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Gas Code of Conduct

Sec. 16-47a-1. Definitions. Short title. Purpose. Principles

(a) **Definitions.** As used in sections 16-47a-1 to 16-47a-12, inclusive, of the Regulations of Connecticut State Agencies:

(1) ''Affiliate'' means ''affiliate'' as defined in § 16-47a(a) of the Connecticut General Statutes;

(2) ''Centralized service company'' or ''CSC'' means (A) an affiliate of a gas company that provides shared corporate support services, as defined in subdivision (14) of this subsection, on behalf of a gas company, or (B) an affiliate of a gas company whose designated primary corporate purpose is to provide shared corporate support services;

(3) ''Customer information'' means any information or data specific to a customer, including, but not limited to, customer personal information such as customer name, address, contact information and account number, gas consumption, load profile, billing history, or credit history, that a gas company acquires or develops in the course of its provision of utility services;

(4) ''Department'' means the Department of Public Utility Control or its successor;

(5) ''Employee'' or ''Personnel'' means an officer, director, worker, agent, representative, consultant, independent contractor or any other person performing various duties or obligations on behalf of or for a gas company or its affiliate;

(6) ''FERC'' means Federal Energy Regulatory Commission or its successor;

(7) ''Fully allocated cost'' means the sum of fixed and variable direct costs plus an appropriate share of fixed and variable indirect costs;

(8) ''Gas assets and services'' include, but are not limited to, any gas commodities, pipeline transportation contracts, local distribution infrastructure and services, or gas storage contracts;

(9) ''Gas company'' means ''gas company'' as defined in section 16-1 of the Connecticut General Statutes;

(10) ''Gas marketer'' means (A) any person registered to sell natural gas pursuant to section 16-258a of the Connecticut General Statutes, including any agents or representatives of such person, or (B) any person or aggregator or other entity, including any agents or representatives of such person, aggregator or entity, other than a ''gas company'' as defined in subdivision (9) of this subsection, that (i) engages in or is involved in natural gas transmission transactions; (ii) manages or controls natural gas transmission capacity of a natural gas transmission provider; (iii) buys, sells, trades or administers natural gas or any natural gas assets or services; or (iv) engages in financial transactions relating to the sale or transmission of natural gas or any gas assets or services;

(11) ''Indirect costs'' means costs of a particular good or service that cannot be directly identified, including but not limited to, overhead costs, administrative and general, and taxes;

(12) ''Money pool'' means a financial arrangement established by a parent company or holding company of a regulated utility, including a gas company, and administered by such parent company or a centralized service company affiliate, to (A) establish a general purpose fund into which a member thereof may lend or borrow funds through the money pool on a short-term basis to or from affiliates, and/or (B) facilitate favorable interest rates for short-term borrowings or lending by affiliates who are members of the money pool;

(13) ''OCC'' means the Office of Consumer Counsel or its successor;

(14) ''Shared corporate support services'' means services shared between or among a gas company, its parent holding company or an affiliate or division, such as human resources, procurement, information technology, regulatory services, administrative services, real estate services including property management, legal services, accounting services, environmental services, research and development, internal audit, community relations, corporate communications, financial services, financial planning and management support, customer service, billing and collection services, and corporate services;

(15) ''Subsidization'' means the recovery of costs from one business unit or company that are attributable to another; and

(16) ''Unregulated'' means not regulated by the Department or by any other state or federal agency.

(b) **Short Title. Purpose.** The short title for sections 16-47a-1 to 16-47a-12, inclusive, of the Regulations of Connecticut State Agencies shall be the ''Gas Code of Conduct.'' The Gas Code of Conduct, enacted pursuant to section 16-47a of the Connecticut General Statutes, set forth the standard of conduct for transactions, direct or indirect, between gas companies and their affiliates. The purpose of these regulations is to promote competitive markets and ensure that a gas company does not subsidize or provide an unauthorized benefit to its affiliates. The goal of the Gas Code of Conduct is to prevent:

(1) Gas ratepayers paying for activities that do not benefit them or making payments that are disproportionate to the benefits received;

(2) Profits being shifted from a gas company to its unregulated affiliates either by shifting costs to the gas company or by keeping the gas company out of potentially profitable market segments; and

(3) Transactions between a gas company and its affiliates where the gas company either pays excessive charges for assets, goods or services received or receives insufficient compensation for assets, goods or services provided.

(c) **Principles.** The following principles should be used whenever assets, goods or services are provided between a gas company and its affiliates:

(1) To the maximum extent practicable, in consideration of administrative costs, each gas company and each affiliate shall collect and classify costs on a direct basis for each asset, good or service provided;

(2) To the extent possible, all shared costs between a gas company and its affiliates should be traceable on the books of the gas company to the applicable account cited within the Uniform System of Accounts, and documentation shall be made available upon request to the Department or other appropriate regulatory authorities regarding transactions between a gas company and its affiliates;

(3) The allocation methods shall apply to the gas company's affiliates in order to prevent subsidization from, and ensure equitable cost sharing among the gas company and its affiliates;

(4) Each gas company and each affiliate shall spread indirect costs, including the allocated costs of shared services, to the goods or services to which they relate using relevant cost allocators; and

(5) An audit trail shall exist with respect to all transactions between a gas company and its affiliates that relate to the regulated assets, goods and services. Consistent with subsections (c) and (d) of section 16-47a of the Connecticut General Statutes, the Department shall have complete access to all gas company and affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the Gas Code of Conduct. The Department or any auditors acting

on behalf of the Department, not the audited companies, shall be the final arbiter of what information is relevant for a particular audit objective.

