Legislative History for Connecticut Act

SB 1081 (PA 486) 1975

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And that is the inefficiency of nuclear power plants. We experienced outages and we'll experience more outages which the President of Northeast Utilities has admitted inevitable. They repeatedly occurred and in turn, have run up the cost for the operation of these nuclear plants. It seems that the utilities at least are expecting the consumers to bear the burden of the costs that are incurred as the result of what we think are cases of inefficiencies obviously in the plants, in some cases, mismanagement, if you want to consider the decision to go nuclear on the stake. O. K. We are therefore disagreeing with the utilities position on this and have aligned ourselves with Governor Grasso's recent statement which the Committee will consider next week.

And Bill No. 1081 which is the public utilities control for a proposal. It stated , let's see, the last statement is that an automatic adjustment mechanism to adjust rates may be established provided that "provisions are made in the design of the automatic rate adjustment mechanism to exclude from said mechanism cost changes which result from abnormal shutdowns of facilities, such as generating facilities in the case of electric companies or any outage or cessation of service caused by abnormal conditions or operations." O. K. It's our belief that if utilities are allowed to pass this on to their, they occur as a result of operation or lack of nuclear power plants, the economic incentives were the utility efficiency will in part be removed. I'm referring particularly to the type of generating facilities that are constructed as well as the operation of the facilities and cost of fuels that must be purchased to run these and replacement stations. It seems that the legislation itself probably would not have been submitted, had it not been for the poor performance of Connecticut Yankee and Millstone 1, for instance. In the year 1973 when the two reactors operated 48% and 35% respectively, which means that the plants were essentially out of service more often than they were on line. What the utilities are expecting us to do is to pay for these differences that occur as the result of plants not operating to expected capacities. It also seems that we, of course, are going to have to bear the cost of increased uranium prices. This will be an automatic pass-along where these costs will result from a possible embargo on quarrying uranium which it seems to be made to be dependent upon it in the early 1980s. If the leader program goesn't go ahead with its schedule, it looks like it's going to be a problem. It seems that the utilities are going to strive to keep costs down in this area as well as the area of mechanical operation of the plants and it should be regulated on an on-going basis rather than just allowing to pass all the costs on automatically. And for that reason, we're opposing S. B. 974 because we don't believe that it's in the best interest of the public to keep utility bills as low as possible.

We are general counsel for the Northeast Utilities system and I'm appearing today on their behalf.

Mr. Sussler has indicated that the purpose of the bill is to permit participation by the six municipal electric systems in NEPU and to allow them to participate in jointly owned plants Millstone 3. The Northeast Utilities system supports these objectives for Connecticut utilities as it has for Massachusetts utilities.

Reviewing the original version of Bill No. 311, we did notice some major problem areas. These involve the rather broad definition of who could become a member of the type of cooperative that is proposed, the broad definition of the types of persons to whom this cooperative could sell power and the failure to provide any authority for the cooperative to make payments in lieu of taxes.

We have had an opportunity to review the substitute bill that Mr. Sussler has provided to the committee today. We believe the substitute bill adequately meets the problems. Accordingly, the Northeast Utilities System does not oppose the bill.

Thank you. I'd be pleased to answer any questions if you have any.

REP. RITTER: Any questions any members of the committee may have? Thank you very much, Mr. Blimm. We'll now hear from anyone else who isn't -- no one else has signed up for this, so anyone else who wishes to speak in favor of this bill will now be heard, after which we will hear from anyone who wishes to speak in opposition to this bill. Is there anyone now who wishes to speak in favor of Bill 311? If not, is there anyone who wishes to speak in opposition to Bill 311? Hearing none, the hearing is closed.

We turn to the next bill. Senator, would you take over?

SEN. AMENTA: The next bill is Bill No. 1081, AN ACT CONCERNING THE ESTABLISHMENT OF A PUBLIC UTILITIES CONTROL AUTHORITY. Are there any legislators who would like to speak? If not, if there are any of you who have any written statements they would like to leave with the committee, please leave with our secretary. Please identify yourself and please do not read any long statements. If you have a long statement just give us the gist of what is in the statement. There might be many people here who would like to testify and we would like to have a good hearing and one that's not too lengthy.

I'd like to call on Nick Carbone, City of Hartford.

NICKOLAS CARBONE: Mr. Chairman. I would like to beg the committee's indulgence and speak to both Bill 1081 and 1086 at the same time.

SEN. AMENTA: Go right ahead.

NICK CARBONE: I will be extremely brief in my remarks.

REP. RITTER: Mr. Leader, please take all the time you may need.

NICK CARBONE: George, that really doesn't mean anything unless you report out both bills favorably.

In regard to the takeover--the exchange of the PUC to the Energy Control Authority, I think the present Public Utilities Commission has demonstrated over the past a very callous manner in which it treats the interest of the public. To the committee, I would call your attention to some action which has gone on in--before Judge Bieluch in the Hartford Court in which the Commission and its staff, both during the hearings and after the hearings, received information in secret from the utility companies in order to avoid that information being scrutenized by the public and the interveners in the case. And I think Judge Bieluch is very shortly going to rule overturning the rate increases which the Public Utilities Commission granted to Northeast Utilities and its subsidiaries.

So I think we can see if you examine the record and the facts that the present Public Utilities Commission has been the hand-picked maiden of the utility companies. And that system should be abolished and it also ought to have a staff which is equal to the staff of the Public Utilities companies. And if you go through the Public Utilities Commission and look at its staff and then you go out and look at the staff and the battery of lawyers, accountants, attorneys, investment bankers and everyone else that work for the Public Utility companies, you'll see that the State of Connecticut Public Utilities Commission is not equal to the task. I think the staffing and the tools which the staff has have to be straightened -- strengthened greatly as this bill does.

The second bill which calls for a public finance authority, 1086, is a bill which can save the consumers of the State of Connecticut a hundred million dollars a year in additional costs for the supply of capital to construct the Public Utilities plants. Without this bill, and if you allow the present system of financing of capital to continue, the rate payers in the State of Connecticut will be paying one hundred million dollars a year in their utility bills to finance the construction which is contemplated by the major utility companies.

What this bill does is allow the State of Connecticut to take advantage of a federal subsidy by providing tax exempt bonds to supply the capital for the construction of facilities. Now the bill has been called socialistic because there's a section in the bill which deals with the opera-

tions. Okay. I call your attention to the IRS ruling which forces that language to be written in the bill so you use tax exempt bonds. And Dr. Standish, who's a consultant to the City of Hartford, will testify later and John Tamagni, an investment banker, will tell you that the bonds are saleable, that the bill has certain provisions in there so that you get an IRS ruling.

Now, I was a little surprised when we were doing the research on the bill to find out that the IRS has a strict rule in regard to only utility companies in regard to tax exempt bonds. Okay. Very strict rules. A very special ruling. And it came back to me when I was a little kid and I used to read Life Magazine and Post Magazine and I saw these big ads paid for by utility companies knocking the Tennessee Valley Authority why the ruling was the way it was. Okay. It was a ruling which I think was an inside ruling to keep public financing out of power plants. Okay. And it's that IRS ruling which calls for the language which says something about operations which has to be in the bill, that the utility companies are going around and saying now the State wants to take over the operation and the running of the utility companies. That's not what the bill is designed for. That's not the purpose, and when Dr. Standish testifies later, he will make that very clear. And he will explain the IRS rulings.

All the bill is designed for, 1086, is to save the consumer, the rate payer in the State of Connecticut, a hundred million dollars a year. That's the purpose of it--the intent of it--and it's to provide the capital at a much cheaper rate. And tax exempt bonds are much cheaper than borrowing on the private market. And you ask the gentlemen from the utility companies why they want rate increases and why they're going to be coming in next year and the year after and the year after for rate increases? And that's to supply the capital for the construction. And you ask the gentleman from the telephone company the sole reason for their rate increase--the highest in the company's history--the hearing is starting this morning--that's to supply the capital that is needed because of the high interest rate and the high rate of inflation in the construction industry. And it's about time the State of Connecticut make available to its rate payers a federal subsidy and that's tax exempt bonds for the construction of power plants. And there's no magic to it. It's not a very hard theory to understand. And this Act provides that.

Thank you very much, gentlemen.

SEN. AMENTA: Are there any questions?

REP. SHAYS: I have two questions. One is, where do you get the figure of one hundred million dollars a year?

NICK CARBONE: When Dr. Standish testifies--he did a written analysis back in October which shows the capital projections for construction by the major utility companies in the State of Connecticut. Over the next ten years. Okay. And it's in the billions. And the savings to finance that. Okay. Works out--computes out to a hundred million dollars a year. So when Dr. Standish testifies he will show you where that figure applies.

SEN. AMENTA: Is Dr. Standish here?

NICK CARBONE: He's here. He's right in the audience.

SEN. AMENTA: Do we have another consultant?

NICK CARBONE: We have another consultant. That's the gentleman from--John. From this point on, Dr. Standish is competent to answer any question on the bills. Could I excuse myself? Tom.

THOMAS STANDISH: First of all, I'm Tom Standish, Economic Consultant to the City of Hartford. I've been active on behalf ofthe City of Hartford the past three years in rate cases before the Public Utilities Commission of the State of Connecticut. We have, I think, as a result of this experience an intimate knowledge of the operations of the Public Utilities Commission as well as of the utilities that are regulated by the Commission.

I was the principal architect of the bill under discussion and would be happy to answer any questions which you have on the bill and then I have some comments that I think I'd like to make in summary.

SEN. AMENTA: Why don't you make your comments and then we'll have our discussion.

REP. RITTER: Dr. Standish, are you going to address yourself to both bills?

MR. STANDISH: Let me correct one thing--just an administrative thing. I do not have a PhD...academic requirements for a PhD but I have not written a thesis, so it's Mr. Standish.

REP. RITTER: Mr. Standish, are you going to address yourself to both bills?

MR. STANDISH: Yes, I am.

REP. RITTER: I'm glad to see you're an ordinary mortal.

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MR. STANDISH: First of all, the problem of public utility regulation is very complex problem, as I'm sure you gentlemen and ladies are well aware. The fact is that the rate charged consumers and the design of those rates is extremely important in terms of the inflationary impact that it has both

directly on consumers and indirectly through producers, the rate design, the level of rates, the way the public utilities in the State are run, has a vital impact on economic development in the State and affects the way in which our State and local governments operate.

I'd like to speak first then, and this is backdrop to Bill 1081, which has a principal intention of abolishing the existing Public Utilities Commission and substituting the Control Authority. This bill is designed to change the focus of public utility regulations and to make explicit in some ways the goals and objectives, principals, by which public utility regulations should take place.

I'd like to call your attention to section 4 of the bill where the public utilities control authority would have certain guidelines established to assist them in regulating the public utilities in the state. The intention of making these guidelines explicit is rather than leave them implicit as they are now in the regulatory process, is so that new rates can be designed which will balance the conflicting objectives which are outlined in the section on the guidelines.

For example, whena Colt firearm is shipped from the State of Connecticut to any other state or for that matter to nations throughout the world, that -- the price of that firearm carries with it the burden of the price of electricity, gas, telephone, any other utility rate that's used and shows up as a cost in that firearm. The same thing is true for an insurance policy that's sent from Hartford Connecticut to another part of the nation. Versus the comparable and competing insurance policy which is Mutual of Omaha or Prudential Life or any of the other competing insurance policies. The fact is that the electric utility costs in the State of Connecticut are higher than they are in other parts of the nation. Therefore Connecticut goods compete at a disadvantage because of that difference. I think this is one of the goals which the new Control Authority must take in consideration in rate design.

Secondly, there are problems with balancing the objectives of economic growth and cost of electricity as it affects that growth, balancing this often against the protection of the environment. The existing rate design does have an impact on the way in which the environment is treated by either promoting growth or deterring growth in certain areas. Again, I think this is something which should be made explicit and taken into consideration rather than leaving it as an implicit effect upon the rates and upon the economy and society, etcetera.

