

SECOND TAXING DISTRICT COMMISSIONERS
Regular Meeting
March 10, 2009

Present:	Otha N. Brown	Chairperson
	Mary E. Burgess	Vice Chairperson
	Al Ayme	
	Maria A. Borges-Lopez	
	Mary Mann	
	Cesar A. Ramirez	

Also Present:	John M. Hiscock	General Manager
	Arthur Miller	Legal Counsel
	Al Vasko	Legal Counsel
	Candace Pampoukidis	District Clerk

Public Present: None

Absent: Sylvester Maultsby

Call To Order

Chairman Otha N. Brown called the Regular Meeting of the Second Taxing District Commissioners to order at 7:06 p.m. on Tuesday, March 10, 2009. The meeting was held at South Norwalk Electric and Water, One State Street, South Norwalk, Connecticut.

Acceptance of the Minutes

Commissioner Brown: "I call the meeting to order. What is your pleasure with regard to the regular minutes of the meeting on February 17th? That's when I returned from Washington by the way. I just wanted you to know I wanted to see you so badly.

Commissioner Burgess: "I will move acceptance of the regular meeting minutes of February 17th."

Commissioner Ayme: "Second."

Commissioner Brown: "Any of your remarks? Any remarks? Any questions?"

Commissioner Ramirez: "I would like to abstain..."

Commissioner Brown: "All those in favor say aye."

Commissioner Ramirez: "Excuse me [directed to Commissioner Brown]."

Commissioner Borges-Lopez: "Aye."

Commissioner Brown: “Yes [acknowledging Commissioner Ramirez]?”

Commissioner Ramirez: “I would like to abstain because I don’t believe I was here in the last... this is the last meeting, right? Yes?”

Mr. Hiscock: “Correct [responding to Commissioner Ramirez].”

Commissioner Ramirez: “I wasn’t here last meeting, so I want to abstain.”

Commissioner Brown: “Okay.”

Commissioner Ramirez: “You weren’t here either, right?”

Commissioner Brown: “The Clerk... who?”

Commissioner Ramirez: “You [responding to Commissioner Brown].”

Commissioner Burgess: “You [also responding to Commissioner Brown].”

Commissioner Brown: “Of course I was here.”

Commissioner Burgess: “You were not.”

Commissioner Mann: “No you weren’t.”

Commissioner Borges-Lopez: “No you were not.”

Commissioner Ramirez: “I don’t see your name.”

Commissioner Brown: “The 17th of February?”

Commissioner Burgess: “February 17th...”

Commissioner Ramirez: “So you probably were in two places at the same time.”

Commissioner Burgess: “You were not. I ran that meeting.”

Mr. Hiscock: “Yes, you were not here. You were away.”

Commissioner Brown: “The 17th of February?”

Mr. Hiscock: “That’s correct, sir.”

Commissioner Ramirez: “That’s the last meeting, sir.”

Commissioner Brown: “I beg to differ, but I’ll get it all straightened out. Because I came back... but you called me, and I called you, and I said I’d just gotten back [directed to Commissioner Burgess]. It was on the...”

Commissioner Burgess: “Yes, but you were not back for the meeting.”

Commissioner Ayme: “Okay, so...”

Commissioner Ayme: “You went down to the Ritz to get our pens [directed to Commissioner Brown].”

Commissioner Brown: “I will check that, and... is that the... was that what you have as a matter of record [directed to Ms. Pampoukidis].”

Ms. Pampoukidis: “Yes [responding to Commissioner Brown].”

Commissioner Brown: “Well I’ve got to find out where I was.”

[Laughter]

Commissioner Ramirez: “Just for the...”

Commissioner Brown: “I shall not tell [laughing].”

Commissioner Ramirez: “Mr. Chair?”

Commissioner Brown: “Okay.”

Commissioner Ramirez: “Mr. Chair?”

Commissioner Brown: “Yes [acknowledging Commissioner Ramirez].”

Commissioner Ramirez: “With all my respect to you, I believe this meeting was conducted excellent; very professional.”

Commissioner Brown: “Well, oh yeah, oh that’s right, I was at the... which one was I...? Because I did... oh, that’s right, you’re correct, because I did read... and if I’m not mistaken, just for the record, I called the General Manager and later on subsequently spoke to him and congratulated everyone, including him, about what... and the Clerk, and so on, on an excellent meeting. Very well. I apologize. I don’t know where I was.”

Commissioner Ramirez: “Mr. Chair?”

Commissioner Brown: “Well, I have a joke about that, but I’ll deal with that later on.”

Commissioner Ramirez: “Chair? I believe she wants to say something [referring to Ms. Pampoukidis].”

Commissioner Brown: “Yes [acknowledging Ms. Pampoukidis].”

Ms. Pampoukidis: “Can we finish the vote on the minutes?”

Commissioner Brown: “Without objection, so ordered.”

Commissioner Burgess made a motion to accept the regular meeting minutes of February 17, 2009. Commissioner Ayme seconded and the motion passed without objection. Commissioners Brown and Ramirez abstained.

Chairman's Remarks

Commissioner Brown: "My remarks will be very brief."

Commissioner Burgess: "Wait."

Commissioner Brown: "Yes [acknowledging Commissioner Burgess]."

Commissioner Burgess: "Did we get the one abstention?"

Ms. Pampoukidis: "Yes [responding to Commissioner Burgess]."

Commissioner Burgess: "Okay."

Commissioner Brown: "Yes, she did."

Commissioner Ramirez: "There's supposed to be two, right?"

Commissioner Mann: "Shouldn't there be two?"

Ms. Pampoukidis: "There should be [responding to Commissioner Mann]."

Commissioner Brown: "Are we all ready? Are we all satisfied? Everybody's happy? Okay, very well. My remarks will be brief. I was away, and I wanted to be sure to... the Manager was aware of it. And what I have... what you have, is where I was. The pens that you have there are souvenirs that came from the Ritz in New Orleans. And I want to make a couple of remarks about it, if I have my material. I think I do. I'm going to give to the Clerk this folder here called the '2009 AWWA/WEF Utility Management Conference.' I was at the Utility Management Conference. I wanted to know more about managing a utility. John [Mr. Hiscock], I was thinking about [laughing]... I know I could have gotten it all from you, but I wanted, I just wanted to check, as you know, and I found that you are doing an excellent job. And I made some mention about that. And I just wanted to tell this group here, and remind them that... and even to some extent warn our group here, that John [Mr. Hiscock] is held in very high regard by AWWA. As you know he was on the National Board of AWWA, and I did indicate to them that in our own operation here, John [Mr. Hiscock], I believe, as far as I can check the records is the first, maybe the only, Manager that has ever been actually evaluated, not only by the Board, but by the general electors. And it was done during my administration, of course, and as a result it was an excellent one. And I reported that to them, and... but I must admit they already knew how excellent you are [directed to Mr. Hiscock], and I would only want to say to all of you, is that keep that in mind because, well, John [Mr. Hiscock] is hot right now, and there... I had many inquiries about him and why he wasn't there, and probably (inaudible) of me, however, but I reminded them that he was a Manager and I'm an elected official and Chairman to the Board. But I... but he... I tried to get (inaudible), right John [Mr. Hiscock]?"

Mr. Hiscock: "Yes, you did [responding to Commissioner Brown]."