(Adopted effective February 8, 2011)

Sec. 16-47a-2. General standards of conduct

(a) **Required Conduct.**

Except as otherwise provided by or allowed under any federal or Connecticut law, under this Gas Code of Conduct or otherwise approved by the Department:

(1) All transfer prices charged for assets, goods or services, including the use or transfer of personnel, exchanged or shared between and among a gas company and its affiliates, shall meet the requirements of section 16-47a-7(a) of this Gas Code of Conduct, and be consistent with the Cost Allocation Manual submitted to the Department pursuant to section 16-47a-9(b)(3) of this Gas Code of Conduct;

(2) A gas company shall refuse goods or services provided by an affiliate, including a CSC, or other provider if the gas company determines that such goods or services are inferior, overpriced or would be detrimental to its ability to operate and maintain a safe gas system;

(3) A gas company shall have the burden of proving that all goods and services provided to its affiliates have been provided on the terms and conditions comparable to the most favorable terms and conditions reasonably available to the market, which shall include a showing upon the Department's request that such goods or services have been provided at a price that is consistent with the requirements of the Gas Code of Conduct;

(4) If any affiliate of a gas company experiences a default on an obligation that is material to a gas company or files for bankruptcy, and such bankruptcy is material to a gas company, the gas company shall notify the Department in advance, if possible, or as soon as possible, but not later than 10 days after such event; and

(5) Except as otherwise provided by any federal law or state statute, a gas company shall file notice with the Department no later than 45 days after the transfer of any services, functions, departments, employees, rights, obligations, assets, or liabilities between the gas company and its affiliates that would have a material effect on the gas company's public utility operations.

(b) **Prohibited Conduct.**

Except as otherwise provided by or allowed under any federal or Connecticut law, under this Gas Code of Conduct or otherwise approved by the Department:

(1) Cross-subsidies involving a gas company and any of its affiliates are strictly prohibited. All costs incurred by gas company personnel for or on behalf of an affiliate shall be charged to the affiliate responsible for the costs;

(2) Except as allowed in subdivision (3) of this subsection, a gas company shall not provide a financial advantage to any affiliate. For purposes of the Gas Code of Conduct, a gas company shall be deemed to provide a financial advantage to an affiliate if the gas company engages in any affiliate purchase or sales transaction that does not meet the requirements of section 16-47a-7(a) of this Gas Code of Conduct;

(3) Affiliate Financial Transactions. Except as otherwise provided in this Gas Code of Conduct or in other applicable law or as otherwise approved by the Department, a gas company shall not engage in any affiliate transaction in which the gas company: (A) provides to or shares with any affiliate any financial resource or financial benefit, including but not limited to any: (i) loan, extension of credit, guarantee or assumption of debt, indemnification, pledge of collateral; or (ii) encumbrance of or restriction on the disposition of any gas company; or (B) incurs any debt for purposes of investing in, or otherwise supporting, any business other than the provision of gas

utility services in Connecticut as regulated by the Department. Nothing in this section, however, shall prohibit a gas company from entering into money pool arrangements with its affiliates;

(4) Neither a gas company nor its affiliates may directly, or by implication, falsely and unfairly represent to a customer, gas marketer or third-party that an advantage may accrue to a party through use of the gas company's affiliates or subsidiary. Prohibited representations include, but are not limited to, the following: (A) The Department regulated services provided by the gas company are of a superior quality when services are purchased from the gas company's affiliates; (B) The merchant services for natural gas are being provided by the gas company when they are in fact being provided by an affiliate; (C) The natural gas purchased from a gas marketer shall not be reliably delivered; and (D) Natural gas must be purchased from an affiliate to receive Department regulated services;

(5) Except as authorized by the Department, a gas company shall not bill customers on behalf of an affiliate. In no circumstance may a gas company include on customer bills any reference to or information about any of its affiliates, or allow an affiliate to include billing inserts or any marketing or promotional materials in the gas company's bills to its customers without providing similar service to non-affiliates and receive same and equal compensation from both the affiliates and non-affiliates;

(6) A gas company shall not give any preference to an affiliate or a customer of an affiliate in providing regulated gas service, or conduct business in such a way as to provide preferential service, information or treatment to an affiliate over another entity at any time;

(7) A gas company shall not seek to recover from its retail customers any costs that exceed fair market value for any service provided to the gas company from its affiliates;

(8) Neither a gas company nor its affiliates may engage in any cost shifting, cross subsidies, or anticompetitive behavior with affiliates;

