

Sec. 16-244h-5. Separation

(a) **Corporate Entities:** An electric distribution company and its generation entities or affiliates shall be legally separate corporate entities, except that a generation entity or affiliate to which generation assets are transferred pursuant to section 16-244e(a)(3) of the Connecticut General Statutes may, if required to comply with rules, regulations or licensing requirements of the United States Nuclear Regulatory Commission, be a division that is structurally separate from the electric distribution company.

(b) **Books and Records:** An electric distribution company and its generation entities or affiliates shall keep separate books and records.

(1) Electric distribution company books and records shall be recorded in accordance with applicable Uniform System of Accounts (USOA) and Generally Accepted Accounting Procedures (GAAP).

(2) The books and records of generation entities or affiliates, including vouchers, memoranda, documents, letters, contracts or other papers, shall be open for examination by the department and its staff with respect to transactions between the holding company and generation entities or affiliates and transactions between the electric distribution company and generation entities or affiliates. In any enforcement proceeding held pursuant to section 16-244h-7 of the Regulations of Connecticut State Agencies, the department may summon and examine under oath such witnesses as it deems advisable, and cause to be produced such books, records, vouchers, memoranda, documents, letters, contracts or other papers as it deems advisable.

(c) **Electric Distribution Company Audit:** No later than July 1, 2000, and every year thereafter, each electric distribution company shall have audits prepared by independent auditors that verify that the electric distribution company is in compliance with sections 16-244h-1 to 16-244h-7, inclusive, of the Regulations of Connecticut State Agencies. Each electric distribution company shall file this audit with the department beginning no later than July 1, 2000. The audits shall be at shareholder expense.

(d) **Sharing of Plant, Facilities, Equipment or Costs:** An electric distribution company shall not share office space, office equipment, services, or systems with its generation entities or affiliates, nor shall an electric distribution company access the computer or information systems of its generation entities or affiliates or allow its generation entities or affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under subsection (f) of this section. Physical separation required by this subsection shall, at a minimum, be accomplished preferably by occupying separate floors of an office building, or, in the alternative, distinct wings.

(e) **Joint Purchases:** To the extent not precluded by any other regulation, an electric distribution company and its generation entities or affiliates may make joint purchases of goods and services, but not those associated with the delivery of electric distribution services, electric transmission services or electric generation services, as those terms are defined in Section 16-1 of the Connecticut General Statutes. Examples of permissible joint purchases include joint purchases of general office supplies and telephone services. Examples of joint purchases not permitted include electric purchasing for resale, purchasing of electric transmission, systems operations, and marketing. The electric distribution

company shall ensure that all joint purchases are priced, reported, and conducted in a manner that permits clear identification of the electric distribution company and generation entity or affiliate portions of such purchases, and in accordance with applicable department allocation and reporting rules.

(f) Corporate Support:

(1) An electric distribution company, its parent holding company, or a separate affiliate created solely to perform corporate support services may share with its generation entities or affiliates joint corporate oversight, governance, support systems and personnel. Any shared corporate support shall be priced, reported and conducted in accordance with the separation and information standards set forth in sections 16-244h-1 to 16-244h-7, inclusive, of the Regulations of Connecticut State Agencies, as well as other applicable department pricing and reporting requirements.

(2) Such shared corporate support shall not allow or provide a means for the transfer of confidential information such as customer information or noncustomer specific non-public information from the electric distribution company to the affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create opportunities for cross-subsidization of generation entities or affiliates. In the compliance plan submitted pursuant to section 16-244h-7 of the Regulations of Connecticut State Agencies, a corporate officer from the electric distribution company and holding company shall verify the adequacy of the specific mechanisms and procedures in place to ensure the electric distribution company follows the mandates of this subsection, and to ensure the electric distribution company is not utilizing shared corporate support services as a means to circumvent sections 16-244h-1 to 16-244h-7, inclusive of the Regulations of Connecticut State Agencies.