There are a number of other objectives that are outlined in that section 4. I think the principal areas have been covered, but that's the focus of this new legislation.

Now let me speak quickly to the financing bill.

SEN. NEIDITZ: Mr. Chairman, are we going back --

SEN. AMENTA: Yes. I think--

SEN. NEIDITZ: Mr. Chairman, Senator Neiditz. You mentioned that utility rates are higher in Connecticut. What would you attribute that to?

MR. STANDISH: I think that the--speaking particularly, let's say, to electric utility rates. Certainly one of the major differences has come as a result of the cost of fuel to New England utilities versus the cost of fuel to utilities, for example, in the southwestern United States. There are, however, other reasons which I think are important -- differences in the efficiency of operation, difference in the regulatory environment, in the level of rates which has been grated to utilities in the State of Connecticut versus the rate of return granted to utilities elsewhere.

The fact however remains that--

SEN. NEIDITZ: What is the rate of return in Connecticut as opposed to New York and Massachusetts in terms of--

MR. STANDISH: Well, they differ from time to time and they differ between states. If you'd like we computed an exhibit on behalf of the City of Hartford to show the rate of return on electric companies in the New England area and in New York State in comparison with HELCO--Hartford Electric Light Company and we've introduced this in a rate case. If it would be helpful to the committee we'd be happy to supply that to you.

By the large the average rate of return on the--HELCO granted by the Commission--

SEN. NEIDITZ: Over what period?

MR. STANDISH: Well, that's a point, you see. I think this is exactly what I'm trying to say. The different changes from time period to time period and of course on a cross sectional basis. The rate of return granted here is somewhat lower than other areas and higher than in other cases. The point is though, Senator Neiditz--

SEN. NEIDTIZ: I guess what I'm trying to get at...(inaudible)

MR. STANDISH: Well, I think you have to take both into consideration. The rate of return granted prospectively is a rate which--

SEN. NEIDITZ: Well, what is it now?

MR. STANDISH: 15.4% on equity for the Hartford Electric Light Company which has an impact on consumers of about thirty percent.

SEN. NEIDITZ: (Inaudible)

MR. STANDISH: That's correct. The rates in effect--the rates that are now in effect for the Hartford Electric Light Company as a result of the finding an order of the Commission in Docket 11553 is 15.4% on equity for Hartford Electric Light. Now the problem with that is that the rate impact on the rate payer is approximately double that 15.4% on equity because you need to raise two dollars of capital for every one dollar that's paid to the stockholder and one dollar goes to the federal government. So that this is very expensive.

SEN. AMENTA: Are there any other questions on that bill?

SEN. NEIDITZ: (Inaudible)

MR. STANDISH: Oh, that's after tax. Computation.

SEN. NEIDITZ: (Inaudible)

MR. STANDISH: I believe so. Yes.

SEN. AMENTA: How does this compare with some of the other rates--In New York State?

MR. STANDISH: I don't know the exact--New York State rate.

SEN. AMENTA: The rate of return now. For any other. You've made the statement that we're high in Connecticut. How did you--

MR. STANDISH: Well, these rates are published -- the effective rate on equity is published -- exposed in the Moody Stock Guides and they can be determined by simply writing to the Commissions for each of the various utilities. The point is, and if I can reiterate it, please, is that the --

SEN. AMENTA: Excuse me. Excuse me. Could you give me an answer to Dave's question and my question?

MR. STANDISH: I don't know the exact amount for any given state.

SEN. AMENTA: How do you make the statement that it's higher? The committee would like to know how do you base that higher on?

MR. STANDISH: All right. Let me backtrack. The rates on electricity in the State of Connecticut are higher than most other areas in the nation. The rates

of return granted by this commission on equity are higher than some other areas in the nation and we did a study looking at the amount of return for New England versus some other areas. I don't remember the exact numbers, but certainly the fact is that the rate of return granted on equity in the State of Connecticut is higher than other areas. Now, if you would like me to take the time to go back and compute these for you and have them available to you to substantiate that fact, I'd certainly be glad. I know it is a fact.

SEN. AMENTA: Well, you know, I don't mean to have it come out the way it sounds, but if you're going to say something in a public hearing you ought to be able to back it up easily with, you know, some information. I agree, we may take your word as an expert on some of these things, but the committee would like to have some proof on some of the things that are said. And this goes for anybody else that's going to testify today. If you say something, we want to be able to have you prove it. And the committee does want you to give us the information in a way that we can easily understand what you're saying.

MR. STANDISH: Senator, I'd be very glad to supply that to the committee.

SEN. AMENTA: Okay. You say the rates are higher in comparison to -- are there any comparable areas where you can give us an example that our rates are higher? These are very serious allegations that you're making and the committee would like to have the benefit of your study.

MR. STANDISH: I'll certainly supply it to you.

SEN. AMENTA: Can you tell off hand where -- how our rates compare with New York, Massachusetts -- you know, some of our neighboring states, which is really a fair way of finding out whether the efficiency of our utilities is good or bad. We can't compare them with California because we're not competing in the same way. Do you have any way to substantiate the statement that our rates are higher than Massachusetts, New Hampshire, Rhode Island or New York? What are the differences?

MR. STANDISH: As I say, Senator, I'll be very happy to supply you with that information.

REP. GEJDENSON: I've got some technical problems I'd like to go over. Starting in Section 7, you have the company shall...are you referring there to a broad spectrum?

MR. STANDISH: In some discussions which I had with people since this was drafted, it was suggested that it might be better to extend that time to at least thirty days and that makes sense to me and in the discussion so I think that five days is too restrictive.

REP. GEJDENSON: Okay. On Section B of Section H. The...is that referring just to the two months period between...or is that the specific policy of ...

MR. STANDISH: This speaks to the interim rate increase which is the practice presently employed by the Public Utilities Commission whereby without what we feel is due process, rates are granted to the utilities before a hearing takes place. This provision tightens the constraints on the utility and affords the public due process so that they have a chance to examine and cross-examine based on the application before any monies are given to the utility per se.

Likewise however there is a provision where some floor to the rate of return would be placed which would afford the utility some protection, namely here in the section F, I believe, where six percent rate of return is guaranteed. I think that this would allay the fears of the utilities that they might be driven into bankruptcy or that their credit rating might be threatened and so on, and would afford the Commission or the Authority in this case the opportunity to evaluate the case on its merits through a public hearing process before any monies are given away and the public is charged.

REP. GEJDENSON: However, if the company could show the PUCA that its return--

MR. STANDISH: I would think that this is something which would be given after the hearings as an add-on so that the utility would be granted at least that amount of money during this period.

In other words, if the utility earned less than six percent from the point that it filed its application and amended its rate schedule, at the conclusion of the hearings the differential will be made up and embedded in the rate schedule.

SEN. AMENTA: So that we can all be looking at the same bill and same literature, when you're asked a question, please refer to the bill, 1081, so that we can then each and every one of us can refer to the particular line that we're trying to discuss. Otherwise if you don't, we'll be searching all over trying to find what the discussion is all about. And those of you who are going to ask a question, please identify yourself. Our secretary is having difficulty in identifying you. Okay?

REP. GEJDENSON: (Inaudible) You don't see that as a problem because of the section? You think that's adequate protection?

MR. STANDISH: Yes, I do. I think that the utilities can defer their financing at least until the conclusion of the hearings, and I think the investing public would know that in any event that the six percent was a floor.

REP. GEJDENSON: I'm sorry, Senator,...(inaudible) Okay. Section 2, starting on line 131 and sections 3, starting on line 435. Do you think they.....

MR. STANDISH: Yes, I do and let me tell you why. First of all the investment houses recognize that the earnings picture for utilities has traditionally been one of more predictable and stable earnings, however low or high than for the rest of the industrial structure. So that the manufacturing company, be it food manufacturer, let's say, or some consumer good, is subject to a much wider fluctuation in the cost picture as well as in their demand picture and certainly are subject to more competition in the marketplace. This leads then to a higher risk on most of the rest of the industrial structure. For this reason the investment houses have by and large recognized the lower risk exposure to the utilities than is the case for other types of investment.

For example, in the case of the electric utilities. You know of course that the--each electric company is a day factor monopoly and that's the reason why we're here today because they're regulated. They have complete control over their marketplace by law. Competition is excluded from entering in and eating up that market. So that the markets are guaranteed. I venture to say that this isn't true with respect to--on a relative basis with respect to any other type of operation.

The magnitude of fluctuation and demand for electric energy is not as large as the magnitude of fluctuation for most other types of endeavor. The same is true for costs particularly because most of the costs are already embedded in the capital. The electric utility industry is the most capital intensive industry in the United States economy by measures that Raymond Goldsmith did four times this--as capital intensive as the steel industry for example. So that a good part of the costs are already stabilized.

SEN. AMENTA: Tom, can I interrupt? Try to give answers as concise as you can to the questions because there are a lot of people here and they apparently want to ask you questions. I want you to cover everything but please try to answer the questions.

MR. STANDISH: I'm answering this question explicitly piece by piece in a way that it deserves to be answered, so that you can understand the reason that I feel that this particular provision meets the requirements of ...natural gas. A Supreme Court case, which is in many ways controlling it with respect to the rate of return which must be granted utilities to allow them to attract capital and to maintain their financial integrity.

Thirdly, the area of cost which is of most concern to the utilities which would perhaps squeeze their profits is presently in this state handled under a flow through basis and a fuel cost adjustment clause so that the

risk exposure to fluctuations in earnings on the electric utilities and gas utilities is covered through this purchase gas and fuel cost -- fossil fuel cost adjustment clause.

Any casualties in operation such as the ice storm which the utilities experienced are amortized and allowed to be amortized by the Utilities Commission -- the Public Utilities Commission. At present I would think the Authority would also continue with this practice so that these are flowed through to the consumer and in the longer run the utilities are insulated from the cost of casualties as they impact on the rate payer.

REP. RITTER: Can I ask some very basic questions. We're not going to have enough time to -- I'd like to ask you a very basic question, okay? Let me structure it by giving some introductory facts to see whether...This is a speech from Mr. Ribicoff which he delivered to the Senate of the United States last month. He said that New England--Connecticut particularly--accounts for eighty-five percent of the reused energy sources compared with forty-six percent nationally.

MR. STANDISH: Roughly yes.

REP. RITTER: The capital consumption of oil is 36.8 barrels a year in New England ...compared with 23.8 barrels a year in the rest of the country.

MR. STANDISH: Is that total or just by the electric?

REP. RITTER: This is total. This is total. He says at the moment New England is spending thirty percent more for its energy than the rest of the country. He said that energy costs have gone up in New England one hundred thirty-nine percent in the last year...(inaudible).

MR. STANDISH: He's referring not just to electric energy but he's referring now to gasoline and motor oil and fuel oil and so on.

REP. RITTER: He says also that the poor, the elderly and the unemployed already spend fifteen percent of their energy while the well-to-do spend only four percent. So that's a really big impact on the -- larger impact on the budget of the poor. Now, there are other things I'd -- to get to this question. We have in this bill--what does the abolition itself do under all of these facts that I've indicated here -- other facts -- in what way do the people of the State benefit by the abolition of this agency and the substitution of a new agency? For example, we know there's some negative. One negative has to be that there is some kind of loss of confidence--possible at least on the part of the investment community, because of the question of is this going to be a political happening every four years, etc. Obviously there's some other negative.

Where do you see the need and the...that come from the abolition of the existing commission?

MR. STANDISH: I think that the principal areas in which the public will benefit from the institution of the new authority and the guidelines and new laws that are embedded in this bill come from the change in the focus of the regulations which will emphasize a regulation of the efficiency of the operations as opposed to the present regulation which I call cost-plus regulations. That is, under the present situation the utilities in this state are not required on an on-going basis to show the comparable efficiencies of their operations as compared with their past efficiencies or with comparable organizations located elsewhere.

REP. RITTER: Can't that be done by amending the Act in those ways which you're suggesting rather than abolishing the present law?

