



STATE OF CONNECTICUT

OFFICE OF CONSUMER COUNSEL

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August 29, 2011

The Honorable Dannel P. Malloy
Governor, State of Connecticut
210 Capitol Avenue
Hartford, CT 06106

Re: Office of Consumer Counsel's FY 2011 Annual Report

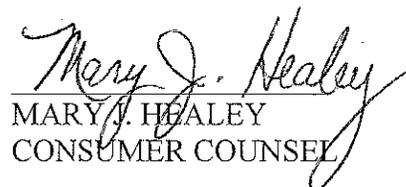
Dear Governor Malloy:

Enclosed please find a copy of the Office of Consumer Counsel's Annual Report for Fiscal Year 2011.

This report has been submitted electronically to the Department of Administrative Services for inclusion in the annual Digest of Administrative Reports, and has been mailed to the CHRO following instructions received from DAS.

Please let me know if you need additional information.

Very truly yours,


MARY J. HEALEY
CONSUMER COUNSEL

Enc.

**OFFICE OF CONSUMER COUNSEL
FISCAL YEAR 2011 ANNUAL REPORT**

At a Glance

Agency - Office of Consumer Counsel
Consumer Counsel - MARY J. HEALEY
Established - 1975
Statutory Authority - Conn. Gen. Stat. Sec. 16-2a
Central Office - Ten Franklin Square, New Britain, CT 06051
Number of employees - 14
Recurring operating expenses - \$ 3,237,137

Mission

The Office of Consumer Counsel ("OCC") speaks for Connecticut's utility ratepayers. The OCC was created in 1975 as an independent voice for utility customers, and as an advocate, does not directly administer programs. The OCC supports the State of Connecticut's Results-Based Accountability process by carefully identifying our constituency and recording the quantity, delivery and quality of the services we provide utility consumers across the state [see OCC's Scorecard at www.ct.gov/occ, which tallies the effect of OCC's advocacy for consumers in utility proceedings in all forums]. The OCC's mission is to advocate for consumer interests in all matters which may affect Connecticut consumers with respect to public utility companies, electric suppliers and certified telecommunications providers. Particularly in legislative and regional forums, the OCC often collaborates with others to achieve beneficial policies for consumers, including by coordinating with other state agencies and at times with industry participants.

Statutory Responsibility

The OCC's statutory responsibilities include appearing and participating in any regulatory or judicial proceedings, federal or state, in which the 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. The OCC is mandated by law to be a party to each contested case before the Public Utilities Regulatory Authority ("PURA"), formerly known as the Department of Public Utility Control (DPUC), and shall participate in such proceedings to the extent it deems necessary. The OCC may appeal a decision, order or authorization in any such state regulatory proceeding. In addition to representing ratepayer interests before the PURA, the OCC participates actively in proceedings before the Federal Energy Regulatory Commission ("FERC"), the Federal Communications Commission ("FCC"), state and federal courts, and promotes the interests of ratepayers at the Connecticut legislature.

Public Service

OCC contributes to heightened public awareness of problems and issues faced by utility consumers in Connecticut, such as difficulties receiving timely, effective service and paying for high utility costs, through appearances in public forums such as PURA hearings, court cases, and presenting legislative testimony; publishing a quarterly newsletter, maintaining current consumer-interest information on its website, serving on boards and committees and through public speaking. The activities of the OCC benefit the utility ratepayers of Connecticut and contribute to the creation of beneficial, forward-looking energy policies and laws.

Improvements/Achievements 2010-2011

Approximately \$300 million dollars in direct savings to Connecticut ratepayers was achieved this year through OCC's advocacy in the diverse forums in which it has appeared for 36 years. The OCC was involved with several major rate cases this year, along with a host of other issues which impact Connecticut ratepayers, including rising utility prices, quality of customer service and new legislation affecting Connecticut's energy future.

OCC held the line for ratepayers by continuing to advocate for reasonable utility rates in rate dockets, as well as fighting to preserve service quality standards and customer-oriented utility service. The following descriptions of OCC's advocacy this year in the two dockets summarized below are a few examples of OCC's docket work:

- In January of 2011, the Yankee Gas Company filed an application to increase its distribution rates by over \$32 million in July 2011 and \$13 million in July 2012. OCC argued that instead of a rate

increase, Yankee's rates actually should be decreased by \$5.38 million in Rate Year 1 and increased by \$659,000 above current levels in Rate Year 2. The former DPUC, now PURA, accepted many of OCC's recommended adjustments to Yankee's request, and decreased the Company's allowed return on equity to 8.83%, resulting in a decision OCC believes is fair and reasonable.

