SB 879 PA 621 (Vetoed) 1971

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Chairman Blake: Is there anyone else who wishes to speak in favor of 773? Any in opposition to 773?

Joel Cogen: I am executive director of the Conn. Conference of Mayors. I would agree with Mr. Hartigan that any bill along these lines would obviously have to be somewhat more detailed in text. I would like to speak on behalf of the Con. of Mayors to the general principal of this bill. I would like to also speak to other bills, particularly 773 and 779 at the same time. These bills, and indeed the model bill which the utility companies are proposing, in lieu of these bills would take away the powers of local zoning boards and of local legislative bodies to disapprove the location of power plants and of overhead transmission lines. And would give complete and unilateral authority to this approval to the PUC. This would frequently result or at least could result in bad land use and environmental destruction. It would overlook the very important local interest involved in these considerations. TheCon. of Mayors recognizes the necessity to balance considerations of electric power needs and other kinds of power needs with environmental considerations but feels that the review on approval power has to be shared between the state and local governments as each have a vital stake and essential expertise in this matter. One of these bills, both of these bills, expressly could take this power away from local government and indeed the model bill in a more sophisticated but equally total way would do exactly the same thing. It would even permit, for instance, the public utility to approve the location of a power plant or of a overhead transmission line through a first grade residential neighborhood, in complete disregard of local zoning laws, local master plans, etc.

I would with your permission, Mr. Chairman, like to comment briefly at this time on three bills before your committee today- 879, 1077 and 6812. These bills would make cities together with all customers pay higher utility rates while the PUC is deciding whether the higher rate is allowable. Quite on the contrary the Con. of Mayors feels strongly that rate increases for cities and towns should not take effect until the following fiscal year. I think I don't need to go into detail with you on that. The havoc it's played with the local tax rate when a public utility rate in so far as it applies to municipal purchases of power takes place immediately, whereas it would under these bills retroactively has just a serious impact on local services and so we would opposethese bills and indeed ask your committee to consider the possibility of postponeing with respect to municipal purchase of power any rate increases until the beginning of the following fiscal year. I would ask your indulgence also to comment very briefly on a bill on a somewhat different subject which is before you today. It was touched upon at the very beginning of this discussion by several of the speakers talking about advertising and I'm not going to talk about advertising but I would like to talk about CATV. There is a bill 5737 before you today that would require the CATV companies to provide, without charge a channel or several channels to public agencies, schools, etc. The Conn. Con. of Mayors believes that this is a reasonable conditon for the exercise of this ..... franchise right. Mr. Cooney made the point that service is available at a reduced rate as a matter of fact, I think your committee would like to know that in many states,the cities themselves regulate these franchises. In many states, whether the state or the

Sen. Buckley: I received a letter on this - through omission on my memory process I didn't make that announcement myself, Mr. Keever. Just for form I will ask if there's anybody opposed and if there is put up your hands. I see four hands, Mr. Bowerman, John Tilson, and others. Hearing closed on 777 , open it on 779. All those in favor of 779.

Mr. Odlum: This requires that each public utility shall require the approval from the PUC for the location of any power plant. I already spoke on another bill, something along that line. I say this for the same reasons and we would keep from the public the site until it was assured that the company could get the site. This is because of the controversy today about environment. I understand, as I said before, from that bill sounding something like 1476 sponsored by Griswold, Oliver, and Lieberman would proctically do the same thing.

Sen. Buckley: Anyone else in favor of 779. Those people who are opposed.

Mr. Eldridge: I made reference before to the privilege of these matters coming to the local municipalities. So therefore, I would be opposed to 779.

Sen. Buckley: We will close the hearing on 779 and move on to 780. Anyone in favor of 780.

Mr. Odlum: Mr. Chairman in this bill we ask that regardless of any orders made by any ecological, water or air pollution committee or commission shall be appealed to PUC. It shall have final determination of said order or decision and may affirm the.....said order or decision in the interest of assuring to the public continuity of any and all kinds of utility service. The reason I say this is that we're liable to get some commission to come out with what we would consider an adverse bill to the public utility companies, that would delay them or prevent them from building a power plant or high tension wire and thereby cause us the trouble they've got in N.Y. and other places. I'd like for you to consider this bill.

Sen. Buckley: Anyone else in favor of 780. Seeing no one we will close on the affirmative side and go to the people who are opposed to 780. Seeing no one, we will close the hearing on 780 and move to 782. Anyone in favor of 782.

Mr. Keevers: PUC. - in favor of 782. No association of property owners who establish or conduct a water system for its members shall be subject to PUC jurisdiction. We find associations usually change their offices every year, change their treasurer, sometimes change their bookkeeper and it's almost impossible to keep up with them. We would like to exempt them from some of these regulations.

Sen. Buckley: 782 - anybody else in favor? Seeing no one, those people who are opposed to 782. Seeing no one, the hearing will be closed on 782. We will move to 879. Anybody in favor of 879.

Robert H. Willis: My name is Robert H. Willis, I am President of Conn. Natural Gas Corp., which has its headquarters at 233 Pearl St., Hartford, Conn. The company has franchises to serve natural gas at retail to approximately 100,000 customers in the cities of Hartford

and New Britain, and 24 other towns in central Conn.

I am appearing today in support of S B 879, 1077 and HB 6812. All three of these bills are nearly identical with the exception of several words in SB 1077. To the extent of this difference, we would favor the language of SB 879 and HB 6812, which language as far as we can determine, is identical. In addition, I am appearing in opposition to a number of other bills which I will identify after making some brief remarks in favor of these first three bills. SB 879 and its companion bills are designed to amend the procedures used by the PUC in regard to rate investigations to make these procedures responsive to today's needs, and in addition, to make the procedures as workable as they were before amendment in 1949 of Section 16-19 of the General Statutes. In other words, the procedure proposed in these bills would return to the workable procedures proven over many years in practice prior to that change some years ago, and the subsequent proof that the revised procedures have failed to meet the public need. Although the Committee may not immediately recognize this, this bill probably has more to do with the creation of jobs and adequate utility service to the people of Conn. than any bill which will be considered in this legislature. I will attempt to briefly explain my rationale in making such a statement.

Members of this Committee are certainly aware of the deterioration of mass transit and commuter rail service in Conn.and the recent demise of the Penn Central Railroad. This is a perfect example of deteriorating utility service which caused skyrocketing commuter rates, loss of passengers and revenue, a willingness by investors and lenders at first to put up money only at high interest rates and a later refusal to provide money at all. Service has continued to deteriorate and no longer can revenues off-set expenses increasing at the current inflationary rate and the whole upward rate spiral and service deterioration is accelerating at the present moment. The legislation being considered here today can prevent this type of sorry situation from developing with Conn. utility service. It would protect Conn. consumers from the twin damage of poor service and higher than necessary utility rates, without in any way compromising the full authority of the Conn. Public Utilities Comm. and the courts to maintain fair and just rates for the benefit of all consumers and their full protection during the procedural process.

Growth of utilities benefits all utility customers by helping to offset the effects of inflation and achieving economies of scale and the resulting reduction in unit costs to serve the public. However, utility growth requires outside financing, which is possible only if utilities prove their ability to pay back the money they borrow and to increase their earnings and dividends when they sell stock. With today's inflation a number of Conn. utilities including our own Company have suffered severe declines in earnings at a time when financing was necessary to serve the public, causing the deferral of permanent financing, higher ultimate cost to the public, and in many cases, a delay in service. Our Company had to defer service to the town of Simsbury for a full year as a result of regulatory lag, which this bill is designed to correct. We have also demonstrated to the PUC and the courts that the regulatory lag provided by the present statutes has cost our 100,000 customers $9.7 million dollars as a re-

sult of one instance of regulatory lag in 1969. Declines and fluctuations in earnings patterns reduced the confidence of investors and lenders, increased the cost of capital when it is available at all, and result in deterioration of utility service. If this bill is enacted, consumers will actually in the long term pay lower utility rates and at the same time Conn. citizens would be assured of the continuing quality of utility service vital to the comfort and well-being of residential users and the progress of our state's industries.

Several experts from the commercial and investment banking fields are here in the room today and plan to give the Committee the benefit of their views on this very subject. Further, the attitude of utility investment analysts influences to a very strong degree the attitude of all investment advisors regarding the location and expansion of industry in our state. Hence, in addition to the importance of this bill to quality utility service and lower rates to utility customers than otherwise possible, it also has an extremely important bearing on whether industry will locate and expand in our state. As we move from war-time to peace-time economies and re-order our priorities the creation of peace-time jobs in Conn. will be essential to our survival and the maintaining of our status as the highest per-capita income state in the nation. Passage of this bill therefore, is essential to the creation of an economic climate in our state which will provide future jobs for our people, to say nothing of reduction in the current rate of unemployment.

I briefly mentioned the $9.7 million additional cost to our customers as a result of one action involving regulatory lag in 1969. A continuation of the present regulatory lag situation, would in my judgment, ultimately cost utility customers in Conn. well over one-half billion dollars in the next 20 years. This bill would correct penny-wise and pound-foolish procedures and for this reason in behalf of utility customers and job seekers in Conn., I ask your support.

Sen. Buckley: Any questions?

James F. McNally: I, James F. McNally, Executive Vice Pres. of the Conn. Bank and Trust Co. am here to speak in favor of 879 allowing utilities to put new rates into force, subject to refund, while the Commission is making its determination as to ultimate rates.

I favor this bill because it faces the reality that inflation is a fact of life. In a continuing inflationary environment, the utility industry should be able to pass on increased costs immediately or there is a serious erosion of the industry's financial strength. As one of the cornerstones of economic growth, Conn. utility companies must be financially strong if we are to have a healthy business climate with the attendant increase in employment so needed by this state.

As one of New England's largest commercial banks, The Conn. Bank and Trust Co. has a loan exposure to the utility industry. Since our loans are normally repaid from the proceeds of permanent capital financing, we must look very carefully at our customers' ability to sell their securities. Without question, the responsiveness of the PUC to requests for rate adjustments in the face of inflationary costs increases has a major impact on any utility's earnings. As a result

of the critical regulatory lag, there have been too many instances in recent years of Conn. utilities being unable to report earnings coverage of the interest payments adequate to enable them to float necessary bond issues. The postponed bond issues have resulted in higher long-term financing costs which ultimately must be borne by the consumer. Bill 879 could help eleviate this problem.