MR. STANDISH: Do you want me to answer that question or answer the earlier question?

REP. RITTER: Well, they're very much related.

MR. STANDISH: Well, let me first answer the earlier question. So that the present regulation which is cost-plus regulation, the utilities come in and they simply ask for an increase in revenues over their existing costs in order to give them a rate of return which they think is adequate. We would -- under this new bill -- which scrutinizes the efficiency of their operations to see if perhaps their costs were inflated due to poor management --bad decisions on their part, which the stockholders should pay for as opposed to the consuming public. Now, what was your second question?

REP. RITTER: Wouldn't we be able to accomplish just what you said by amending the present statute?

MR. STANDISH: I think the question arises when you incrementally change something a piece at a time. If you take any particular provision of this overall bill and say well, if you just did that to the existing commission, wouldn't that be acceptable? Why not just amend the existing statutes. There comes a point where the cumulative effect of all of the amendments creates a substantially new thing. In my opinion the changes embedded in this bill collectively taken which is the way they were written are substantial and meaningful and will change the type of regulation of the State of Connecticut, and for that reason I would see this as a need for a complete new entity as opposed to this nibbling away at the edges which might take place if you were to put in any little --

REP. RITTER: No. What I was wondering, if we made all these changes -- all of these -- even changed the name, but didn't abolish the office of the Commissers and substitute new Commissioners. That's the nub of the question.

MR. STANDISH: That's seems to me to be a separate question with respect to the individuals who you would call the commissioners of the Authority or present commissioners of the Commission itself. In this case it would seem to me that when an entirely new type of task is set out before individuals which I think this new bill would really be asking any group of people --either existing Commissioners or five new ones, when a new task is set before the group of people the opportunity should be given to the Legislature and to the Governor to either reappoint the existing people or to put in new people who are adequate and can do a good job fulfilling the new tasks. It's as if we changed an inventory system that we used to do on three by five cards to a computerated system of inventory management. And we ask the old person with the job description of three by five card inventory manager to do the new job. It may well be that that person can do the new job. But it may also equally be that the individuals who are presently on the Commission are not adequate for the job and I think the Legislature needs--and the Governor needs the opportunity to review each and every one of these people and to either reappoint to the new authority or to substitute new people.

SEN. NEIDITZ: What is your opinion of the performance at the level of ability of the present PUC staff?

MR. STANDISH: I think the present PUC staff is over-burdened. They're inadequate to the tasks. For example, there isn't a single person that I know of on the staff who is an expert in information systems, the use of computers, who is familiar with the load projection techniques that are used by the utilities to project the need for new facilities. The Commission has no economist that I know of. So that my feeling is that the people who are there are dedicated and work hard but they're certainly over-burdened and there's a need to change the size of the Commission staff, in my opinion, and also to...some of their practices.

SEN. NEIDITZ: (Inaudible - not using microphone).

MR. STANDISH: As opposed to--

SEN. NEIDITZ: What -- do you think that that's wise...

MR. STANDISH: No. I don't think that the existing staff should be abolished. That's the important question.

SEN. NEIDITZ: Do you think that they are adequate then?

MR. STANDISH: No. I didn't say that. I said I feel that the building upon the staff that exists there is need for change.

REP. SHAYS: Mr. Chairman, I'd like to ask you a question first. Are we going to have an opportunity to have a real working session with Mr. Standish

and really dig into this issue? This is a public hearing. I'm just wondering if there is the possibility.

SEN. AMENTA: If the committee wishes so, we will.

REP. SHAYS: My question is very general. I have the greatest respect for your ability and so on, but I'm faced with a major problem. And that is, I'm trying to identify the problem and then I'm trying to see the solution. George's question would help me in that way. You focued on the wave lengths...based on a cost plus basis rather than on efficiency. Can you state to me other reasons why we should completely wipe out the present system and have a completely new system? And then tell me how this bill solves it.

MR. STANDISH: All right. I'm looking at section 4 and I guess we can go into detail on section 4 of the bill. The fact is that 4--

SEN. AMENTA: Four -- are you reading from this?

MR. STANDISH: I'm not reading from that. I'm reading from an earlier draft.

SEN. AMENTA: Can you put the two together because there are many more of these than there are what you might have.

MR. STANDISH: Someone got a copy?

SEN. SCHWARTZ: Section 4 is on line 167.

REP. SHAYS: Yes. Before you go into that, I just am having trouble reconciling --the previous testifier said we need a new PUC because of the very callous manner in which they conduct themselves and that they're the hand-picked maidens of the utilities. And he introduced you, and I want to know do you align yourself with those remarks? Before we even begin.

MR. STANDISH: I believe that in the past three years, watching the Public Utilities Commission of the State and watching them operate and the kinds of decisions that they've come up with at the end of hearings. That there exists in -- within the Commission a bias in favor of the utilities. Now I know that Councilman Carbone feels this way also. For example, I believe that the consuming public feels that when they pay a fuel cost adjustment charge on their electric utility bill that this charge is designed to recover only the cost and no more than the cost of providing fossil fuel above some based level to burn in the generators to give them their electric power. Now, the report which my consulting firm did for Governor Grasso during the campaign demonstrates, the utilities - electric utilities in the state picked up at that time about nineteen million dollars extra money and it's now up over twenty-five million dollars.

On learning this the Public Utilities Commission rather than scrutinizing it, holding hearings that were timely, that were designed to immediately correct the situation...these hearings over a long period of time and eventually came out with a ruling on evidence which said there is no twenty-five million dollar overcharge because we say so. It's this Emperor's New Clothes attitude that I think shows the kind of bias in the present utilities and it's the kind of thing which is an anti-consumer bias and for that matter an anti-economic development bias in favor of the utilities at the expense of other businesses and at the expense of the consuming public.

SEN. AMENTA: Let's hold it. Hold it. You know, we can get into this kind of a speech and be here for four months and still not get anything accomplished. I think you've answered the question. That's your opinion. That's fine. Let's get on with the bill. You know, we've got a lot of people here that want to testify on the bill and let's get on the bill.

REP. SHAYS: My question -- my next question would be--

SEN. AMENTA: All right. And please, Tom, try to make them a little shorter. You know. Go ahead.

REP. SHAYS: Would this bill eliminate that bias. Is there a possibility we would still have that bias in any new authority?

MR. STANDISH: Explicitly this bill does take care of that problem that I mentioned. I think that the people who would be appointed to the authority of course would have their own biases. No one is without biases. I would hope that both within the constraints of the new legislation and in the designation of people to sit on the Authority that some of this extreme bias would be eliminated and that the public would be better served as a result.

SEN. AMENTA: I think the question is where does the bill do it? Where does the bill eliminate the bias. That's the question.

REP. RITTER: It gives this committee the power to make the appointments.

REP. SHAYS: I'd like to know where it is.

MR. STANDISH: I think I just stated, it comes in two places. One, the new people. You have an opportunity to appoint people who have a consumer orientation and an economic development orientation or an environment orientation and perhaps less of a bias towards favoring the utilities alone. That's the first place. You have an opportunity to change the people. The second place you would eliminate bias is in the specific rules by which the people, whoever they are must operate. For example, in this fuel cost

adjustment example--the overcharges would be eliminated entirely in the rate section which is designed here under the fuel cost adjustment.

SEN. AMENTA: Thank you. I think you've answered the question.

REP. BALDUCCI: A couple of quick questions for you. My primary concern is the consummer. Does this bill anywhere or anywhere in this bill does it stipulate or can you tell me where it will save the average every day consumer money? Does it -- you know -- lower rates?

MR. STANDISH: I think that the legislation will have the effect of lowering rates. First there's the obvious new tact that would be taken regulating the utility based on their efficiency as opposed to regulating them on a cost plus basis. If a utility makes a blunder, just as any corporation makes a blunder, and it costs them dearly for it, then it's the management of the company and the stockholder who takes the responsibility for that. Under this proposed legislation. Whereas at present the buyer--the tax by the utility commission is on a cost plus basis and very little attention is paid to scrutinizing the efficiency of management practice.

REP. BALDUCCI: One of the problems of section 4, page 6, line 170 or so on down, it delegates consideration to industry and commercial customers and it also designates special consideration to the poor--who will end up in the long run in the future paying the ticket? The man in the middle again?

MR. STANDISH: I think that the section on special consideration that can be given to the poor is at the Utility's -- Control Authority's discretion. It says that they may. That an account may be taken. So that's not just something that's under this proposed legislation--a mandatory requirement by the Utilities Control Authority at all.

On the subject of the large commercial and all industrial customers, it is most certain that the rates charged the large commercial customers that tend to be chipping some of their output--like insurance companies or whatever outside the State's borders and certainly the industrial customers which are servicing clients outside the State. The electric rates have an impact on their competibility. They have an impact most certainly on the decision of new investors to either expand in the State of Connecticut if they're here already or to move into the State. This is increasingly important now that the cost of energy is so high. Unless we take in this State account of this reality I think we'll be faced in the future with fewer jobs in the State than would have been the case. I think we're faced with lower tax collections because the high electric rates, whether we like it or not, are real and do have an impact on industry investment decisions. And will have an impact on each and every person in this room. So that I think that because the existing rate

design does have an impact, whether we make explicit recognition of it or not certainly it does have the impact.

It's encumbent upon us to take full cognizance of this and design the rates so that we can have the jobs in the future and the rate of growth that we need in this State so that the people can pay electricity as residential consumers. Period.

SEN. AMENTA: Do you have any other questions.

REP. BALDUCCI: Yes. I've got one question. Going back to the original question. Then it does or how does it guarantee you're saving the consumer now. The consumer now--not the corporation--not the people who are supplemented for their power, but the average consumer, money? Or a lower rate. You know, I don't see it.

SEN. AMENTA: Is there an answer, Tom?

MR. STANDISH: Well, I thought I had answered it with respect to the focus on efficiency versus the cost plus.

REP. BALDUCCI: Okay. Who determines the efficiency and adequacy of a corporation or other utility companies? You know, maybe it's me, but it seems like it's kind of an ambiguous question as to efficiency. Who is going to determine efficiency because Section 6 of this thing, it talks about revoking licenses or suspending a company for lack of adequate efficiency. And who will make that determination and what will they use as a standard then?

MR. STANDISH: The Commission would make the determination. These would be people as present people, who are deemed by the Legislature and the Governor to be competent to do the job outlined in--

SEN. AMENTA: It really is the Commission.

MR. STANDISH: The Commission of course.

REP. BALDUCCI: And they will base this on past experiences--on past efficiency, I suppose.

MR. STANDISH: There are two measures of efficiency. One is internal consistency. That is, is the company as efficient this year using its equipment and labor, etcetera, as it was last year, so you'd get a time series analysis on each company and the other would be comparing the utility being scrutinized with comparable -- the way that they operate their installations with the way in which comparable facilities are run by other institutions.

REP. BALDUCCI: Does it seem it might be inconsistent in that a company then would not want to become more efficient because if they become more efficient,

their standards -- if they stopped the level for one reason or another, they can lose or have their franchise--

MR. STANDISH: Not at all. I think that this is one of the areas in which this efficiency type of regulation has been misconstrued by the opponents of the bill. A company, in the normal marketplace, if it is more efficient than its competitors, it makes higher profits. Its costs are lower. If a company is less efficient than its competitors it makes lower profits, because its costs are higher. I would envision the -- under this bill the Commission would reward efficiency and would penalize inefficiency and would set up standards to do so.

SEN. AMENTA: Hold it. Wait a minute now.

REP. BAEHR: 123rd District. Trumbull. Do you -- you indicated by your comments that you take the position that the staff of the present Public Utilities Commission is wholly inadequate to the job that they're called on to do.

MR. STANDISH: Not totally inadequate. I think they're under extreme burden and that there's a need for a change in the size of the staff and an upgrading in the average skill level.