(9) A gas company shall not condition or tie the provision of regulated gas service to any other good or service on the purchase of any other goods or services from any of its affiliates, or allow any of its affiliates to condition the provision of any services on the purchase of any other goods or services from the gas company;

(10) A gas company shall not offer discounts, rebates, fee waivers, penalty waivers, or other special provisions for a tariff service to an affiliate or a customer of an affiliate, unless the gas company makes the offer available to all similarly situated persons, and makes the offer in a manner designed to allow all an equal ability to utilize the offering;

(11) A gas company shall not provide sales leads to its affiliates;

(12) Neither a gas company nor its affiliates may speak or appear to speak on behalf of one another in any and all contacts or communications with customers or potential customers;

(13) Except as otherwise provided in the Gas Code of Conduct, a gas company shall not acquire information on behalf of or to provide to an affiliate;

(14) A gas company shall not participate in any affiliated transactions which are not in compliance with the Gas Code of Conduct, except as otherwise provided in § 16-47a-11 of this Gas Code of Conduct; and

(15) Neither a gas company nor its affiliates may utilize permitted communications or take any other actions either directly or indirectly through a third party to circumvent the Gas Code of Conduct.

(c) **Nondiscrimination.** Nondiscrimination standards under this subsection apply in conjunction with all the standards under the Gas Code of Conduct when a similar standard overlaps:

(1) A gas company's employees shall not unduly discriminate against non-affiliated entities;

(2) A gas company shall not provide any preference to an affiliate, nor to any customers of an affiliate, as compared to non-affiliates or their customers, in responding to requests for services or in providing services. No affiliates of a gas company shall represent to any person or entity that the affiliates will receive any such preference;

(3) A gas company shall apply the provisions of its tariffs equally and in the same manner to every customer or other entity whether such customer or other entity (A) is the gas company's affiliate or non-affiliate, (B) is a customer of the gas company's affiliate or non-affiliate, or (C) uses affiliated or nonaffiliated marketers or brokers;

(4) A gas company shall not give any customer using its affiliate's preference with respect to any tariff provisions that provide discretionary waivers;

(5) A gas company shall process all similar requests for gas services in the same timely manner, whether requested on behalf of its affiliates or non-affiliates;

(6) A gas company shall uniformly enforce its tariff provisions;

(7) A gas company shall not, through a tariff provision or otherwise, give its marketing affiliate and/or its customers any preference over a customer using a nonaffiliated marketer in matters relating to transportation or curtailment priority;

(8) No employees of a gas company shall indicate, represent, or otherwise give the appearance to another party that any affiliate of the gas company speaks on behalf of the gas company, provided however, that this prohibition does not apply to employees of an affiliate providing shared services to the gas company and its affiliates to the extent explicitly provided for in an affiliate or service agreement. No personnel of any affiliate of a gas company shall indicate, represent, or otherwise give the appearance to another party that they speak on behalf of the gas company;

(9) No employees of a gas company or its affiliates shall indicate, represent, or otherwise give appearance to another party that any advantage to that party with regard to gas services exists as the result of that party dealing with the affiliate, as compared with a non-affiliate;

(10) A gas company shall not disclose or cause to be disclosed to its marketing affiliate or any nonaffiliated marketer any information that it receives through its processing of requests for or provision of gas services;

(11) A gas company shall not condition or otherwise tie the provision or terms of any gas services or agreements (including prearranged capacity release) for the release of interstate or intrastate pipeline capacity to the purchasing of any goods or services from, or the engagement in business of any kind with, any affiliate of a gas company; and

(12) When an employee of a gas company receives a request for information from or provided information to a customer about goods or services available from an affiliate, the employee of the gas company shall decline to provide such information.

(d) **Transparency.** A gas company shall not offer or sell un-tariffed distribution or gas assets or services to its affiliates without contemporaneously making sufficient offers thereof to the market pursuant to a method approved or prescribed by the Department. A gas company shall maintain a chronological log of these public

disseminations. The chronological log shall be open for public inspection during normal business hours.

(e) **Unlawful Affiliate Transactions.** All affiliate transactions involving a gas company shall be subject to review by the Department in accordance with section 16-8c and section 16-47a(c) of the Connecticut General Statutes and shall be declared void if found to be unjust or unreasonable and made for the purpose or with the effect of concealing, transferring or dissipating the earnings of a gas company. All such affiliated costs and expenses shall be subject to being audited in accordance with section 16-8 of the Connecticut General Statutes and disallowed within the context of a general rate case in accordance with section 16-19 of the Connecticut General Statutes.

(f) **Emergencies.** Nothing in this Gas Code of Conduct shall prohibit a gas company from taking any actions necessary to ensure public safety and system reliability, or prohibit communications between a gas company and its affiliates necessary to restore gas company service or to prevent or respond to emergency conditions.

(Adopted effective February 8, 2011)

Sec. 16-47a-3. Customer information

(a) Except with the informed consent of the customer and in compliance with all applicable consumer protection statutes and regulations, a gas company shall not disclose or make available to its affiliates any customer lists or other specific customer information.