Commissioner Brown: “Okay, very well. By the way, it says ‘Change... what it was about was ‘Changing Organizations to Attract and Retain Great Employees.’ As you know many of our employees are getting elderly like myself, and so that some of them will be leaving. There are some other employees, not ours, but around the country, that as they get other positions which provide them much better in terms of their futures, is that they’re leaving a lot of utilities to pick other jobs and so on. And this was a whole conference about how to treat them nicely and to help them and to provide a better education for them, which we, I might add, I was pleased to report that we do. Is that our employees are able to go to school at our expense and all of those kinds of things, and we have not had the problem of retention or of managers leaving and all of that (inaudible). So [laughing] it was... I must admit I... so I was a participant in the conference, and was asked to give some comments with regard to utility management, and... and John [Mr. Hiscock], again, don’t take offense, but I had to tell them again, is that we do it differently here because the fact is we recognize that there’s a difference between election, appointment, and anointment, right? So keep... have that a part of the minutes. Okay, the... so what I’m going to do is to... this is a very fine (inaudible). If you’re interested in this area, this is a book on the Utility Management Conference. I also have a... something that you will be able to see quite a bit in terms of what are this issues with regard to that matter. This was the American Water Works and the Water Federation, which is another organization, but they are doing some work together. One of the things that this group deals with is waste water, and we don’t deal with waste water; the City of Norwalk... somebody else does that. But it was a very interesting conference, and a very interesting city. I’ve been there many times, and... the... so what I’m going to do is give this to the secretary. I’m going to pass it, starting down here; take a quick glance at it, by the time it gets to the secretary, anyone whose interested in looking at it more further just check with the Clerk and/or the Manager, and they’ll make arrangements for you to see it and see what the experience I had, and I want to be able to... I won’t have to belabor you with any of the social aspects that I enjoyed also there. The other thing I want to... because there are rumors a flying, and I want to make sure my Board knows what the (inaudible) is; I have gotten the proper papers of forming an exploratory committee to perhaps announce at a later date that I might be a candidate for Mayor, and so I want to make sure you know that. And if any of you are interested either in my exploratory committee, or in my future in that regard, be sure to let me know and I’ll be glad to talk with you about it. Okay, any questions about any of that; and I’ll try to answer very quickly? If not, then we will go right to the regular agenda.”

Mr. Hiscock: “Mr. Chairman?”

Commissioner Brown: “Yes [acknowledging Mr. Hiscock]?”

Mr. Hiscock: “I would like to make a request. We have legal counsel here this evening to deal with item 7, which is the CMEEC Competitive Municipal Trust and CMEEC Short-Term Borrowing. And so that counsel doesn’t have to sit through the entire meeting, I would request that you change the order of the agenda, and that we take up item 7 at this point.”

Commissioner Brown: “Is there a motion to that effect?”

Commissioner Burgess: “Yes...”

Commissioner Ramirez: “I’ll put the motion. I’m sorry [directed to Commissioner Burgess], go ahead.”

Commissioner Brown: “Okay, second?”

Commissioner Ayme: “Second.”

Commissioner Brown: “Any comments, remarks, objections? If not, without objection so ordered.”

Mr. Hiscock: “Okay.”

Commissioners Burgess and Ramirez made a motion to move agenda item seven as the next order of business. Commissioner Ayme seconded. Without objection, the motion carried.

Commissioner Brown: “So we can proceed, John [Mr. Hiscock].”

CMEEC Competitive Municipal Trust – CMEEC Short-Term Borrowing

Mr. Hiscock: “Okay, in your packet under... well first of all let me just introduce counsel. I’m sure that you have dealt with Attorney Arthur Miller, who’s been before this Commission several times with respect to some of our business dealings and other areas and Mr. Al Vasko, a new member of the Tierney, Zullo, Flaherty and Murphy Firm, who are both working on this borrowing of the Competitive Municipal Trust, and we met yesterday actually to talk about it. I’m not proposing this evening that we take action. I’m proposing to introduce the topic and answer questions. It’s fairly complex, and I think the Commission probably might want the opportunity to do some of their own due diligence or ask additional questions over the next week or two. So I think at this point if these two gentlemen would come up to the table, it would make it a little easier to deal with, and we can all sort of sit here and talk about it.”

[Attorneys Miller and Vasko approached the table]

Mr. Hiscock: “In your packet under item 7 is my brief summary of the issue, which I’m sure you’ve all read, and a series of memorandums and documents relating... and resolutions; and sample resolutions for us, and resolutions that have been passed by the CMEEC Board of Directors last Thursday. So I’m going to start off with a generalization and a fairly brief explanation, and we can go from there. Okay. The District has on deposit at CMEEC, as part of its Rate Stabilization Fund, but a separate part of the Rate Stabilization Fund, some funds in the Competitive Municipal Trust. Some of you may recall that we approved this Trust document several years ago, and at that time we segregated approximately \$5 million, a little bit more than \$5 million, of our Rate Stabilization Fund and put it into the Trust. It was put into the Trust, and the Trust documents talk about the purpose of the Trust, and one of the purposes of the Trust is to cover some long-term debt of CMEEC. This long-term debt related mostly to deregulation and some stranded assets that we had. CMEEC had to enter into some debt obligations to get ourselves out of certain contracts. I was not on the Board of CMEEC when the original bond issue that we’re covering with the Trust was actually issued. The total value of the Trust for all systems today is a little over \$40 million. It has a trustee that manages the assets at our direction. And each of the systems has a sub-account in the Trust. So we all have segregated funds that previously sat directly into the Rate Stabilization Fund. The money has been sitting there and originally, before we put it into the Competitive Municipal Trust, it was slowly building over time to offset our share of this historic debt. The issue in the early 2000 through 2005/6 range was that we’re not fully covered for our share of debt. Somewhere in the 2006 to 2007 range we were fully covered because of the way the process works.

Right now we have more funds in the Competitive Municipal Trust than our share of this historic debt, and that's true of most of the communities. Groton is a member, Norwich is a member, Jewett City is a member, East Norwalk is a member, South Norwalk is a member; and they all have funds in this trust, and it offsets the historic debt for the most part. Wallingford, a participant in CMEEC, has no funds in the Trust because they're only a participant, they're not an actual member. Okay, so that money resides there. The money is invested in various instruments, a significant number of instruments. So that's what the Trust is. Now, what's the problem, and what's the issue? CMEEC is in a position where it had to, last spring, pay off some debt that CMEEC had floated, and the debt was in the form of auction rate notes. Auction rate notes are instruments that are obviously traded, and all of that, that are a form of debt; and the interest rate varies, and was fairly low, and the interest varies on almost, I guess, on a daily basis. And a lot of this money was invested in reinsurance and a whole pile of things related to the real estate market. As that started to heat up, and we all know the problem started early last year, the arrangement was that as the auction rate notes went through the auction process, the interest rate would go higher and higher as less and less people were interested in purchasing them. People were not interested in purchasing because they were not a good investment due to the market issues. The long and the short of the issue was that the default rate interest, in other words if they could not sell the auction rate notes, was 14%. We were paying about 3%, or in that range, for a long time. So we ended up taking these notes out simply by using our Wachovia bank \$35 million line of credit. We took \$31 million against that; now this is at the CMEEC level; we took \$31 million against the Wachovia line of credit and paid off the notes, and took care of the cash obligation that way. And at the same time, the Board passed a resolution to replace the Wachovia line of credit borrowing, which paid off the auction rate notes, with a permanent bond financing; standard CMEEC tax exempt revenue bonds. As the year went on and finances got... or the financial arena got more difficult and we were headed into trouble, CMEEC decided to hold off on issuing the \$35 million in tax exempt revenue bonds until the market stabilized and we could get a good read from our financial advisor as to when would be an appropriate time to issue debt. At one point in time, last fall, it wasn't a good idea to even think about it. And Norwich did, at one point, try to issue their own tax exempt debt and there were no takers. This was when the market was in its worst possible condition and nobody knew what was going on. And I'm talking about the bond market. I'm not talking about the stock market at this point. As the winter wore on we set a timeframe for April to issue the bonds at the CMEEC level, the tax exempt revenue bonds, and we've been proceeding in that direction. CMEEC has completed the offering statement. We've met with the financial advisor. We've met with the Bear Sterns. We've met with everybody involved in the issuance of debt. And we went down to the City about three or four weeks ago, and we have a meeting on Monday with Fitch and Moody to talk about our bond rating and get a bond rating for this issue. CMEEC is currently rated AA2, which is a relatively good rating. Last time SNEW was rated, by the way, or actually the Second Taxing District was rated, we were AA1, which is better. But that's because we're underlying debt from the City of Norwalk which was, at the time, AAA. Having said that, we were doing fine, we had sufficient cash reserves at CMEEC to wait out the April bond proceeds so that we could pay down the Wachovia line of credit. The situation with the Wachovia line of credit is we have to pay the balance to zero once a year just to show that we have sufficient liquidity to be able to pay it down. It's not permanent long-term debt. It's got to be short-term debt. And I don't understand all of the banking rules, but that's the situation. And we were doing fine. And then we ran into a problem that was unanticipated and that CMEEC had never faced before. Now this is where it gets a little difficult to understand, and I'll try to go through this slowly. CMEEC buys power and sells it to us, and they buy power from various entities. And when they buy power, they buy power out of plants for a specific set rate for the power, but the way the arrangements are set, because they're long-term contracts, they're set that we pay the fuel costs. So we have a component that we pay to the

