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Subject: 2014 Report and 2015 Agenda

Date: December 29, 2014

PURA had a strong year in 2014 and ends it in good shape with several notable accomplishments. We also face some significant challenges in 2015 that will require your attention and guidance.

Among its accomplishments in 2014, this report summarizes 17 highlights including major dockets, finished business and ongoing challenges launched during the year.

Looking forward to 2015, this report identifies nine major PURA challenges for the year, some of which will require legislative and executive branch support to resolve:

- Measures to enable direct communications among commissioners;
- A plan to strengthen cybersecurity in Connecticut’s public utilities and continue Connecticut’s leadership in this area;
- Amend the Connecticut Freedom of Information law to protect the public utilities and government from cybersecurity vulnerabilities;
- Regional advocacy and action, including reducing high regional energy costs and ensuring reliable energy;
• Water Planning Council work for a comprehensive state water plan;
• PURA’s administrative structure and the need for structural independence;
• PURA realignment and creation of a new supplier enforcement unit to protect households and businesses from unscrupulous electric supplier practices; and
• Upcoming regulatory issues with ensuring Frontier compliance with the settlement terms of its acquisition of AT&T; permitting electric submetering while protecting consumers; and adjudicating an expected gas company rate case.

2014 Perspective

1. **Commissioners.** Those who have followed PURA for several years advise that we are at a high point in terms of collegial relations, respect and productive teamwork.

   Vice Chairman Betkoski has a major task in chairing the Water Planning Council (discussed below) and is one of two candidates in line to enter the chairs of leadership in the National Association of Regulators of Utilities (NARUC) as second vice president at the end of 2015 and proceeding to become president in 2017. This would be a major national role reflecting significantly to Connecticut’s credit.

   Commissioner Caron has spent his initial time at PURA avidly seeking and benefiting from educational opportunities. He is well up to speed and contributing productively and knowledgeably. In June he was elected Treasurer of the New England Conference of Public Utilities Commissioners (NECPUC).

2. **Staff.** When DEEP’s Bureau of Energy and Technology Policy was formed in 2011 (from OPM’s Energy Division, DEP staff and new hires and several of the most talented and experienced DPUC staff), the resulting PURA staff fell from roughly 150 as DPUC to above 60, reflecting general reductions, the intent to effect attrition in PURA and the state hiring freeze. It has been
a difficult period of adjustment. PURA’s starting lineup is capable of outstanding work, but it lacks bench strength.

While our consumer affairs team had been winnowed from 15 to 5, thanks to the Governor’s direction we have two additional consumer affairs staff. With a recent retirement, this staff currently has six members.

With the support of recent enabling legislation, we are in the process of establishing an electric supplier enforcement unit. We are also working to restore strength in hearing coordination and utilities examination along with filling several other key positions. We have encountered considerable difficulties in filling these positions in a timely manner. The following are pending or in progress:

**Five Permanent Position Requests Pending For Current PURA Functions**

- Accounting Careers Trainee (1 position);
- Administrative Case Coordinators (2 positions);
- CCT target class Assistant Rate Specialist (1 position);
- Staff Attorney (1 position).

**Eight Durational Position Requests Pending For Electric Supplier Enforcement Unit**

- Consumer Information Representative (4 positions);
- Staff Attorney (1 position);
- Accounts Examiner (1 position);
- Assistant Rate Specialist (2 positions).

As discussed in more detail below, the process of filling these critical positions and reclassification of the new unit head has been bogged down – in some cases for a year and for some a half year. Filling these positions is a top priority for us.

3. **CL&P Rate Case.** This was the most important docket decided by PURA this year; the final decision was issued on December 17. Extensive, intensive staff work and commissioner involvement to produce PURA’s best work in rendering what we consider to be fair and reasonable findings. It was
a difficult piece of work that fully pleased none of the parties involved. PURA discharged its statutory and constitutional duty to ensure that the decided rates were fair and reasonable.

4. **CNG Rate Case.** PURA concluded a six-month CNG rate case, trimming to 1.9% from 6% CNG’s requested revenue increase; implementing a revenue decoupling mechanism and an earnings sharing mechanism; implementing a Distribution Integrity Management Program to monitor CNG’s plant integrity; and designing new rates for customers joining the system pursuant to Connecticut’s new gas expansion rules.