I believe this bill also provides adequate protection for the consumer. Any rate increases not ultimately approved must be refunded with interest; consequently, there would be no detrimental effects on the individual customer.

In essence then, I strongly favor bill 879 as a step toward creating an environment that will eliminate regulatory lag and thus strengthen the financial standing of our Conn. utilities which are a cornerstone of our economy and employment levels. Thank you.

Hugh Cobrain: Sec., Public Utility Investments of the Travelers Corp. I am appearing is support of bill 879 which will allow Conn. utilities to make new rates effective immediately after application therefor, subject to refund, with interest, while the PUC is making its determination of the amounts finally to be allowed.

My support of this bill is based on the obvious need of utility companies to offset increased costs promptly in order to maintain their financial integrity. Without adequate earnings the companies often are unable to meet earnings requirements under their bond indentures. The utilities thus forfeit flexibility in their financing programs, and furthermore, their credit ratings are jeopardized. If credit ratings are lowered, the result is higher financing costs for debt and preferred stock.

In addition, regulatory lag has a major adverse affect on common stock, the effect of which, again, is reduced flexibility in financing and high costs of common equity. Obviously, these higher financing costs must ultimately be borne by the consumer.

If Conn. public utilities are to be enabled to raise the capital required to furnish the state's ever growing utility needs, they must be allowed earnings which will attract their capital requirements. By allowing them to offset rising costs immediately, a major step in this direction will be taken. The consumers' interests will be protected in that under this bill if the new rates exceed those finally determined to be reasonable by the PUC, refunds with interest will be made to the customer by the utility company.

A side effect of the utilities' inability to raise capital is the inability to provide for increasing consumer needs. This bears significantly on the attitude of existing industry to expand in Conn. and new industry to come to the State. Adverse decisions in this area by industry have a major bearing on the outlook for jobs in the state and the state's overall economic posture. As a result, I favor passage of 879. Thank you.

Sen. Buckley: May I say that if you have a statement it will be set forth in the record in full in the transcript.

Mr. Coil: My name is .....Coil, I'm from Greenwich, Conn. I'm appearing here on behalf of the Greenwich Water Co., the ....Water Co., and the Mistic Valley Water Co., all privately owned water companies in the state of Conn. I have heard and have had the opportunity of reading the statements which have been made and which will be made. Im appearing on behalf of these companies to state to you that I support this bill on their behalf.

Mr. Bowerman: I should say in the gray envelopes I have copies of all my statements for each member of the committee. With respect to these three bills let me say I favor 879 over the other two because I think it should be absolutely clear that there is a requirement to repay any refund with interest. That is the only difference in those bills. Without repeating what's been said, all of which I endorse, put this into a context for you of a real experience. That was our application for a rate relief before the Commission in 1969 when as we made clear in our application and as we made clear the first day of the hearing, we were going to run out of bank credit because we have a limitation in our charter about Sept. 15. We could not meet the coverage test that would enable us to issue bonds, we could not meet the coverage test to enable us to issue preferred stock, our common stock was so depressed we couldn't possibly successfully issue common stock. Notwithstanding, the Commission refused to grant any rate relief until the last day under the statutes. At that time it was 120 days. Were it not for the fact that we had a colder spring in 1970 than we normally have, our company literally would have been bankrupt. It would not have been able to pay its bills, but that was of not concern to the commission whatsoever. I has the statutory power to refrain from suspending rates but it never uses it. It seems to me that it's essential to the integrity and economic health of this statethat these bills or one of them be adopted. Let me put it in another context. We applied for the equivalent of a fuel adjustment clause in Dec. We had a full hearing. The hearing revealed to the Commission under oath that between Nov. 1, 1970 and March 17, 1971, the cost to gas that we purchased last year for 10 million dollars will go up 2 million dollars. That is a fact as of this minute we are paying those higher rates. The commission turned us down, it would not let us put those into effect. We filed an application for rate relief and we set forth in fact and under oath, the very facts that I have just recited. We asked them to permit us to put 2 million dollars of what we required in to-to into effect pending hheir hearing, subject to the obligation to repay with interest. Yesterday they suspended those rates until further order and every indication is that it's going to be five months before we get any relief from something we're occuring right this minute. Now I suggest to you that there is no greater threat to the economic health of the state of Conn. than that which jeopardizes the power of utility to issue securities to finance the expansion in energy availibility that the industry and people of this state need. If we're going to attract industry, if we're going to deep what industry we have, we've got to be able to provide them with electricity, gas, and with extended water service and with extended telephone service. We're not going to be able to do it if we can't sell our securities. Every company in this state has had it's securities downgraded because of the lag which our Conn. Utilities Commission automatically imposes. As a result we were down graded in our last issue from single A rating to a B AA rating. It's 1% in interest charges difference on $15,500,000.00 of bonds. Our rate

payers are banged today $155,000.00 more each year because we were given inadequate rate relief and given it too late to do any good. I suggest to you, as Mr. Willis has suggested, that this really gets to the heart of one of the most serious problems this state has. I strongly urge your favorable consideration.

Rep. Clark: Your indication of this 2 million dollars that is for the gas and natural gas that you are buying, does the Federal Gevernment approve those additional rates. In other words, is there any appeal rather than just accepting that 2 million dollars and turning it over and asking for rate increases? Is there any federal government recourse or is it approved prior to you being billed for the additional amounts?

Mr. Bowerman: Everyone of these rates are now applicable to us, has been approved by the FPC subject to a final hearing by them. They do the very thing that we're asking be done here. There's a ....showing of reasonablness, they are permitted to put into effect, subject to a refund with interest if after hearing the rate is found to have been too high, if the rate is found to be too high we are required automatically by our Conn. commission to pass on to our rate payers any increase which we in turn have passed on to them.

Rep. Clark: It would appear that the amounts that you essentially pay with interest presumably if the FPC eventually does not allow this was only an interrum agreement or waiting for their final desision. You in turn would wait until you recovered the money from the company that you are buying from. In effect, they would be the ones that pay in the long run. Is that correct?

Mr. Bowerman: Let's assume that the ....Gas Transmission C. which provides about half the gas companies in the state and is now permitted to charge a certain rate by the FPC is required to reduce that so it pays only 75% at the present rate there will be a refund of the 25% overcharge back to us, to the distributing company. We in turn will automatically, and as of the same day, refund that to our customers with whatever rate of interest is prescribed. It is that same procedure to which we are subjected through the federal process that we ask be reinstituted in this state and I emphasize REinstitute because this is the way it was for years until about ten years ago.

Rep. Healey: This automatic same day refund by you to your customers, that isn't in this bill.

Mr. Bowerman: No.

Rep. Healey: Where is that requirement on you to refund to your customers this theoretical 25% your getting from the gas company?

Mr. Bowerman: When we get rate relief, for example, out last rate relief came right after ..... had increased it's rates, the order of the State Public Comm. says the approving of these rates is subject to the provision that if there is any refund from the gas transmission company to the distributing company, us, then we must in turn pass that on to our customers. It's contained right in their order. I point out that this bill would require this with respect to any rates that we put into effect under bond. We just applied for a $4.9 million dollar increase. If this bill were ineffect, we would put this into

effect under bond. If the commission later said you are only entitled to 4 million, not the 4.9 we would be required to refund the .9 million dollars plus interest during the period of time in which that increase rate was in effect.

Mr. Hartigan: I have nothing to add to the statements made by the other utility representatives but I would have the record show that the Northeast Utility Co. does favor the enactment of 879 or one of the companion bills.

William Glynn: I am an attorney and representing the Conn. Water Works Assoc. We favor all three bills but prefer 879.

Richard A. Winslow: I am President of The Greenwich Gas Co. which is franchised to distribute gas within the Town of Greenwich.

Rather than repeat what some other utility representatives have already brought forth and with which I concur, I would like to give you a graphic example of how the present practices of the PUC affects a small gas company.

During the past 18 months the Greenwich Gas Co. has filed for rate increases on three different occasions. If the requested relief had been granted, cumulative effect would have increased our revenues by approximately $1,264,000. In each case, the Commission suspended the effective date for the full five month period and approved only a total of $426,000. In each case the company considered the rate orders were completely inadequate and it became necessary to file for higher rates immediately after receiving the preceeding rate order. For an example, today because of an increase from Tenn. Gas Transmission Co. from whom the Company purchases gas supply, the Company's cost of gas goes up approximately $400,000 per year. We have made repeated attempts to have the PUC recognize this and allow increased rates to cover this tremendous increase in expenses, of which the Commission was fully aware. Just as a point, the $400,000 increase exceeds the net income of our Company on an annual basis. We filed new rates this morning with the PUC and have asked them to make them effective immediately to cover at least the increased cost of gas that starts today. (This was prepared and filed this morning after my comments were written.) This morning I discovered that the Southern Conn. request was denied and has been suspended by the Commission. We would at this point expect similar treatment. Unfortunately, should the PUC suspend the effective date of the rates for the full five month period, the Company would have to absorb better than 1/3 of this total amount without any chance for recoupment even though the Company's present financial position is precarious due to the previous inadequacies of rate decisions and we are in jeopardy of passing dividends and not being able to pay our bills.

The Commission refuses to accept known expenses and necessary financing, claiming that unless you have an actual commitment or have already incurred the expense then it would be speculative. The inadequacies of the past rate Orders by the Commission have reduced the earnings of our company and other utilities in the state to the point where securities are no longer attreative to the investor and when they are sold it is at a much higher rate of interest to the detriment of all. It is the position of prospective investors that

the PUC's attitude almost prohibits their investing in utilities within the State of Conn. This has happened to us. Again, rather than repeat the statements of some of the past witnesses regarding inability to meet earnings tests and other company indenture restrictions, I say only that I concur completely with their statements. I feel a partial answer to these problems is not to force the utilities to incur the full suspension period, thereby losing the effect of the increases allowed, but permit companies to put rates into effect under bond when they are filed. This takes nothing away from the PUC as they would remain the body that would determine what rates are equitable and reasonable. But, it would guarantee that rate relief is prompt and that no one can be hurt in the process. I strongly urge that you act favorably upon either bill 879 or bill 1077.

Edwary P. Williams: Chairman of the Conn. Water Co. and of Suburban Water Service, Inc. which owns and operates five other water companies in Conn. I am in favor of SB 879.