generator for the use of their facilities, and then we pay the fuel costs. It's sort of like, almost like renting a car, but you put the fuel in the tank. And that's the best analogy I can come up with. So we have a lot of contracts, and a lot of our contracts are rated on gas. Last year, when gas was at an historic high at \$14.00 an MMBTU, that's a million, million BTU, CMEEC was afraid that gas prices might continue to rise, and we were in that rising marketplace, so CMEEC essentially hedged on the gas. Now hedging on the gas means that instead of paying the market rate for gas, they purchase gas futures. At the time they purchased gas futures about four years out, and I can't give you the exact numbers because they vary, but in essence, on average, they purchased gas futures at \$7.00. They thought \$7.00 was a reasonable position based on the historic prices of gas, and nobody planned on a worldwide recession. Because just as your gasoline and your oil prices at home have dropped, the price of gas has dropped. Gas has dropped to, in the beginning of this month, \$4.20 an MMBTU. We purchased gas at \$7.00. So there's an item called... well market to market, which is value at that time, the time you purchased, to the market rate. So we're missing that spread by about \$2.80, and to avoid a default situation the contracts are written in a way that we get credit from the other party, called a counter party, up to a certain dollar amount. And just as when we buy power in a rising market, we give credit the other way, and the issue of the credit is the default risk. We're always concerned that when we're buying power in a rising market, that somebody might not deliver to us because of a failure problem and now we've got to replace this contractual power with power purchased going forward. So there's always a loss. In this case, in a falling market, we're the ones who the counter party considers at risk for default because we could simply say 'You know what, we're not honoring our \$7.00 contract' that runs for almost four more years, and it varies in volume, 'but we're going to go out and buy gas in the marketplace.' So now we are a credit risk in the other direction. The gas drop from \$7.00 to \$4.20 has created essentially a margin call; you here about that in stock market issues, when you buy stock at a certain price and it goes in another direction; you've got to pay that loss. So we have a margin call. The margin call exceeded our credit line with a company... by the way, Jay Aaron is the name of the company. It exceeded the credit line by some \$17, approximately \$17 million. So CMEEC took \$17 million and plunked it over into J. Aron's account. Now it's not that CMEEC lost any money here. It's not that it affects our rates long term. And you need to understand that, because our rates are based on \$7.00 gas, but it's just to ensure that we continue with the contract as designed. In essence we're putting the money put so that J. Aron knows that we will continue to pay \$7.00 for the gas. The problem has come that CMEEC is now down to about \$6 million in cash, and that's fine as long as the price of gas doesn't fall lower. And we've looked at two issues; gas dropping another \$0.50, and the ultimate catastrophe, gas dropping \$1.25 more. Now that goes down to an unbelievably low number of what, \$3.95; \$2.95, I'm sorry. I can't do my math. So what has CMEEC done to try to solve that problem? CMEEC approached Wachovia, and asked Wachovia to increase our line of credit by \$10 million. The local people that we've been dealing with for several years at Wachovia said 'We don't see a problem. You're a customer. We understand your business, however due to the current banking situation, all decisions on line of credit go to San Francisco, the headquarters.' And while they don't see a problem, they don't know when we're going to get an answer because there are a whole pile of banking issues going on. So that obviously made us nervous for two reasons. One, if we go into default and declared in default with J. Aron, it will be a catastrophe with respect to our bond rating for the bonds that we're trying to issue next month. A catastrophe in bond rating means we'll pay higher interest. If we pay higher interest, it means the rate for power purchased by us from CMEEC has to increase to cover the increased interest, and that's the way we work, we're a cooperative. So in order to one, worry... to protect ourselves if Wachovia doesn't come through in a timely fashion, or doesn't come through at all, we need to come up with some cash. CMEEC management discussed this with our financial advisors and approached each of the systems and asked to borrow from the Competitive Municipal Trust until the bonds are issued. To

do that a couple of things have to happen. The CMEEC Board of Directors have to approve each of the systems' withdrawal from the Connecticut Municipal Trust, because that's the way the Trust documents are written, and on Thursday we did that; we approved the withdrawal by four systems from the Trust to then loan it back to CMEEC. CMEEC then also had to agree to a lending of those funds and put the appropriate resolutions in place. The purpose of borrowing from the Trust, and I'll talk about what borrowing really means in a minute, is to be a backstop. We want to be able to go down to both Fitch's and Moody's on Monday and say these are the contingencies we have put in place to make sure that we do not default, and we have essentially two contingencies. We have between \$6 and \$10 million in cash, which is fine as long as the gas price doesn't drop considerably more. We've asked for an increase from Wachovia in the line of credit by \$10 million, and if that comes through we have those funds and that's all the funds that will be necessary to cover the gas margin call if the price drops lower. Then as a backstop from that contingency we have the Connecticut... the Cooperative Municipal Trust; and I keep getting the words backwards, in which we can take the funds and cover the margin call until the bond issue is done, closed, and we have the cash in hand. So CMEEC has agreed that the order of draw, if necessary, will be Wachovia, if it comes through, and then go at the Municipal Trust. To go at the Municipal Trust, since it's our money, they need our permission. They need a resolution by this Board approving that. Having put all of this, or having dealt with all of this, I went to counsel to explain in detail what we were trying to do, and tried to provide some information. Counsel has only had one day shot at this, so there is not going to be a recommendation, certainly by myself, this evening that you approve this resolution; absolutely not. I think we need to have counsel do their due diligence and come back to the Commission as necessary. We will not be impeding the process, because when we go to the rating agency we will explain exactly where we are with the Competitive Municipal Trust. Norwich has already pledged their \$10 million. The Third Taxing District has pledged their \$3 million; they did it at a public meeting last week. Jewett City has pledged \$2 million. Jewett City is the smallest member. We have pledged nothing to this point, although we're discussing this. We'll relay to both Fitch and Moody that we've had this discussion on the record in a public forum. They can certainly review our minutes to see what we've talked about this evening. Groton has not pledged any of their \$20 million, and Groton hasn't pledged their \$20 million because of their perception of the time it would take for them to get approval, and they believed it would be beyond the point in which we're going to have the CMEEC bond closing anyway. So they have not, and we'll talk about that in a few minutes. The other issue that I can explain, and it has to do with the Trust; when CMEEC took out the line of credit with Wachovia, it guaranteed that it would retain \$20 million in the Competitive Municipal Trust; that was the lowest it would go. I mean it's essentially, if we drove below the \$20 million in the jointly owned trust we would be then in violation; and I don't know if you call it a default, but I think it is, with respect to the Wachovia line of credit, and they could issue a demand note at that point. None of this would put any of us in a comfortable position at CMEEC. Being in default is going to obviously affect our bond rating. Our bond rating really affects our own rates, plus whatever happens in a default situation, and I'm not exactly clear as to what would happen, and I don't know if even legal counsel would be able to figure out in the short term what would happen. It's a fairly complex process. It's like the dominoes, you know, one does this, and this, and this. None of the board members from the systems are pleased about the situation, but we do recognize that we need to do everything we possibly can to make sure CMEEC does not go into default. And that means if we all cooperate, or at least the four systems do, there should be little risk of default. Our financial advisors have indicated that there's virtually no risk that we will not be able to have takers on the bonds, the revenue utility tax exempt bond market is doing fine, issues have been going on steadily for the last several months. There's no issue there. The only thing is our interest rates will be a little higher than originally planned last year. That's a long explanation for all of you."

