



## OCC Newsletter

### Summer 2004

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### Polly Wants a Transformer!



Apparently utility customers are not the only ones enjoying the comforts of electric services: as OCC litigation attorney Bill Vallée's camera documented recently in a shoreline community that numbers monk parakeets and their nests as residents.

As reported in the *New Haven Register* (May 19, 2004), the South American monk parakeet favors utility poles as the building site of choice for its 200 pound apartment-style nests. It is assumed that these pole squatters result from escapes from folks who originally thought a green parakeet might be a nice talking companion for their family, but soon learned better. The staggering number nationally of such abandoned exotic birds were the focus of a 1992 federal law banning imports of these creatures, but poaching and illegal trade unfortunately continue to provide a steady flow.

*The Register* quoted UI spokeswoman Anita Steeves as stating that, "UI notes six to nine monk parakeet-induced power outages each year," apparently stemming from birds or nest materials touching live wires, which in turn can blow a transformer leading to a power outage. Unfortunately, these top-10 companion birds don't take no for an answer when their nests are destroyed or substitute perches are provided: they apparently come right back with a new nest, ASAP.



And, no, these Patagonian pole-loving don't rely on the transformers for warmth through the winter, they're perfectly fine with the cold with genes from the Andres Mountains. Now, if they could just be trained to stop chewing on the cable insulation and instead help out from their aerie perches on the crossbars, we'd all get along better!

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### **OCC's Advocacy Gains Over \$40 Million From Telecom Alternative Regulation**

While the Office of Consumer Counsel ("OCC") supports the concept of introducing competition into the telecommunications marketplace, it has consistently sought to bring tangible benefits from that effort to ratepayers in the form of lower rates, improved service and enhanced technology.

For instance, in its first alternative regulation decision, the Department of Public Utility Control ("DPUC") found that the OCC had presented "substantive and supportable evidence", and it adopted a significant portion of OCC's recommendation. In the year 2000, the OCC argued strenuously against Southwestern Bell Company-The Southern New England Telephone Company's ("SBC-SNET") proposal to raise the rates on local residential service and the DPUC concurred with the issues raised by OCC and rejected SNET's proposed rate increase.

The net benefit to consumers from OCC's proposals has been \$42 million dollars since March 1996 from penalties paid by SBC-SNET to ratepayers for annual failures to meet the quality of service factors, and the 5% productivity factor recommended by the OCC.

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### **THIS JUST IN-Energy Efficiency Could Save-\$1.8 BILLION: Details Below**

That is correct. Ratepayers in the state of Connecticut can realize a net present value over 10 years of \$1.8 billion in savings if they take advantage of energy efficiency opportunities. This is stated in a new study recently released by the state's Energy Conservation Management Board ("ECMB"), of which the OCC is a charter member. The study, prepared by GDS/Quantum consultants, indicates that cost-effective energy efficiency measures can save up to 7 million barrels of oil annually, as well as reducing the need for 900 megawatts of power. This would make a substantial difference in helping to alleviate the continuing energy demand problems in the South Western portion of Connecticut, effectively, the "economic" engine of the state. Mary Healey, the state's Consumer Counsel, emphasized that "the report confirms that energy efficiency is a good



deal for the state's consumers". She also added, "there is a 430% return from every energy dollar invested in energy efficiency, which benefits all Connecticut citizens".

However, the fund available to support such activities, \$87 million per year obtained by a 0.3 cents per KWh on all electric bills, was reduced when a portion of it was earmarked by the legislature and Governor to help reduce the state's budget deficit.

The OCC will continue to represent all ratepayers on the ECMB, as well as try to convey to the legislature the importance and value of using ratepayer conservation funds for their intended and beneficial use.

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### **Green Power Supply Options On Target For A Return In 2005; Conservation Option Also Likely**

Through the efforts of the Office of Consumer Counsel ("OCC"), the Department of Public Utility Control ("DPUC"), the Connecticut Legislature, environmental groups, active citizens and others, Connecticut ratepayers will soon have simple and reliable methods for choosing to meet their electricity supply needs through "green power," a/k/a renewable energy. Ratepayers who choose to participate in one of the green power options will be promoting the replacement of fossil fuel electricity generation sources with renewable sources, such as fuel cells, wind power, solar, certain forms of hydroelectric power, etc. Participating customers will agree to pay a premium on their electricity bills in order to advance the environmental and technological benefits of renewable energy.