SB 879 will eliminate the serious problem of "regulatory lag" which has weighed heavily on water companies for a number of years. I would like to give you an example of the harmful effects of regulatory lag. One of the companies owned by Suburban is The Collinsville Water Co. It is a very small company serving about 600 customers. In 1970 Collinsville had a net income of $10. This year at its present rates it will have a loss. We filed an amendment to its rate schedule with the PUC in Jan. of this year for an increase in rates. In accordance with its usual practice the Commission suspended the rates and held hearings early this month. The Commission cannot ordinarily be expected to decide the case until the maximum 150-day suspension period is about to expire. This delay isn't the Commission's fault. It is overloaded with rate and other matters. While those 150 days go by, the Collinsville Water Co. will be losing money. The Comm. will determine what it believes to be fair rates based upon 1970 results of operations of the Company. I don't question the wisdom of the Commission's conclusion. The rates the Comm. prescribes might be fair rates if they had been in effect throughout the year 1970. However, in practice those rates will not becaom effective until the middle of 1971. In the meantime, The Collinsville Water Co. will have sustained a substantial loss despite the fact that the Comm. will probably decide that fair rates during the period would have been higher than what the Company has been collecting.

In 1969 the Collinsville Water Co. was granted a rate increase which the PUC indicated in its rate order would produce a rate of return of 7%, which the Comm. considered a fair rate of return at that time. However, largely because of the time elapsed between the initial rate filing and the Commission's order, Collinsville actually earned a rate of return of 2.19% in 1969 and 4.5% in 1970. As a consequence of the delays caused by the present procedure, actual earnings of water companies have been held below a level which even the PUC believes to be reasonable. The public interest is damaged because additional funds to finance necessary plant construction are difficult if not impossible to obtain. I've just taken one company, a small company as an example. Our other companies are equally relevant. We have not yet had to do permanent financing for this company because the net borrowings are taken care of by the parent company. In the

case of the Conn. Water Co., which is a financial stronger company than this one, we have recently done funding and we had to sell $3,000,000 worth of bonds at ten and¼ %. This rate, of course, then becomes locked in to the companies investment and when we next have to go in for rate increases, it will become part of the investment burden and goes right back to the rate payer. Thank you.

John Tilson: Speaking as counsel for the United Illuminating Co. I would like to echo what Mr. Hartigan said on behalf of his electric utility clients. We have no present pending crisis but for the various reasons that have been stated, for this committee, we consider this bill of significant importance and for the reasons that have been given we would like to go on record as supporting it.

Mr. Fisher: I represent the Conn. Natural Gas Corp. I don't want to take too much more of your time, but I'd like to explain in detail this process that you go through. We'll take, for example, our recent rate filing in Commission Docket 10981. That filing was made in June. It takes a month or two to prepare a rate filing, get your figures together, know what you need. We filed it in June with a request that the rates become effective on the first of July. You are not permitted in a rate filing, under the present Comm. Rules, to consider anything beyond their so called test year which is prior to the times that you make your rate filing. The Commission has done in everyone of our cases, suspended this for the 150 day period that they are permitted to do. They gave us our order at 4:00 P.M. on the 150th day. We asked for $3, 850,000 , we received $2,429,000. Assuming that the Commission's decision was entirely correct as to the amount they gave us, this was predicated on a period prior to our filing and we had forgone that rate during the intervening 5 month period. This bill is designed to permit the company to put into effect its rates at the time it requests them. Then whatever we would have been permitted to .....into effect and then the ultimate decision if we're only entitled to $2,429,000 we return it. But as it is the proportion of the $2,429,000 in that intervening period of five months has gone down the drain. The Comm. in that particular case would not permit us to include expenses of our bond issue which they authorized about a month after their order came down. Their order didn't come down until just before Thanksgiving, as far as theConn. Natural Gas Co. was concerned. At the time it was necessary to issue 12 million dollars of bonds to take care of our short term borrowings. They stated, then as much, as that had not been included in the test year, we were not permitted to receive- to include the interest on that bond issue. Because of the situation with respect to our earnings that had happened in 1969 that Mr. Willis spoke of, and the combination of this delay, our rating by .....was downgraded from A to B AA and we had to pay 9% for those bonds. That's going to cost the rate payer $120,000 a year until we are able to refund those at lower rates.

Sen. Buckley: Anybody who is opposed to 879 or 1077 or 6812.

Mr. Odlum: After listening to counsel for most of the utility companies, in Conn. whom I know fairly well, I took my handkerchief out to cry. I was wondering why if the Natural Gas Co., just represented by Mr. Fisher, increased dividends last year - if they are in such bad shape. I would like to know what jobs they are talking about. They say that if they get this bill passed there will be more jobs in Conn., I don't know where John Doe's job will be and I know something about the

job market, having had alot of experience in labor, with unemployment commission and with labor department in years gone by.

Sen. Buckley: Maybe I could simlify this by asking a few questions. Why do you feel it's unfair that they put the rates in if they have to give the money back and give the customers interest if the rates are disallowed ultimately? That seems to be the key question.

Mr. Odlum : That's because the law says so.

Sen. Buckley: We're in power to change the law.

Mr. Odlum: Yes, you are.

Sen. Buckley: Then why do you think it's unfair that we do change the law?
Mr. Odlum: Let me start from just the bill. In 1945, 1946, in New Haven vs. the New Haven Water Co. Connecticut allowed the water company to put in rates upon filing them. It is not true now. In the 1947 legislature, the legislature changed the law to what it is now, 16-19. So that they put in , I'm not sure, 120 days, we have to make a decisions within 120 days. A year or two ago or one or two terms ago, you people, the legislature, increased that time for decision to 150 days. The reason that there were so many rate cases, there are only so many employees in the PUC that they have to work like beavers and work on weekends to go over the thousands and hundreds of thousands of figures that are involved in all these cases plus field trips, etc.

Sen. Buckley: It impresses me that that's not the issue. The basic question that I asked a minute ago is the issue. Why is it unfair to give them the change that they require?

Mr. Odlum: Because you are then shifting to the tax payer, the rate payer the financing of this company, instead the company financing itself.

Sen. Buckley: Are there realistic reasons that the companies are losing money? You heard the statitics that were given here, in general. Are they in effect, having to pass exorbitant costs on to their consumers? You agree then that they do have to pay more money to finance because of the present system and therefore have to pass that cost on to the consumer, ultimately. So how does the public benefit from this whole thing?
Mr. Odlum: The consumer always pays, as you know.. They have to pass on whatever expenses they have to the consumer. We're going back 25 years.

Sen. Buckley: No, we're not. The history is something that's water over the dam. Why, if the cost goes back to the customer anyway and the present system results in exorbitant financing costs to the utility companies, which the customers ultimately have to pay, why wouldn't the public be benefited ultimately by adopting the proposal they suggest? Why wouldn't .....

Mr. Odlum: The customer doesn't have to pay under the present system until there is an order for refund from the PUC. We have no power to issue refunds. In other words, if a company comes in to us today and says give us 3 million dollars , put it into effect today, we can't do that. We could do it under one system. We cannot order refunds.

Sen. Buckley: If the bill were passed as proposed you could get automatic refund. You wouldn't have any problem with.....with interest.

Mr. Odlum: Correct, correct. We oppose the bill because we don't think it's necessary. Furthermore, you heard alot about regulatory lag, that's the legislation lag - they give us 150 days. If the PUC were to start five months ahead of time with their application ....their five months would be wiped out. I call that de.... lag.

Sen. Buckley: Anybody else opposed to 879. 1077. 6812. Seeing no one come forward the hearing on those bills will be closed. We'll move to the next number. No, I'm sorry, I announced prior to this that we would as a courtsey to Sen. Rimer hear from those people who are in favor of 5947 at this point. Please come forward.

Bernard Greenwald: Westport, Conn. I am here, been authorized by 10 citizens of Westport, to submit statements on their behalf because they were not able to come up here today. I want to thank the Chairman for taking our bill out of order. I will summarize as quickly as possible.

The 1970 U. S. Census puts Westport's population at 27,400. Aletter from the Southern New England Telephone Co. dated 6/22/70, states "about 83% of Westport residents have Westport service". That means about 17% do not have Westport service. 17% of the Westport population is 4,658 people. Statistics say the average family in the U.S. consists of 3.7 people. There are 1258 families residing in Westport who do not have Westport telephone service. I am assuming that no family in Westport is without a telephone. Saugatuck Shores is one area of Westport which has Norwalk telephone service. A phone call from Saugatuck Shores to the eastern part of Westport is a long distance call and vice versa. These areas in Westport are about ten minutes apart by car. In 1970 an informal survey was taken among the residents of Saugatuck Shores. Sixty families reach out of a list containing 83 names were asked if they would prefer to have the same telephone service as those Westport residents with the 226 or 227 exchanges. Those are the two Westport telephone exchanges.

46 wanted Westport service. This included 3 who wanted to keep their current phone numbers because of printed stationery and one if it cost no more to call New York.(It doesn't)
9 had no preference between Norwalk and Westport
5 out of the 60 contacted wanted the Norwalk service.

Here are some of the grievances the survey brought out. I have a from Mr. and Mrs. Bernard Jaffe. I won't read the entire letter. She complains about having to pay a toll charge to call other people in her own home town. She complains when anyone calls into our local information office requesting the phone number of a Bernard Jaffe in Westport. The operator checks the numbers and replies - in Norwalk the number is 853-1689. The party says that must be a different Jaffe, my party lives in Westport. The operator never indicates that this is a Westport residence with a Norwalk exchange. Her husband has missed important business calls and calls from relatives. Another letter from a student, John Bailin. There's one high school in Westport, it serves the entire city. This boy lives on the eastern part of Westport and he called a girl on the western part. He learned later that it cost a little over $13.00. That is not a unique situation, there is only one high school and we have to assume that 17% of the student body lives in those sections of Westport that have either Norwalk or Fairfield service. There are two more letters, one

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as amended by Senate "A" and House "A". I should remark that roc
most of the contents of this bill are to correct typographical errors which crept in in 1969 and also to conform the various powers to certain Federal Tax Laws changes passed during 1969 and 1970. I should emphasize to the members of the House of the utilization of the powers contained in this Act is entirely a matter of option on the part of the distributor of the trust or will which wishes to adopt these and accordingly there is no mandate. It is simply a matter of convenience. I move the bill.

THE SPEAKER:

Question is on adoption of the bill as amended by Senate A and House A. Will you remark further. If not, all those in favor indicate by saying AYE. Opposed. THE BILL IS PASSED.