(b) Except as otherwise allowed under this Gas Code of Conduct, no gas company or affiliate shall not disclose customer information to any person or company, without the customer's consent, and then only to the extent specified by the customer. Consent to disclosure of customer information to affiliates may be obtained by means of written authorization, electronic authorization or recorded verbal authorization. Each gas company and affiliate shall retain such authorization for verification purposes for as long as the authorization remains in effect. Each customer information disclosure authorization form shall either be pre-approved by the Department or contain the following language:

''CUSTOMER INFORMATION DISCLOSURE AUTHORIZATION

[The Gas Company]'s affiliates offer goods and services that are separate from the regulated services provided by the gas company. These goods and services are not regulated by the Department of Public Utility Control. These goods and services may be available from other competitive sources.

The customer authorizes [the Gas Company] to provide any data associated with the customer account(s) residing in any [the Gas Company] files, systems or databases [or specify specific types of data] to the following Affiliate(s) _____. [The Gas Company] will provide this data on a non-discriminatory basis to any other person or entity upon the Customer's authorization.''

(c) If the customer allows or directs a gas company to provide customer information to an affiliate, the gas company shall ask the customer if he, she or it would like the customer information to be provided to one or more non-affiliates. If the customer directs the gas company to provide customer information to one or more non-affiliates, the customer information shall be disclosed to all entities designated by the customer contemporaneously and in the same manner.

(d) Each gas company shall permanently post Subsections (b) and (c) of this section on its website.

(e) No gas company employee who is transferred to, or being shared with, an affiliate of the gas company shall share any customer information for use by such affiliate except pursuant to written permission from the customer, as reflected by a signed data disclosure authorization consistent with subsection (b) of this section. A gas company shall not transfer any personnel to, or share any personnel with, any affiliate for the purpose of disclosing or providing customer information to such affiliate.

(f) Notwithstanding the prohibitions established in this section, a gas company may disclose customer information to an affiliate (including a CSC) or non-affiliated third party each without customer consent, but only to the extent necessary for the affiliate or non-affiliated third party to provide goods or services (including shared corporate support services such as customer service, billing and collection services) to the gas company and upon their explicit agreement to protect the confidentiality of such customer information.

(g) Each gas company shall take steps to prevent inappropriate disclosure of customer information.

(h) Each gas company shall establish guidelines for its employees to follow with regard to complying with this section.

(i) Each gas company shall make general or aggregated customer information available to affiliated or unaffiliated entities upon similar terms and conditions. A gas company may set reasonable charges for costs incurred in producing customer information.

(Adopted effective February 8, 2011)

Sec. 16-47a-4. System operation information. Trade secrets

(a) A gas company shall not disclose to any of its unregulated affiliates any confidential systems operation information, trade secrets, or proprietary information such as confidential market analysis reports, surveys, research, forecasts, planning or strategic reports, unless it discloses such information to all competitors of such unregulated affiliates contemporaneously and in accordance with a procedure approved in advance by the Department, and provided such disclosure is consistent with all applicable federal laws or state statutes and regulations. The prohibition of this subsection does not apply to the following:

(1) Disclosure of such confidential information to another Connecticut-regulated public service company, other regulated affiliate, or a CSC; or

(2) Disclosure of such confidential information where:

(A) A state or federal regulatory agency or court having jurisdiction over the disclosure of such information requires the disclosure;

(B) The information is provided to employees of an affiliate pursuant to any agreement filed with Department, provided that the agreement specifically describes the type of information to be disclosed;

(C) The information is provided to employees of an affiliate for the purpose of sharing best practices and otherwise improving the provision of regulated utility service;

(D) Disclosure is otherwise essential to enable a gas company to provide gas services to its customers;

(E) Disclosure of the information provided to an unregulated affiliate would expose proprietary information surrounding a consortium effort to sell or purchase gas assets or other services designed to maximize profit or reduce costs for utility ratepayers; or

(F) Disclosure of the information is necessary for compliance with the Sarbanes-Oxley Act of 2002.

(b) Any confidential system operation information, trade secrets, or other proprietary information disclosed pursuant to the exceptions in subsection (a) of this section shall be disclosed only to employees that need the information for the purposes covered by those exceptions and in as limited a manner as possible. The employees receiving such information shall not act as conduits to pass the information to any unregulated affiliates if such action results in a violation of this Gas Code of Conduct and shall have explicitly agreed to protect the confidentiality of such information.

(c) For disclosures pursuant to the exceptions of subsection (a) of this section, a gas company shall include in its annual affiliate transaction report required by section 16-47a-8(c) of this Gas Code of Conduct, the following information: (1) the type of information disclosed and the names of the unregulated affiliates to which it is being, or has been, disclosed; (2) the time and date of the disclosure; and (3) the reasons for the disclosure.

(d) No technology or trade secrets developed, obtained, or held by a gas company in the conduct of regulated operations shall be transferred to an unregulated affiliate without just compensation or prior approval from the Department. Nothing herein however shall affect the provision of shared corporate support services that are otherwise in compliance with this Gas Code of Conduct.