5. **Electric Suppliers.** PURA implemented new guidelines to facilitate customer choice in the competitive retail marketplace for electricity. The ruling set in place better tools for consumers to make timely, informed decisions about rate options, facilitates a fair and more competitive environment for all electric retail market participants, tightens definitions for various electricity rate plans, expands notification and disclosure requirements and reinvigorates the successful Supplier Working Group model curtailed with the DPUC/DEP combination in 2011. We have ongoing investigations, both generic and targeted toward individual electric suppliers, that require significant staff time and resources, some more than one year old.

6. **Frontier/AT&T Sale.** PURA devoted a lot of time to overseeing the sale of AT&T Connecticut operations to Frontier, initially rejecting a settlement agreement proposed by the Office of Consumer Counsel and the Attorney General and subsequently strengthening terms of the sale to the benefit of Connecticut customers. PURA held a technical meeting on December 22 to address consumer and execution issues that arose post-merger.

7. **Tree Trimming.** We issued our decision on this docket on June 25, 2014. Capping a lengthy review period including many hearings and substantial public comment, PURA promulgated guidelines balancing the environmental, aesthetic and economic value that trees add to communities with the need for effective tree trimming practices to ensure reliable utility service in compliance with the Governor’s directives and legislative mandates. The decision also set new standards to improve communication between municipalities and utilities regarding planned enhanced tree trimming activities. The end result was a balance between the state’s
interest in maintaining a resilient energy infrastructure and protection of the environmental and economic value of the state’s natural vegetation.

8. **Single Pole Administration.** In an October 8, 2014 decision, PURA adopted a recommendation for the two electric distribution companies to serve as the Single Pole Administrator in their respective service areas. In the future, utility pole attachers will use the NOTIFY database system to attach their facilities, which should result in a more efficient and speedy third-party pole attachment process and service restoration operation. PURA worked collaboratively with several stakeholders to produce this action plan for utility pole-related work following storms and emergencies. The plan will ensure lower costs, improved turnaround times and less red tape with respect to restoring lines on poles, regardless of which entity owns any given pole.

9. **Storm Cost Recovery.** PURA reduced by $49 million the amount that CL&P could recover from ratepayers for costs associated with five major 2011-2012 storms and imposed a penalty on CL&P’s return on equity in the most recent rate decision. PURA also acknowledged CL&P’s significant improvement in subsequent storms and encouraged CL&P to continue strengthening its ability to prepare for and manage storm resilience issues.

10. **Regional Issues.** PURA has vigorously and successfully worked on regional issues in regional and judicial arenas to provide Connecticut households and businesses with cheaper, greener and more reliable energy. There are a myriad of regional issues, all with the potential for significant and detrimental impacts upon Connecticut's effort to obtain cheaper and reliable energy.

    Two significant Federal Energy Regulatory Commission (FERC) decisions obtained by PURA resulted in a financial benefit of over $85 million to Connecticut ratepayers in the past calendar year. This summer PURA recovered over $77 million dollars for Connecticut in the matter of *Connecticut Yankee Atomic Power Company*, as a refund for the decommissioning costs of various New England retired nuclear power plants paid for by state ratepayers. The federal government was ordered to pay damages for its failure to obtain long-term storage of nuclear waste through 2004. Those damages are largely being refunded to state ratepayers by reducing utility regulatory asset costs. Similar damages for additional years
are expected to be awarded until long-term storage for nuclear waste is found.

PURA, in conjunction with a New England coalition of governmental entities, also successfully pursued a claim before the FERC to reduce the Return on Equity (ROE) that FERC requires to be paid to owners of transmission lines (Coakely v. Bangor Hydro, FERC EL11-66). FERC agreed to reduce the ROE, resulting in at least a $17 million refund to Connecticut ratepayers, and a significant reduction in the ROE costs going forward. (There are now two other cases to obtain refunds for a gap in the refund period, and we anticipate additional refunds in the future).

PURA has also performed significant work on the Forward Capacity Market administered by the regional transmission operator, ISO New England. The costs for the Forward Capacity Market have doubled in the past year, due in part to the strategic closing of some power plants in the Boston area. The plant closings left the market short, and the costs accordingly have doubled and may continue that trend.

PURA is participating, and in some cases taking the lead, on twenty-two regional matters, twelve of which address the Forward Capacity Market. In some issues, such as changing the proposal for the zonal demand curve, PURA has been successful is changing the terms of the debate. In other areas, such as ISO New England's efforts to impose a "pay for performance" criteria, FERC has failed to address the states’ and the region's legitimate concerns about the cost impact. The topic is highly complex and technical.