- In December of 2010, the OCC petitioned the former DPUC to review the recently announced proposed merger of Northeast Utilities ("NU," corporate parent of Connecticut Light and Power and Yankee Gas) and Massachusetts NStar Electric and NStar Gas ("NStar"). Some of the assurances OCC sought include assurance that customer service quality and timely service repair standards would continue to be upheld, and that savings resulting from the merger will be shared equitably between the utilities and its customers. Massachusetts is reviewing the proposed merger in great detail to protect its citizens. However, in June of this year the former DPUC, taking a very narrow view of its powers to review this major transaction, decided that Connecticut law does not require a formal review of the proposed transaction, primarily because under the corporate structure of the transaction, the surviving holding company remains NU. OCC filed an administrative appeal of this disappointing decision and hopes the Court will agree that the DPUC (now PURA) should conduct the same rigorous review of the proposed merger that Massachusetts is conducting.

In the legal arena this year:

- Connecticut Natural Gas ("CNG") and The Southern Connecticut Gas Company ("SCG") filed appeals in 2009 of the rate decisions issued by the DPUC. This year those appeals were taken up by the Supreme Court. After the filing of briefs, The United Illuminating Company ("UI") purchased CNG and SCG from their former corporate parent Iberdrola. OCC and CNG/SCG, with UI as the new corporate parent, began settlement talks to determine whether the outstanding rate case litigation might be amicably resolved after almost two years and multiple court actions. This year OCC, CNG and SCG reached a proposed settlement that would result in numerous benefits for the companies and their customers in the nature of a "fresh start." Among other things, under the proposed resolution the rate increase for present rates would not be substantially higher than would have occurred under the former DPUC's 2009 rulings, while the costs and risks of litigation would be eliminated for all parties. In early August the new PURA approved the parties' settlement agreement.
- OCC reached a court settlement with AT & T regarding its underperformance on out-of-service repair time. In March of this year, the former DPUC issued a final decision on a petition brought by OCC contesting AT & T's underperformance with regard to a service repair standard requiring 90% of landlines to be repaired within a 24-hour period. The DPUC imposed a fine of \$745,000 on AT&T, a reduction of the original proposed fine of \$1,120,000. AT&T appealed the DPUC's decision to the Superior Court. OCC intervened in AT&T's appeal. Ultimately OCC and AT&T reached a proposed settlement in which AT&T would make a voluntary payment of \$525,000 to the State of Connecticut and a \$5,000 monthly payment if the DPUC determined that the company is still out of compliance with the service repair standard in any given month. The settlement agreement was approved by the DPUC/PURA in early August. OCC agrees with the PURA's statement in its final decision that the settlement agreement resolves the Appeal while providing an incentive to the Company to meet the out of service standard and improve its service quality, which clearly is in the public interest.

On the legislative front this year:

- The General Assembly passed a major energy bill, Public Act 11-80 ("P.A."), combining the Department of Environmental Protection ("DEP") and the Department of Public Utility Control ("DPUC") and bringing all energy and environmental policy under one agency ("DEEP"). The DPUC, now renamed the Public Utilities Regulatory Authority ("PURA"), has three directors instead of five commissioners as the regulatory decision makers. OCC retained its independent status under the new law, with a consumer counsel still appointed by the Governor and confirmed by the legislature. This new public act contains numerous changes to energy policy and future practices, summarized in OCC's summer 2011 newsletter, which can be read on the OCC website at <http://www.ct.gov/occ>.

- At the end of the spring session, the Legislature, supported by the Governor, eliminated a much-maligned tax on electric ratepayers that had been passed to balance the 2010 budget. The line item of the electricity bill that would have been used to charge ratepayers is called the “competitive transition assessment” or “CTA,” and the tax was often referred to as the “CTA tax.” The CTA line item had once been a large item on the electricity bill but had decreased in recent years. The tax would have reversed this trend and vastly increased CTA charges for an additional eight years. The tax was designed to be in the form of bonds issued by the State that would have been paid back through charges on electricity bills for that length of time. Costs of the tax to ratepayers were estimated as close to one billion dollars. OCC opposed this tax. Its elimination was the right thing to do for all Connecticut energy consumers and will help achieve the State’s economic development goals.