The DPUC issued an Interim Decision on April 21, 2004 that calls for the selection of up to two competitive suppliers of "green" supply service through a bidding process. Green supply will be accomplished through the use of renewable energy credits ("RECs"), also known as tradable renewable certificates ("TRCs"). A REC conveys the value of a unit of renewable generation, typically in megawatt-hours, and comes into existence at the time that renewable power is generated. It is helpful to use RECs for green supply options due to the difficulties in tracking electrons. There is a formal New England program in place to account for and prevent the double counting of RECs, and there is also an organization that performs this service on a national level.

In addition to the green power options, the Interim Decision also calls for



competitive supply options that will give customers the opportunity to conserve and efficiently use energy. For example, a competitive supplier may seek to install equipment on the premises of a business customer that will reduce the customer's electricity usage, with the customer being able to pay for the equipment over time through a line item on the utility bill. The conservation of energy, particularly by heavy industrial and commercial users, creates environmental and electricity price benefits for all customers. It is not yet known if the energy efficiency options selected by the Department will allow for participation by residential customers, or whether they will be targeted solely to businesses.

In order to resolve numerous issues, the DPUC's Interim Decision calls for the creation of three working groups involving OCC, the utilities, potential competitive suppliers, and others. These working groups have now been meeting for several weeks and are making progress. It is anticipated that the green options will be available to customers beginning in early 2005. OCC will provide updates in the newsletter, and an insert will likely appear in your electricity bill in early 2005. The energy efficiency options should follow soon after that. At this point, it is not known how high the participation premiums for the green or energy efficiency options will be, nor will details about the content of either set of products be known until bids are received and selected.

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### **Aquarion Water Company of Connecticut 2004 Rate Case**

On March 31, 2004, the Aquarion Water Company of Connecticut (the "Company") filed a rate application, with the Department of Public Utility Control (the "Department"), to increase the Company's revenues by 13.94%. The Company provides water service in many parts of Connecticut, and has four separate divisions, each with different water rates. Because of these varying water rates by division, differing percentages of rate increases are being proposed in each division. The average rate increase by division is:

Southern Division – Mystic 8.36%  
(Groton and Stonington)

Southern Division – Greenwich 10.41%  
(Greenwich and Darien)

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Eastern Division – Litchfield 14.59%  
(Litchfield, Kent, Cornwall, Salisbury, North Canaan, and Norfolk)

Eastern Division – 15.65%  
(Wilton, Westport, Redding, Weston, Easton, Fairfield, Monroe, Trumbull,  
Bridgeport, Oxford, Shelton, Stratford, Beacon Falls, and Seymour)



Western Division – 11.30%  
(Stamford, Ridgefield, and New Canaan)

Northern Division – 25.47%  
(Simsbury)

The Company cites capital additions and increased depreciation expense as the main reasons for the rate increase. The Department has scheduled hearings beginning July 6 and ending July 26 with an expected final decision date of October 27, 2004. Staff from the Office of Consumer Counsel (“OCC”) will participate in these hearings, and cross-examine Company witnesses. Currently, the OCC is reviewing the Company’s application, and has issued several requests for further information on the Company’s proposal, including expenses, capital additions and depreciation rates. When the OCC receives this additional information, the OCC will form an opinion regarding the Company’s overall rate proposal, and the amount of rate change the OCC believes is warranted.

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### **OCC Active In Siting Council Transmission Case**

The Connecticut Siting Council (“CSC”) is currently considering the joint CL&P/UI application to build 69 miles of high voltage transmission lines from Norwalk to Middletown. This proposal is “Phase Two” of a larger project. The CSC approved the Phase One line (from Bethel to Norwalk) last year. This new case, CSC Docket No. 272, has attracted a great deal of controversy, since popular sentiment favors putting this line underground, while technical (reliable operations) and cost questions disfavor that approach.

OCC is a party to CSC 272, and has filed expert testimony on behalf of ratepayers in the case. OCC has urged CSC to approve a plan that meets reliability standards at the lowest overall cost. In that connection, OCC has asked CSC to consider generation options along with transmission construction and, more broadly, to work with the Connecticut Energy Advisory Board (“CEAB”) under CEAB’s authority to solicit broader solutions to the identified electric reliability problems.

While CSC previously stated its intention to issue a final decision in Docket No. 272 in December 2004, that plan could be revised in light of questions that ISO New England (the operator of the region’s wholesale electric system) has raised about the

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CL&P/UI proposal. CSC has until April 2005 to issue a final decision in this docket.



