AN ACT CONCERNING MUNICIPAL ELECTRIC UTILITIES AND MUNICIPAL ELECTRIC ENERGY COOPERATIVES.

Vote Date: 3/19/2019
Vote Action: Joint Favorable Substitute
PH Date: 3/5/2019
File No.: 454

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SPONSORS OF BILL:
Energy and Technology Committee

REASONS FOR BILL:

The bill seeks to create additional oversight for all Municipal Electric Energy Cooperatives (MEEC). The bill was designed to call for a series of audits over the next six years as well as establish a pay structure for the Consumer Ratepayer Advocate whose purpose is to help with the additional oversight. The bill adds to previously established oversight that was initially enacted to investigate the Connecticut Municipal Electric Energy Cooperative (CMEEC), one of a few MEECs, after it was discovered that lavish vacations and company outings were being funded by rate payer dollars. This bill would expand on oversights established in Public Act 17-73.

Be it noted that the “S” language removed portions of the original bill and should be considered in reference to the testimony listed below– Refer to FILE No. here

RESPONSE FROM ADMINISTRATION/AGENCY:

Elin Swason Katz, Commissioner, Office of Consumer Counsel: The Office of Consumer Counsel (OCC) is in support of SB-961, specifically, Sections 1 and 2. The agency’s testimony states that Section 1 would allow the State Auditors of Public Accounts to audit CMEEC, and that would provide additional oversight over CMEEC. OCC supports Section 2 because it would allow the Municipal Energy Consumer Advocate (MECA) to hire consultants at up to $30,000 per year and maintains the compensation cap of the MECA at up to $70,000 per year. Commissioner Elin Katz believes that money is well-spent for protecting the ratepayers. Commissioner Katz presumes SB-961 will be beneficial for the whole state.
**Senator Heather Somers, 18th District:** Senator Somers testifies in support of SB-961, and feel that additional reforms are needed to protect CMEEC’s ratepayers. Sen. Somers provides a list of the groundwork for what she believes a multi-year process of reforming CMEEC. She references that since enacting PA 17-73 multiple members of CMEEC’s board have been indicted and she feels that corruption is embedded in the culture of the company and the legislature should add more oversight to protect the ratepayers. She supports the work that has been completed by Bill Kowalski who serves as the Consumer Advocate.

**NATURE AND SOURCES OF SUPPORT:**

**Bill Kowalski, Attorney, Municipal Electric Consumer Advocate:** Bill Kowalski was appointed by Commissioner Elin Katz under Public Act 17-73 to serve as the Consumer Rate Advocate and he testified in support of SB-961. Bill Kowalski explains that their main focus for the first year has been on improving CMEEC’s internal structural processes, bylaws, as well as operations. He believes that securing a funding source for his position and for necessary consultants will help him continue his work providing transparency of CMEEC’s operations. Kowalski also mentions the second year of his two-year appointment, is to review CMEEC’s external business relationships and the bill will help support him in this effort.

**Michael Boucher:** Michael Boucher, a resident of Groton, testifies in support of SB-961. Boucher’s primary focus is on ratepayers and the need for additional protection against CMEEC. He is in support of retaining the rate payer advocate and feels that despite CMEEC’s claims that they are operating more ethically that there are still questionable actions taking place.

**NATURE AND SOURCES OF OPPOSITION:**

**Mayor Keith Hedrick, Town of Groton:** Mayor Keith Hedrick testified in opposition of SB-961 for multiple reasons. Mayor Hedrick states, “I am against this legislation due to the burdensome requirements contained in it, the sweeping inclusion of the Municipal Electric Utilities (MEU)’s, the increased cost associated with the implementation of this legislation and most importantly, the restriction on providing power to just cooperative members only.” Hedrick’s testimony layouts each section that should be put into consideration:

Section 1(i): “There is no increased benefit to have an ‘extra’ audit performed by the Auditors of Public Accounts...requirements of this Bill drive up costs to our ratepayers with little added benefit.”

Section 2(a): This Section references additional salary for Municipal Electric Consumer Advocate (MECA) and Hedrick does not agree with the added expenses.

Section 3(b): Hedrick comments that the recovery of legal fees is not required

Section 3(c): This Section discusses the posting of capital and operating budgets, Hedrick notes there is no significant information to the budget itself.

Section 3(d): This Section discusses the annual disclosure of executed agreements. Hedrick is concerned with the proposed posting requirements of 48 hours which is not consistent with the current posting requirements of PA 17-73.

Section 4(a) (3): This Section discusses the weighted average in voting; Hedrick sees no benefit to including this.

Overall, Mayor Hedrick believes if this legislation passes as it is, it will cause the dissolution of CMEEC which will negatively impact South Eastern Connecticut.
Michael Lane, Interim Chief Executive Officer, Connecticut Municipal Electric Energy Cooperative: Michael Lane testified on behalf of Connecticut Municipal Electric Energy Cooperative (CMEEC) in opposition to SB-961, as the company believes that this bill would add cost to CMEEC and its member utilities and customers. “This bill would severely hamper our ability to continue our mission of providing low cost, reliable power to our customers.” The company believes that the legislature took appropriate actions in Public Act 17-73 to ensure the CMEEC and the MEU’s operated in a transparent process, and they ask to move forward under the controls contained in Public Act 17-73.

David Casale, Director, Backus Hospital: Casale testified on behalf of the construction of the William W. Backus Hospital in opposition a provision contained in SB-961. Casale explains “Section seven [lines 444 through 447 on page 15] provides new language that would appear to remove the ability of the CMEEC {and} would limit CMEEC’s investments to purchasers of power, and not equipment, machinery, and generation.”. He feels that the additional oversight would limit CMEEC’s ability to make investments in the hospital's microgrid project.

Debora Goldstein, Commissioner, Third Taxing District: Debora Goldstein, a voting member of CMEEC’s board, testified in opposition in SB-960. She feels there will be many unintended consequences that will be a result of the additional oversight. She feels that as drafted it will limit CMEC’s ability to invest in the community. Goldstein’s testimony explains, that they already have the necessary oversight and sought to correct past mistakes and this bill is unnecessary.

Mark Oefinger: Mark Oefinger, the Ratepayer Representative for Groton on CMEEC’s board testifies in opposition of SB-961. One of Oefinger’s main concerns is CMEEC’s ability to own and manage a variety of assets to offset swings in energy and transmission costs provide substantial financial benefit to the municipal electric utilities and their customers. Oefinger states “there is no reason to destroy this.” Throughout Oefinger’s testimony he goes into detail about CMEEC issues and how they have made the necessary changes to correct the past mistakes and do not need the additional oversight beyond what was enacted by PA 17-73.

Paul Yatcko, General Manager & CEO, South Norwalk Electric and Water: Paul Yatcko testified on behalf of South Norwalk Electric and Water (SNEW) in opposition of SB-961. SNEW argues if this legislation passes it will harm their office and customers in numerous ways because it groups all Municipal Electric Energy Cooperatives (MEEC) under one umbrella. In his testimony he acknowledges that CMEEC is deserving of oversight after the news of the extravagant trips came to light but that this bill would include all MEECs even those without questionable pasts. He states that SB-961 will permanently raise SNEW’s cost electric energy, as well as require the disclosure of sensitive contract terms, which has the potential to prevent SNEW from doing business with reliable suppliers and services. Yatcko explains that SB-961 requires all MEECs to seek restitution for certain legal costs and requires all MEECs to disclose specific sensitive financial information and this could negatively impact their business model.

Reported by: Elizabeth Blackman Date: 3/28/19