REP. BAEHR: All right. That opens up some interesting points that ought to be pursued and I think there are two questions I'd like to raise. First of which is, would it be feasible--would it be a solution to the problem we are faced with if we provided -- the Legislature provided for what we'll call adequate staffing. Doing this within the present Public Utilities Commission or under the present Public Utilities Commission. Would this solve the problem? Would this make the Public Utilities Commission more efficient and more effective in protecting the consumer? In your view.

MR. STANDISH: Certainly if the existing situation were made better in any way, adding more staff would be one of the many ways the existing situation could be improved, it would improve the situation. I have no doubt that if you add more staff and upgrade the skill level of the staff that the quality of regulation would be improved.

REP. BAEHR: May I continue? The next question then is which is more important here -- which is the most serious roadblock to protecting the consumers interest in this situation? Which would be more effective? The attitude of the man who decides policy or the inadequacy of the staff that is available to that group of men involved in the Commission.

MR. STANDISH: Well, I think I've indicated that I feel that under the circumstances that there's question about both of them. My feeling has always been that the people who make policy are most important in determining

what happens in a situation. It's the decision makers who frame the questions that the people below them must answer through their hard work that have the determining effect on the course of events, so if I were to come down one way or another and I think this in some way answers Senator Neiditz's question about the staff. I feel that even the existing staff using the new guidelines and with people who have a more balanced view of regulations would do a better job.

REP. BAEHR: Then I get the distinct impression that--and I think the committee does--that the present PUC should be disbanded, you think, with a more comprehensive authority--to greater consumer awareness?

MR. STANDISH: Absolutely.

SEN. AMENTA: And, George, that's why he's the star.

REP. BAEHR: One more question. How much larger a staff do you feel the new body, such as this Authority, how much larger an Authority would be needed to make the new Authority independent in its collection of information that bears on each and every decision it must make -- independent of the various corporations which would be subject to their investigation.

MR. STANDISH: I think that's a hard question to answer. If we put in the entire contents of this bill I think that the staff roughly would increase, I would think, between eighty and one hundred percent in order to do the job. Now, you must realize that part of the staff would be engaged in auditing under a management audit system and that the way in which I would see this taking place is that on a gradual basis the audits which are now done by accountants outside the--you know, in the general accounting firms, would increasingly be done by the staff, so that it would be a one for one transferring in terms of the impact on the dollar cost.

At present we would simply -- at present they're charged out and it comes in under operating expenses and it would be basically the same mechanism. But the PUC staff would be doing the auditing with now more than one viewpoint in mind. One from a management perspective...a regular auditing function.

SEN. AMENTA: Thank you.

REP. TURIANO: (Inaudible)...that if they make a blunder they're going to have to absorb it. During November and December Millstone went out -- one of the units went out. They went to fossil fuel and the rate payers had to pay the fuel cost adjustments. Under this new bill you also see that the rate payers won't get stuck for it.

MR. STANDISH: Well, that's not necessarily true. At present if the major facility such as Millstone goes off the line, the consumer is automatically charged

on a full replacement energy basis for the fossil fuel to replace the energy saved from this Millstone outage. Under the proposed bill the consumer might end up having to pay for that replacement energy if it could be shown under a hearing process that the outage was no fault of the utility management. But I think that it would be a sad thing if we continue to practice that the presumption is against the consumer as opposed to what I think should be done and that is that the Commission should scrutinize every abnormal outage to determine if it was caused by management negligence or inefficiency.

In the cases where it was management negligence or inefficiency the stockholders should pay. In the case where it was something that was absolutely out of the control of the management certainly that management should not be made to pay for that nor should the stockholders. They way it's done now the Commission abrogates its responsibilities and obligations to the public to scrutinize rate increases by automatically passing through any and all abnormal outages.

SEN. SCHWARTZ: Looking at your bill, I see...(inaudible)...and the other seems to be remedying that--broadening the scope--by dictating...(not using microphone).

MR. STANDISH: Well, I think you'd have to be more specific to show me what you mean by restriction in the rates and broadening the role. I think that the legislation changes the direction of the nature of the regulation in the State and that it should be seen as one comprehensive piece of legislation and maybe you could show me specifically what you mean. I'll answer you specifically.

SEN. SCHWARTZ: ...(inaudible)

MR. STANDISH: I don't see that the legislation accomplishes what I think you're suggesting. One, it places a floor on earnings which protects the utilities and makes their financing easier. And secondly, I think it places ceiling on earnings which is a legitimate ceiling. I think it has been recognized by investment circles as being an appropriate ceiling and I in response to one question went over in detail some of the many reasons which justified that ceiling. Certainly during a period of recession when manufacturing earnings are going down we find that the utilities also have a reduction in their earnings, etcetera, etcetera, but basically the ceiling is -- the rate of return on manufacturing investment.

SEN. SCHWARTZ: I do have one other question. I'm not certain that this has been covered. I did walk in after your testimony began, but you say that the -- the bill states that the commissioners...(inaudible)

MR. STANDISH: Well, first I would assume that the majority of the Commissioners--historically it's been the case--would be lawyers. And--

SEN. AMENTA: That speaks well for the Commission if that's true.

MR. STANDISH: Of course, that's why they're in trouble. On the lighter side of Watergate -- maybe they shouldn't be. At any rate, on a serious side I don't think that this is a real problem. I think as I mentioned in response to Representative or Senator -- Representative Baehr's question, that I feel that the direction of an organization is more important if you're to choose then the soldiers, if you will, who carry out the task.

SEN. AMENTA: One more--

MR. STANDISH: For this reason I look to an upgrading of the expertise represented.

SEN. AMENTA: One more committee member. Go ahead.

REP. BOGDAN: From the 117th. I have just a comment and a question that requires a yes or no answer. Basically everything that you've proposed in the new Act could be accomplished by amending the old -- the existing statute on the PUC. And the only -- is it true that the only real reason that at least appears apparent to creating a Public Utilities Control Authority is to correct the bias that apparently exists in the present Commission?

MR. STANDISH: I thought I answered that but I guess I didn't. I feel that this legislation is a substantial change over the present legislation for controlling regulated public utilities.

REP. BOGDAN: I don't disagree except that my question--I think you could do this in terms of amending the present statute and our problem really is bias in the present Commission.

MR. STANDISH: No, I don't think that's true. And I think I stated that I didn't feel that that was the only problem. You're basically changing the job description of the Commissioners with this legislation from three by five...from three by five index card person to computerated system person and you may or may not have people on the existing Commission who can do the new system. Therefore it seems to me that regardless of their bias or whatever you need--if you go and pass the new legislation, create the new job description, you need to have the opportunity to fully review each person that's on the existing Commission as well as other applicants to fill up new job slots.

SEN. AMENTA: Thank you very much. I am sure you will meet with the committee if we ask you to meet.

MR. STANDISH: Yes. Could I ask if I can comment on the financing bill.

SEN. AMENTA: Yes.

SEN. NEIDITZ: I have just one question--one quickie....(inaudible).

MR. STANDISH: I would think that this is a very hard question to answer and as you know, the pay scale doesn't always insure quality. In fact some times you get dedicated people who will take very low salaries and do a good job. But I would say that a salary in excess, for full-time work, of thirty thousand dollars a year would be necessary to get the kind of quality people that are called for to do a full time job of regulating the many hundreds of millions of dollars worth of activity that takes place in the utilities.

REP. RITTER: Have you estimated what the ninety additional personnel might come to -- approximately?

MR. STANDISH: I really don't know. I think that this is something which meets -- my feeling first things first-- and so I haven't put in a budget. I'd certainly be glad to work with the committee on a budget.

REP. RITTER: Tom the point is this--if you do everything else and you don't put in the additional money to get the additional staff, you haven't accomplished your objective at all.

MR. STANDISH: Oh, I think you're taking first steps. If you put in a Commission which has proper direction and give them the tools and constrain their activities as this legislation would do, even with the existing staff, you would have made very significant steps toward good regulation in the State. Subsequent to that if you then added staff at any level of increase you'd be taking additional steps towards getting that quality regulation which we need.

REP. TURIANO: Just one point. What's the present cost now?

MR. STANDISH: It's a little bit over a million dollars right now.

REP. RITTER: Of which the utilities pay seventy percent.

REP. TURIANO: Which is it -- sixty-fifty or seventy?

MR. STANDISH: I don't know the exact amount.

SEN. AMENTA: No more than six hundred thousand.

SEN. NEIDITZ: One last question. What other state has a law similar to this or the concept-- long-range concept?

MR. STANDISH: I don't know of any other state that has the same kinds of concepts. I think that certainly the concepts in the bill are -- especially with

respect to efficiency are accepted principles of public utility regulation.

SEN. NEIDITZ: Be specific. Is there any state that has a Public Utility Commission or whatever it's called---

MR. STANDISH: Well, the degree there is up to the Commission itself. How much they go into the -- how they interpret it. I mean that's true with any agency that you set up.

SEN. AMENTA: From your knowledge, Tom, are there any other states that have this kind of legislation?

MR. STANDISH: No. There's no other state that I know of that has this kind of legislation.

SEN. AMENTA: Okay. Let's go on to the next bill.

MR. STANDISH: Okay. The next bill.

SEN. AMENTA: 1086. For those of you who are waiting we're going to take up this next bill. We're going to hear Tom and the other gentleman. After which we will hear from Howard Hausman so that we can keep the testimony in perspective with one another. Also that we can satisfy the media. After which we will have a break for lunch and then come back and continue with the bills. We'll break for about three-quarters of an hour.

MR. STANDISH: I have some brief comments with respect to the financing bill. First of all I think that the opposition to this bill has construed it in a way which makes it unacceptable to me--let alone to others. I think that they've construed it as being a takeover of the utilities --as a way in which the State would get into the on-going operations and control of methods by which the public utilities in the State operate. Certainly that wasn't the intent in drafting the legislation and I would hope that that wouldn't be the intent by which the legislature enacted the bill before you.

The idea here is plain and simple--to save consumers the approximately ten cents on every dollar of capital cost for major facilities financed by electric, gas, and telu communications--public utilities. And those ten cents add up. They add up somewhere between in the next tenyears a billion six hundred million and 2.4 billion dollars worth of savings. And this is on the average of a hundred million dollars roughly that Councilman Carbone referred to which would be saved each year over the next ten years if this legislation was enacted. To me, that's what is before the Legislature. Do you want through this mechanism to save the

like scare words by the very kind of thing that this bill has faced all along.

It's a moderate bill. Its intentions are moderate. Scare words and so on, I don't think, really go to the objective of writing the bill as it is conceived and structured.

SEN. SCHWARTZ: Yes. In your savings that you see passed on to the consumer, ...(inaudible - not using microphone)....and if so, what is going to be the effect on municipalities...

THOMAS STANDISH: The way the bill is written now, there would be a payment in lieu of taxes--thirty-five percent of which would go to the municipality involved and sixty-five percent of which would be used for economic development purposes in the State. It's long been a complaint by cities such as New London who are exposed to the dangers -- potential dangers from the Millstone Plant, for example, complaints by other municipalities that why should one town down there in the southeastern portion of the State get all the tax advantages of Millstone 1, 2 and 3 whereas that plant really services the majority of the State and for that matter other states in the region, and therefore --

SEN. AMENTA: Do you mind if I cut you off. I think you've answered the question.

THOMAS STANDISH: But they pay the same amount of taxes.

SEN. SCHWARTZ: The one hundred percent of the payment in lieu of taxes would be the equivalent amount of taxes only thirty-five percent of that would go to the town in which the plant was.

THOMAS STANDISH: That's correct.

SEN. AMENTA: Okay. Thank you very much, gentlemen. You're free to go to lunch in a little while.

Before we take Howard Hausman, we've got Representative Lawless who would like to make a statement. Representative Lawless, please.