OCC continued its participation this year in utility-related organizations, committees and boards, where it serves as a respected voice for ratepayers among state, regional and national policymakers and industry professionals:

- Appointed by statute in 2005 as a member of the Low Income Energy Advisory Board (“LIEAB”), OCC participated once again this year, analyzing utility policies and procedures on arrearage forgiveness and working to ensure that community action agencies have the necessary procedures in place to process applications for energy assistance. OCC took part in LIEAB’s annual recommendations to the Office of Policy and Management (“OPM”) and the Department of Social Services (“DSS”) on energy issues which impact low-income ratepayers.
- The OCC continues to be a member of the Energy Conservation Management Board (“ECMB”), which oversees the Connecticut Energy Efficiency Fund (“CEEF”). Currently the participating member of the OCC has the role of “First Vice-chair.” OCC served on the board of the Connecticut Clean Energy Fund (CCEF), which was restructured by P. A. 11-80. Another significant change made by P.A. 11-80 was the removal of the utilities from voting on the ECMB. While the utility companies are still board members, the 14 previous voting members have been reduced to 9. The former DPUC, now the Public Utilities Regulatory Authority (PURA), will continue to oversee the CEEF and CCEF budgets and the implementation of their respective plans.
- The OCC also serves on the board of The Institute for Sustainable Energy (“ISE”), through its affiliation with the ECMB. The ISE is located at Eastern Connecticut State University; established in 2001, its mission is to identify, develop and implement the means for achieving a sustainable energy future for Connecticut.
- OCC continues its active membership in the Connecticut Energy Advisory Board (“CEAB”), which is being reorganized as a result of P.A. 11-80. CEAB’s major initiatives for this year included preparation of an Integrated Resource Plan (IRP) which was approved by the former DPUC. For more details on CEAB’s accomplishments this year, visit their website at: <http://www.ctenergy.org>.
- Consumer Counsel Mary Healey is completing the second year of her two-year term as President of the National Association of State Utility Consumer Advocates (“NASUCA”). She and several members of the OCC staff are actively engaged with this national association of ratepayer advocates who appear and/or provide testimony before the FERC, the FCC and the U.S. Congress, presenting the ratepayer perspective on energy policies of national import. As President, the Consumer Counsel has made great strides in raising consumer awareness on issues such as smart grid initiatives, as well as increasing the overall visibility and credibility of consumer advocates across the country. Her insights and leadership on utility consumer perspectives have been sought by the utility industry sector, regulators and government agencies, during her presidency. Consumer Counsel Healey was instrumental in the development of a white paper on consumer issues regarding Smart Grid by a consortium of consumer agencies and the successful collaboration, called the *Critical Consumer Issues Forum*, with the National Association of Regulatory Utility Commissioners (NARUC), Edison Electric Institute (EEI) and NASUCA which produced a Consumer Bill of Rights on Smart Grid.

- The OCC is an active participant with both the Independent System Operator of New England (“ISO-NE”) and the New England Power Pool (“NEPOOL”). The OCC sits on the NEPOOL Participants Committee (“NPC”), as well the ISO-NE/NEPOOL associated committees such as the Demand Response Working Group, Budget and Finance, Transmission, Marketing and the NEPOOL Audit Management Subcommittee (“NAMS”). The OCC advocates for a variety of Connecticut ratepayer concerns among these various groups and committees either in person, by teleconference or by proxy.
- The OCC continues to focus on the issues presented by broadband access and usage rates in Connecticut, especially in light of the millions of dollars potentially available through the federal broadband stimulus funding program. The OCC serves as “program manager” of the federally-funded broadband projects to develop a database of Internet availability across Connecticut and is spearheading the development of a 5-year strategic plan for improving the state’s use of Internet services. The federal grant totals \$1.8 million: \$1.3 for database development and \$500,000 for the strategic plan. The effort includes development of a Strategic Plan for statewide initiatives to collect and analyze detailed market data concerning use and demand for broadband service in order to identify implementation methods.
- The OCC has been a central player in recent dynamic developments concerning the management and use of the public rights of way, a fundamental issue in the telecommunications world, and particularly in the future enhancement of broadband use by Connecticut residents and businesses. For instance, the OCC has been a member of an industry and regulator working group, which includes utility pole owners and third party attachers, including the state’s municipalities, charged by the DPUC with resolving common issues related to the use and management of utility poles throughout the state. This group has finalized agreements on a host of critical issues pertaining to making access to utility poles fair and at reasonable prices.

Information Reported as Required by State Statute

The Office of Consumer Counsel’s Affirmative Action Biennial Plan was approved by the Commission on Human Rights and Opportunities on April 14, 2010. OCC continues its strong commitment to the policies, principles and practices that promote equal employment opportunity in contracts, programs and agency policies, including affirmative action. The agency has developed and implemented hiring and contracting goals to maintain its diversified work force. All OCC policies and procedures are consistent with state and federal reporting procedures.