(Adopted effective February 8, 2011)

Sec. 16-47a-5. Joint purchases. Centralized support services. Shared services and properties

(a) **Joint Purchases.** Except as otherwise prohibited by the Department, a gas company and its affiliates may make joint purchases of goods and services. Examples of permissible joint purchases shall include joint purchases of general office supplies and telephone services. A gas company shall ensure that all joint purchases are priced, reported, and conducted in a manner that permits clear identification of the gas company and its affiliates' portion(s) of such purchases, and in accordance with the Gas Code of Conduct as well as other applicable Department pricing, allocation and reporting requirements.

(b) **Centralized Support Services.** A gas company, its parent holding company, or any other affiliate may share joint corporate oversight, governance, management and administrative activities, support systems, personnel and shared corporate support services. Any shared or joint corporate support services, management or administrative activities shall be priced, reported and conducted in accordance with the Gas Code of Conduct as well as other applicable Department pricing and reporting requirements.

(c) **Shared Employees, Equipment and Properties.**

(1) Except as otherwise prohibited by the Department, a gas company and its affiliates may share employees. However, with the exception of other Connecticut regulated public service companies, or in connection with shared corporate support services, the use of shared employees shall be minimized and shall be subject to all of the following limitations and requirements:

(A) If a shared employee acquires knowledge of any private market sensitive information, such employee is prohibited from sharing such information or using such information to the unfair competitive advantage of any company; and

(B) A gas company shall ensure that all shared employees shall record time in a manner consistent with a master service framework or service agreement, which shall be maintained routinely and available for Department review upon request. A

master service framework or service agreement shall clearly indentify the job titles or positions, the salary and benefits or each position and the portion or percentage of such salary or benefits to be borne by the gas company and each affiliate.

(2) Except as otherwise prohibited by the Department, a gas company and its affiliates may share the use of vehicles, equipment and office space provided the provision of such services is established in a master framework or service agreement that is available for Department review and is not anticompetitive or discriminatory.

(d) A gas company shall not share with an unregulated affiliate any market analysis report, survey, research or any other type of report that is proprietary or not available to the public, including, without limitation, a forecast, planning or strategic report.

(Adopted effective February 8, 2011)

Sec. 16-47a-6. Marketing

(a) This section shall not apply to interactions between a gas company and another Connecticut-regulated utility company.

(b) A gas company shall not promote or market any goods or services offered by an unregulated affiliate, or engage in joint promotions, advertising or marketing programs of any sort with an unregulated affiliate. A gas company shall not authorize any unregulated affiliate marketing, promotions or advertising to be included on customers' bills, as bill inserts or as a link on the gas company's website.

(c) A gas company's name, logo or trademark may be used by an affiliate provided such use is not misleading. When an affiliate markets or communicates to the public using a gas company's name, logo or trademark, it shall include a legible disclaimer that clearly and conspicuously states that:

(1) The affiliate is not the same company as the gas company and the gas company has separate management and separate employees;

(2) If the affiliate is an unregulated affiliate, the disclaimer shall state that the affiliate is not regulated by the Department or in any way sanctioned by the Department, and the prices of the affiliate are not regulated by the Department;

(3) Purchasers of goods or services from an affiliate will receive no preference or special treatment from the gas company; and

(4) A customer does not have to buy natural gas or other goods or services from the affiliate to receive the same quality of service from the gas company.

(d) The disclaimer required in subsection (c) of this section shall be sized and displayed in a way that is commensurate with the name and logo so that the disclaimer is at least the larger of one-half the size of the type that first displays the name and logo or the predominant type used in the communication.

(e) When an affiliate advertises or communicates verbally through radio or television to the public using the gas company's name or logo, the affiliate shall include at the conclusion of the communication a disclaimer that includes all these same disclaimers. Such disclaimers shall not be required, however, on company vehicles, clothing, trinkets, writing instruments, or similar promotional materials or in any advertising or other promotional materials including those involving charities or charitable events or direct or indirect contributions to and/or support of charities or similar organizations.

(Adopted effective February 8, 2011)

Sec. 16-47a-7. Pricing of transfers of assets, goods and services

(a) Except as otherwise provided by any federal law or state statute or approved by the Department, all transfer prices charged for assets, goods or services, including

the use or transfer of personnel, exchanged or shared between and among a gas company and its affiliates, shall be consistent with the Cost Allocation Manual submitted to the Department pursuant to section 16-47a-9(b)(3) of this Gas Code of Conduct, and shall meet the following requirements:

(1) Purchases from CSCs and regulated public service companies. If a gas company buys goods or services from a CSC or another regulated public service company, the gas company shall not pay more than the fully allocated cost of the selling affiliate and shall have the burden of proving, if required by the Department, that all goods and services procured from the selling affiliate have been procured on terms and conditions comparable to the most favorable terms and conditions reasonably available in the relevant market. Such fully allocated cost shall be entitled to a rebuttable presumption of reasonableness where reasonableness is typically measured by fair market value;