(3) Examples of services that may be shared include, but are not limited to: payroll, taxes, shareholder services, insurance, financial reporting, corporate financial planning and analysis, corporate accounting, corporate security, human resources (compensation, benefits, employment policies), employee records, regulatory affairs, lobbying, legal, and pension management. Examples of services that may not be shared include: employee recruiting, engineering, hedging and financial derivatives and arbitrage services, electric purchasing for resale, purchasing of electric transmission, system operations and marketing.

(g) Corporate Identification and Advertising:

(1) An electric distribution company shall not trade upon, promote, or advertise its generation entity or affiliate's affiliation with the electric distribution company, nor allow the electric distribution company name or logo to be used by the generation entity or affiliate in any advertisement or in any material circulated by the generation entity or affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where the electric distribution company's name or logo appears that:

(A) The generation entity or affiliate "is not the same company as [i.e. The Connecticut Light and Power Company, The United Illuminating Company], the electric distribution company,"; and

(B) "You do not have to buy [the generation entity or affiliate's] products in order to continue to receive quality regulated services from the electric distribution company."

The application of the name/logo disclaimer is limited to the use of the name or logo in

Connecticut. Any written disclaimer shall be in bold print, and shall not utilize a typeface of less than eight points in size. Compensation for ratemaking purposes for the use of the electric distribution company's logo by a generation entity or affiliate shall be determined by the department in any rate case held pursuant to section 16-19 of the Connecticut General Statutes. The electric distribution company shall record any such use of its logo by its generation entity or affiliate.

(2) An electric distribution company, through action or words, shall not represent that, as a result of the generation entity or affiliate's relationship with the electric distribution company, its generation entity or affiliates will receive any different treatment than other service providers.

(3) An electric distribution company shall not offer or provide to any generation entity or affiliate advertising space in electric distribution company billing envelopes or any other form of written electric distribution company customer communication. The appearance of a generation entity or affiliate's name or logo on a customer bill to indicate the customer's choice of electric supplier shall not be considered trading upon or promoting the generation entity or affiliate's affiliation with the electric distribution company under subdivision (1) of this subsection, and shall not be considered joint advertising or joint marketing prohibited in subdivision (4) of this section. An electric distribution company shall offer each electric supplier the ability to display its name or logo or both on the customer bill, to indicate the customer's choice of electric supplier, under the same terms and conditions as those offered to the electric distribution company's generation entities or affiliates. The appearance of an electric distribution company's logo on a customer bill to indicate the provider of electric distribution services shall not require the disclaimers listed in subdivision (1) of this section.

(4) An electric distribution company shall not participate in joint advertising or joint marketing with its generation entities or affiliates. This prohibition against joint advertising or joint marketing includes, but is not limited to the following:

(A) An electric distribution company shall not participate with its generation entities or affiliates through joint sales calls, through joint call centers or otherwise, or through joint proposals (including responses to requests for proposals) to existing or potential customers. This subparagraph does not prohibit an electric distribution company from participating, on a nondiscriminatory basis, in non-sales meetings with its generation entities or affiliates or any other electric supplier to discuss technical or operational subjects regarding the electric distribution company's provision of transportation service to the customer. An electric distribution company shall maintain a record of all such meetings that shall include, but is not limited to, the customer's name and customer class, the customer's electric supplier at the time of the meeting, the date of the meeting and a general description of the subject matter discussed. The record of meetings shall be open to inspection by the department and its staff consistent with the provisions of section 16-244h-5(b) of the Regulations of Connecticut State Agencies;

(B) Except as otherwise provided for by sections 16-244h-1 to 16-244h-7, inclusive, of the Regulations of Connecticut State Agencies, an electric distribution company shall not participate in any joint activity with its generation entities or affiliates. The term "joint activity" includes, but is not limited to, advertising, sales, marketing, communications and correspondence with any existing or potential customer;

(C) An electric distribution company shall not participate with its generation entities or affiliates in trade shows, conferences, or other information or marketing events.

(5) An electric distribution company shall not share or subsidize costs, fees, or payments with its affiliates associated with research and development activities or investment in advanced technology research.

