. After the review period of 2013-2017, to ensure conformance going forward, the CMEEC Board of Directors in May of 2018 adopted a Travel Policy covering both CMEEC Board Members and CMEEC Employees which requires that:

- Travel and all associated expenses must be for a demonstrated business purpose and must be reasonable in terms of distance and expense;
- Travel and all associated expenses must be subject to specified review and approval:
    - Board Member travel must be pre-approved by the Chairperson of the CMEEC Board of Directors and the CEO;
    - General employee travel must be pre-approved by the requesting party's immediate Director and, if applicable, Supervisor;
    - CEO travel is subject to review and approval by the CFO;
- Receipts and invoices must be provided before reimbursement is possible, and the cost of meals and any other legitimate travel-related expenses are tied to a per diem IRS rate;
- Air travel is at normal coach airfare rates only;
- Strategic retreats must be held in the State of Connecticut, approved by the Board, do not include gifts and entertainment and must include business meetings; and
- Travel expenses or reimbursement for spouses, relatives or other companions and colleagues is prohibited.

Action taken subsequent to the review period 2013-2017 also includes the adoption by the CMEEC Board of Directors on March 30, 2018 of an Ethics and Conflict of Interest Policy. This policy requires CMEEC Board Members and CMEEC Employees to act only in the public interest in connection with their CMEEC duties and to avoid actual

and apparent conflicts of interest. The Policy also prohibits the giving or receiving of gifts or any benefit to or from a person, a business entity, public official or government employee in excess of $100.

With respect to the "Spend with Questionable Business Purpose" and "Spending with No Support" identified in Finding 2, at the direction of CMEEC's Interim CEO, commencing in early January 2019, CMEEC will be conducting training for all employees to reinforce the requirements for support and documentation for expense authorization and reimbursement. Such expense authorization and reimbursement will be required to meet a standard of reasonableness that is demonstrably linked to a business purpose and must be accompanied by substantiating documentary evidence, including in the case of meetings and events a record of attendees and topics discussed.

Since 2017, CMEEC has been implementing best practices with respect to expense authorization and reimbursement and will continue that effort by, among other things, continuing to have Finance and Accounting staff review documentation submitted with requests for approval of P-Card expenses and monitoring compliance with the Travel and Ethics and Conflict of Interest policies. The Controller has been charged with conducting this review and will continue this role until all employees have been trained as provided above.

In addition, in connection with vehicle maintenance expenses, employees who have use of CMEEC-owned vehicles will be specifically instructed that invoices for repairs to CMEEC-owned vehicles must reference the make and model of the vehicle being repaired.

**Finding 3 – Vendor Payments Paid via Wire Disbursements:**

The vast percentage of the spending referenced in Finding 3 occurred in connection with Board Retreat and Event expenditures which have previously been identified, both formally and informally, as appearing inconsistent with CMEEC's purpose, and CMEEC has taken action accordingly. Subsequent to the review period of 2013-2017, to ensure conformance going forward, the CMEEC Board of Directors in May of 2018 adopted a Travel Policy covering both CMEEC Board Members and CMEEC Employees which requires that:

- Travel and all associated expenses must be for a demonstrated business purpose and must be reasonable in terms of distance and expense;
- Travel and all associated expenses must be subject to specified review and approval:
    - Board Member travel must be pre-approved by the Chairperson of the CMEEC Board of Directors and the CEO;
    - General employee travel must be pre-approved by the requesting party's immediate Director and, if applicable, Supervisor;
    - CEO travel is subject to review and approval by the CFO;
- Receipts and invoices must be provided before reimbursement is possible, and the cost of meals and any other legitimate travel-related expenses are tied to a per diem IRS rate;

- Air travel is at normal coach airfare rates only;
- Strategic retreats must be held in the State of Connecticut, approved by the Board, do not include gifts and entertainment and must include business meetings; and
- Travel expenses or reimbursement for spouses, relatives or other companions and colleagues is prohibited.