PURA also has vigorously intervened to protect the use of Demand Response resources in the national wholesale markets, specifically permitting energy efficiency programs and large electric users to forego use during times of high demand. PURA likewise has worked hard to protect the states' ability to contract for new generation in a manner that requires new generation to participate in the regional markets, thus ensuring adequacy of electric capacity, and ensuring that capacity targets are met and financial penalties avoided.

PURA Commissioners have leadership roles on the regional and national levels, working through the New England Conference of Public Utilities Commissioners (NECPUC) and the National Association of Regulatory Utility Commissioners (NARUC). These organizations, and our
participation within them, have been essential in our efforts to reduce the high energy costs imposed upon Connecticut homes and businesses by FERC rulings.

11. **Water Planning Council.** Vice Chairman Betkoski was appointed to chair the State Water Planning Council, guide its work and prepare a comprehensive report outlining a statewide water plan for management of Connecticut’s water resources. It organized and began operations in 2014. Item 4 under 2015 priorities discusses the WPC and future plans.

12. **Gas Pipeline Safety.** During 2014 the Gas Pipeline Safety and Call Before You Dig Unit (GPSU) performed 451 field inspections of gas company operations. The GPSU issued 150 pipeline safety violations and assessed $61,650 in penalties. In addition, the GPSA collected $77,350 in civil penalties for violations associated with the Call Before You Dig program. As Connecticut seeks to expand the availability of natural gas to homes and businesses including proposed new pipelines, the GPSU’s role in ensuring safe delivery of natural gas has become even more critical.

13. **Restoration of Interrupted Service.** PURA has an ongoing review of the public service companies’ plans for restoration of interrupted service resulting from emergencies.

14. **Standard Service Management.** In 2012 PURA radically changed how Standard Service energy is procured. The main changes involved timing of purchases. The current trend of high prices through the three winter months (December, January and February) is mitigated by breaking the year into two six month rates. By splitting the winter months, prices are high in the first half of the year, due to January and February, but consumer usage is generally lower in winter months. Prices then drop in the second half when usage is traditionally higher. This model has benefitted Connecticut in 2014 as the higher use summer months are not fully impacted by the lower use, higher price winter. Further, Standard Service energy is purchased within one year of use in order to take advantage of market fluctuations. By splitting the year and timing purchases, Connecticut Standard Service rates are lower when consumers use the most electricity and lower across the board than in neighboring Massachusetts.

15. **Consumer Affairs.** Despite staffing constraints and lack of a full-time manager, this unit continued to post impressive gains in its service of
Connecticut consumers. PURA’s Consumer Affairs team handled more than 14,000 utility-related complaints and inquiries in 2014, providing skilled technical and financial service, advocacy, information and education to Connecticut ratepayers.

16. **E-Filing LEAN Project.** Beginning in 2012, PURA became involved in a LEAN project to revamp its business processes and the automation of as many and as much of these processes as practical. This project, the E-Filing LEAN Project, involves PURA, two DEEP Bureaus and a computer vendor with which there is a multimillion dollar contract.

One specific accomplishment during 2014 was a review of PURA’s service list, which had been filled with obsolete addresses. The review trimmed close to 8,000 addresses from a base of more than 11,000, resulting in an active and updated service list of 3,075—a 71% reduction.

Once completed, this project is meant to enhance greatly PURA’s ability to conduct its business but in the meantime has required the efforts of significant PURA staff and key management resources. The project is expected to be completed by mid-2015.

17. **Submetering.** In its July 21, 2014 and December 17, 2014 decisions in Docket Nos. 13-08-14 and 13-08-14RE01 respectively, PURA developed procedures for the EDCs to process virtual net metering applications. These decisions also resolved issues regarding generator location, annual caps for total credits, queuing and the aggregation of agricultural meters.

In its August 6, 2014 interim decision in Docket No. 13-01-26, PURA addressed a number of issues to facilitate electricity submetering. In the interim decision, PURA developed an application for submetering electricity at various locations, outlined an approval process, expanded consumer protections and listed the requirements to submeter electricity at facilities where on-site generation is not installed.