(2) Purchases from unregulated affiliates. If a gas company buys goods or services from an unregulated affiliate, the gas company shall pay the lower of the fair market value or the unregulated affiliate's fully allocated cost, and shall have the burden of proving that all goods or services procured from the unregulated affiliate have been procured on terms and conditions comparable to the most favorable terms and conditions reasonably available in the relevant market. At a minimum, a gas company shall be prepared to show that comparable goods or services could not reasonably have been procured at a lower price from other qualified sources or that a gas company could not have provided the services or goods itself on the same basis at a lower cost; and

(3) Sales. If a gas company sells goods or services to any affiliate, the gas company shall be compensated not less than the fair market value of such goods or services. A gas company shall obtain the Department's approval prior to selling to any affiliate any goods or services where the total proceeds of such sale are $150,000 or more and where the sale price is less than the fair market value of the good or service.

(b) For purposes of this section, the fair market value of any asset, good or service shall be based on the highest price that the asset, good or service could have been reasonably realized after an open and competitive sale. If a gas company does not engage in competitive solicitation and instead obtains the assets, goods or services from an affiliate, the gas company shall implement adequate processes to comply with the requirements of subsection (a) of this section and ensure that in each case the gas company's customers receive service at the lowest reasonable cost. Under appropriate circumstances, prices may be based on incremental cost or other appropriate pricing mechanisms.

(c) Tariffed goods and services provided by a gas company to an affiliate shall be provided at the same prices and terms authorized by the applicable tariff and made available to similarly situated customers under the applicable tariff.

(d) Costs that a gas company incurs in assembling, compiling, preparing or furnishing requested customer information or confidential systems operation information for or to an affiliate, to the extent permitted under this Gas Code of Conduct, shall be recovered from the requesting party.

(Adopted effective February 8, 2011)

Sec. 16-47a-8. Evidentiary standards for affiliated transactions

(a) **General standards.** All gas company transactions with a CSC shall be by master service agreement. All other affiliate transactions involving non-tariffed goods or services shall be recorded in writing by means of such instruments as

service agreements, contracts, billing invoices, vouchers, or work orders. All such written instruments shall contain adequate descriptions of the goods or services to be provided. An executed written contract or agreement is required of any affiliate transaction, including a transaction with a CSC, that: (1) is over $100,000; (2) involves any cost allocation between a gas company and any affiliate; or (3) materially impacts the operation of a gas company, provided, however, that such executed written contract or agreement is not required of any transaction with a CSC which is already covered under a master service agreement. Such contract or agreement shall be filed with the Department no later than 10 days after the execution of the contract or agreement, and shall be voidable on order of the Department, but may be enforced as between the parties unless disapproved. There shall be an arms length relationship between the parties representing a gas company and its affiliates on both sides of any affiliated transaction, contract or agreement.

(b) For every affiliate transaction (other than the sale of tariffed goods or services) in which a gas company is the seller, a gas company shall demonstrate that it:

(1) Considered all costs incurred to complete the transaction;

(2) Calculated the costs at times relevant to the transaction; and

(3) Allocated all joint and common costs appropriately.

(c) **Annual Affiliate Transactions Reports.**

(1) Reporting requirements for transactions between a gas company and a CSC. No later than March 31 of each year, each gas company shall submit to the Department the following information, for activity through December 31 of the preceding year:

(A) A copy of all master service agreements;

(B) Annual summary prices paid for services rendered or goods provided pursuant to such service agreement; and

(C) A copy of ''FERC Financial Report Form No. 60'' filed pursuant to 18 C.F.R. § 366.23.

(2) Reporting requirements for transactions between and among a gas company and an affiliate other than a CSC and transactions involving non-tariffed goods and services. No later than March 31 of each year, each gas company shall submit to the Department an affiliate transaction report for activities through December 31 of the preceding year. Each report shall provide, at minimum, the following information about each transaction:

(A) The date of the transaction;

(B) The nature and quantity of the information, assets, goods and services provided to or received from affiliates;

(C) The total and itemized costs or price charged to each affiliate and a copy of any contract, agreement or work order with affiliates, if applicable; and

(D) The basis used (e.g., fair market price or fully allocated cost) or an explanation of how the price was derived.

(d) **Affiliated Transactions Records.** In addition to complying with subsection (c) of this section, each gas company shall maintain the following information, as applicable, regarding all affiliate transactions and produce such information upon the Department's request:

(1) Records identifying the basis used (e.g., fair market price or fully allocated cost) to price all affiliate transactions;

(2) Books of accounts and supporting records in sufficient detail to permit verification of compliance with the Gas Code of Conduct;

(3) Copies of all contracts, agreements, work orders or related bids for the provision of work, goods or services for or from an affiliate;

(4) A full and complete list of all affiliate transactions undertaken with affiliates without a written contract together with a brief explanation of why there was no contract; and

(5) A log of all waivers of a contract provision, and discounts given by the gas company to an affiliate.