REPRESENTATIVE LAWLESS: Mr. Chairman and members of the committee. I'm here representing the House Democratic leadership. I have a very brief statement in support of Committee Bill 1081, AN ACT CONCERNING THE ESTABLISHMENT OF A PUBLIC UTILITIES CONTROL AUTHORITY. Certainly there are technical difficulties with the bill which is before us today. I know, however, that this committee is giving careful consideration to producing a bill which will provide for an easy transition of authority from the Public Utility Commission to the new Public Utilities Control Authority.

We should not allow the concept behind this bill to become obscured. The citizens of this state deserve an authority which will have strong and effective overseeing power. We have all been faced with rising utility costs and the general feeling is that the consumers' best interests have not been always well served as possible. This is particularly true in the area of fuel adjustment costs.

We must act in the best interest of the consumers of our State. They have mandated us as their representatives to do so. Therefore, I urge support of this major piece of legislation and full cooperation of all those involved in working out the details so that our Public Utilities Control Authority will be fully empowered to do the job it is expected to do, and to do it well.

SEN. AMENTA: Thank you very much, Bill. No questions from the committee? Howard.

HOWARD HAUSMAN: Mr. Chairman. Mr. Co-Chairman. Members of the Committee. My name is Howard Hausman. I am Chairman of the Public Utilities Commission. What I say here today are my own thoughts.

Bill No. 1081 as recommended by the Governor, would abolish the Public Utilities Commission and set up in its place a Public Utility Control Authority with the same powers and duties. Its clear purpose and intent is to replace the present members all at once with members selected by the new Governor. All of the other provisions of the bill could, if found to be in the public interest, be enacted without changing the PUC as such. The bill makes a drastic change in state policy which has always been to keep the PUC insulated from political changes in the Governorship by appointments for staggered overlapping terms. Thus under our laws a Governor gets to appoint in due course one PUC Commissioner per year. This system of appointment is extensively used in Connecticut to preserve from political influence such important agencies as the Board of Trustees of the University of Connecticut, the State Board of Education and many others.

Why does the Governor want to replace the present members of the PUC? In her press release accompanying the publication of this bill, the Governor accused the members of the PUC of "gross neglect of duty", because she said, we had allowed overcharges on fuel adjustments.

Where does the Governor get the idea that the PUC has permitted fuel adjustment overcharges? From a study conducted for her by Harconn Associates. The Harconn report includes a copy of the PUC order of January 11, 1971 in Docket No. 11019 rejecting the fuel cost adjustment formula proposed by HELCo. The supplemental order dated January 18, 1971 approving the present formula is not attached to the report and I have

to assume was not considered.

The PUC held extensive hearings on the fuel adjustment and finally in an unanimous decision based in large part on the recommendations of its career engineering staff and concurred in by one Republican Commissioner, one Democrat Commissioner and one Independent Commissioner, held that the fuel adjustments were correctly computed. Appeals have been taken to the courts by Hartford, New Haven and West Haven.

The Governor knows that the charge of neglect of duty is false and I shall prove it. Section 16-5 of the general statutes requires the Attorney General, if requested by the Governor, to petition the Superior Court to remove PUC commissioners for misconduct. One statutory ground for removal is "material neglect of duty." The Governor has not acted under the statute. Clearly she is unwilling to have the question of neglect of duty determined by an impartial judicial tribunal. Is she also saying that our merit selected staff, upon whom the Commissioners depend for professional guidance, are also guilty of gross neglect of duty? I doubt it.

Does the Governor really expect the courts to find the nineteen million dollar overcharges she has claimed? I don't think so. How do I know? Under the fuel adjustment clause adopted January 11, 1971, adjustments for changes in heat efficiency are made during rate cases when the price of fuel is updated and included in the regular rates. In her bill--in section 11H--the Governor would amend the law to require monthly updating of the efficiency factor. This is how Harconn Associates construes the existing fuel clause, only they want to do it retroactively for 3 years. If the Governor expects to win the Hartford, New Haven and West Haven appeals, there would be no need to amend the statute in this regard.

Again, if the Governor really believes that the members of the PUC have been guilty of gross neglect of duty, how does it happen that she has recently appointed to the Superior Court a Commissioner who served as a member of the PUC from October 1, 1972 to October 7, 1974, the time period when the alleged neglect of duty occurred?

Gentlemen, I submit that it's clear that the charges against the PUC are false. They are a smoke screen designed to conceal the real purpose of her proposal to abolish the PUC. The real purpose and certainly the effect of this bill is to put the PUC under the political control of the Governor. She is not satisfied to exercise the power she will have, without any change in the law, to appoint two commissioners after July 1 of this year, and possibly three if I should decide to retire by that date.

You ask what's wrong with political control of the PUC decisions by the Governor? This is what's wrong. PUC decisions must be based on facts,

not politics; on facts found from sworn testimony subjected to searching cross examination; facts found by independent commissioners with the assistance of the expert accountants and engineers available in the PUC. This is why Connecticut, along with almost all other states, insulates the PUC from politics by providing for staggered overlapping terms, so that no Governor can abruptly replace the whole commission. Even the Governor's bill purports to recognize this wholesome principle by providing, in section 3, for staggered overlapping terms for the "Control Authority".

And I would remind you all that her decisions are subject to appeal to and review by the courts.

Consider the precedent if this bill to politicize the PUC is enacted. In my opinion the first Governor who doesn't like the appointees of Governor Grasso will abolish the PUCA established by this act, reenact it with a different name, and appoint all new commissioners. Where would any Governor find able and dedicated commissioners to accept full-time appointment when tenure is subject to the whim of any Governor and General Assembly?

Gentlemen, there is no earthly reason for the enactment of this bill except to carry out an ill advised campaign promise made by a candidate for Governor. This Governor has not hesitated to back away from other campaign promises in the light of additional information. She would do the state a service by withdrawing this bill. Failing that, the General Assembly-- I recommend that the General Assembly reject it.

A brief review of what happened last year is in order. The price of oil went from four dollars to fourteen dollars a barrel. When the higher price was passed on to consumers through the fuel adjustment clause, customers were understandably unhappy and some political candidates exploited customer concern. For the first few months of 1974 it was fashionable to claim that the utilities should absorb the extra cost out of profit or "surplus". By the end of the 1974 legislative session almost all candidates had abandoned this argument. Even the Governor sympathized with bakers who had to pass through in price increases the high cost of sugar.

Next it became fashionable to blame the rate structure for higher residential electricity bills. Carefully structured rate schedules designed to reflect differences in the cost of production and delivery of electricity of differing quantities suddenly became, in the eyes of some candidates, a rip off of the small consumer. This bill addresses this subject in a number of ways. First it mandates a flat rate structure for gas and electricity but then goes on in the same section to exempt electric

heating customers who are the big residential users. Why gas heating customers are not exempted is not explained. I believe that any tampering with the well established principle of pricing based on cost of service is bound to lead to discrimination against some customers. And incidentally, one wonders why there is nothing about changing the universal price structure of water companies. They all give quantity discounts and there's nothing in this bill to stop that.

The current fashionable idea is that high rates somehow are caused by inefficient operation of utilities. Without a shred of evidence that this is so, this bill would require the PUCA to establish audit teams to study the internal workings of utilities and to recommend alternative procedures to promote efficiency.

The idea of the State of Connecticut showing utilities how to be efficient is, to be blunt about it, a joke. Let me suggest a few things that such efficiency audits would disclose.

The audit teams would find that large utilities have their offices cleaned under contract awarded to the lowest bidder. The State of Connecticut does the same job with politically appointed -- that is non-competitive civil service employees. According to the Etherington Report the cost to the State for this serive for the Capitol and State Office Building is $1.36 per square foot, almost three times the fifty cents per square foot paid in the private sector. The Etherington Report computed the savings to be made if the state procedure were changed would be $760,000 a year.

The audit teams would find that when utilities need to rent office or garage space, they seek competitive proposals and lease the most economical space. A few weeks ago when the Leasing Committee of this General Assembly wanted to prove that the state is paying too much for leases, where did it turn? To comparative space leased by utilities; and it reported the square foot price to be substantially below what the State has been paying for years.

The audit teams would find that Connecticut utilities consistently outperform State Government in productivity. In the past five years the number of employees of the eight largest Connecticut utilities decreased by 939, or an average of three per 10,000 customers. During the same period the number of full time Connecticut state employees increased by 2,096 or three per 10,000 population. I have attached a summary of these statistics.

The audit teams would find that utilities pay their bills promptly, within ten days where necessary to take advantage of discounts. The state an-

nounced on March 18 that its procedures are so inefficient that it can't pay utility bills within 28 days to avoid interest charges.

The more we know about efficiency the better, and I have no objection to efficiency studies of utilities by the PUC, provided that the budget can accommodate an extra $250,000a year. I suggest, however, as I have suggested to this committee earlier in the session, that we should not be too optimistic about savings to consumers that are likely to result.

I do have a suggestion so that we can get ours moneys worth. I strongly recommend that section 5(b) of the bill be amended to require that whenever efficiency audit teams find that utilities handle any function more efficiently than the State Government, they report the facts to the Commissioner of Finance and Control for implementation by the state.

I do not intend to discuss in detail every provision of the bill but I will be happy to answer any questions about it. Many of the provisions of this bill have already been discussed by me in hearings on individual bills. I just finally re-emphasize that all of the so-called reforms contained in this bill which the General Assembly may find useful can be enacted without abolishing the PUC.

I will be happy to try to answer any questions.

SEN. AMENTA: Representative DeMennato.

REP. DEMENNATO: Mr. Hausman, I might say if I tried to review the last five years of state government I couldn't have written a better indictment of...(inaudible). I refer you to your statement on page 4. PUC decisions must be based on facts, not politics. Can you tell me the present political composition of the Public Utilities Commission?

MR. HAUSMAN: Yes, sir. Two Republicans. Two Democrats and one Independent.

REP. DEMENNATO: What is the Independent's name?

MR. HAUSMAN: Gerald McCann.

REP. DEMENNATO: And what was his political affiliation prior to becoming affiliated--

MR. HAUSMAN: To the best of my knowledge he's always been unaffiliated.

REP. DEMENNATO: What position did you hold in the Democratic Party prior to becoming Public Utilitiles Commissioner?

MR. HAUSMAN: Republican party.

REP. DEMENNATO: Republican party. Sorry.

MR. HAUSMAN: I'll say that the Democrats have had an excellent State Chairman and I served as Republican State Chairman for four years.

REP. DEMENNATO: And who appointed you to the Public Utilities Commission?

MR. HAUSMAN: Governor Meskill.

REP. DEMENNATO: Is it not true then that a Republican Governor, Governor Meskill, played political games which achieved the present composition of the Public Utilities Commission?

MR. HAUSMAN: I don't think so. He only appointed one member at a time. Except last year when you increased the size and he appointed two.

REP. DEMENNATO: So your choice was a random choice?

MR. HAUSMAN: I wouldn't say random. I think I was well qualified.

REP. DEMENNATO: Okay. Now that we've got the politics out of the way, let's go into.....(inaudible). What's the Commission's position in this?

MR. HAUSMAN: The Commission found no overcheck.

REP. DEMENNATO: Where did the money come from?

MR. HAUSMAN: Where did the money come from? That's right. And the Harconn Report proposes retroactively to change the formula that was adopted not by me but by the prior Commission, all of which was appointed by Governor Dempsey, and they want to change it retroactively to require the updating of the efficiency factor every month instead of....rate scale as has always been the practice.

REP. DEMENNATO: Where's the bulk of these alleged over-charges?

MR. HAUSMAN: UI.

REP. DEMENNATO: And what were the circumstances surrounding that?

MR. HAUSMAN: I'm sorry. I'm not sure I know what you mean.

REP. DEMENNATO: What was your position--

MR. HAUSMAN: Let me say again, I did not participate in the hearings on the fuel adjustment. Under the present law a panel of three commissioners...and I was not one of them. I'm well aware of what's in the finding and I--

REP. DEMENNATO: Would you please relate those findings?