PURA is currently investigating submetering with on-site generation, submetered party rates and possible modification of the application form as necessary as part of the second phase of Docket No. 13-01-26. PURA anticipates rendering its final decision during the second quarter of 2015 and expects to begin receiving applications from customers seeking approval to submeter electricity in Connecticut.
2015 Priorities and Actions Required

PURA will face many unforeseen challenges during the coming year. Among those planned are the following nine targeted priorities for 2015 of interest to the Governor and his team.

1. Communications Among Commissioners

When P.A. 11-80 was enacted, its impact upon how PURA Commissioners would deliberate and render decisions was not fully analyzed or appreciated. With the reduction from five commissioners to three, the quorum for the agency went from three to two. Thus, in the past, two of the five commissioners could confer without running afoul of the statutory requirements for open meeting. See Conn. Gen. Stat. §1-200(2) (meeting defined as a "quorum" of a multimember public agency); §1-225 (meetings of all public agencies shall be open to the public). With only three commissioners, PURA commissioners cannot discuss substance by and among themselves at all, unless it is during an open meeting, as any two would constitute a quorum.

PURA is an adjudicatory agency – we decide cases. If the Justices of the Supreme Courts of the United States and of Connecticut are allowed to discuss draft decisions and to seek insights, thoughts and clarifications from their colleagues, PURA commissioners should be permitted the same discussions. The commissioners have different experience, expertise and perspectives. Allowing them to share their thoughts could help better to inform decisions, enable greater insight in the drafting stages and streamline docket management. We propose a change to Title 16 to permit us to deliberate in a similar manner as the courts.

The inability of commissioners to deliberate current business is impractical and wrong in theory. The Authority decides complex economic, legal and technical matters that impact every household in the state. These difficult issues take hours to digest, assess and determine. It is impractical to hold these discussions in public – it would take literally hours, and would chill the necessary in-depth consideration of technical details and options that these critical issues require. Currently, these discussions and exchange of perspectives can only be understood and shared and ultimate decisions reached through indirect use of staff – in effect using them as a go-between to relay information and questions
and receiving responses. It is a cumbersome, ineffective, and needlessly time-consuming process. These issues are difficult enough – the inability to confer with colleagues makes them all the more difficult.

2. **Cybersecurity and Public Utility Regulation**

Cybersecurity is an area of growing concern in the United States and a priority area of focus for the U.S. Intelligence Community and the Federal Energy Regulatory Commission.

In April 2014, PURA published a strategy for enhanced cybersecurity in Connecticut’s public utility, announced by Governor Malloy. As directed by the Governor, PURA is proceeding to establish consensus standards -- categories of action to enhance cybersecurity and metrics by which to measure progress.

Since the publication of Connecticut’s strategy document the national attention to cybersecurity has increased, with the Director of National Security and the Chairman of the House Permanent Select Committee on Intelligence both issuing statements that foreign penetration of American public utilities has increased. Our national vulnerability is greater than before.

PURA’s strategic plan places Connecticut in the lead of states seeking to work with the utilities to agree on standards, metrics and understanding of progress. PURA has retained a consultant to assist its work in cybersecurity and has scheduled for early 2015 a series of technical meetings to advance its work. It will keep the Governor’s office, other executive branch officials and the General Assembly apprised of progress.

3. **Freedom of Information and Cybersecurity**

Connecticut’s cybersecurity strategy provides for creation of standards and metrics to enhance cybersecurity. There needs to be an agreed system by which the public utilities report on their progress in managing to cybersecurity objectives. We hope through the technical meetings to agree on which government officials ought to receive such reports, starting with the Governor, the chairs and ranking members of the Energy and Technology Committee of the General Assembly, and the PURA Commissioners.
It is necessary for such a system to succeed that such reports be managed in a confidential manner. There can be no compromise in such a system, both to enable the public utilities to participate and to protect Connecticut from the consequences of a leak. Legislation must be enacted that explicitly excludes cybersecurity information from Freedom of Information disclosure.

4. **Regional Issues**

Connecticut and the New England region will continue to face difficult energy challenges in 2015. Neither FERC nor ISO New England recognize as a priority the cost of electricity to ratepayers, and consequently many of their decisions have placed ratepayers at a disadvantage. PURA has played a leading role in making sure ISO-NE administrative costs are actively reviewed and has forced change in this area. However, on a much broader scale, we believe that a strategic review of the regional energy markets run by ISO New England is in order, especially the Forward Capacity Market. While a new natural gas pipeline certainly would ease some of the pressures on New England ratepayers, a more comprehensive approach to the problems would be constructive. We continue to defend and promote Connecticut's energy and utility needs before FERC and in federal courts of appeals and have cooperative working relationships with our fellow commissioners in New England on these issues.