THE CLERK:

Page 14, Cal. 1240, Sub. for Senate Bill 879. AN ACT CONCERNING INVESTIGATION OF RATES OF A PUBLIC SERVICE CORPORATION BY THE PUBLIC UTILITIES COMMISSION.

THE SPEAKER:

The gentleman from the 87th.

MR. HEALEY: (87th)

I move acceptance of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate.

THE SPEAKER:

Will you remark.

MR. HEALEY: (87th)

Mr. Speaker, I believe that this is a piece of legislation of very great importance and that its enactment is essential to the stability and integrity of the public utilities which serve the people of this state. They are an absolutely essential part of civilization as we know it and it is in the best interest of all of us that their economic condition be maintained in a state of health. Under presently existing law, in the event that a public utility wishes to file an application for amendment of its rate schedule it must document this rate schedule with pre-existing costs, in other words, it cannot go before the Public Utilities Commission on the basis that it anticipates that in the future its expenses are going to increase or decrease for some reason. It must have an actual historical background in order to justify its rates. Under present law, the Public Utilities Commission automatically and as a matter of course stays the application of any rate schedule for a period of 150 days. So that we have the situation that a utility which is in need of rate relief and in need of rate relief right now because it must justify it on the basis of past history, is denied for a period of five months the ability to put in this rate relief which it needs. Particularly in this age of inflation this has been calamitous upon many of the utilities. We have had at least one pushed almost to the wall of bankruptcy, we have had a great number of them who because of the necessity of operating under a rate schedule which is not adequate to supply

the cash flow which they need in order to keep operating, have had their ratings decreased by the rating bureaus with the result that they have had to go out and borrow money at vastly greater interest rates than would otherwise have been the case. And of course, it is the poor customer who eventually has to pick up this increase of interest. Further we have had situations where the extension of absolutely essential services has been long delayed because pending the rate relief the utility is not in the position to attract the capital which would permit it to make the capital expenditures necessary. I know of one instance where the installation of a gas line was delayed in excess of a year because of this. Further we have the anamoly that if the Public Utilities Commission were to grant a utility the rate relief requested but not quite all that was requested, let's say' 85 percent, and the utility felt that it simply had to, as a matter of sound economic practice, obtain its full rate request and therefore went to court to have the action of the Public Utilities Commission reviewed, the PUC has taken the position that you either take all that we give you or nothing. If you are not willing to accept this 85% or whatever other fraction it might be, and you want to take us to court and appeal this, we will not permit you to put any rate increase whatsoever into effect until such time as the court appeal is completely disposed of which may mean another couple of years. We recognize that the public must be protected against gouging by the utilities but it is in the public's interest that rate relief be available under

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proper circumstances on a faster basis than has been the case in the past. In order to balance the interests of preventing gouging while at the same time affording to them the flow of income which they vitally need, what this bill proposes is that a utility may file an application with the Public Utilities Commission for an increase in rates. At the same time, it may file with the public utilities commission assurance satisfactory to the Commission, which may be in the form of bond with surety that in the event that it does collect from its customers a greater amount that would be allowed by the final order of the Public Utilities Commission or in the event of an appeal by the court, it will refund to those customers such excess. After it files this assurance then it may put into effect 50 percent only of the rate increase which it requested. In order to assure that the utilities do not play games we have build into this bill a series of interest provisions on the refund. If the utility gets not less than 80 percent in allowance of the amount that it actually collected, then it must make a refund paying at the rate of six percent, if however it is getting wildly off and it is only getting 60 percent, between 60 and 80 percent of the amount of the increase which it actually collected, the rate of increase goes up to 8 percent, likewise between 40 and 60 percent, it goes to 10; between 20 and 40, it goes to 12 and anything less than that 14 percent. The real kicker in the bill, however, is that in addition to having to pay these accelerated rates of interest, it is denied the right to use

that interest expense in computing its cost for the purpose of any other rate application. In other words, the interest must come exclusively out of the hide of its stockholders and not out of its customers and other rates go-around. I submit that this approach represents a balancing of the needs of the state to have adequate supply of power, water and that sort of thing, with the need of the customers that they not be gouged by the utilities. I believe it is an honest effort. It's a good bill and it ought to pass.

THE SPEAKER:

Will you remark further on the bill. Representative Collins.

MR. COLLINS: (165th)

Mr. Speaker, a question to Representative Healey, through you sir. In the event a utility wanted to increase its rates 100 percent, would this bill allow them, sir, upon application increase their rates, 50 percent immediately.

THE SPEAKER:

Would the gentleman from the 87th care to respond.

MR. HEALEY: (87th)

The gentleman is correct and that is the reason why we have built in these prohibitive interest rates and further have denied to them the right to take into consideration those interest charges as costs doing business for the purpose of any further go-around.

MR. COLLINS: (165th)

Mr. Speaker, I share some concern of the gentleman from

Waterbury about the, apparently what is covered by Sec. 2 in this bill, ability of any utility, once they have been granted a partial rate increase to impose the rate once an appeal has been taken and I think that it is a matter that should be clarified. However, I am very much concerned in Sec. 1 of this Act which seems to allow something that we allow no other regulated agency in this State to do and that's just to pick their figure out of the air that they want a rate increase on and then take one-half of it. This does not seem like a good bill to me nor a good idea, Mr. Speaker. I think it is an anti-people bill. I think it would allow rate increases to be given prior to any kind of a public hearing before a public utilities commission in which the average citizen would be able to express his concerns, his fears or his misgivings about rate increases. I think this is clearly a special interest bill, Mr. Speaker, and I intend to vote against it.

THE SPEAKER:

Further remarks on the bill. Rep. Cretella from the 99th.

MR. CRETELLA: (99th)

Mr. Speaker, as a member of Banks and Regulated Activities Committee, I did extensive work on this particular bill, primarily looking to the solving of the problems which were pointed out by Representative Healey; namely the fact that the lag between the application for a rate increase and the granting of that rate increase is working a hardship on the utilities and that hardship definitely comes back to the user

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on a vicious circle that they are now traveling. With a five month delay between the point of application for a rate increase and the time when the utility company must act upon that rate increase you run into a situation where the utility company is put into financial situations which affect their borrowing capacity, affect the sale of their bonds so that they in turn are borrowing at a higher rate and they are paying more money on their borrowing. Eventually that utility company will go around the circle and have to come in again for a rate increase perhaps some one or two years later. There is put into the justification for that rate increase the very identical expenses that they incurred by way of increased interest and difficulty in selling their bonds. So in effect the consumer is then faced with an additional rate increase part of which relates to the fact that they did not get their increase when they originally asked for it. We feel that this bill would and will somewhat curtail this vicious circle so that the rate increase granted or allowed to be collected which is 50 percent of that applied for, will in effect allow these utilities to borrow at a lower rate. It must also be pointed out that in the past years of experience on those matters which the committee looked into, it should be noted that eventually an average of 63 percent of the rate increases requested were ultimately granted and therefore it was felt that a 50 percent increase was certainly not exhorbitant as Representative Healey pointed out, the extremely high interest rates on rebate we feel are a strong deterrent to having a

utility company ask for exhorbitant increases. Concerning roc
Sect. 2, which relates to the appeal of a utility company, I think that the Minority speaker pointed out that this is probably not as disagreeable a section as Sec. 1, but I will point out that with respect to the appeal, we feel the utility company should be able to at least collect that rate which the PUC granted in the initial application.

THE SPEAKER:

Will you remark further on the bill. Rep. stevens.

MR. STEVENS: (122nd)

Mr. Speaker, I rise to oppose the bill. This is a bill which I am sure is of special interest and of keen interest to the public utilities in the State of Connecticut. In my opinion, it would grant to them additional power which they should not have. At the present time, the public utilities that would benefit from this bill have, in effect, legal monopoly. How many water companies do you have competing in your area. How many electic companies do you have competing in your area. Very few. What we are asking here is to pass special legislation to allow them to go in for a rate increase and take the money out of your pocket, out of the people that we represent and then subsequently if it is found that what they have done is not justified by the application, they will refund your money with stated percentages of interest. Well I say that I would rather keep my money and pay it to the utility company when and if the Public Utilities Commission, which has been established by this

Legislature to protect our interest has passed upon the application. Now how many public utilities do you know in this State that are not paying dividends on their stock. They come before the PUC and cry poor mouth. They come before the PUC and say unless we raise our rates we are not going to be able to attract new capital yet if you will look at your stockbroker's reports you will find they are all paying dividends and have consecutively over the last ten or fifteen years in the State of Connecticut. Now we are told that the interest could not be used to compute additional rate increase. I accept that but what about the cost of administration, the cost of handling the refunds if the PUC does not grant the relief requested. There has been no statement and in reading the bill I do not find it in it. In my opinion, the public utility company could properly charge against future rate increases the cost of administration of the refund. This is another cost that we pass on to the consumer. I think the bill is unn ecessary. The present law is sufficient to protect both the public interest and the public utility. If there is an immediate need for a rate increase, the immediate need is due to poor planning by the public utility. Public utilities will tell you, in fact in discussing the power line bill that we passed last week, the electric companies are telling us they are planning ten, fifteen, twenty years in the future in Connecticut. Water companies are doing this too. Their cost accountants are projecting out their costs over many years in the future. There is no reason for a public utility

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that is doing its job to need an immediate rate increase. If they need an immediate rate increase they have not done their homework. This bill will benefit only the public utilities and their stockholders. It's a bad bill and I think it should be defeated. roc

THE SPEAKER:

Further remarks on the bill. Rep. Lenge from the 13th.

MR. LENGE: (13th)

Mr. Speaker, through you, sir, may I pose a question to Rep. Healey. Mr. Healey, in your opening remarks you made reference to some of the calamaties with which the utility companies are faced and among them you stressed the concern for cash flow. Then you stated that it was necessary for them to borrow monies at excessively high rates or high rates, I don't know if he said the word excessively, would you sir, state what the high rates are and how they compare with the money they would in effect be borrowing from the consumers.

MR. HEALEY: (87th)

Mr. Speaker, through you, because of the great volatility of the interests market, I don't think I can give actual percentage figures. However, I could say this. For instance, one of the utilities because of its very poor earning position was reduced by the rating bureaus from an A rating to Baa. I believe that I am right in this and that would involve approximately 1½%, a switch such as that. In the interest history which we have had over the past year or so.

MR. LENGE: (13th)

Mr. Speaker, through you, sir, another question to Rep. Healey. Whether or not the administration by the utility companies should such a proposal become law, would it not include filing and reports of the payment of taxable interest income to the recepients in the nature of dividends, etc.