MR. HAUSMAN: I've got them here. The first finding on the subject is dated October 18, 1974 signed by Commissioners Stewart, Thatcher and McCann and it ruled that the proposal of Mr. Standish to recompute the fuel adjustment on the basis of his theory of the way it ought to be was improper. It's about a ten page finding. I believe I delivered copies of all these findings in quantity to the Commission during earlier discussions. I'd be glad to furnish some more if you want them.

REP. DEMENNATO: Isn't it true that the efficiency factor used to calculate the fuel cost adjustment...(inaudible)

MR. HAUSMAN: That's true. That's because United Illuminating did not ask for a rate increase between 1971 and 1974.

REP. DEMENNATO: Was the Commission aware that their efficiency had increased during this period of time?

MR. HAUSMAN: Generally. I think so. Yes.

REP. DEMENNATO: ...then you knew they were making money off the fuel cost adjustment?

MR. HAUSMAN: Well, let me say yes, but if they weren't making that money and were not collecting the fuel cost adjustment they would have been in for a rate increase a year or two sooner. So you come out the same.

REP. DEMENNATO: So what you're saying is that you knew that their efficiency had increased during that period of time....(inaudible)

MR. HAUSMAN: No, I didn't say that. Under the formula as adopted in 1971, we believe that the formula calls for review and updating of the efficiency factor only when the cost of fuel is updated in a rate.

SEN. AMENTA: Howard, why couldn't they do it at any other time? What would be precluded? If you knew this was happening and their efficiency was up, what precluded your commission from asking UI to come in and discuss the pass through rate?

MR. HAUSMAN: Nothing would have stopped us from doing it, Senator. We knew that they weren't making too much money. We get their annual reports every year. They've been in trouble the last three years. And we just didn't do it.

SEN. AMENTA: But you knew they were in violation at least in spirit, of the regulation of the pass through on fuel adjustment.

MR. HAUSMAN: Well, you know it depends which finding you talk about. The one that Mr. Standish has accompanying his report talks about the fuel adjustment is designed solely to replace the cost of -- the higher cost of oil. But the finding that took effect says that we find that the efficiency factor is so many dollars. I'm sorry -- so many percentage points. Fraction. And when you read that you come, in my opinion, to the inescapable conclusion that you wouldn't have made a finding of what it was a year ago during the test year if you intended it to be changed every month. And this is the difference in the opinion that's going to be resolved by the courts.

SEN. AMENTA: Just one more question. How do you answer the suggestion that the PUC has been operating on a cost plus regulation rather than looking into the efficiency of the utilities at all. So that if there are any inefficiencies supposedly the rate payer gets the added cost and the taxpayer or at least the administration who might be operating inefficiently doesn't get any of the detriments of this--

MR. HAUSMAN: Okay. Number one, we do look at efficiency. For example, our chief accountant keeps a running tally on how many employees each utility has. Any of you had ever been able to sit through one of our rate cases and unfortunately you're not, because they take too long and they're kind of boring, because they're technical. But you would find every item of expense the Commission staff and the Commissioners closely question the utilities on any item that has an abnormal increase. How come that item is up so much this year? And our practice also is to pre-audit the rate case. That is, before the case starts, our auditors go to the books of the company to check out anything that looks a little questionable. If you will read the transcript of our hearings on any rate case, you'll find that that is done.

Now, we've had Mr. Standish testify before us on many occasions. And my problem with his definition of efficiency is that I think it's absurd. He testifies everytime a generating station breaks down that's the fault of management. They should have bought a better one. And he also claims that none of our utilities should be using nuclear energy because he says that it's a new and untried process even though it's been in existence for twenty years and because it's new and in his opinion, untried, his theory is that anytime a nuclear plant breaks down the stockholders should absorb the cost because they shouldn't have gone to nuclear. And what he overlooks is the fact that the customers have saved hundreds of millions of dollars by the lower cost of production. This is one of the problems I have with this bill and I didn't intend to talk about the details because Commissioner Stewart is waiting. But when you read some of this language in the bill and relate it to the

testimony of its principal author...

SEN. AMENTA: Howard, did you ever ask the utilities about the efficiency of running a nuclear plant versus continuing with whatever method they had--

MR. HAUSMAN: Well, number one, the two utility plants were already operating before I came to be Commissioner. We have had testimony of the efficiency of the nuclear plants in every case since I've been there. As a matter of fact the last round of cases for CL&P and HELCO made a finding of the expected percentage of the time that the nuclear plants were operating, and that was 75.5 percent. If they operate less than that the rates we gave them won't be enough to take care of it. If they operate more the rates will be too high and there's presently pending before us an application by the companies to provide for adjustments when we guess wrong on that. But that's another matter. We're waiting for briefs.

REP. RITTER: Howard, I share your concern. I think other members of this committee do too, about wanting the PUC to be as free of partisan politics as possible. It's clear that the history of the appointees to the PUC have essentially come from the political arena. It's also clear that generally people when they served on the PUC have tended to more or less take off their political coloration. Now you remarked about our present Governor's motivation here. I want to ask you historically if it isn't true that Governor Meskill was the first Governor in this State to appear before a PUC which he had appointed and treat the PUC the way he did. Is that a fair statement?

MR. HAUSMAN: Yes, and I didn't like it a darn bit.

REP. RITTER: No and you stood up to him. And the Commission stood up to him.

MR. HAUSMAN: We gave his testimony the same weight that we gave anyone else. We made our own decision.

REP. RITTER: Yes. I want to make the single point though that previous Governors --as recently as the last previous Governor involved himself very fully in the PUC process from a political point of view. Isn't that correct?

MR. HAUSMAN: Yes.

REP. RITTER: Second, during the last campaign for Governor, many of us who were actively running for public office and followed daily the reports in the paper wondered whether some of the Republican members of the PUC were not indeed ... some of the Republican candidates for Governor and

for other offices. Are you in a position to tell us that is not the case?

MR. HAUSMAN: I am in a position certainly to tell you that's not the case as far as I'm concerned and I believe as far as anybody is concerned. You recall, Mr. Ritter, that during the campaign we took a lot of abuse by a lot of candidates. And it wasn't easy to keep quiet. I-- at times would have liked to go on radio or television and respond to some of those things, but I did not and maybe I should have. I felt I could have justified it on the ground that we were being personally attacked, but we leaned over backwards to stay out of it during the political campaign.

REP. RITTER: Does that apply equally to have no consistent relationship with either candidates -- Republican candidates or their agents?

MR. HAUSMAN: Yes.

REP. RITTER: Supply them with information or points of view on particular happenings? I've been led to believe otherwise and that's why I --

MR. HAUSMAN: There certainly was no consistent communication between the Commission and Republican candidates. I believe that on one occasion... candidate called and wanted to know what the hell the fuel adjustment was all about and I told him-- I don't recall any Democratic candidate calling me. No.

REP. RITTER: Well they knew what the fuel adjustment was -- they represent the people. Okay. I just wanted this on the record because there has been persistent communication that we've received that the contrary might have been the fact.

REP. GEJDENSON: One clarification on a statement made earlier. Is it your understanding that the ....(inaudible-not using microphone).

MR. HAUSMAN: You're talking about the PUCA Authority then, not the bonding authority.

REP. GEJDENSON: No. The PUCA Authority.

MR. HAUSMAN: My comments on Mr. Standish were based on his testimony in our Commission in cases.

REP. SHAYS: My name is Chris Shays from Stamford. Two questions. One is a political question. You were appointed by a Republican Governor, confirmed by the House and Senate.

MR. HAUSMAN: I was confirmed by the House.

REP. SHAYS: Was it democratically controlled or Republically controlled?

MR. HAUSMAN: It was Democratically controlled. I was confirmed unanimously, as best I recall.

REP. SHAYS: Then you were confirmed by the Republican Governor --- you were appointed by a Republican Governor and confirmed by a Democratic House.

MR. HAUSMAN: That's correct. May I say, Mr. Chairman, just one thing. I've been a state employee for some twenty-eight years and I served for six years as Legislative Commissioner for this General Assembly and certainly thepeople who were members of the Assembly at that time -- believed well of my integrity and my ability.

REP. SHAYS: I think you're a man of great integrity but I want to ask you a question and it may seem somewhat intimidating. Doesn't -- given the political climate that we have now, that you're compromising the commission in the sense thatyou were for four years the chairman of the Republican State Central Committee? I mean some people would assume because of that that you could be swayed and you're concerned with politics more than the consumer.

SEN. AMENTA: Howard, can I answer that? I've known Howard for a long period of time. He's been a good political person for the Republican Party, but I want to tell you he's been a fair person whenever he's been in any position other than political. He was a good Legislative Commissioner, and in my opinion, he's been a good member of the PUC Commission.

MR. HAUSMAN: Thank you. I don't think I can do any better than that.

REP. TURIANO: Rep. Turiano, 120th. Have you or any of your Commissioners gone to the utilities companies and watched the efficiency of their operation? The oil spill. Smoking coming out of their stacks.

MR. HAUSMAN: I have not visited any of the electric utilities. I visited the telephone company when they opened their new building.

REP. TURIANO: I don't care about the telephone. I'm talking about the utilities. Many mornings I've gone by and smoke was coming out there like crazy. That's inefficient, isn't it?

MR. HAUSMAN: Well, I don't know, but pollution is not under our control.

REP. TURIANO: I'm not talking about it being pollution. Talking about the generators if they were run properly, the air wouldn't be like that, would it?

MR. HAUSMAN: I think you're right. The cleaner the...stack..(inaudible)

REP. TURIANO: With all the high praise Senator Amenta gave you, how come all the electric bills that the consumers been getting are two to three hundred

percent more than what they've been paying. How do you justify this?

MR. HAUSMAN: Well, the biggest single cause of higher electric bills is the unprecedented increase in the price of oil. Four times what it was. The second biggest cause is the horrendous increase in interest rates. Most all of the utilities still have bonds outstanding with one and a half and two percent interest, and now someone testified it was eleven and one-half the last time---the last issue. Those are the major -- plus the inflation.

REP. TURIANO: In 1973 one of the utility companies made eighty-three million dollars. In 1974 they made a hundred seventy-four million dollars. I hate like hell to see what they're going to make the first quarter of '75. I don't care if you take the figures from here---but still every month the utility bills to consumers is going up. It's got to end somewhere and somehow.

MR. HAUSMAN: I certainly hope it does. And let me respond to that this way if I may. I'm not very proud about this and not very happy about it. That when I came on the Commission four years ago Connecticut utilities typically had earnings equal to four times their interest charges -- some up to five times. In the last couple of years, the electric companies at least have been struggling to maintain the two times that's required to issue bonds. Their financial condition has deteriorated severely and this troubles me because if they can't issue bonds they're not going to be able to render service in the long run.

REP. TURIANO: In all the years that I've been fooling around with this, I've yet to see any of the top eschelon ever take a cut, which everybody else is. Everytime you see their pay, seventy-eight thousand, eighty thousand, fifty-four thousand--and twenty directors getting six hundred and some odd thousand. And who's paying for all this? All the rate payers.

MR. HAUSMAN: The rate payers are paying all the expenses. I own stock in a number of industrial firms and their presidents all get a lot more than any utility president.

REP. TURIANO: I beg to differ with you.

SEN. AMENTA: Hold it. We're getting into that kind of a conversation I'd rather not.

SEN. SCHWARTZ: Commissioner, the thrust ofyour testimony seems to be...(inaudible) How would you feel...changes were incorporated into the present law with regard to the present PUC, and what specific complaints about... (not using microphone - inaudible)

MR. HAUSMAN: Well, Commissioner Stewart is here and intends to testify on those things, but I have a copy of the bill.

SEN. AMENTA: Howard, why don't we let Commissioner Stewart testify, if you don't mind. If he's prepared to testify. And then maybe Joe can ask the same questions.

SEN. SCHWARTZ: Are you two in agreement on the....

MR. HAUSMAN: Yes, and I keep hearing rumors that some of the things that I believe are unworkable are being compromised and worked on, but I have not seen any redrafts, so I really don't know.