Commissioner Brown: "Yes it is, John [Mr. Hiscock], and I... as the Chair I would say this, that you've done certainly an excellent job of this, and it was very helpful, but hopefully that... that... there's the question as to whether it's the proper forum, because I personally believe that when it comes to the Board, that it should have been discussed by either committee or by special committee or somebody, so that we would not have to dwell that long.. But on the other hand, I want to make it very clear for the record that you are the horse that we have in this... in this thing, and as a result, is that, for my own case, is that I... I know we have talked about this and so on, and I am very much interested in terms of what is your recommendation, because as far as I'm concerned it's about the best that we have now, and I must admit that's not chopped liver."

Commissioner Ramirez: "May I...? I'm sorry [acknowledging Commissioner Ayme]. Go ahead, and then I... because I have a couple of questions."

Commissioner Brown: "Well nobody called me, but if you say through the Chair then I will answer."

Commissioner Ayme: "Through the Chair."

Commissioner Brown: "Okay."

Commissioner Ayme: "The way I see it, this is a mess."

Mr. Hiscock: "Yes it is."

Commissioner Ayme: "It is a catastrophe. The so called line of credit that they... that we show here is nothing more than a margin account that CMEEC had; what they deposited, whatever instruments they had at their disposal at the time, and because of the mark to the market it created a margin call. That margin call, to the tune of \$17 million, the way I see it, since we... since in a margin account of this measure, 25% of the deposit has to be maintained, what I see is a loss of over \$12 million; out the window, that we'll never see that money again."

Mr. Hiscock: "That's incorrect, sir."

Commissioner Ayme: "Okay. That's what I see here. That's how a margin account works. In terms of the... CMEEC is not a limited liability for the members, is it?"

Mr. Hiscock: "There's an issue that I've talked briefly to counsel about, and counsel's going to review. Debt of CMEEC I do not believe, and this is subject to legal review, is debt that flows back to the individual systems. So a default by CMEEC would not, as far as I understand, and again it's going to be subject to counsel looking at documents, is not debt that has to be borne by us. So if CMEEC defaults, they're not going to come to the member systems to look to them to pay off the debt."

Commissioner Ayme: "So what you're saying is that our \$5 million is secured no matter what?"

Mr. Hiscock: "Oh, absolutely not. The \$5 million is not going to be secured by anything other than CMEEC's ability to issue the debt in the future, which is not in any way guaranteed. So there is a risk. There's no doubt that there is a risk."

Commissioner Brown: "I will accept..."

Commissioner Ayme: "Which means that this is not a limited liability."

Commissioner Brown: "Excuse me [directed to Commissioner Ayme]."

Commissioner Ayme: "It's a general liability for all the... this is too big, Mr. Chairman."

Commissioner Brown: "Well what I want to say is that I want..."

Commissioner Ayme: "This is really... this is the biggest catastrophe that I have seen here in all the time that I've been here."

Commissioner Brown: "Well the only thing about it, I'm talking in terms of rules of order. The fact is, as I indicated before, that there was a question as to whether this is the proper forum, because when it comes to us we should be in a position ready to make a judgment on it and not to be informed about it, but to be educated about it."

Commissioner Ayme: "We need information."

Commissioner Brown: "That should be somewhere else."

Commissioner Ayme: "We need..."

Commissioner Brown: "Now by the way, I want you to know my position is I know how... John [Mr. Hiscock], soon..."

Commissioner Ramirez: "May I, Mr. Chair?"

Commissioner Brown: "After I'm finished, sir [responding to Commissioner Ramirez]. Soon after... I know the kind of time and effort and so on that the General Manager puts into this and I trust that judgment, and that doesn't mean that everybody else has to do it, but I can tell you this, what we're going to do here is not going to solve it. I think that if the issue is that the Chairman has... the Manager, has a recommendation, and we trust his judgment, that we make a decision on that. If not, then we have to put it to the proper forum for it to be discussed so it can have a recommendation before the Board to vote on."

Mr. Hiscock: "I do not have a specific recommendation this evening because I need counsel to continue to review the documents, and to work on the documents, and to help determine the risk involved with the transaction, and to point out to the Commission what those risks are or are not."

Commissioner Brown: "That's an excellent recommendation."

Mr. Hiscock: "In my general recommendation is yes, but not without further due diligence and further review by counsel, and discussion by counsel with CMEEC counsel, and discussion about the documents."

Commissioner Brown: "Any other comments about the General Manager's....?"

Commissioner Ayme: "Mr. Chairman, in order to understand these problems, I need information."

Commissioner Brown: "Well you're not going to get it tonight."

Commissioner Ayme: "I'm not going... when will I get it?"

Commissioner Brown: "I don't know. The question is..."

Commissioner Ramirez: "Well... Mr. Chair..."

Commissioner Brown: "...the Board cannot act on it until we have the proper information..."

Commissioner Ayme: "Well that's what I'm trying to get..."

Commissioner Brown: "...and where are we going to get it from?"

Commissioner Ayme: "...the information, Mr. Chairman."

Commissioner Ramirez: "Mr. Chair, I'm sorry..."

Commissioner Brown: "From where are we going to get it, so I can the right English?"

Commissioner Ramirez: "Mr. Chair?"

Commissioner Brown: "Yes [acknowledging Commissioner Ramirez]."

Commissioner Ramirez: "With all my respect to you and Mr. Al [Commissioner Ayme], I believe that's why... I understand that we do not have to take any actions tonight, okay. Therefore, based on what he explained, there's no doubt about it that there's a problem. On the same token, we've got two counselors here, two attorneys, that are willing to provide more information, is that correct [directed to Mr. Miller and Mr. Vasko], or provide answers to the questions."

Commissioner Brown: "[Laughing] want to bet. Want to bet."

Mr. Miller: "(Inaudible) trying to get a feel for all the legal issues that the Commission may have..."

Commissioner Ramirez: "Okay."

Mr. Miller: "...so that we can then do this due diligence or research to get back to the Commission with answers."

Commissioner Ramirez: "Alright. May I have...?"

Mr. Miller: "We were only apprised of this yesterday, so we haven't had a lot of time to analyze it."

Commissioner Ramirez: "It's okay. Well that's the way that I understood, that you don't have... but one of the questions is, I do believe in the seriousness of the contract of \$7.00, okay? Is there

anyway, I mean I might play naive on this one, but is there any way that we can negotiate that contract of \$7.00 to be less? And the other one would be..."

Mr. Miller: "Possibly, though that's really a CMEEC issue as opposed to an issue that we..."

Commissioner Ramirez: "Well that's assuming that..."

Mr. Miller: "That's something that we can discuss..."

Commissioner Ramirez: "Exactly, right."

Mr. Miller: "...but we will discuss with CMEEC; it's counsel."