(e) **Audit of Affiliate Transactions.** Every management audit performed pursuant to section 16-8 of the Connecticut General Statutes shall include an audit of affiliate transactions between a gas company and its affiliates and a gas company's written procedures in connection with this Gas Code of Conduct. The scope of the affiliate transactions audit shall include a review of a gas company's and its affiliates' compliance with the Gas Code of Conduct and all other related federal or state laws, and the summary and findings of such audit shall be detailed in a distinct section of any management audit report issued pursuant to section 16-8 of the Connecticut General Statutes.

(Adopted effective February 8, 2011)

Sec. 16-47a-9. Record keeping requirements

(a) **Separate books and records.** A gas company shall maintain its books of account and records completely separate and apart from those of its affiliates in a manner that will allow clear and easy affiliate identification on an ongoing basis.

(b) **Cost Allocation Manual (CAM).**

(1) Each gas company shall maintain a CAM which shall govern the assignment and allocation of direct, indirect, and other costs associated with goods and services provided by a gas company to its affiliates, or provided by an affiliate to a gas company, or shared between a gas company and any of its affiliates as permitted under section 16-47a-5 of this Gas Code of Conduct. Each CAM shall include, at minimum, the following:

(A) An organization chart of the holding company, depicting all affiliates and regulated entities;

(B) A description of all assets, goods and services (or classes relating thereto) provided to and from, or shared between, the gas company and each of its affiliates; and

(C) A description of the cost allocators and methods used by the gas company and by its affiliates related to all assets, goods or services transferred or shared between the gas company and its affiliates;

(2) A gas company shall make its CAMs available to its internal auditors for periodic review of the allocation policy and process;

(3) Each CAM shall be updated annually. No later than March 31 of each year, each gas company shall file with the Department (A) an updated CAM to be in effect for the current year, and (B) a redlined version of the updated CAM, or a report identifying any and all changes or revisions that had been made to the updated CAM;

(4) Each gas company shall review allocation factors annually, and the result of such review shall be reflected in the CAMs filed pursuant to subdivision (3) of this subsection;

(5) The Department may, at any time, order an independent audit or review of a CAM. The cost of any such independent audit or review shall be shared between the gas company and its affiliates consistent with the allocation of similar common costs. Any audit or review of a CAM shall not otherwise limit or restrict the authority

of the Department to have access to the books and records of and audit the operations of the gas company; and

(6) Any entity required to provide access to its books and records may request the Department, consistent with the Department's procedures and practice, for appropriate protective orders for competitively sensitive information.

(c) **Shared personnel and facilities.** A gas company shall document each occasion that one of its employees transfers to an affiliate and each occasion that an employee of one of its affiliates transfers to the gas company. Such documentation shall include a brief description of the employee's position and responsibility before and after the transfer. A gas company shall maintain up to date books, accounts and records which (1) show all costs of shared facilities and personnel, which shall be fully and transparently allocated between a gas company and its affiliates, and (2) identify all costs incurred on behalf of an affiliate.

(d) **List of Affiliates.** Each gas company shall maintain a complete and accurate list of all of its affiliates. This list shall include the name and address of each affiliate and the name and contact information of at least one officer of each affiliate. A gas company shall file this list with the Department no later than March 31 of each year and shall make this list available to the public upon request.

(e) **Books and Records of Affiliates.** Each gas company shall ensure that its parent and all other affiliates maintain books and records that include, at a minimum, the following information regarding affiliate transactions:

(1) Documentation of the cost associated with affiliate transactions that are incurred by the parent or affiliated entity and charged to the gas company;

(2) Documentation of the methods used to allocate and/or share costs between affiliated entities, including other jurisdictions and/or corporate divisions;

(3) Description of costs that are not subject to allocation to affiliate transactions and documentation supporting the nonassignment of these costs to affiliate transactions;

(4) Description of the types of services that corporate divisions and/or other centralized functions provided to any affiliated entity or division accessing the gas company's contracted services or facilities;

(5) Names and job descriptions of the employees from the gas company that transferred to an unregulated affiliated entity; and

(6) Policies regarding the availability of customer information and the access to services available to unregulated affiliated entities desiring use of the gas company's contracts and facilities.

(f) **Access to Affiliate Records.**

(1) The Department shall have complete access to all applicable affiliate records, consistent with section 16-47a of the Connecticut General Statutes, necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the Gas Code of Conduct and to evaluate whether subsidization exists. In accordance with and to the extent permitted under section 16-8c and section 16-47a of the Connecticut General Statutes, the Department may (A) review, inspect and audit books, accounts and other records kept by a gas company or affiliates, or (B) investigate the operations of a gas company or an affiliate and their relationship to each other, for the sole purpose of ensuring compliance with the Gas Code of Conduct. The Department or any auditors acting on behalf of the Department, not the audited gas company or affiliate, shall determine what information is relevant for a particular audit objective.

(2) If such affiliate records cannot be reasonably made available to the Department and OCC staff in the state of Connecticut, then upon request of the Department or

OCC staff, the appropriate gas company or affiliate shall reimburse the Department or OCC for travel expenses reasonably incurred.