5. **Water Planning Council**

The Water Planning Council (WPC) was established pursuant to Public Act 01-177 “to address issues involving the water companies, water resources and state policies regarding the future of the state’s drinking water supply.” The WPC is comprised of representatives from the Public Utilities Regulatory Authority, the Department of Energy and Environmental Protection, the Department of Public Health and the Office of Policy and Management. PURA Vice Chairman John W. Betkoski, III chairs the WPC. The WPC’s mission is to identify issues and strategies that will bridge the gap between the water supply planning process and water resources management to enable appropriate allocation to balance competing needs while protecting the health, safety and welfare of the people of Connecticut and minimizing adverse economic and environmental effects.
The WPC is charged with preparing and periodically updating a water plan for the management of the state’s water resources. The state-wide plan is to be completed by July 1, 2017 and will identify the quantities and qualities of water available, and recommended utilization for, public water supply, health, economic, recreation and environmental benefits on a regional basin scale, considering both surface water and groundwater. The plan must also identify present and projected demands for water resources on a state-wide and regional basin scale. In addition, the plan will recommend steps to increase the climate resiliency of existing water resources and infrastructure, make recommendations for technology and infrastructure upgrades, establish conservation guidelines and incentives for consumer water conservation and develop a water reuse policy, among other objectives. The WPC will also oversee the implementation of the plan and prepare annual updates.

6. PURA’S Administrative Structure and the Need for Structural Independence

It is appropriate after the radical restructuring of the former DPUC to take stock of the outcome: the results of changes made, the current state of affairs, accomplishments realized and problems remaining. Work remains to be done to bring PURA to where it needs to be as a serious, independent, professional, respected and efficient regulatory body.

PURA is pleased with the changed nature and tone of communications with DEEP. DEEP’s current leadership has been patient and respectful in working with PURA, thereby improving working relations markedly. PURA and DEEP have overcome much of the dislocation and anger that ensued from the initial mishandling of the structural changes.

Commissioner Klee has earnestly and productively sought to move relations to a setting of respect and cooperation, and we work well with him. PURA believes we urgently need to change our structural relationship with DEEP. Those convictions, tested over time and strenuously reiterated, are completely functional. They in no way reflect our respect for and collegial admiration of Commissioner Klee.

Overview of the Issue
In retrospect, merging some former DEP functions with the former OPM Energy Policy Unit to create a policy unit with energy and environmental scope was a positive step. Connecticut ought to have a unit combining focus on energy and environmental policy. There are two benefits in combination. One is the ability to elevate policy questions to the commissioner level of priority and concurrently to set aside lessor issues. The second is the sheer convenience of working out contradictions and conflicts at the staff level within one department rather than coping with institutional differences between departments and between the commissioners who head them.

Nonetheless, the inclusion of public utility regulatory authority within DEEP was an unusual step, one not taken elsewhere in the United States, and one that should be discontinued. PURA’s adjudicators and regulatory functions are distinct, and its inclusion within an executive branch entity – one that by statute is granted automatic party status in cases before PURA – presents an inherent and insurmountable conflict of interest. Now entering the fourth year of experimenting with the placement of PURA within DEEP, much of the relationship remains dysfunctional and ethical strains are obvious despite the best efforts and good will of all involved.

The experience has yielded few benefits and several structural and practical problems. Among them are DEEP’s control over PURA’s budget and personnel management, and DEEP’s public statements regarding energy policy that do not distinguish between executive and regulatory authority. Of special significance has been DEEP’s aggressive reduction in the size of PURA and marked difficulties in agreeing on and executing human resource decisions.

There is no compelling case for PURA to be within DEEP. The work of the two organizations is different; the two organizations are not integrated either substantively or procedurally. PURA’s needs and priorities are not those of DEEP and vice versa. Policies and legislation intended to apply to DEEP often do not fit when applied to the adjudication functions of PURA. Leadership of DEEP’s Bureau of Energy and Technology Policy has no regulatory experience, is unfamiliar with what PURA does, how it operates and who its people are.