(h) Employees:

(1) Except as permitted in subsection (f) of this section, an electric distribution company and its generation entities or affiliates shall not jointly employ the same employees. This prohibition against joint employees also applies to board of directors and corporate officers, except that if an electric distribution company and its generation entities or affiliates are controlled by a holding company, any board member or corporate officer may serve on the holding company and with either the electric distribution company or its generation entities or affiliates, but not both. In the case of shared directors and officers, a corporate officer from the electric distribution company and holding company shall verify in the electric distribution company's compliance plan submitted pursuant to section 16-244h-7 of the Regulations of Connecticut State Agencies the adequacy of the specific mechanisms and procedures in place to ensure that the electric distribution company is not utilizing shared officers and directors as a means to circumvent sections 16-244h-1 to 16-244h-7, inclusive, of the Regulations of Connecticut State Agencies.

(2) All employee transfers between an electric distribution company and its generation entities or affiliates shall be consistent with the following provisions:

(A) An electric distribution company shall track and report to the department all employee transfers between the electric distribution company and generation entities or affiliates. The electric distribution company shall report this information to the department no later than July 1, 2000 and annually thereafter.

(B) Once an employee of an electric distribution company becomes an employee of a generation entity or affiliate, the employee shall not return to the electric distribution company for a period of one year. This prohibition is inapplicable if the generation entity or affiliate to which the employee transfers no longer transacts business in this state during the one-year period. In the event that an employee returns to the electric distribution company, such employee shall not be retransferred, reassigned, or otherwise employed by a generation entity or affiliate for a period of two years. An employee that is hired by the generation entity or affiliate and becomes an employee of the electric distribution company shall not be retransferred, reassigned, or otherwise employed by a generation entity or affiliate for a period of two years. Employees transferring from the electric distribution company to a generation entity or affiliate are expressly prohibited from using information gained from the electric distribution company in a discriminatory or exclusive fashion, to the benefit of the generation entity or affiliate or to the detriment of unaffiliated electric suppliers.

(C) Any electric distribution company employee hired by a generation entity or affiliate shall not remove or otherwise provide information to the generation entity or affiliate which the generation entity or affiliate would otherwise be precluded from having pursuant to sections 16-244h-1 to 16-244h-7, inclusive, of the Regulations of Connecticut State Agencies.

(D) An electric distribution company shall not make temporary or intermittent assignments, or rotations of its employees to its generation entities or affiliates.

(E) A transferring employee shall sign a statement attesting that the employee is aware of and understands the restrictions set forth in sections 16-244h-1 to 16-244h-7, inclusive, of the Regulations of Connecticut State Agencies and the attendant consequences of violations of those sections.

(i) **Transfer Pricing:** To the extent that sections 16-244h-1 to 16-244h-7, inclusive, of the Regulations of Connecticut State Agencies do not prohibit transfers of goods and services between an electric distribution company and its generation entities or affiliates, all such transfers shall be subject to the following pricing provisions:

(1) Joint or shared costs allowed in subsections (d), (e), and (f) of this section, including plant, facilities, equipment, corporate support services, overhead and supplies shall be allocated and priced to the electric distribution company and its generation entity or affiliate based on actual embedded costs or as otherwise determined by the department.

(2) Goods or services which are price regulated by a state or federal agency shall be priced at the tariffed or regulated rate. In cases where more than one state commission regulates the price of goods or services, this department's pricing provisions shall govern.

(3) An electric distribution company shall pay fair market value for all goods and services produced, purchased or developed by its generation entities or affiliates. The electric distribution company's purchasing practices shall be non-discriminatory and shall result in fair prices to its customers. All transfers from a generation entity or affiliate to its electric distribution company shall be posted on the affiliate discount internet web page referenced in section 16-244h-3(f) of the Regulations of Connecticut State Agencies within 24 hours of the time at which the service provided by the generation entity or affiliate is so provided.

(Adopted effective July 1, 1999)