Action taken subsequent to the review period 2013-2017 also includes the adoption by the CMEEC Board of Directors on March 30, 2018 of an Ethics and Conflict of Interest Policy. This policy requires CMEEC Board Members and CMEEC Employees to act only in the public interest in connection with their CMEEC duties and to avoid actual and apparent conflicts of interest. The Policy also prohibits the giving or receiving gifts or any benefit to or from a person, a business entity, public official or government employee in excess of $100.

With respect to the "Spend with Questionable Business Purpose" and identified in Finding 3, at the direction of CMEEC's Interim CEO, commencing in early January 2019, CMEEC will be conducting training for all employees to reinforce the requirements for support and documentation for expense authorization and reimbursement. Such expense authorization and reimbursement will be required to meet a standard of reasonableness that is demonstrably linked to a business purpose and must be accompanied by substantiating documentary evidence, including in the case of meetings and events a record of attendees and topics discussed.

Since 2017, CMEEC has been implementing best practices with respect to expense authorization and reimbursement and will continue that effort by, among other things, continuing to have Finance and Accounting staff review documentation submitted with expense authorization and reimbursement requests and monitoring compliance with the Travel and Ethics and Conflict of Interest policies. The Controller has been charged with conducting this review and will continue this role until all employees have been trained as provided above.

**Finding 4 – Other expenditures:**

The spending referenced in Finding 4 has previously been identified, both formally and informally, for review. Since 2017, CMEEC has been implementing best practices with respect to expense authorization and reimbursement and will continue that effort by, among other things, continuing to have Finance and Accounting staff review documentation submitted with expense authorization and reimbursement requests and monitoring compliance with the Travel and Ethics and Conflict of Interest policies. The Controller has been charged with conducting this review and will continue this role until all employees have been trained as provided above.

**Finding 5 - Contributions:**

CMEEC makes charitable donations to charitable and civic organizations that promote economic development in communities where CMEEC operates. This activity is in line with economic development contributions made to organizations in their communities by other joint action agencies across the country, including the New Hampshire Electric

Cooperative, Basin Electric Cooperative, Bandera Electric Cooperative and South Texas Electric Cooperative.

## SECTION V - RECOMMENDATIONS FOR CORRECTIVE ACTION TO ENSURE CONFORMANCE WITH CHAPTER 101a AND CMEEC'S BY-LAWS

### Recommendation 1 – Expenditures:

CMEEC is in agreement with this recommendation.

### Recommendation 2 – Contributions:

CMEEC is in agreement with this recommendation and is taking action by developing a policy for applying for and distributing charitable contributions that is in conformance with CMEEC's Ethics and Conflict of Interest Policy.

## SECTION VI- REVIEW OF REVENUE AND EXPENDITURES OF CMEEC FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 THROUGH DECEMBER 31, 2017

### Finding 1 – Revenue and Cost Allocations:

This Finding relates to a $73.57 understated Generation Service Charge and Addition to the Rate Stabilization Fund of the revenues and cost allocations in the period of the review from 2013-2017. CMEEC will conduct a more thorough review of its "true up" reconciliation to avoid any misstatements in the future.

### Finding 2 – Economic Development Fund Withdrawals:

The resolution authorizing the creation of an Economic Development Fund also created an adder for Conservation and Load Management Funds, both of which are referenced in the audited financial statements as "Special Funds". Other funds designated Special Funds include the Debt Service Reserve Account (for depositing the debt service reserve funds required by the CMEEC bond resolution) and the Municipal Trusts. As the financial statement audit states, these funds are held by CMEEC solely for the use of its Members. CMEEC has no control or discretion with respect to the use of these funds by Members and administers the funds by investing the funds and maintaining account balances only as a service to its Members. Therefore, the statement by CohnReznick that they were not able to verify from CMEEC records that the funds were used for economic development is accurate, but not within CMEEC's control. This is an issue best addressed by the entity that requested the use of the funds.

With respect to the recommendation that CMEEC remits economic development funds directly to the Members on a monthly basis, CMEEC invests the dollars associated with the economic development funds on behalf of its Members in accordance with its Investment Policy. To automatically remit funds on a monthly basis would decrease the yield to members. Instead, CMEEC will adopt a procedure to remit funds to the Member that requests it, not directly to the end-use recipient.

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