At its core, having PURA adjudicate energy and utility issues with considerable financial consequences when its parent authority is a statutory party to every proceeding before it, presents an insurmountable conflict of
interest. The fact that DEEP also controls PURA’s budget, hiring, staffing and offices provides not only the public appearance of impropriety, but also a structural conflict. The current administration of DEEP works constructively with PURA, but improper and destructive conduct has happened in the past and could again. Indeed, the efforts to attrit the remainder of the former DPUC and the disdain articulated regarding its work and people have been ameliorated by the current Commissioner and Deputy Commissioner. Nonetheless, fundamental fairness and constitutional due process concerns do not, and should not, rely upon the individuals who occupy an appointed office.

No amount of good will can cure the fundamental structural problem of having PURA rule on matters where DEEP is a party, and where DEEP can be a party in any proceeding, when DEEP has command and control over PURA’s operations and functions. PURA requires structural independence, either as a separate agency or at the very least, by remaining within DEEP for some form of Administrative Purposes Only (APO) arrangement.

**National and Expert Assessments of the Current Structure**

At the time of restructuring, national experts within the public utilities regulatory community questioned the new design. Among the most prominent such experts is the attorney and author Scott Hempling, one of the most highly regarded public utility experts in the United States. His assessment of the creation of PURA and its placement within DEEP at the time is instructive and has proved to be prophetic:

The result of the statutory and administrative decisions to date is that the PURA has less authority, less internal infrastructure, less independence – and therefore, less credibility with the industry actors whose performance it must assess and compensate – than any utility regulatory agency in the United States. I make this statement with full confidence that any objective person with utility regulatory experience will come to the same conclusion. It is not a close question.

…To the extent the reality, or perception, is that PURA decisions, before the fact or after the fact, can be influenced or revised by DEEP, PURA loses the legitimacy that both ensures utility performance and attracts the capital necessary to secure that performance.
Regarding “Key Principles”:

For any particular subject, a utility should be accountable for its performance to only one agency. Having to please two masters encourages forum-shopping, subtracts government accountability and adds work for everyone.

PURA’s commissioners working with the National Association of Regulatory Utility Commissioners frequently encounter negative reactions regarding its structure, ranging from incredulity to the generally-held view that such an arrangement is flawed. No PURA commissioner has ever heard of another state seeing merit in the PURA structure or wishing to replicate it. From the time of reorganization to the present, we know of no supporters for the existing structure anywhere in the United States except for those who designed it in the first place.

There is a case to be made for lowering the cost of PURA’s administration by using some of DEEP’s administration capacity, and those economies could be continued through an administrative services agreement similar to those used by the Office of Consumer Counsel and the Siting Council. Again, a “practical option” suggested by Scott Hempling:

**Put PURA within DEEP for “administrative purposes only.”** This is necessary (but not sufficient) for ensuring PURA’s independence in terms of law, practical reality and public perception. Absent APO status, no PURA decision about personnel, budget, public presentation, rulemakings or orders will be free of doubt about its independence. Attempting to draw a line between contested cases and other activities, or between “policymaking” and “implementation,” making the relationship independent in some contexts but not independent in others, does not work. A regulatory agency’s legal and practical influence extends beyond contested case orders; it includes all those functions that create a culture of excellence in policymaking and implementation.

Confusion regarding DEEP control over PURA is not healthy. Hempling notes that Public Act 11-80 creating PURA and some of DEEP’s actions under the statute “…have caused legal uncertainty, procedural uncertainty and staffing uncertainty. Connecticut’s PURA now has less
policy scope, and less clarity about the policy scope it does have, than any utility regulatory agency in the United States.”

Hempling continues:

Nor is the public perception positive. The statute does not place PURA “under” DEEP in any respect; there is no PURA decision or action that DEEP can legally compel, overrule or supersede. Yet there is a perception, supported by conversation inside and outside state government, and by DEEP-produced organizational charts, DEEP press statements, and DEEP internal memoranda echoed by press reports, that PURA is indeed “under” DEEP, that PURA “reports to” DEEP, that DEEP senior employees “have responsibility for” PURA, and that DEEP can “make PURA do things.”

Attorney Hempling’s full, 42-page report entitled “Comments on the Relationship Between Connecticut’s Department of Energy and Environmental Protection and the Public Utilities Regulatory Authority” is an excellent, insightful and prescient document deserving careful reading. It was published in 2011. In a discussion with the author in November 2014, he reiterated the strength of his conclusions and noted that in the three years since publication he has heard continued criticism of the PURA model, assessments that it was flawed and not one expression of admiration or sense that it was worth replicating elsewhere.