Commissioner Ramirez: "I mean, based on the circumstances and what you hear all over the nation, those big corporations, banks, etc., etc., are willing to open... to have an open mind, and perhaps open (inaudible), to see that neither us or anybody else perhaps for that matter be the fault, because if we go down, I mean obviously we're going to have a serious problem, so therefore can be..."

Commissioner Ayme: "I need to..."

Commissioner Brown: "Well you're going back to a committee, almost of a whole, in terms of discussing information where we don't have all that..."

Commissioner Ramirez: "And the second one was [continuing with his inquiry to Counsel and Mr. Hiscock]..."

Commissioner Ayme: "Mr. Chair, I have a question."

Commissioner Ramirez: "...what will be the part if the bank does not approve the \$10 million?"

Commissioner Brown: "Sir, are you presiding now [directed to Commissioner Ramirez]?"

Commissioner Ramirez: "I haven't finished yet, sir [responding to Commissioner Brown]. So what will be the worst scenario (inaudible)?"

Mr. Hiscock: "If Wachovia doesn't issue the additional \$10 million line of credit, and gas drops to a lower level than it is now, instead of looking initially to the line of credit, they will look to the Competitive Municipal Trust, so that means the draw on the Trust would be sooner and more likely [responding to Commissioner Ramirez]."

Commissioner Ayme: "Mr. Hiscock, through the Chair, am I correct in saying that the contract on the futures that have a set price cannot be renegotiated; that's a fixed price?"

Mr. Hiscock: "I don't believe it can be renegotiated without going into default first."

Commissioner Ayme: "That's exactly right. That's exactly right. Because of the mark to the market on the instruments that were on deposit is what has created the gap, and the gap is \$17 million. Am I correct?"

Mr. Hiscock: "The current \$17 million gap is currently covered by CMEEC's cash. That \$17 million has already been posted."

Commissioner Ayme: "That has already been posted to the account?"

Mr. Hiscock: "Correct..."

Commissioner Ayme: "Where from?"

Mr. Hiscock: "...this is a contingency for further drops in gas prices."

Commissioner Ayme: "Meaning that there was a prior margin call that required \$17 million, and then CMEEC posted the money?"

Mr. Hiscock: "That is correct."

Commissioner Ayme: "And now we have a second margin call and they need more money?"

Mr. Hiscock: "No."

Commissioner Ayme: "Okay."

Mr. Hiscock: "This is in anticipation of a potential call, if the price of gas continues to drop. The call obviously just gets bigger and bigger."

Commissioner Ayme: "The \$17 million to cover the previous gap, we'll never see that money. CMEEC won't see that money again, because that was a mark to the market."

Mr. Hiscock: "It's not like a stock option purchase. This is a long-term contract for fuel..."

Commissioner Ayme: "I know, but it works..."

Mr. Hiscock: "...and the only thing that you're paying is your front paying the contract. That's all you're doing. You're front loading the contract by prepaying a portion of the contract which represents the difference between the credit issued and the current gap. As this moves forward we're dropping... we dropped the... out of that \$17 million, it rolls off at about \$1.2 million a month, and every month as long as gas stays at \$4.20, CMEEC claims back their \$1.2 million. This money sits here in a pot, and if the gas price goes back up they give us the money. The only thing that this will do is cover the gap between our credit line and the current value of the margin call. That money does not go right to J. Aron directly. It goes into an account based on the transaction between CMEEC and J. Aron. It sits out there in an account for which if the gas price drops CMEEC then calls back."

Commissioner Ayme: "Which is based upon the value of the contract..."

Mr. Hiscock: "Correct."

Commissioner Ayme: "...from the beginning."

Mr. Hiscock: "Yes."

Commissioner Ayme: "And that amount that you're talking about, that sits there, is a fictitious amount. It's just based on the value of the contract."

Mr. Hiscock: "That is correct."

Commissioner Ayme: "That's not actual money. That's a fictitious amount."

Mr. Hiscock: "Well it is actual money..."

Commissioner Ayme: "Based upon the value of the original contract."

Commissioner Brown: "Commissioner Ayme, what's before the house?"

Commissioner Ayme: "What [responding to Commissioner Brown]?"

Commissioner Brown: "What's before the house? What are we supposed to be... what is supposed to be our determination? What do you want us to do? Do you have a...?"

Commissioner Ayme: "I just want to be able to understand what's happened here."

Commissioner Brown: "Yes, but how long is that going to take, and what is it you want to understand? Do you have a motion to make so we can go from that point?"

Commissioner Ayme: "We don't require a motion. Do we require a motion [directed to Mr. Hiscock]?"

Commissioner Borges-Lopez: "Not tonight [responding to Commissioner Ayme]."

Commissioner Brown: "You will here, because I'm going to place a limit on it."

Commissioner Ayme: "If we're going to... well that's even worse, because if we require a motion, or if we require an approval of a resolution, we've got to be able to understand what we're doing here."

Commissioner Mann: "Absolutely [responding to Commissioner Ayme]."

Commissioner Brown: "Well I agree, but the question is, maybe the Board has to decide if it wants to stay here until 12:00, or 1:00, or whatever it is, to do that."

Commissioner Ayme: "I don't think it will take that long, but..."

Commissioner Brown: "Well let's set the time."

Commissioner Ramirez: "Mr. Chair?"

Commissioner Brown: "Yes [acknowledging Commissioner Ramirez]."

Commissioner Ramirez: "With all my respect, sir, this issue is very complex..."

Commissioner Brown: "Look, I know about what... I don't need you to explain to me about that."

Commissioner Ramirez: "...and it does, and it does need to be explained, what's going on here."

Commissioner Brown: "I want to know what's before the house."

Commissioner Ramirez: "Commissioner Al Ayme has a question, and I believe that he does have a right to keep asking questions."

Commissioner Brown: "I'm not going to have you tell me about... I know about legislative procedure. I know more about it than you do."

Commissioner Ramirez: "(Inaudible)..."

Commissioner Brown: "So I want to know, what is before the house? Let's look over here. What does it say we are supposed to do tonight?"

Commissioner Ayme: "Before the house, the bottom line is this..."

Commissioner Brown: "Well it says right here..."

Commissioner Ayme: "...what's the risk on our \$5 million?"

Commissioner Brown: "No, the risk is what is the action item..."

Commissioner Ayme: "That's the bottom line, because that's the money we put up."

Commissioner Mann: "To receive information is the action [responding to Commissioner Brown]."

Commissioner Burgess: "Right [responding to Commissioner Mann]."

Commissioner Brown: "Well we received it. How long..."

Commissioner Ramirez: "We haven't yet."

Commissioner Burgess: "No we..."

Commissioner Brown: "Okay, alright..."

Commissioner Ramirez: "We have not. We have not concluded (inaudible) information."

Commissioner Brown: "...we'll receive it. How long do you want to receive it tonight? Fine with me."

Commissioner Mann: "Until people understand exactly what they feel they need to know [responding to Commissioner Brown]."

Commissioner Brown: "How do we know when they understand?"

Commissioner Ayme: "Oh my God."

Commissioner Ramirez: "Do you have more questions?"

Commissioner Ayme: "My bottom line is what's the risk on our \$5 million? Could we end up losing that money?"

Commissioner Brown: "I'm going to take a prerogative. The Chair is saying let us decide how long we will dwell on this subject..."

Commissioner Ayme: "Well I'm waiting for an answer, Mr. Chairman. I'm waiting for..."

Commissioner Brown: "...on this subject, because otherwise I'm going to rule it out of order..."

Commissioner Ayme: "Mr. Hiscock is..."

Commissioner Brown: "...and then you will have to be forced to do that, because the fact is you're going to have to out vote me on that. And you will have to set a time, what the limit of time will, that you will discuss this further."

Commissioner Ayme: "I asked a question. I'm only waiting for an answer."