SEN. SCHWARTZ: I just wanted to make sure...

SEN. AMENTA: Thank you. Commissioner Stewart. Thank you, Howard.

MR. HAUSMAN: Thank you, gentlemen.

REP. RITTER: Howard, may I express my personal appreciation for you appearing here today and making your presentation.

MR. HAUSMAN: Thank you.

SEN. AMENTA: We're going to recess right after Commissioner Stewart's representation, as he's got to go back to hear the Southern New England Telephone Companys.

MR. RICHARD STEWART: Mr. Chairman, Members of this Regulated Activities Committee. My name is Richard Stewart. I'm the Vice Chairman of the Public Utilities Commission. I would like to extent to you my appreciation for taking me out of turn. We are in the middle of the SNETCO rate hearing case, and I appreciate what you're doing.

But I also would like to make a couple of preliminary remarks, Mr. Chairman, if I may. I think this committee and you two Chairmen should be commended for the diligence which you have operated during this spring. I am impressed with the amount of work that you have undertaken, the number of bills that you have tried to digest and the hearings granted on these bills.

I also appreciate the tremendous efforts and courtesy that you have paid to the Commission and the members of the Commission. I feel very warm when I come before this committee. Although there are a couple of bills that obviously I do not fully agree with, you afforded us on the Commission an opportunity to sit down and counsel with you and listen to your counsel, and for this I think on behalf of the entire Commission, I am most appreciative.

I would also like to commend you on one other point. You've undertaken to study practically every tough issue that's come before you that I know of. In trying to solve the problems of those issues, you have invited scholarship to come before this committee to speak. I'm sure many of you were surprised with the answers of the scholars that came before

you, and perhaps some of you heard words that you really didn't want to hear or expected to hear. But I think you are to be commended for inviting members of the intellectual community to address themselves on various points before this committee.

With respect to Senate Bill 1081, it has come to my attention and confirmed only this morning by a member of the Executive Department, that the bill that we have in front of us, 1081, has been changed, and it is my understanding that a copy of the bill that I have in front of me without any bill number -- without any LCO number, will be proposed by the Executive Department to replace the bill that you have in front of you now.

SEN. AMENTA: Commissioner, as I understand it, there has been some discussion with some people but not with this committee, so the bill before us is really the bill that we're going to discuss and the committee is seriously going to --

MR. STEWART: Well, I just happened to see the member of the Executive Staff who informed me of this particular point without the opportunity of having this counsel with you. Because of that possibility and because he assures me that many of the points that are contained within this Senate Bill, 1981, has been removed or modified, because of conferences that have gone on between various peoples including members of the Public Service Companies, that I don't think it behooves me in the middle trying to get back to the SNETCO case to go over the fine points of 1081. I can only assure you, Mr. Chairman, that I will make myself readily available at any moment if you would like to discuss this so as perhaps not to interfere with the SNETCO case.

I would like to address myself however to a couple of big points, that I think are going to be in any bill. One is I am not satisifed as a member of the Commission that you can have a transfer of duties and a transfer of cases to take place on one day--a date certain has been outlined in 1081, and as I understand, has not been changed in any new proposal. I think it is totally unfair to the public and to any new authority members to expect to have a full grasp of all the cases, all the issues before any Authority or Commission on December 1, 1975. So that they would be in such a knowledgeable position to give any expert advice to both this body and any members of the public.

Called for in 1081 is some sort of plan or reorganization of the PUC staff to be made by the Authority members within either two or three months after taking office. I can assure you that having taken office on July 1 and spent on an average over forty hours per week, both on cases and in trying to learn the subject matter before me, and more

particularly on week-ends, that it would be practically--physically impossible for any authority to come up with a concrete intellectual intelligent piece of recommendations for renovation of the Public Utilities Commission. I don't think that such a feasibility study is practical with such time constraints.

I'm also led to believe that in the new bill there will be even a proposal relative to a task force that will come before--whose job it is to study the entire PUC functions and report back to the 1977 Legislature. What bothers me on both these particular points is that you have the--and the fact that the Commission goes out of existence on December 1, is that you have the execution of the defendant before the defendant has had a chance to stand trial. I resent the fact that innuendos have been made against me and my fellow Commissioners about tasks now well done--where sleeping dogs have been lying and haven't been doing their job, when in fact, we have not had an opportunity to have a hearing on all the objections that have been made. And in fact, because of legal ethics, I must remain silent on several points that have even been raised with the previous speaker, because I've been a member of a panel where we've given a ruling and those matters are now before the courts.

I have no objection to an independent task force being forced right today. To go between now and December 1, to study the efficiency of the Public Utilities Commission and the Commissioners serving therein. I think it's the only fair way, Mr. Chairman, to assess properly the task performed by the Commissioners.

And if you find that what we have undertaken and what we have performed isnot adequate, has not been in the best interests of the public, and you so state it, I pledge to you that I would resign. You've also heard from Commissioner Hausman that he is opposed to politicizing this Commission. I, too, must join in that objection. He also made the point that within a relatively short time new commissioners could be appointed. So that if the political persuasion or the personalities are not to the liking of the General Assembly and the Executive Department, those could be changed. And I ask you to bear those in mind.

I would like to make one final point. I am not personally opposed to and in fact I am in favor of a merit selection commission appointed for the purpose of appointing commissioners to the Public Utilities Commission. I have come to believe that the public is so concerned about how the Public Utilities Commission operates and the members being so politicized in their various appointments by various Governors, that perhaps now, Mr. Chairman, the time has come that we should take the appointment of the Commissioners out of politics and let any Blue Ribbon Commission duly com-

missioned recommend to the Governor a series of names--persons who are qualified to serve in this capacity. This would be the same type of merit selection commission that I would propose on behalf of the Bar Association for the appointment of Judges. To do so would require a Constitutional amendment. But presuming such could be enacted, I would back any legislation in this regard and would be willing to put myself, Mr. Chairman, before the task force so that my qualifications could be properly assessed.

REP. RITTER: The Governor agreed to follow that procedure--Constitutional amendment be required to effectively obtain the benefits of that procedure.

MR. STEWART: That is correct. The only question I have is whether there's any problems or any appeals in the courts thereafter. There may be, for instance, Mr. Chairman, on the Judicial Department with respect to Judges. I don't--

REP. RITTER: PUC.

MR. STEWART: I don't think there would be an infirmities here. And I would be willing to abide by any assessment made of me in this regard.

I have taken more than my time, Mr. Chairman. I, unfortunately must get back to the SNETCO case. I again just want to extend my appreciation to this committee for hearing me out of turn. And I would make myself available for any comments on the specific points of each bill anytime you want.

SEN. AMENTA: Okay. Thank you, Commissioner. We will be in recess until three o'clock.

Is Mr. Myer in? I understand Mr. Meyer has to meet a schedule of getting a plane or train or something. Marc Kaplan, you're next. We appreciate you allowing Mr. Meyer.

MR. EUGENE MEYER: My name is Eugene Meyer. I am a Vice President and Director of Kerr-Peabody & Company in New York. My primary role with that firm is to be in charge of the utility profit finance department. I have prepared some remarks which I am going to abbreviate because I believe your hearings are running a bit longer than you care about, but nevertheless they'll take some little time.

Each of bills 1081 and 1086 have provisions which I believe will add to the cost of capital for electric power in Connecticut. Concerning Bill 1081, several provisions deserve contemplation from the stand point of increasing the cost of capital. First this bill would grant a new Public Utilities Control Authority the right to revoke, suspend or amend franchise rights with no provision mentioned for appropriate compensation. To prospective investors the utilities securities in the State of Connecticut, this is again the taxation without representation. It means that at any

time the PUCA determine that there was cause for removal of franchise, assets of the company owned by its shareholders would be removed. According to the bill such a decision would be unilateral with no advocacy of the stockholder position. Maybe this is poetically popular and maybe this is even legal. I don't know. But I do know that anyindividual who would invest in the common stock of Connecticut utilities under such circumstances would and should require a substantially higher rate of return on his investment. Higher indeed than other utilities in other states where such provisions do not exist.

The higher cost of attracting capital would either ultimately be reflected in the bills of rate payers or the Connecticut utilities would be unable to attract the capital. Bill 1081 also wishes to limit temporary or interim rate increases to companies on the brink of bankruptcy or insolvency. May I assure you that companies in such a situation are unable to attract capital. Capital being the savings of the people on any terms.

The mere existence of such a provision even if never reached would increase risk and therefore increase the cost of capital to the Connecticut utilities. The uncertainties of the fuel adjustment clause provisions and the discouragement of nuclear financing inherent in Bill 1081 also increase the risks of investment in Connecticut eventuating high costs for capital and eventually denial of that same capital.

But finally the notion that the rate of return on equity should be restricted to a level less than manufacturing companies in Connecticut so long as it is not below six percent will insure not high cost capital but in these times at least no capital of any kind.

The reasons are these. Manufacturing companies are not required to expand by any franchise. Therefore they do not have to go out and attract new equity capital. If the new equity capital they endeavor to acquire in the external market will not offer a return competitive in that market, they do not have to expand. This is not so for the utilities. The utilities must attract new capital in the form of equity if they are to honor the requirements of their franchise. No corporation can continue indefinitly to finance expansion which not only does not provide an adequate return on investment but indeed confiscates the already assets of the corporation.

Today with interest rates available and long-term corporate bonds and preferred stock yielding ten percent, eleven percent, in some cases some New England utilities as high as twelve percent--who would invest in equity which did not provide a somewhat higher return at least to offset the greater risk. Say a return in the thirteen to fifteen percent area.

U.S. Treasury Bonds today yield in excess of eight percent. Is it realistically sufficient for people to put up their savings as common stock in-

vestments without demanding a higher rate of return than six percent. Let's face it. The utilities company in Connecticut would be unable to pay that common stock dividend at the returns contemplated by Bill 1081.

As Consolidated Edison has learned, failure to pay dividends strips a company of its ability to issue new common stock for expansion of services. Consider the other side of the return on equity provision. The provision is that the utilities must have a return on equity less than that of Connecticut manufacturing companies. What if the manufacturing companies have an average of fifty percent rate of return on equity. Does this mean that a forty-nine percent return on equity would be all right for Connecticut's utilities? I'm chagrined at so little knowledge of economics and finance is present in this bill. I'm chagrined because of the higher cost in terms of higher rates to the consumers. The loss of jobs to Connecticut residents possible and the loss of savings of American investors which this bill fortends.

I say this because these provisions contained in Bill 1081 will render Connecticut utilities unable to attract investment capital to maintain facilities, and build those new facilities required by the service demands of the people. When this investment capital cannot be attracted, and believe me Connecticut utilities are already precious close to that stage, then Connecticut's utilities will be forced to cease construction. Already there have been substantial cutbacks. No one benefits from this senerial. Customers are faced at best with higher rates, and at worse with unreliable service. Investors are faced with the loss of their savings. Industry and labor are faced with an inadequate energy supply causing cutbacks in production and employment, which brings me to Bill 1086, which proposes to establish a Utilities Development Corporation.

In general the proposal is for electric power for the people of Connecticut financed by the revenues paid by way of rates from the rate payer and borrowings back by the credit of the taxpayers. The Connecticut utilities currently finance electric service from revenues provided by the ratepayer and credits supported by the equity investment of people across the land. It is alleged that the Utilities Development Corporation could finance all future power requirements with...which is undeniably cheaper than equity. Let's think about that for a moment. All debt must be backed by a revenue flow and a net worth, otherwise no one would lend the money. Thus, if the State of Connecticut pledges its credit to the bonds for UDC, it will be the equity or the ability and willingness to pay of the taxpayer which will be on the line, as the equity in such a financial transaction. Can this form of equity support all of the governmental services of this state now plus what it will require for humanitarian security, safety and cleanliness purposes in the future and to support the electric power needs as well? I don't know the answer to that question.

foreign policy.