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## **OCC Reaches Settlement With CL&P, Suppliers On Congestion And Other Charges**

Consumer Counsel Mary J. Healey announced in March 2004 that the Office of Consumer Counsel (“OCC”), along with the Attorney General’s Office (“AG”) and the Department of Public Utility Control (“DPUC”), reached a settlement with the Connecticut Light & Power Company (“CL&P”) and its three standard offer suppliers on federally imposed congestion and transmission loss charges from 2003. Under the settlement, almost 60% of the proposed charges will be returned or not billed to ratepayers. The settlement agreement resolves a dispute on the matter that had been pending before the Federal Energy Regulatory Commission (“FERC”).

CL&P’s wholesale electricity suppliers in 2003, NRG, Select Energy and Duke Energy, agreed to assume responsibility for most charges at issue imposed during 2003. Under the settlement, the ratepayers are entitled to approximately \$112.5 million, while approximately \$80 million will be retained by CL&P’s suppliers. The \$112.5 million amount to which the ratepayers are entitled under the settlement has two parts: about \$73 million will be returned to customers in the form of lower rates and approximately \$39.5 million that could have been imposed on ratepayers depending on the outcome at FERC will not be billed.

At issue was whether consumers or CL&P’s suppliers were obligated to pay the new congestion charges and costs for transmission losses under Standard Market Design, a FERC-approved method for allocating such charges and costs. Congestion charges are levied when bottlenecks form in the transmission system, while transmission losses arise due to the distance between the power plant and power usage. FERC’s new Standard Market Design rules required individual geographic areas, including Connecticut, to pay their own congestion charges and transmission losses.

“The Standard Market Design regime that has been in place in New England for the last year created inflated charges for congestion and transmission losses in Connecticut,” Consumer Counsel Mary Healey said. “We are pleased that the majority of these charges will not be imposed on the ratepayers, and we believe that this is the right result under CL&P’s power supply agreements that expired at the end of 2003.”

The DPUC had allowed CL&P to impose the new charges on consumers through a line item on CL&P customer bills reading “Standard Market Design Adj.” However, DPUC required the utility to hold the funds in escrow until the dispute is resolved before FERC.

The settlement agreement was filed with FERC and approval of the agreement by FERC is expected soon. Recently a letter from the AG, DPUC and OCC was sent to

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FERC to remind it to issue the final approval.



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### **OCC Argues At Supreme Court That Unreasonable Profits And Diminished Service Quality From A Strike Are Illegal And Must Be Prevented**

The Office of Consumer Counsel (“OCC”) has pursued a lawsuit against SBC Connecticut (“SBC”), relating to a 1998 labor strike, all the way to the state supreme court. The lawsuit would enforce a consumer protection statute that promotes fair play for consumers and would prevent gamesmanship with labor relations and profitability. The OCC’s basic argument has been that a utility must not be allowed to enrich itself by allowing service quality to deteriorate during work stoppage while pocketing avoided labor costs. While there was a four-day strike against SBC Connecticut earlier this year, there is a seven-day threshold for the statute since service quality is a primary trigger and there was no measurable decline.

The state superior court upheld the judgment of the DPUC and the OCC, holding them correct in their assessment of impaired service and incremental gross profit of \$2.8 million in the 1998 strike. Unfortunately, the superior court did not agree with the DPUC and the OCC that such profits were “unreasonable” as required under the provisions of the statute. Briefs have been filed this spring and oral arguments will be held at the state supreme court this fall.

Due to the perennial rate of strikes at the large telephone companies, it is essential that the OCC defend the integrity of this consumer protection statute, and not allow SBC to succeed in taking the teeth out of it. It is obvious that by avoiding labor costs during a strike, while holding consumer rates at the usual levels, utilities have the opportunity to pocket unreasonable profits. Stay tuned.

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**The Connecticut Office of Consumer Counsel** is an independent state agency authorized by statute to act as the advocate for consumer interests in all matters which may affect Connecticut consumers with respect to public service companies, electric suppliers and persons, and certified intrastate telecommunications service providers.

The Office of Consumer Counsel is authorized to appear in and participate in any regulatory or judicial proceedings, federal or state, in which such interests of Connecticut consumers may be involved, or in which matters affecting utility services rendered or to be rendered in this state may be involved.

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