MR. HEALEY: (87th)

Through you, sir, Mr. Speaker. I hope I didn't create the confusion. The only interest which they could not take into consideration for the purpose of a future rate base would be the interest paid to the customers when on the refund. As far as the interest which they pay to third parties, in other words borrowing from banks and that sort of thing to keep themselves going pending the granting of a rate increase, that would definitely be tax deductible and it definitely would be a cost of doing business for the purpose of a future rate base.

MR. LENGE: (13th)

Mr. Speaker, one last question, through you, is not the income from interest to the consumer, the money in effect borrowed from the consumer, the interest payable and therefore deductible to the company and reportable as taxable income under any plans whether they be Federal Income Plan or the Rhode Island type plan on unearned income or income of any sort.

MR. HEALEY: (87th)

Through you, sir, the interest paid by the utility to the customer in conjunction with the refund would definitely be

tax deductible under the Internal Revenue Laws which we have no control. It would also be taxable income to the customer who receives it, if I correctly understood your question, sir.

MR. LENGE: (13th)

Thank you, Mr. Speaker. Mr. Speaker, I rise to oppose this bill. I don't think it is good consumer protection legislation at all. I think that for the utilities to be borrowing indirectly from the people of this State where they could not borrow from lending institutions in the due course and where they have not sufficiently anticipated their needs ought not to be transferred as a burden to the consumer. There is adequate time for them to anticipate the needs. There is adequate time for them to anticipate their burdens in presenting the case before the PUC and there certainly ought not to be any question that a marginal company that will have difficulty borrowing ought to in effect be allowed through the act of this Legislature to borrow from individual consumers. I think that the purposes of having concern for the administrative difficulties and others that have been stated in the presentations certainly do not surmount our prime concern and interest to the consumer. I oppose the bill.

THE SPEAKER:

Representative Avcollie of the 94th.

MR. AVCOLLIE: (94th)

Question to Mr. Healey, through you, Mr. Speaker. Mr. Healey, am I correct in assuming or understanding that the present situation with regard to a rate application is that the PUC may

withhold a decision for 150 days.

MR. HEALEY: (87th)

Mr. Speaker, the Public Utilities Commission statutorily has a 150-day period before it is required to act. Is that your question, sir.

MR. AVCOLLIE: (95th)

Yes, and further if I understand the proposed bill. If the company wishes to give the necessary assurance to the PUC and it is basically the same assurance that it was required to do at the end of the 150 days prior to this bill, then we as consumers would be paying the rate increase or 50 percent of the increase from the fifteen day rather than the 150th day or approximately four and one-half months in advance of the normal procedures. Is that correct.

MR. HEALEY: (87th)

Yes, Mr. Speaker, that is correct and I would point out however that if you do not permit the Public utility to collect it, it is gone irretrievably. You cannot charge a customer retroactively even though the Public Utilities Commission eventually decides that the entire application was valid and should have been granted.

THE SPEAKER:

Representative Avcollie.

MR. AVCOLLIE: (94th)

Mr. Speaker. In view of the answers and in view of the answers to Mr. Lenge's questions, I would have to oppose the bill

because in addition to everything else, it means that we are going to be paying our rate increase four and one-half months earlier than we might otherwise have been paying it. I am not particularly concerned about the public utility people being able to get their money retroactive as I am the consumer being able to keep his money in his pocket for four and one-half months.

THE SPEAKER:

Will you remark further on the bill. Rep. Clark from the 14th.

MR. CLARK: (14th)

Mr. Speaker, speaking to the bill, it seems as though - I myself was quite perturbed a few years ago and I really don't know at this point, frankly, whether I ever did get any refunds from the telephone company or not - when the courts and I think the provisions of the present laws allow them to go to court and obtain a court order authorizing the approval of an increased rate and I do submit that it is not always possible in any company's planning to foresee increased fuel costs that are passed on to them from their suppliers and we just had a recent refund from the gas company of several pennies, I remember on my gas bill, but I think at present that if - these people of course I admit that some of the lawyers would prefer to go to the courts first - but if they are only going to be granted, 50% of the rate increase that they are requesting and I think that the first part of the bill states that they present their request and the Governor and a Commission will investigate, etc., but

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time is going on and certainly as I recall the telephone company commitment is only six percent, whether it was six percent on one dollar or one thousand or whatever length of time they collected; so that admittedly while we are all interested in assuring that we have proper utilities, proper supply of electricity, etc., it seems to me that this is a reasonable compromise. A reasonable compromise because long-drawn out court cases and the expense I would assume of the utility company in bringing these cases to court, as far as I know are an allowable cost and any part of their business is eventually past on to us. This seems to me to be a reasonable bill. It was very thoroughly worked out and I think that if we think about it and not listen to some of and being a consumer myself and a taxpayer, it would seem to me that this is a more reasonable approach. I would urge acceptance of the bill.

THE SPEAKER:

Further remarks on the bill. I would remind our members that we have some 20 calendar items for further consideration. Rep. Holdsworth from the 125th.

MR. HOLDSWORTH: (125th)

Under Rule 18, I would like to absent myself from the House.

THE SPEAKER:

The record will so indicate.

Representative Johnson of the 124th.

MR. JOHNSON: (124th)

Likewise under Rule 18, I'd like to absent myself.

THE SPEAKER:

So noted for the record.

Representative Sherer of the 159th.

MR. SHERER: (159th)

Mr. Speaker, I am going to vote on this bill and I am going to vote in opposition to this bill because as was said prior to this that the poor utility company at this point doesn't have any chance of raising their rates when they get an increase in fuel. I have to differ with that because I just got a raise in rates and on the bill was so stated that this was due to the fact that their fuel went up. So in essence, it doesn't really' make any difference as to what we do here. The thing is they have the authority and the ability to raise our rates. I feel that it is about time the consumer was protected. I don't feel that I want to defray the cost of the utility company due to the fact that they aren't farsighted enough in being able to project the power transmissions or whatever else it is into the future and if it means that the people in this State have to take out of their pockets and times being what they are today, and we see here in the house itself the cutback in our budget and back in our communities the cutback in services that the people are fighting against, then I feel in deference to what has been stated that we in all honesty cannot afford to take any more money out of our pockets to make sure that the utility company has money to play with so that they can do what they wish with it.

THE SPEAKER:

Further remarks on the bill. Rep. Orcutt.

MR. ORCUTT: (100th) roc

Mr. Speaker, I rise to oppose this bill. I haven't heard any reason given here this afternoon to indicate that this is good legislation. Proponents of the bill have talked about delays and the costly delays to the utilities. A five months delay on filing, is that too long; the PUC ought to reduce that time. Delays in court cases, that's too long; our court systems need to be looked at. On the all or nothing approach of the PUC, that you take the award or you appeal it. If that's not a good provision that ought to be changed. On planning, the necessity of having these rate increases right away - if the utilities do their planning and particularly water companies and electric utilities, these companies have to plan for years ahead. There is no reason for an emergency. So by every argument put forth here today, I think that there is no valid reason for this bill. I urge everybody to oppose it.

THE SPEAKER:

Will you remark further before we vote. Rep. Edwards from the 155th.

MR. EDWARDS: (155th)

Mr. Speaker I rise to oppose this bill also. I think it is completely contrary to the generally accepted practice of financing the operations of a company. I do not like as a customer being told that I am going to pay a higher price for a product at any particular point in time in order for the company to proceed to make that product or deliver that service. The

normal methods of financing, either through bond or through stock are available to the utility company, they seem to take advantage of them all the time; they do not seem to have rates that are prohibitive but it is forcing on me under this bill to make an investment that I do not wish to make to pay a tax on income that I have not asked for if I am given an interest rebate. It is completely contradictory to normal procedure and I am against it. roc

THE SPEAKER:

Further remarks before we vote. Rep. Ervin of the 140th.

MR. ERVIN: (140th)

Thank you, Mr. Speaker. I'll try to be brief. From this side of the aisle I happen to be for this bill. A lot of criticism of the present PUC policies is legitimate, that is why the bill is before us. Perhaps if the PUC acted very quickly and I think we tried as a compromise to have them act within 60 days, the bill wouldn't be in front of you. However, I think we were told clearly that they just do not have the staff, what have you, to come out with decisions that quickly so that we are trying to resolve that administrative dilemma by what we feel on the Banks Committee is a very fair bill. Now for the public, there is still a public hearing. Let no one think otherwise on that. And perhaps the biggest crunch involved here is the crunch of an appeal. That is where public uitilities are at a distinct disadvantage and this is another facet that we are trying to correct. So that if the PUC comes in with an award

that the utility company does not think is fair, to take away roc
at least whatever increase whether it be 70 percent or 80 percent which the PUC says is fair, they then use that as a weapon against the utility company by denying any increase whatsoever. This is a bill that, if you look at it quickly you may think the public is not going to be well served, but if you sit back and analyze it like we did on the Banks Committee and we spent days on this bill to come out with a fair bill to the companies, a fair bill to the people and a fair bill to the PUC so that they would have time to act in a reasonable manner. This is a bill that should be passed.

THE SPEAKER:

Further remarks. Representative Vicino of the 34th.

MR. VICINO: (34th)

Mr. Speaker, very briefly, I would suggest to those who seem to be very unhappy with their utility company that they should go out and shop around for another.

THE SPEAKER:

Representative Vella of the 44th.

MR. VELLA: (44th)

Mr. Speaker, under Rule 18, I would like to excuse myself from the Chamber.

THE SPEAKER:

The Journal will so indicate. Representative Coatsworth.

MR. COATSWORTH: (76th)

Mr. Speaker, I rise to oppose this bill primarily

because these kinds of procedures dealing with rate setting roc
by the public utilities companies just seem to be out of the ordinary or customary business practice. If a utilities company cannot plan 150 days in advance of higher costs, it seems to me they have some problem with management and they ought to redesign or redevelop their business planning procedures to take these things into account. I make this point because so many times when we have been talking about environment bills in this House, the utilities companies have claimed that they have been planning five, ten and 20 years in advance in taking environmental considerations into their decisions and now we are told they can't plan 150 days in advance and that the consumer must subsidize their lack of ability to plan. It's a bad bill and I hope it fails.

THE SPEAKER:

Representative Prete of the 114th.

MR. PRETE: (114th)

I wish to absent myself under Rule 18.