Commissioner Brown: "Well I'm waiting for an answer too, and the answer is, what is the disposition? What is it we want to do about it tonight? From my... what my understanding is, we still got some other kinds of depths, and one is from the counsel of the District. There are some deliberations still to be made. And what else can we do for tonight? I'm prepared to accept the person who is our representative to CMEEC, and is the best that we have at this time, and if that's not enough, if we're not going to get it tonight, when are we going to get it?"

Commissioner Ayme: "Mr. Chairman, I just said that I'm waiting for... I asked 'what is the risk on our \$5 million?' I'm only waiting for an answer. That's my bottom line."

Commissioner Brown: "Well do you think we'll be ready to go after we get that answer? That's fine with me."

Mr. Hiscock: "The risk to our \$5 million is if for some reason CMEEC is unable to issue the tax exempt revenue bonds, that it is in the process of issuing; if in fact we have no purchasers or some other problem related to that issue, there's where the risk is; right there. That is the risk."

Commissioner Ayme: "We could lose that money?"

Mr. Hiscock: "It is possible that we could lose that money if in fact CMEEC is unable to issue that debt. The ramifications are difficult to gage because of what a default means and how that would relate to all of the parties involved."

Commissioner Ayme: "And in the event that we do lose that money, what happens next? We have to replenish?"

Mr. Hiscock: "If..."

Commissioner Ayme: "The accounts?"

Mr. Hiscock: "If we lose... if CMEEC is unable to issue the debt, they will end up in default to us on a promissory note, and that's something that counsel is looking at. So CMEEC will have an obligation to SNEW for \$5 million. I would venture to say however, that that will be the least of our problems; that \$5 million. They are our supplier. They are what puts us in the marketplace. They are our all requirements supplier. And we are an owner of CMEEC, which also complicates the issue. This is almost a left pocket taking out of the right pocket transaction. You know, we own 9% of CMEEC."

Commissioner Ayme: "That's why it's a full liability to all the members."

Mr. Hiscock: "This is why it's even more complex, and this is why I wouldn't even consider this without approaching counsel to figure all of this out."

Commissioner Brown: "Well I have to say 'ergo'. What can we do tonight in order to resolve that?"

Mr. Hiscock: "I guess I can provide, and counsel can provide whatever information they have at this point in time, an explanation; and counsel can take away the questions and do the research. That's all I think we can do."

Commissioner Brown: "Well I'll inquire of the Board. How long do you want to deal with this tonight, until it's resolved?"

Commissioner Ayme: "I'm finished with my questions, Mr. Chairman."

Commissioner Brown: "Anybody else?"

Commissioner Ramirez: "Well, I guess the counsel (inaudible), you just want to listen to our concerns, or perhaps you might have any suggestions, or answers, or ideas, or what you might have in mind?"

Mr. Miller: "Well as I said earlier, I think..."

Commissioner Brown: "That we could do tonight [directed to Mr. Miller]."

Mr. Miller: "...the primary purpose of our attending here on such late notice was really to get an understanding of the issues, concerns that the Commissioners have, so that we could then complete the due diligence and then report back to the Commission."

Commissioner Brown: "Do you have that, sir [responding to Mr. Miller], so far?"

Mr. Miller: "I don't know if any other Commissioners have additional questions."

Commissioner Brown: "And if not... you know, this is a simple thing. If you're saying we will go an unlimited amount of time to do this tonight, to decide, let's decide that, and let's do that; and

those who can stay, they stay; and those who can't, then they have it as a part of the record they couldn't stay and had to go. It's alright with me. I don't..."

Commissioner Burgess: "I have one quick question. Does... Groton is not going to participate in this. Is there any... if we were to not participate, does Groton face any problems for not participating?"

Mr. Hiscock: "No more than we would. In other words, if we didn't participate we wouldn't put our \$5 million at risk."

Commissioner Burgess: "Right."

Mr. Hiscock: "But we would put CMEEC in a riskier position."

Commissioner Burgess: "Is there anyone else not participating?"

Mr. Hiscock: "No."

Commissioner Burgess: "Other than Groton."

Mr. Hiscock: "Groton is the only one. Groton... and this is not in any way a..."

Commissioner Burgess: "Groton won't be penalized in any way, or will they?"

Mr. Hiscock: "They will not be penalized, other than if there's a general default; they'll be penalized just like the rest of us..."

Commissioner Burgess: "Yes."

Mr. Hiscock: "...except they will have \$20 million in their portion of the Trust. Where that goes, that's a big legal question that I'm not even remotely capable of answering at this point in time. I will say however... the only thing I will say about that issue, was at the CMEEC Board meeting, the strategic portion that was not the official meeting, the representative from Groton felt that Groton should have participated. And if it were not for their perception of the amount of time involved in their process, they would have participated. Now, that's no guarantee. That's a simple statement made at a meeting in front of 11 other Board members, and it has no legal bearing. It has not legal strength. It was simply a statement made by that Board member that they would have preferred that Groton would have participated if it were not for the time constraint."

Commissioner Burgess: "Thank you."

Commissioner Ramirez: "May I, through the Chair? With that in mind, listening to the opening statement of yours right now, and to the question; even though that we are a co-owner of this organization, by 9% you said?"

Mr. Hiscock: "Yes."

Commissioner Ramirez: "It's almost like jeopardizing one pocket against the other, but still I'm listening to you saying we will not jeopardize \$5 million, and listen also on the other that Groton

will not be penalized by not participating. So what are the chances for us not to take a part on this angle, save \$5 million, which we're going to be... excuse my French, but we're going down the hole one way or the other anyway; plain English, okay. So at least we're going to put \$5 million on one side. Maybe I'm not making any sense of this one."

Commissioner Ayme: "We can't do that [responding to Commissioner Ramirez]. I don't think we can."

Commissioner Ramirez: "Well that's a question to... perhaps maybe to the attorneys to look into, if that would be possibly the case."

Commissioner Ayme: "I don't... If I may, through the Chair, I look at this as a bailout of CMEEC by the members. CMEEC go into a mess by the market conditions..."

Commissioner Ramirez: "Right, but this is..."

Commissioner Ayme: "...By market conditions. And now we have to bail them out."

Commissioner Ramirez: "Exactly."

Commissioner Ayme: "And that's exactly what we have here."

Commissioner Ramirez: "But, Commissioner Al Ayme, this is almost like a government..."

Mr. Hiscock: "Yes, that is true [responding to Commissioner Ayme]."

Commissioner Ramirez: "Well okay, we're going back to what the government is doing with the automobile industry, ING, whatever the case might be; investing millions of dollars, and we still... they're still in the hole. They're still with a big jeopardy. And therefore we are going to be jeopardizing more money to bail them out when they got themselves..."

Commissioner Ayme: "No, but we can't take the \$5 million out of CMEEC because they're our suppliers."

Commissioner Ramirez: "They will be, even if we don't participate, it will still have to provide with a supply anyway."

Commissioner Ayme: "No, we are members. We get a..."

Commissioner Ramirez: "I know we are the members, but Groton is also a member. Is that correct?"

Mr. Hiscock: "Yes [responding to Commissioner Ramirez]. The risk clearly here is our ability to borrow going forward, and the cost of that borrowing. And that borrowing reflects absolutely, totally, completely, directly on our cost of power from our supplier. So that's the risk here."

Commissioner Ramirez: "But this..."

Mr. Hiscock: "If we go to default, and I'm not saying we will, but if we went into a default position our ability to purchase power going forward will be jeopardized..."

Commissioner Ayme: "Exactly right."

Commissioner Ramirez: "So the rate will be tremendously high."

Mr. Hiscock: "Yes [responding to Commissioner Ramirez]."

Commissioner Ayme: "That's exactly right."

Commissioner Ramirez: "And therefore we have to pass it on to the customers. Is that correct?"