**Practical Issues with the Current Administrative Structure**

Beyond the undermining of public confidence and negative perception on the national stage, a central problem with the current structure is the adverse impact on administration within PURA. Among them are DEEP’s control over PURA’s budget and personnel management that do not distinguish between executive and regulatory authority. Of special significance has been DEEP’s aggressive reduction in the size of PURA and marked difficulties in agreeing on and executing human resource decisions.

We have been frustrated in filling vacant positions and obtaining approvals and assistance in restructuring the agency into a more responsive and effective structure given the radical reduction in staff. Whereas the DEEP Energy Bureau has filled positions easily and aggressively, PURA position requests have languished and mired in bureaucratic delays. Such difficulties
are perceived by many as pressure, subtle or otherwise, with respect to substantive decisions. Regardless of the accuracy of that perception, the perception itself is corrosive both internally and externally.

**Recommendation**

We recommend that adjustment of PURA’s status be pursued through legislative correction in a collegial manner in the tone of “technical adjustment.” The presentation ought to recognize that progress has been made on the policy front and further changes need to be brought to ensure the integrity of PURA’s adjudicative process.

Going forward an independent PURA will underscore the continued need for productive collaboration with DEEP. Responsibility for policy planning, such as the Integrated Resource Plan and the Comprehensive Energy Strategy, would continue to reside within DEEP Energy. By statute, PURA must be guided by DEEP’s Energy policy determinations, and that could remain unchanged. Although complete independence is our preferred solution, moving PURA into an “APO” status vis-à-vis DEEP or another agency would be a positive step toward reassuring the public, both locally and nationally, of the integrity of PURA’s adjudicative function while Connecticut would retain the benefit of establishing energy policy in conjunction with environmental policies.

7. **PURA Realignment and New Supplier Enforcement Unit**

PURA was structured in 2011 in good faith as a “best guess” effort to align personnel and resources against work to be performed. A major aspect of the structure was movement away from the traditional structure aligned by industry (electric, gas, water and telecommunications) and toward a functional structure with units including ones comprised of engineers, finance people, accountants, rate specialists and adjudicators.

The structure has shortcomings in the loss of industry focus, but given the workforce available, we have not been able to design an organization aligned by industry with enough flexibility to cover all of PURA’s work. Our realignment plan calls for the following structural entities:

- Operations
• Utility Regulation and Technology
• Utility Administration, Adjudication and Regional Affairs
• Chief of Staff, Consumer Affairs and Supplier Management Enforcement
• Energy Procurement

The structure aligns PURA’s strategic objectives with its talent in a more rational way. It also and provides for the strengthened consumer affairs and supplier enforcement capabilities the Governor and General Assembly have called for to oversee the array of new challenges presented by the emergence of electric suppliers and the complexity of relating their work fairly and understandably to Connecticut consumers.

A significant PURA challenge is cultural adjustment from the classic regulatory model to one of opportunity, assigned responsibility and flexibility in addressing new and multi-disciplinary challenges. The workforce has operated under a more traditional and tightly defined structure for many years – one that previously made sense but has been supplemented long ago in the private sector and much of government with a more adjustable means to address changing priorities. The change process must proceed respectfully and with opportunity to adapt to change.

8. **Submetering**

During 2015, PURA expects to begin receiving applications from customers seeking approval to assign surplus production from their generators to other metered accounts that are not physically connected to that customer’s generator. Also during 2015, the PURA intends to seek legislative clarification for the aggregation of municipal and state meters.

9. **Other Anticipated Business**

We anticipate a number of dockets to be opened during 2015 to address order compliance issues involving Frontier Communications following its acquisition of The Southern New England Telephone Company. We also anticipate the filing of a rate case application by Yankee Gas in mid-2015.
Conclusions

PURA had an unusually productive year in 2014 with major rate cases, very full docket schedule and diverse array of challenges. It has suffered from a radical reduction of strength and is rebuilding with some staff replenishments and a focus on identified priorities.

2015 will bring another full year with additional attention to electric suppliers, regional issues and cybersecurity. Water planning, freedom of information changes and the ability of commissioners to communicate with each other will significantly enhance PURA’s effectiveness. Transition to independence and implementation of structural realignment will enable PURA to continue to provide the high level of public utility regulatory competence and performance the state expects and PURA management and staff earnestly seek to deliver.