THE SPEAKER:

The record will so indicate and this will also appear in tomorrow's journal. Further remarks before we vote. Rep. Chagnon of the 97th.

MR. CHAGNON: (97th)

Mr. Speaker, I guess I'll have to go along with the rest, in the pack, sir. Under Rule 18, I'll ask to absent myself, sir.

THE SPEAKER:

The record and the Journal will so indicate.

Further remarks before we vote. Representative Stolberg.

MR. STOLBERG: (112th)

Mr. Speaker, I find the arguments in favor of the bill not convincing. It is basically a question of public utilities versus public interests. I think we should vote for public interests and defeat the bill.

THE SPEAKER:

Representative Blake. The Chair recognizes the Chairman of the Committee on Banks and Regulated Activities.

MR. BLAKE: (53rd)

Mr. Speaker, I move that this bill be Recommitted.

THE SPEAKER:

The motion is to Recommit. Would you remark further. Is there objection. Hearing no objection, the bill indicated is RECOMMITTED.

ASSISTANT CLERK: (Michael Seri)

Please turn to page 29. UNFAVORABLE REPORTS. Cal. 1256, House Bill 5056. AN ACT CONCERNING THE SELECTION OF A TOWN MANAGER. Unfavorable report of the Committee on Government Administration and Policy.

THE SPEAKER:

The gentleman from the 127th, Representative Provenzano.

MR. PROVENZANO: (127th)

Mr. Speaker, I move for rejection of the Committee's

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On Page 13, Calendar No. 1240, Substitute for S.B. No. 879, an Act concerning investigation of rates of a public service corporation by the Public Utilities Commission. EFH

JAMES T. HEALEY:

Mr. Speaker, I move acceptance of the Joint Committee's favorable report and passage of the Bill in concurrence with the Senate.

MR. SPEAKER:

Question's on acceptance and passage. Will the Clerk call Amendment Schedule "A".

THE CLERK:

House Amendment Schedule "A", offered by Mr. Healey, of the 87th. In Line 56, after the word "EXCEED", insert the following: "THE SMALLER OF (1)". In Line 58, after the word "SCHEDULE" and before the period, insert the following: "OR (2) A TEN PER CENT INCREASE IN THE COMPANY'S EXISTING RATES".

MR. SPEAKER:

Would the Clerk reread the Amendment for the benefit of the Members.

THE CLERK:

House Amendment Schedule "A"...in Line 56, after the word "EXCEED", insert the following: "THE SMALLER OF (1)"...that is the number 1 in parenthesis. In Line 58, after the word "SCHEDULE" and before the period, insert the following: "OR (2) A TEN PER CENT INCREASE...

MR. SPEAKER:

I would suggest that if there were more attention paid

to the Clerk we might be able to hear. Mr. Clerk, would you read it EFH for a third time.

THE CLERK:

In Line 56, after the word "EXCEED", insert the following: "THE SMALLER OF (1)"...that is the number 1 in parenthesis..."THE SMALLER OF (1)". In Line 58, after the word "SCHEDULE" and before the period, insert the following: "OR (2) A TEN PER CENT INCREASE IN THE COMPANY'S EXISTING RATES".

JAMES T. HEALEY:

Mr. Speaker, I move adoption of the Amendment.

MR. SPEAKER:

Question's on adoption of Amendment Schedule "A". Will you remark.

JAMES T. HEALEY:

Mr. Speaker, in the dialogue on this Bill a couple of days ago, I think it became quite evident that there was considerable trepidation among Members of the body that the Bill as originally drafted gave entirely too much power to a public utility in unilaterally raising its rates insofar as the file...if it was so unethical as to do so...in effect, a phoney schedule...then put into effect fifty per cent of that phoney...and be in a position to pick up increased rates without any regulation or control whatsoever over a period of time. The purpose of the Amendment is to limit the amount which it may put into effect to the smaller of either half of the increase called for by its schedule, or by a ten per cent increase in the company's existing rates. In other words, there is a built-in ceiling based upon the history of that

company, based upon our experience that it would not be a very common thing for a utility to put in for, or to receive, an increase that would be...vary greatly from this ten per cent. In other words, this should hold it in line, and I think would meet considerable of the objection which was felt, properly so, by Members of the House. I think that it improves the Bill tremendously. I feel I should not remark upon the Bill until the question of the Amendment itself is disposed of. EFH

MR. SPEAKER:

Question's on adoption of Amendment Schedule "A". Will you remark. Representative Collins. I haven't seen you since this morning.

FRANCIS J. COLLINS:

You're a familiar face by now, Mr. Speaker. Mr. Speaker, I rise in opposition to the Amendment. If the Members of this Chamber will recall, a few days ago I rose in opposition to the Bill when it came up, and my objection at that time was to Section 1, because I think it gave control to the utilities to grant themselves a rate increase without a hearing before the Public Utilities Commission or without the approval of the substantiating data to that Commission. The Amendment which is before us in no way lessens my opposition to that particular Section. I had indicated privately to people from the utility companies who had asked me about my opposition to it that I thought the real problem was in the time lag that they faced in getting a decision from the Public Utilities and also in their apparent inability under existing statutes to present data which would substantiate their claim for

a rate increase up through the date of the hearing. I think that there is some justification for the time lag and the lack of supporting data that they're presently allowed to introduce in their application for rate hearings. However, Mr. Speaker, I do not think that this Amendment in any way encompasses my personal objections to Section 1 as it exists. It still leaves with some one of us feeling the power in the utility companies to unilaterally impose a rate increase without the benefit of a hearing, without the benefit of data being reviewed by the appropriate regulatory agency. I would certainly support an Amendment that would give them the proper, and I think appropriate, avenue for more immediate relief. I do not believe that this Amendment is that avenue. I do not believe this Amendment is in the public interest, and I continue my opposition to it. EFH

MR. SPEAKER:

Further remarks on Amendment Schedule "A".

EARL T. HOLDSWORTH:

Mr. Speaker, under Rule 18, I'd like to absent myself from the House.

MR. SPEAKER:

The gentleman from the 125th indicates that under Rule 18 he's absenting himself.

GEORGE A. JOHNSON, JR.:

Under Rule 18 let the record show I will be in absence.

MR. SPEAKER:

So ordered. Are there others who wish to absent themselves under Rule 18? If not, Representative Ervin.

ROY HENRY ERVIN: EFH

Thank you, Mr. Speaker. I rise to support the Amendment, Mr. Speaker. I think we all agree that there is an injustice now occurring because of the time lag when a utility company wants to have an increase in their rates. When they make their application you have a hearing. Unfortunately, after the hearing, because of the transcript that has to be prepared, I believe now the average time limit is about five months before a decision is rendered. Now, in the interim, when the companies are losing money because of increased costs, they are now forced to go out and borrow money, pay interest to the banks, and what have you, and eventually, and I might say normally, statistics show that they are granted a 63 per cent increase for whatever they ask. So it shows that in a normal situation they have a valid basis for an increase. But in this interim five-month period, at least, it is probably more of a six- or seven-month period, they are borrowing monies from banks that in return they're going to have to get out of the customers of any utility. The real remedy of this...and ideal remedy, which we would really like to have,..is one, unfortunately, we cannot secure in the year of austerity, and that is that the Commission, the P.U.C., give a decision, say within three months, because the utility company then would not be hit by this long period of dragging feet in order to get an appropriate rate increase. What this Amendment does...and it really waters down the original Bill and is to me most fair to the customer and the utility company... it's a compromise...is would be to allow them to have an increase which cannot exceed 10 per cent of the current rate. Just let me

give you an example. Perhaps this would make it simpler. Suppose EFH
you are paying $100 on one of your utilities...say water, and the water company files an application to increase the water bill from a $100, which would mean $150. It's a 50 percent increase. This Amendment would only allow them during this five or six-month lag period to increase your water bill $10 to help soften the blow of the increased costs not only to the utility company in their expenses but in their borrowing expenses. That's going to be passed on to the consumer. So that they get a slight relief during this interim period of time. Now, if contrary to all statistics, they filed an application that was without merit, that $10 that we would pay as a customer, would be rebated to us. And not only would it be rebated to us, but they would have to rebate it, and another Amendment will show this, at 9 percent. So the customer, in fact, would never be hurt by this thing. We're trying to give some relief where there is an injustice being done by the Public Utilities Commission of the State, because they are understaffed. Ideally, I would like to see their staff increase, but that calls for an appropriation, and we know what that means at this time of the year. We just can't do it. But this is a compromise. It's fair to the utility company. It's fair to the customer. And, moreover, it's a step towards remedying an injustice. And I'm for it 100 percent.

JOHN E. BLAKE:

Mr. Speaker, it's been pretty well brought out before this body a fact which...a statement which, indeed, is a fact... that is that the Public Utilities Commission may take up to five months time to decide a rate case, and almost without exception it

has taken the full allowed period of time, and as a direct result EFH
during the five-month waiting period, utility company earnings are falling off sharply, and every major utility company in the State of Connecticut has been down-graded by the bond rating agencies. This happened, for example, to the Southern New England Telephone Company within the past two weeks. Because of this down-grading, Connecticut utility companies are required to pay higher rate of interest for bonds and higher dividend rates for preferred stocks. Last summer the State's largest gas utility, The Southern Connecticut Gas Company, had to pay 10 percent interest on its bonds and 10½ percent for preferred stock...in each case one percent higher than they would have paid had its earnings been kept up by prompt rate relief from the Public Utilities Commission. The company was finally granted 85 percent of the rates it requested, but it had to wait five months for such an order. As a result, its securities were down-graded and its rate payers are paying higher rates for gas because of the higher cost of its capital. At one point in 1970, just before being able to issue securities, the company was within two weeks of being unable to pay its bills. Right now the Connecticut Light and Power Company, the State's largest electric and gas utility, needs to spend over $100,000,000 to improve service to its customers. Yet it cannot now issue a single bond to raise the necessary capital because its earnings are not sufficient to meet indemniture coverage tests. We need the best public utility service possible if we are to attract industry to this State. We must assure lower costs of capital by guaranteeing faster action on rate requests. One can argue that the correct

approach is to get the Public Utilities Commission to act faster. EFH
The short answer to that is that the Commission has not so acted in the past, but we cannot avoid our duty by refusing to act. Now, whether we like it or not, the public utilities are in a bad state, and it is not too difficult for us to visualize the time when they will be joining the railroads in the same similar financial condition. They need the money. They operate on borrowed capital. They need the money very fast in order to operate properly. The tax...the customer will be saved money, and, as we all know, you have a built-in guarantee on utilities. Your stockholders are allowed six percent interest or dividends on their investment, so no matter what it costs to operate the company, the customer is the one who ultimately has to take and pay the bill. So the longer we hold up this...making this capital available for the companies in the necessary operation, the higher rates of interest we have to pay, and this rate, of course, is passed on to us. It is the feeling of the Bank Committee that this is a reasonable Amendment, and we feel that the safeguards are adequate, and we would hope that the Bill would pass.