Mr. Hiscock: "That is correct. And that's the position that the other municipalities have taken."

Commissioner Burgess: "Yes."

Commissioner Ayme: "Now if the..."

Mr. Hiscock: "That the risk of default is so severe, and it would have such an impact on our rates that it's unacceptable."

Commissioner Ramirez: "(Inaudible), okay. So on our end, well yes, we will be penalized very severe, because our clients will be paying the consequences. Okay, that's the answer."

Commissioner Ayme: "So we can't take no money out of CMEEC. It would be against our best interest."

Commissioner Ramirez: "Yes, right. I'm very loud and clear about it, right. Wow."

Commissioner Brown: "As the English would say 'ergo'."

Mr. Hiscock: "It's not a pleasant situation."

Commissioner Ramirez: "No, it's not."

Commissioner Ayme: "So now we have to..."

Commissioner Brown: "Do we have something that we can make a determination on though?"

Commissioner Burgess: "No."

Commissioner Ayme: "Well we are between a rock and a hard place here."

Commissioner Borges-Lopez: "No decision tonight."

Commissioner Ayme: "And I believe that we have to go with the resolution."

Commissioner Brown: "We have to do what now?"

Commissioner Ayme: "In my opinion we have to go with the resolution. We have no way out."

Commissioner Brown: "So what's the resolution?"

Commissioner Ayme: "The one at the end of the..."

Mr. Hiscock: "But I would suggest, Commissioner [Ayme], that it's appropriate to let counsel do their due diligence, review the documents..."

Commissioner Ramirez: "Right."

Commissioner Ayme: "Oh, absolutely."

Mr. Hiscock: "...make sure everything is in order..."

Commissioner Ayme: "Oh, absolutely."

Commissioner Borges-Lopez: "Definitely."

Mr. Hiscock: "...and then report back and go forward."

Commissioner Ayme: "Report back to the Commission, yes, by all means."

Commissioner Ramirez: "Well on my behalf, as a Commissioner, I would appreciate..."

Commissioner Brown: "May I ask the counsel, do you have additional questions and so on that you haven't gotten, because I don't know how long you want to stay here tonight on this."

Mr. Miller: "I myself don't have any questions."

Commissioner Brown: "Because they say that they're doing this... they say they're doing this for your benefit."

Mr. Miller: "As I said, I'm trying to... I'm just getting the questions that the Commissioners have."

Commissioner Brown: "That they're doing this for your benefit, so you will be able to... or am I... in other words, am I... are you satisfied? Is there any questions you have to ask of those who happen to have knowledge of that now? The only person I know that really could have that knowledge is John [Mr. Hiscock], but there might be some others here who have knowledge, and you can ask them, and we can it so that you can make a determination. But this could go on and on."

Mr. Vasko: "Well I think some of the questions that the Commissioners have asked..."

Commissioner Brown: "Yes, I think they've done very well."

Mr. Vasko: "...certainly we'll focus our attention as to what issues we really need to dig into to determine what happens if CMEEC goes into default, what happens to the money? If you lend it to them, what happens to that money? What happens to the money that Groton has in there, and does

that get pulled into the mix if they default on their line of credit? I mean those are issues that we have not had the opportunity to dig into yet. Those are the issues that we're going to need to report to you on."

Commissioner Brown: "Now I would ask, what is before the house?"

Commissioner Ramirez: "Through the Chair, I will... on my behalf, I would really appreciate..."

Commissioner Brown: "What do we do now?"

Commissioner Ayme: Well I would say..."

Commissioner Brown: "Say thank you, or..."

Commissioner Ayme: "I would say table the item until the attorneys get back to us with more information and a recommendation as to the next step that we should take."

Mr. Hiscock: "If you would indulge me for one minute, I do believe what we discussed, and this is still part of their review, is that we may need an electors' meeting to do this."

Commissioner Brown: "That's right."

Commissioner Ayme: "It's a lot of money."

Commissioner Brown: "Not the proper forum."

Mr. Hiscock: "An electors' meeting takes 10 days notice once we make a determination, but this is a process that we will move through."

Commissioner Ramirez: "Yes."

Commissioner Brown: "So the motion is what now?"

Commissioner Ayme: "Table the item."

Commissioner Borges-Lopez: "I'm sorry."

Commissioner Brown: "Table."

Commissioner Ramirez: "Chair..."

Commissioner Brown: "Table is not debatable."

Commissioner Ayme: "Table is not debatable."

Commissioner Brown: "Table is not debatable!"

Commissioner Ramirez: "Sir, with all my respect, Commissioner Lopez had a question prior to the..."

Commissioner Brown: "Table is not debatable!"

Commissioner Burgess: "She had her hand up prior to... you didn't see..."

Commissioner Brown: "I don't care if it's Queen Elizabeth..."

Commissioner Ramirez: "How can you not care...!"

Commissioner Brown: "Table is not debatable!"

Commissioner Ramirez: "Sir! How can you not care if one of..."

Commissioner Brown: "You cannot...!"

Commissioner Ramirez: "...the Commissioners had a question. This is a question. This is answers..."

Commissioner Brown: "But if it's not out of order from a tabling motion..."

Commissioner Ramirez: "Sir, I do not care at this point if you put me out of order. The fact of the matter is that a Commissioner's here that has the right to ask questions, sir! Okay, please! Understand that you, as the Chair, must have an open mind, and should have time for the Commissioners!"

Commissioner Brown: "Well never mind. As Chair, we go by parliamentary procedure!"

Commissioner Ramirez: "Please!"

Commissioner Brown: "A tabling matter is not debatable!"

Commissioner Ramirez: "She had..."

Commissioner Brown: "Are you refuting this?"

Commissioner Ramirez: "She had a question sir, prior to the table! Please!"

Commissioner Brown: "You can question a tabling motion!"

Commissioner Ramirez: "Come on!"

Commissioner Brown: "A tabling motion immediately goes to a vote."

Commissioner Ramirez: "Be reasonable."

Commissioner Burgess: "He is saying that..."

Commissioner Brown: "You go to a vote for a table!"

Commissioner Burgess: "...a Commissioner had her hand up prior to the table."

Commissioner Ramirez: "Come on."

Commissioner Ayme: "Prior to the table, yes."

Commissioner Ramirez: "Yes, absolutely!"

Commissioner Brown: "I did not..."

Commissioner Burgess: "You didn't see her."

Commissioner Mann: "That's what they were trying to tell you."

Commissioner Brown: "I didn't see it, and I didn't recognize it."

Commissioner Ramirez: "Well that's what we were saying to you, sir."

Commissioner Brown: "I didn't see her on it, and so on. So now would you like to rescind your tabling motion so that she can..."

Commissioner Ayme: "I rescind my table until she's..."

Commissioner Brown: "Well yes, I think that's very..."

Commissioner Borges-Lopez: "I did not have a question. I had my hand up because I was saying I wanted to mention to you that the Commissioners here are waiting for the legal counsel to come back to the General Manager and ourselves with the legal ramification of the discussion of tonight. You said 'What is your pleasure? What are we supposed to do tonight?' That's what I was going to mention, and I had my hand up."

Commissioner Brown: "And he made a motion."

Commissioner Borges-Lopez: "That's correct, and then he made a motion without having to say anything. That's what Commissioner..."

Commissioner Brown: "That's the one that I recognized, and that was that motion."

Commissioner Ayme: "Okay."

Commissioner Brown: "And when I recognized that motion, once that's done it is not debatable."

Commissioner Borges-Lopez: "I was not debating any motion that he had."

Commissioner Brown: "Or discussion. No discussion about a tabled matter."

Commissioner Borges-Lopez: "I was not debating anything that the Commissioner was saying."

Commissioner Ayme: "She only had a comment."