(g) **Log of Emergency Actions and Communications.** Each gas company shall maintain a log of all actions or communications made pursuant to section 16-47a(g) of the Connecticut General Statutes or section 16-47a-2(f) of this Gas Code of Conduct.

(h) **Record Retention.** Records required under the Gas Code of Conduct shall be maintained by each gas company for a period of not less than 10 years.

(Adopted effective February 8, 2011)

Sec. 16-47a-10. Written procedure and employee training

(a) Each gas company shall create, maintain and update annually written procedures which ensure compliance with the Gas Code of Conduct. Said written procedures shall be first filed with the Department no later than September 1, 2011, and any material amendments to said procedures shall be filed with the Department by the next March 31 immediately following the respective dates of each said amendments. Such written procedures shall include, at minimum:

(1) All internal rules, practices, financial record keeping requirements, and other policies governing affiliate transactions among or between the gas company and its affiliates;

(2) The names and addresses of all the gas company's affiliates that participate in affiliate transactions with the gas company;

(3) An organizational chart depicting the ownership relationships between the gas company and its affiliates; and

(4) A description of the types of assets, goods and services provided in any existing affiliate transaction lasting more than one year.

(b) On an annual basis, each gas company shall train those of its employees that it reasonably identifies as requiring training in order to comply with this Gas Code of Conduct in (1) all the provisions of the Gas Code of Conduct, (2) all procedures or processes to ensure compliance with the Gas Code of Conduct and all applicable statutes, and (3) the processes or methods for identifying shared employees, and the appropriate conduct or specific information that can be disclosed to such shared employees. Each gas company shall make the training logs available to the Department upon request.

(Adopted effective February 8, 2011)

Sec. 16-47a-11. Waiver and variance

(a) The Department may, upon its own motion or upon the request of any gas company, waive, for a specified period of time or event, any of the requirements of this Gas Code of Conduct that are not required by statute upon a finding of good cause and that the waiver would not be inconsistent with the purpose of section 16-47a of the Connecticut General Statutes or this Gas Code of Conduct.

(b) A gas company may request a variance from any standard in the Gas Code of Conduct from the Department. The granting of an exception to one gas company does not constitute a waiver respecting or otherwise affect the required compliance of any other gas companies to comply with the standards. The scope of the exception will be determined based on the facts and circumstances surrounding each request.

(c) A gas company may engage in an affiliate transaction not in compliance with the standards set out in the Gas Code of Conduct when, to its best knowledge and belief, compliance with the standards would not be in the best interests of its ratepayers, provided such gas company:

(1) Complies with all reports and record retention requirements for each affiliate transaction; and

(2) Files notice of the noncomplying affiliate transaction with the Department no later than 10 days of the occurrence of the noncomplying affiliate transaction. The notice shall provide a detailed explanation of why the affiliate transaction should be exempted from the requirements of the Gas Code of Conduct, and shall provide a detailed explanation of how the affiliate transaction was in the best interests of the ratepayers. Within thirty (30) days of the notice of the noncomplying affiliate transaction, any party shall have the right to request a hearing regarding the noncomplying affiliate transaction. The Department may grant or deny the request for hearing at that time. If the Department denies a request for hearing, the denial shall not in any way prejudice a party's ability to challenge the affiliate transaction at the time of the annual CAM filing. At the time of the filing of a gas company's annual CAM filing a gas company shall provide the Department a listing of all noncomplying affiliate transactions which occurred between the period of the last filing and the current filing. Any affiliate transaction submitted pursuant to this section shall remain interim, subject to a final Department determination on whether the noncomplying affiliate transaction had an adverse impact on the costs or revenues of the gas company.

(Adopted effective February 8, 2011)

Sec. 16-47a-12. Dispute resolution and complaint procedure

(a) A gas company shall establish and file with the Department a dispute resolution procedure to address complaints alleging violations of the Gas Code of Conduct and to resolve potential complaints that arise due to the relationship between a gas company and its affiliates. Such procedure shall designate an employee of the company as ''hearing officer'' to conduct an investigation of the complaint, require that such person communicate the results of the investigation to the claimant in writing within thirty (30) days after the complaint is received, and require that such communication describe any action taken and notify the complainant of his or her right to complain to the Department if not satisfied with the result of the investigation.

(b) Any dispute resolution and complaint procedure implemented pursuant to subsection (a) of this section shall not affect a complainant's right to file a formal complaint or otherwise address questions to the Department.

(c) **Violation Complaints or Disputes Log.** A gas company shall maintain a log of all new, resolved and pending complaints alleging violations of the Gas Code of Conduct. The log shall be subject to review by the Department and shall include, at minimum, the following information: (1) the date the complaint was received by the gas company or the date the gas company became aware of the complaint; (2) the complainant's name and contact information, subject to any applicable whistleblower federal or state laws; (3) a brief description of the complaint; (4) a description of how the complaint has been resolved; and (5) if the complaint has not been resolved by the gas company within thirty (30) days, an explanation for the delay.

(Adopted effective February 8, 2011)