MR. SPEAKER:

Further remarks on the Amendment.

GEORGE J. RITTER:

Mr. Speaker, as a Member of the Committee, I have sat in both on the several public hearings and on the several executive sessions on both the original Bill and now this Amendment. Mr. Speaker and Members of this House, I'd like to support the Committee in this position, and I'd like to say briefly why. I was

greatly impressed with the quality, the character, of the several EFH
Presidents of the utility companies who came to our Committee and very candidly spelled out the information which the Chairman has just shared with all of us. I think that we, in the Legislature, cannot afford the luxury of old-time attitudes of using public utilities, or anybody else, as whipping boys. I think the reality is this. The need is there. Your Committee unanimously recognized that need and has recommended that this be passed. I hope, Mr. Chairman, that this will not become a partisan issue. I hope that we will reflect, each of us, on the needs of the citizens of our State and on the continued ability of the several public utilities companies to meet these needs. I think this Bill does nothing more, really, than give an evidence to both the people and to the utilities that we respect what they're trying to do. I think perhaps in return we can anticipate that the public utility leaders will feel an even greater sense of participation with all of us who are trying hard to meet the needs of the people of this State.

NICHOLAS A. LENGE:

Mr. Speaker, through you, sir, if I may, to Representative Healey. A question, Mr. Healey. The statement has been made that the interest rates for the cost of borrowing by the utility would be passed on to the consumer. Would you state, sir, how?

JAMES T. HEALEY:

Through you, Mr. Speaker. The interest cost of outside borrowing is passed on to the consumer insofar as it becomes part of the base on which a fair return is computed. If, however, sir, Mr. Lenge's question is addressed to the interest paid on a rebate

in the event that it ultimately develops that an overcharge has been made on the consumer, cannot be computed into this rate base, because the Bill specifically provides that this item of interest may not be used in determining a fair return to the utility. What that means is a practical effect, Mr. Speaker, is that any interest paid to the consumers by reason of an overpayment and a refund comes directly out of the fund which would otherwise be available to the utility in paying dividends to its stockholders. The stockholders alone will have to pay this interest, whereas borrowing from outside sources, regular financing channels, that has to be paid by the consumer. EFH

NICHOLAS A. LENGE:

Mr. Speaker, not only has Representative Healey answered the question. He was clairvoyant and answered my next question and to my satisfaction, sir. When this was first before us, I rose to oppose it. I am under no illusions that this is a perfect compromise, but I am motivated by the proposition that we do have a basic responsibility to the consumer, and we must do things consistent with that responsibility. To have permitted the original Bill and the borrowing that it would have allowed from the consumer would have weighed unduly against the consumer. I think that the effort here in this compromise is at least a temporary solution. There can be little question that the real solution...the real answer...lies in the degree of speed with which the applications and petitions before the Public Utilities Commission are processed. That is the problem, and, unfortunately, we are being asked to address ourselves to that problem by indirection. It

would seem to me, sir, that the real answer, and it ought to be EFH
taken care of as promptly as possible, would be to require a decision within thirty days after completion of presentation of the cases. I think that to unduly press this, as has been the instance thus far, would be to jeopardize the overall service and that, too, would be to the disadvantage of the consumer. So at this point, I support the Amendment.

MR. SPEAKER:

Further remarks on Amendment Schedule "A".

JOHN D. MCHUGH:

Mr. Speaker, as a former Member of the staff of the Public Utilities Commission I can say with some authority that it's practically impossible to get the decisions out and the findings out within the time limited by statute at the present time. This is a fair compromise. It is definitely in the public interest. It's fair to both the general public, the rate payers, and the utility. And I strongly support the Amendment.

MR. SPEAKER:

Further remarks on Amendment Schedule "A". If not, all those in favor indicate...Representative Orcutt, 100th District.

ROBERT S. ORCUTT:

Mr. Speaker, a question through you, sir, to the proponent of the Amendment. Is it true, sir, that under the Amendment it would be possible to have multiple increases of ten percent during short...relatively short...intervals, under this Amendment? In other words, could a utility command and get the ten percent increase in July, and then this would be reviewed by the P.U.C., but

while they're being reviewed by the P.U.C., in November could they EFH
come in for another ten percent? Could you have multiple ten percent increases before the original proposal is either...is fully decided by the P.U.C.?

MR. SPEAKER:

Does the gentleman from the 87th care to respond?

JAMES T. HEALEY:

Mr. Speaker, through you, in all honesty, I have to say it is theoretically possible to file multiple listings...multiple applications. However, as a practical proposition, I don't believe this will come about. A rate application requires a fantastic amount of preparation...a great deal of work. It's very expensive, and I simply cannot visualize that as a practical proposition this would happen. About the only field where you would have sufficiently fast changes so that multiple applications might become a problem would be in the case of changes in the cost of fuel, and they can now file an application for a rate adjustment with a fuel adjustment clause built into it, as all of you are aware of the Connecticut Light and Power Company has such a thing, and this automatically carries forward the fuel cost...either up or down... and this is a proper subject of an application for a rate adjustment in the first place. Therefore, the practical possibility of it happening is, in my opinion, an extremely small, although theoretically, I have to admit it does exist.

ROBERT S. ORCUTT:

Thank you.

MR. SPEAKER:

Further remarks on Amendment Schedule "A". EFH

ROBERT S. ORCUTT:

Thank you for your response of answer, and according to that I will vote against this Amendment. The only way that I would support an Amendment such as this would be that if the procedures were written into the law that only one ten percent increase might be allowed before the P.U.C. makes their final decision. I can understand the need for one rate increase under those circumstances, but I cannot vote for something that would allow the opportunity for numerous ten percent increases overlapping. I don't think that this is a sound approach, and I oppose the Amendment.

ROBERT D. KING:

Mr. Speaker, I heartily support the Amendment. If anything, I think it's probably less than under normal circumstances I would think would be justified, because as the Bill was originally written, except for the inconvenience to the customer for a short period of time, if the rate increase is not given, his money is refunded with interest. There is no real harm to the consumer under the Bill as originally written. I recognize that the Amendment makes the Bill more saleable, at least in this House, and possibly more saleable to the public. And certainly, Mr. Speaker, with this Amendment I don't think there are any real objections at least so far as the temporary relief to the utilities is concerned, and I support it.

MR. SPEAKER:

Further remarks before we vote on Amendment "A". Representative Ritter, of the 6th, speaking for the second time.

GEORGE J. RITTER: EFH

Mr. Speaker, some Members of the House have come to me and asked me to emphasize that there's a nine percent penalty involved here. I think that perhaps Mr. Orcutt may want to be reminded that if the utility should charge more than is ultimately permitted, they are required to pay a nine percent penalty in cash to the rate payers, and I think that takes care of any proper concern that Mr. Orcutt may have raised, or that others may have, in that particular area. If the utility's guess is wrong, it has to pay the rate payer nine percent...nine percent on any portion in which it guessed wrong.

MR. SPEAKER:

Further remarks.

BERNARD L. AVCOLLIE:

Through you, for clarification, a question to Mr. Healey. Am I correct in understanding that the previous Bill before us proposed that the utility company be permitted to effect a fifty percent increase of the total proposed increase they were asking for, and that this change now permits them to put in a ten percent increase over their current rate, as opposed to a fifty percent increase of...fifty percent of what they are asking for an increase? Is that correct?

JAMES T. HEALEY:

Mr. Speaker, through you. The answer is the lower of either fifty percent of the increase or ten percent of the presently existing charge...the lower of the two.

BERNARD L. AVCOLLIE:

EFH

And further, am I correct in forwarding the statistic that I've been given that the average experience has been that utility companies are getting about 65 percent of what they ask for from P.U.C. as a rule?

JAMES T. HEALEY:

Through you, Mr. Speaker, the experience is varied. There have been applications where 100% has been granted. There have been applications where 80% have been granted. But 66 2/3% is a good, honest, pragmatic figure.

BERNARD L. AVCOLLIE:

In that case, Mr. Speaker, it would seem to me that... and I further understand that that 63% probably computes out to about 18%...17, 18% of their current rate, in most cases. It would seem to me the arithmetic of the matter is that this is a compromise on the part of the utility companies. It's probably allowing them something like a 5/9ths rated increase rather than the 5/7th, if you compute it against their current rate. I think it's an effort on their part to meet the needs of the public, and because of that, because I further understand that some utility companies, at the present time, have a right to...to bill out automatically an increase due to an increase in fuel, while other utility companies must suffer those increases without an automatic privilege. I would support this Amendment.

MR. SPEAKER:

Further remarks on Amendment "A". If not, the question's on adoption of Amendment Schedule "A". All those in favor indicate by saying "aye". Opposed. Amendment "A" is adopted. Will

you remark further on the Bill as amended. EFH

JAMES T. HEALEY:

Mr. Speaker, this Bill has been discussed at great length. I would only re-emphasize one particular point. The utility, in presenting its rate application, is limited to facts in existance at the time that it makes the application. When, under present law, the Utilities Commission finally decides upon a rate order, some 150 days later, it's decision is that as of the date of the application for the utility to remain in good financial condition, it was entitled to that increase. It was entitled to it as of 150 days prior to the rendering of the decision, and it was entitled to it for every single one of those 150 days, and under present law there is no possible way where under the utility may get that increase which the Public Utilities Commission has decided it was entitled to. I move the Bill.

MR. SPEAKER:

Further remarks on the Bill as amended.