Commissioner Brown: "Well..."

Commissioner Borges-Lopez: “And if you need to see the hands, with all due respect, you have to turn this way so you can view everyone at the table as well.”

Commissioner Brown: “Yes, well,,,”

Commissioner Borges-Lopez: “Thank you.”

Commissioner Brown: “...you have not been to some of the parliamentary procedures I’ve been to. Yes [acknowledging Commissioner Ayme]?”

Commissioner Ayme: “Okay, now I table item number seven, which is ‘CMEEC Competitive Municipal Trust, CMEEC Short-Term Borrowing’ action until legal counsel gets back to the Commission with all of the information that we require.”

Commissioner Brown: “Do I have a second to the motion?”

Commissioner Ramirez: “I second.”

Commissioner Brown: “Any remarks... or no remarks on that. All those in favor say aye.”

Commissioners simultaneously: “Aye.”

Commissioner Brown: “Those opposed say nay.”

[No opposed]

Commissioner Brown: “It seems to be a majority.”

Commissioner Ayme made a motion to table Item 7, CMEEC Competitive Municipal Trust – CMEEC Short-Term Borrowing, until legal counsel comes back to the Commission with additional information as required. Commissioner Ramirez seconded. The motion passed with Commissioners Brown, Burgess, Ayme, Borges-Lopez, Mann, and Ramirez all voting in favor. There were none opposed.

Commissioner Ramirez: “Counsel, thank you very much.”

Mr. Vasko: “Thank you.”

Commissioner Ramirez: “We appreciate your time.”

Commissioner Borges-Lopez: “Thank you, counsel. We apologize for all this yelling tonight.”

Commissioner Brown: “I say get into your parliamentary books.”

Commissioner Ayme: “Can we take a five minute break, please?”

Commissioner Brown: “Well if that’s what your moving, to take a...”

Commissioner Ayme: “A two minute break.”

Commissioner Brown: "Without objection, so ordered."

[The Commissioners reconvened the meeting at 8:20 p.m. following a brief recess]

Receive and Recommend to the Electors the Proposed Consolidated District, Water and Electric Budget for Fiscal Year 2009-2010

Commissioner Brown: "We move on to the next item on the agenda. John [Mr. Hiscock] is there any...? The next one is [item] number..."

Mr. Hiscock: "Four, I believe."

Commissioner Brown: "Number four, and that is the... you know, there's quite a bit on the agenda tonight; receive and recommend to the electors the proposed consolidated District, Water and Electric budget for the fiscal year 2009 and 10."

Mr. Hiscock: "As of February 17, at the Commission meeting, the Commission adopted the District budget as presented. The Commission has already adopted this budget, and since no one has moved to change this budget, it's merely a case of recommending it to the electors, for adoption by the electors."

Commissioner Brown: "Motion?"

Commissioner Burgess: "Can I move the resolution?"

Mr. Hiscock: "Yes."

Commissioner Burgess moved the following resolution:

'BE IT RESOLVED that the Commissioners of the Second Taxing District hereby receive and recommend to the Electors the proposed consolidated District, Water, and Electric Budget for the fiscal year 2009-2010.'

Commissioner Borges-Lopez: "Second."

Commissioner Brown: "Will you remark. Any questions?"

[No remarks]

Commissioner Brown: "If not, then all those in favor say aye."

Commissioners simultaneously: "Aye."

Commissioner Brown: "Those opposed say nay."

[No opposed]

Commissioner Brown: "So ordered."

Commissioner Burgess made a motion to recommend to the electors the proposed consolidated District, Water and Electric Budget for fiscal year 2009-2010. Commissioner Borges-Lopez seconded. The motion passed with Commissioners Brown, Burgess, Ayme, Borges-Lopez, Mann, and Ramirez all voting in favor. There were none opposed.

Select Auditors for FYE June 30, 2009

Commissioner Brown: "The... [item] number five is select auditors for the fiscal year. John [Mr. Hiscock], I guess that's yours."

Mr. Hiscock: "Yes. In the... under tab five you will see a brief narrative describing the situation. Beyond that you will see the Department's request for proposals for independent auditing services for the District. That was issued to a list of auditors. If you go past that to the first tab you will see all of the auditors that were invited to bid, or make a proposal to the District. You can see it's a fairly extensive list."

Commissioner Ayme: "What tab is that?"

Mr. Hiscock: "The blue... behind tab five there's a blue separator page. After the first blue separator page you'll see the list of individuals we invited, individual companies that we invited to submit proposals."

Commissioner Ayme: "Okay."

Mr. Hiscock: "If you go to the next blue tab, beyond that you will see a list of the companies that requested the RFP packet, in other words, those who were potentially interested in submitting to us. And after that, the next blue one, you will see the three firms that submitted to us proposals; Blum Shapiro, \$39,000; O'Connor Davies Munns and Dobbins llp, \$31,000; Hope and Hernandez, \$28,800. Because of the caliber of the firms that responded we did not go through an interview process. We believe that each of these firms is more than capable. They have experience in municipal auditing. The last one on the list, as I'm sure your all aware, has done our audits for the last nine years, and obviously in our opinion is clearly qualified, because we've continued to retain them. And both Blum Shapiro and O'Connor Davies Munns and Dobbins have municipal auditing experience, and therefore would be capable of performing the audit. After that is each of the three proposals that we received and we reviewed, and as far as we're concerned are acceptable proposals from that viewpoint. If you did not look at the dollars, any one of the three firms would be capable, and competent, and able to do an acceptable audit for the District."

Commissioner Ayme: "Mr. Chairman?"

Commissioner Brown: "What is your pleasure?"

Commissioner Ayme: "I move that we continue to retain Hope and Hernandez."

Commissioner Burgess: "Second."

Commissioner Brown: "Will you remark? Any questions?"

[No remarks]

Commissioner Brown: “You’ve heard the question, are you ready... the motion’s been moved and seconded. The next question, are you ready to vote? All those in favor of the resolution say aye.”

Commissioner simultaneously: “Aye.”

Commissioner Brown: “Those opposed say nay.”

[No opposed]

Commissioner Brown: “So ordered and so completed. Thank you.

Public Participation

[There were no members of the public present]

Commissioner Brown: “Let’s see, public participation. Everybody’s gone. Where has all the flowers gone. Let’s see, General Manager, you’ve already gone over Competitive Municipal Trust. Now we’re at [item] number eight.”

Generation Plant Rebuild Project Update – Siting Council – Property

Mr. Hiscock: “As indicated on the agenda, Mr. Chairman, the issues under item eight are related to contract negotiations and legal matters, and I would suggest that we move to executive session.”

Commissioner Ayme: “So moved.”

Commissioner Brown: “So moved.”

Commissioner Ramirez: “Second.”

Commissioner Brown: “Without objection.”

EXECUTIVE SESSION

Without objection the District Commissioners moved into executive session at 8:26 p.m. The purpose of the executive session was to discuss contract negotiations and legal matters with respect to the Generation Plant Rebuild Project.

Present in executive session were Commissioners Brown, Burgess, Ayme, Borges-Lopez, Mann, and Ramirez; General Manager, John M. Hiscock; and District Clerk, Candace Pampoukidis.

REGULAR SESSION

The District Commissioners returned to regular session at 8:40 p.m. There was no action taken as a result of the executive session.

Commissioner Ayme: “Move to adjourn.”

Mr. Hiscock: “Somebody please indicate for the record no action was taken.”

Commissioner Ayme: “No action was taken.”

Commissioner Ramirez: “No action.”

Mr. Hiscock: “Okay.”

Commissioner Ayme: “Alright.”

Commissioner Ramirez: “The meeting is adjourned. Thank you.”

Adjournment

The meeting adjourned at 8:40 p.m.

Attest:

Candace Pampoukidis
District Clerk