GERALD F. STEVENS:

Mr. Speaker, I will certainly admit that amended Bill now before us is a vast improvement over the Bill that first appeared in our file and was defeated earlier this week, but I still intend to vote against this Bill, and I'd like to explain to the House why. Since the Bill was defeated and reconsidered, I have met with and discussed at great length the problems that the utility companies face because of the delay at the Public Utilities Commission that presently exists, and they have made some good bonafide arguments as to the effect of a delay upon the interest

they must pay on monies they borrow. But the reason I'm going to oppose the Bill is that I think it approaches the problem from the wrong direction and will have the effect of perpetuating a problem that should be solved administratively at the Public Utilities Commission. The sponsors of the Bill and the supporters today have correctly said there's a five-month delay, and yet the company must base its argument upon existing facts at the time they submit the application. Well, I say to you that by adopting this Bill which will now allow a rate increase, although smaller than originally submitted, you are passing on the problem to the consumer...to the person who pays his bill. There will be no opportunity for an initial hearing before the rate will increase on the utility bill. He'll get his bill at the end of the first month with an increase built into it, and I don't think this is fair. In discussing this problem with the utility executives it was indicated to me that the delays have been in existance for about ten years at the Public Utilities Commission. And I asked them, "What steps have you taken, either at the Public Utilities Commission or in the Legislature, to straighten out this mess?" And I got a very unsatisfactory answer. To my knowledge, this legislation before us today is the first attempt to correct the problem that exists in this delay, and I submit to you, it's the wrong approach for the first step. You're asking the consumer to pay the cost. What should have been done, and it should have been done a long time before now, is steps should have been taken by the Executive Branch, by the Legislative Branch, and by the utility companies to do something about the backlog at the P.U.C., either through increased

EFH

staff, better regulations, more up-date practices. This is the way to improve the efficiency the Public Utilities Commission should have for the consumers of the State of Connecticut. The answer is not to say, "You can have an automatic rate increase without any opportunity to be heard". And let me just give you an example. One of the utilities changed their practices over the last year concerning free cleaning of burners. This was something they could quite properly do without going to the P.U.C. I received numerous letters from people in my District who wanted to know why they now have to pay for a service that previously had been free. The point that I'm trying to make is that I think the public has become accustomed to knowing that there is a forum provided by the State at which the utilities of this State must go and make a case before they get a bill at the end of the month which reflects an increased cost. It's a built-in protection for the benefit of the public, and I submit to you it should be retained...retained until someone convinces me that every effort has been made to clear up the backlog, and this is a last resort. I don't think that case has been made yet. This is a compromise which will perpetuate the existing problem, because it gives to the utilities relief in the wrong way at the expense of the consumer. I think the Bill should be defeated. I think an honest, sincere effort should be made between now and February of 1971 between the utilities and the Public Utilities Commission to straighten their problems out...come back to us in 1972, and tell us what has to be done across the street, and if for some reason it con't be done, then let's take another look at this Bill. But

EFH

until they make that effort, I oppose the Bill. EFH

MR. SPEAKER:

Further remarks on the Bill as amended.

VICTOR TUDAN:

Mr. Speaker, I'm going to support this Bill as amended, but I would like to make one brief observation, and I think I just found some of the things which our last speaker was making reference to. I think that we certainly should give some serious... very serious consideration in the future, next year, during the interim, to increasing the size of that P.U.C. from its present membership of just three Members.

NICHOLAS A. LENGE:

Mr. Speaker, I rise to support the Bill as amended. Admittedly, it's a compromise. And I think that there can be no question that this discussion has pointed up how inseparable the health of the public utilities of this State is from the health, safety, welfare, and the health of the economy of the people and the business and industry of this State. Now, it's obvious at this point that the real answer lies in the dispatch with which applications are presented and processed through the P.U.C. And I, for one, am not standing here to perpetuate this compromise as the ultimate answer. I think the practicality of the matter is that at this point we have no choice. That being said, I think the utilities are on notice that they would not be expected to come back in here at a future date and alter this proposition. The real answer lies now and where...we all know where the real answer lies now, and that's the thing to which we should address

ourselves in the future. If you recognize the need...if you recognize that the utilities because they are a regulated industry and so closely tied with our welfare...then I think we have no choice under these conditions but to support the Bill as amended. EFH

MR. SPEAKER:

Further remarks.

DAVID H. NEIDITZ:

Mr. Speaker, I rise to support the Bill. I think a very good effort has been made by Mr. Healey, by his Committee...a compromise, I think, is in the interest of the public. I think three Bills from now on the Calendar, assuming we get there, I think some problems that I totally agree with Mr. Stevens on may be resolved. I move its adoption.

MR. SPEAKER:

Further remarks.

MICHAEL L. MORANO:

Mr. Speaker, in my view, the Amendment is a water-softener to the Bill and helps make the Bill worthy of reconsideration. I will support the Bill.

MR. SPEAKER:

Question's on acceptance and passage as amended by House Amendment Schedule "A". All those in favor indicate by saying "aye". Opposed. The Bill is passed.

THE CLERK:

Bottom of Page 13, Calendar No. 1245, Substitute for H.B. No. 7974, an Act making an appropriation to the University of Connecticut for the purposes of continuing the Hospital and

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SENATOR CUTILLO:

The Finance Room. 409 A.

THE CHAIR:

Well the Clerk asked and I have to keep him happy.

THE CLERK:

Page 7, please. Calendar #789, file #1122. Favorable report Joint Senate Committee on Banks and Regulated Activities. Sub. S.B. 879. An Act Concerning Investigation of Rates of a Public Service Corporation by the Public Utilities Commission.

SENATOR BUCKLEY:

SENATOR DOWD:

Mr. President,

THE CHAIR:

Just a minute, Senator Buckley, did you wish to be recognized.

SENATOR BUCKLEY:

I just move the acceptance of the Joint Committee's favorable report and passage of the bill, if Senator Dowd has an amendment --

SENATOR DOWD:

Would the Senator yield, please. Thank you. A point of personal priviledge please, sir.

THE CHAIR:

Oh! I didn't understand that, I thought we were into the bill. Go ahead Senator.

SENATOR DOWD:

Yes, it is in connection with this bill under provisions of Senate bill 15, may I request that the Journal note that I was present but I am absenting myself from both the debate and the vote.

THE CHAIR:

So ordered.

SENATOR BUCKLEY:

Mr. President, I believe I have moved acceptance and passage of the bill.

THE CHAIR:

Correct. Will you remark.

SENATOR BUCKLEY:

This bill is one of the major efforts of the Committee on Banks and Regulated Activities. Normally I explain what the bill does in very few words, but I feel in devoting a little more time to this bill warrants that attention by the circle. The Connecticut Public Utilities Companies because of regulartory lag by the Public Utility Commission in approving rates, have suffered a very severe reversal in their standings with the rating service on bonds and other debentures of obligations which they sell. This has come, I don't point accusing fingers at the PUC but they are overburdnened, the have many rate cases and it takes usually the maximum of 150 days on the rates to, allowed by the law to

have the PUC give a decission. The matter is further complicated by the fact that the PUC will not allow any expense to be put into a rate application except that has been in the test year, so called, which is period of time and prior to the filing of an actual expenditure in the year prior to the time of the filing of the application. The combination of these and many other factors have lead to very substantial increases in the cost of financing the debt obligation of Public Services Companies. They have had in many cases to pay 10-10½-11%. I have on my desk testimony at a Public Hearing which I won't bore you with, but which substantially come up to the fact that on each bond issue, a $100,000. increase in costs $200,000 increase in cost which basically has to be picked up the rate payer, but the public, members of the public who are served, are built into these bond issues, because of this lag. The Committee strove to find a way to correct this situation without imposing on members of the general public. Our investigation from the PUC own figures showed us that the average increase in major rate cases was 63% or there about. We have therefore come forth with this bill which will allow a Public Service Company to place into effect, at its option, up to 50% of the rates that it applies for in its request to amend its schedule. Now, the question logically presents itself, why wouldn't they balloon the rate request in order to get more money from the public, we have

therefore, put in a sliding scale of interest rates repayments on any portion which is disallowed at 50%, which is disallowed by the Public Utility Commission, going from a simple 6% rate if 10% of the 50% rate is disallowed down to, up to a 14% repayment to the members of the general public if all of it is disallowed and it goes along in 10% increments on that 50% that they may put into effect. Therefore, we have attempted to penalize companies who balloon their rate request out of proportion and I truly believe that this is fair to the Utility Company; I think it is fair, eminently fair to the members of the general public who by this means are going to end up paying fewer dollars added on to their telephone bill, electric bill, gas bill. I have the substantiated figures here, as I said before, I believe that we should adopt this bill and give the companies some justifiable relief.

THE CHAIR:

Questions on passage, will you remark further. If not all those in favor of passage signify by saying Aye. The Ayes have it, the bill is passed.

THE CLERK:

Calendar #803, file #215. Favorable report Joint Senate Committee on Government Administration and Policy, subs. H.B. 8682. An Act Concerning Offices and Facilities for State Agencies and Institutions.

SENATOR CALDWELL:

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1252 , File 1478, H.B. 6538, An Act Concerning the Powers of the Commission on Aid to Higher Education.

Page 17, File 1256, File 1485, H.B. 6982 An Act Exempting the State and its Political Subdivisions from the Fair Trade Act.

1259, File 1454, Sub. H.B. 7596 An Act Concerning License Plates on Motorcycles.

Page 18, Cal. 1260, File 1488 Sub. H.B. 7712 An Act Concerning the Federal-Aid Urban System of Highways.

Page 19, Cal. 1268, File 1447, Sub. H.B. 9165 An Act Concerning Administrative Appeals.

Cal. 1270, File 1473, H.B. 9255, An Act Concerning Amending the Charter of Bacon Academy.

Page 21, Cal. 536, File 1195, Sub. S.B. 1679 An Act Concerning Claims Against the State.

Cal. 688, File 1008, Sub.S.B. 429, An Act Concerning the Retirement Salary of Certain Workmen's Compensation Commissioners.

Page 22, Cal. 705, File 1023, S.B. 1405 An Act Concerning the Creation of the Naugatuck Valley Industrial Development Distr.

Cal. 789,File 1122, Sub. S.B. 879 An Act Concerning Investigation of Rates of a Public Service Corporation By the Public Utilities Commission.

Cal. 813, File 1391, Sub. H.B. 6161 An Act Concerning the Establishment of Transit Districts by Vote of the Legislative Bodies of Municipalities Subject to the Approval of the Commissioner of Transportqtion.

Page 31, Cal. 881, File 1246, Sub. S.B. 0654 An Act Concerning the Authority of the Commissioner of Motor Vehicles to Make Regulations.

I believe thats it. I now move for suspension of the rules for consideration of all items that were not starred, or only signle starred.

THE CHAIR:

The question is on suspension of the rules . Is there any objection? No objection. The rules are suspended. All the matters