Nothing contained in Bills 1081 or 1086 will change those costs. Therefore nothing in Bills 1081 or 1086 will reduce the cost of power to the consumers. The items within the bills upon which I've commented will, however, raise the overall cost of capital for both private and public purposes in Connecticut if these bills are enacted.

The State of Connecticut can be effective in reducing the level of future utility rates. It can do so by creating an atmosphere which will attract capital to both the state and private industry on a lower cost basis. Such lower cost of capital can only be achieved by convincing investors that capital in Connecticut will be safe and will pay a rate of return which is consistent with free market requirements. When investors become convinced that this is so, Connecticut will be on the road to lower electric costs in other states. Furthermore, assured of supply of low cost capital, Connecticut's utilities will also be able to construct generating plants utilizing lower fuel costs.

Concerning Mr. Standish's remarks this morning that somehow rates are currently higher in Connecticut because the companies rates of return on equity are too high. May I ask you to consider the following? According to ....October 15, 1974, which gives the average returns on common equity forthe fifty largest electric utilities in the United States, for the twelve months ended June '74, the latest actual figures available for the report, of the fifty companies forty-seven had a higher rate of return on equity than did Northeast Utilities, the largest company serving in the State of Connecticut. Forty-seven higher. The two that were lower were ConEdison at 7.0 percent and Consumers Power of Michigan at 6.4 percent. We all know what happened to Con-Edison last year. It is noteworthy Consumers Power Chairman of the Board is spending his time in Washington begging for some kind of investment relief from the federal government.

The average return on equity for that same period for the fifty largest electric utilities in the United States was 10.9 percent. Northeast Utilities was at 7.4 percent. It seems clear to me that the utilities -- at least Northeast Utilities, State of Connecticut, has not been earning too high in terms of rate of return on equity, but the very fact it is so far below average increases the cost of selling the new common stock. It drives the price further below book value and it means that even higher rates of return on equity must be granted in rate cases just to bring it up a little bit from 7.4.

Utilizing the year-end average because there have been rate increases granted since that time. The year-end estimated average for these companies for the year 1974, thirty-five companies on thatbasis would still be higher than Northeast Utilities. The national average of 10.8 percent would compare with the Northeast Utilities average of 9.6 percent. I won't bother to read all the names of the companies below that amount, but I'll

I do know, however, that the more debt being supported by any equity in any entity the greater the risk to the lender and the higher the ultimate cost for all borrowing. It deserves to be repeated that the flow of revenues must be adequate to meet all operating expenses and financial obligation. This holds regardless of the financial structure utilized.

The Urban Development Corporation of New York realized this recently and in effect had to be reorganized at a substantial penalty in terms of cost of money. Bill 1086 seems to contemplate that revenues received from sales of electricity by the Utilities Development Corporation would be pledged to service the debt of the corporation. This presumes that the customer will enter into long-term take or pay contracts for the power. These customers are further presumed to be municipalities by the power companies, industrial corporations, and other governmental bodies.

For these customers entering into long-term take or pay contracts will mean utilizing their credit in effect loaning their credit to the Utilities Development Corporation. Since the credit of some of these organizations would be suspect especially that of the private utilities, it is likely that the guarantee of the state's credit would still be required.

Municipalities now served by private utilities who contemplate switching to power provided by the Utilities Development Corporation because the cost of power would seem to be cheaper on the surface, must consider the partial loss in taxes collected from the UDC as opposed to the private company and they must consider the cost of the use of their financial credit in providing a long-term take or pay contract.

I would be remiss if I did not comment upon the impact of this dialogue over bills 1081 and 1086 on the current cost of capital to Connecticut's utilities. The common stocks of utilities located in states where public power is being widely discussed are selling at the greatest discounts to book value thereby creating the highest cost of equity capital. Debt securities of utilities operating in such states require higher interest rates than would otherwise be the case. This phenomenon can be expected to continue so long as the threat of a 1086 concept continues and the associated increased risk of investment continues.

I well understand the concern over rising rates for electric power. Investors do not benefit from rising rates. Witness the tremendous losses in the value of utilities securities in the last five years. Consumers obviously do not benefit. But the two reasons for these rising rates are the cost of fuel, which is priced in a free market outside the control of utility management and the cost of capital, also prived in a free market outside the control of utility management. The high cost of fueld and the high cost of capital are the derivatives of national economic and

SEN. AMENTA: George, I just want to make a statement. George, I know that the utility companies know that something is happening to them and until you explaind the fact that they were going to have twins, they're now finding out what's happening to them.

REP. RITTER: I think it was the procedure that interested them more. Anything else you'd like to say, sir?

MR. MEYER: No, sir.

REP. RITTER: Thank you very much. You can leave a check for the experience with the clerk. Marc Caplan.

MARC CAPLAN: Senator Amenta, Representative Ritter, my name is Marc Caplan. I'm the Director of the Connecticut Citizens Action Group. My comments today will on 1081 and 1086 will be specifically directed at different sections of each bill.

We have long been committed to reform of utility regulations in the State. Obviously I don't need to repeat the content of that kind of reform will be crucial to the vital interst of the state--the consumer interest, the environmentalist interest, be it the economic stability of the utilities, be it the economic development of the state. Think while these kinds of considerations demand action on the part of state government, we should not create institutions which have even greater potential for abuse.

Frankly we think the Governor's proposal to establish a Public Utilities Development Corporation as written is just such an undesirable creature. Before I talk about that bill, 1086, I would like to endorse those proposals and ideas of Bill 1081 that we think are wise and would benefit the utility consumers in Connecticut.

We generally support the bill. We think we need some fresh faces and fresh concepts in terms of utility regulations in the state. Without belaboring the point,we have said it before--I think thousands of other Connecticut consumers have said it before, is that they've lost confidence in the ability of the Public Utilities Commission to protect their interests.

We think that the beefed-up agency will go a long way in pointing this thing in the right direction. Some specific comments are -- under section 3, the idea of having--

REP. RITTER: Mr. Caplan, can we ask you -- we're going to read your comments.

MARC CAPLAN: All right.

REP. RITTER: You may make a bigger impact if you permit us to ask you some questions. We'll read this, I'm sure. You want to go through that first or may we

ask you some questions?

MARC CAPLAN: Some of the things that have been talked about earlier. One of the points that was raised this morning was the question under the rate setting on section 483, lines 169 through 172. The question about having rates that in Connecticut were competitive with the rest of the country. Frankly, I think there were some good questions raised by members of the committee about this. There's just no way the rates in Connecticut are going to be able to be stacked up against rates in Texas, Washington State or Kentucky whose power sources are considerably cheaper than the power sources that we have in Connecticut. I don't have the figures in front of me but I'm sure they can be gotten to the committee.

I think within the past ten days there have been reports in terms of how residential rates stack up in Connecticut as compared to other states. I think we were forty-fifth out of the fifty-one rates there were there. I think that it's perhaps reasonable to say that the rates should be competitive to all states in the region. I think, Senator Amenta, you were talking about Massachusetts, New York and Rhode Island. But to -- that our rates be competitive with Washington State, with the huge hydroelectric power facilities they have there -- is just unrealistic. And we think that the clause ought to be dropped or at least the word region inserted for the word country.

As you know, we've said that we have strong feelings about getting rid of the declining block rate structure. I do want to comment upon the wisdom of the bill by saying that specifying for the next twenty-five years electric -- present owners of electric homes should have rate advantages. Now, their plight is understandable and perhaps they do deserve some relief -- to tie that time period down to twenty-five years in this kind of legislation. We frankly think would be unwise. And I think it should be left to the new Control Authority to decide upon the appropriate policy in terms of how to treat electric -- present electric home owners. If you want to give them the authority to adjust rates, fine, but tying it down for twenty-five years seems like a rather unwise policy.

Another point. Lines 260 and 261 in regards to who can question inadequate or inefficient service. If you'll notice in the list of people -- the list of groups--namely political bodies that can raise this question. There's no opportunity for a group of citizens to rate those questions. So I would strongly recommend that there be a certain percentage of people -- say one percent of the town's residents or a certain number of people that could petition the Public Utilities Commission or the new Control Authority --to question the adequacy and efficiency of the service. It seems to me we ought to provide some opportunity for a group of citizens if they're concerned about it, to be able to ask for a hearing before this PUC or any new Authority.

In regard to the fuel cost adjustment--the adjustment clause in sections 10 and 11. I frankly -- we've been opposed to the fuel cost adjustment

but I think that Section 10, which is the general section dealing with automatic adjustment problems, it's preferable to Section 11. Only Section "G" of Section 11, which concerns itself with the cost of abnormal addages, should be included. We would like to see Section 10 adopted as the section for handling any kind of automatic...situations. And under that section, line 47, where two years is given for the time period for reviewing that -- we think it ought to be much less than that. Perhaps the review period ought to be once a year or every six months.

Should I go into our comments about the Development Corporation or -- okay. I think while we generally support 1081 and I think we are strongly opposed to the 1086, at least as written or any similar form. Perhaps to anticipate a question, we would be open -- we don't reject out of hand the idea of the state getting involved in bonding. I think our concern is one of accountability checks and balance and the actual cost. I heard this morning Senator Neiditz refer to the word, "monster" in relation to this thing. Perhaps he read our testimony ahead of time because we spoke about the bill as a potentially uncontrollable monster. One that could perhaps -- and I have high regard for Councilman Carbone and Mr. Standish -- but we have seen no evidence of the potential savings of a hundred million dollars to Connecticut consumers. We could be persuaded that way but have seen no evidence of that.

The agency would have powers to construct and lease power plants and lines, sell electricity, issue bonds -- do practically everything utilities now do in the state without any degree of accountability--without any checks or balances. The corporation would be exempt from controls by the PUC as far as rates. The PFUC as far as acquiring land. By the Department of Envirionmental Protection in terms of environmental controls. Would have no response in terms of the Legislature or the Governor.

I think what we border on here is the opportunity for fiscal irresponsibility which was addressed by the previous speaker and cite the Urban Development Corporation in New York, I think, is a good example of how a state agency -- bonding agency without any kind of checks and balances can get outof hand.

Let me just talk about a few specific examples of what I have referred to. In terms of the uncontrollable powers, which this bill talks about, Section 7 gives the corporation the ability to apply for licensing of plants without the approval of any other state agency. Under the same section the Corporation is authorized to contract with any utility within or without the state to construct power facilities. Again without any controls or limits.

Section 8, the next section, talks of rates and services covering every aspect of electric power generation...or the PFEC. The contracts empower the Corporation are not subject to any state department or agency under

of accountability so that we don't put ourselves in the position of having to either bail out the utilities or bail out the corporation.

Thank you.

REP. RITTER: Thank you very much. Any questions?

REP. GEJDENSON: I was out. Going back to the bill--

REP. RITTER: When you were out, we voted to ask no questions.

REP. GEJDENSON: Do you have any personal problems with the fact that...(not using microphone). Should we throw out one regulatory agency and replace it with another rather than change the rules of government.

MARC CAPLAN: Two reactions. One is that I don't want to belabor the point -- we've made known to this committee -- we feel that the present Public Utilities Commission has not been responsive to a variety of proposals that it ought to be pursuing -- not just...proposals, but proposals that require in-depth thought and analysis and not major reactions on their behalf, which unfortunately, they've had. So Part 1 is that we think we need some new people. The whole thing is frankly, I believein the system of accountability. I want to hold Governor Grasso accountable to her pledges of making some reforms in the utility regulations. If she runs for re-election and the Democrats are off, I want to be able to say, you know, I don't want her or anyone else to be able to point to the fact that they weren't able to do anything with the Public Utilities Commission because their sponsored Commissioners weren't on it. I think it would be desirable to have the Governor to be held accountable for the appointments that she makes not only Commissionerships, but also to the new Control Authority.

REP. RITTER: In question--your first point. Do you paint all five Commissioners with the same brush. The second point, Chairman Hausman said in a speech today that he believed there would be three vacancies as of July 1, if he saw fit to resign at that time. What's your thinking on those points?

MARC CAPLAN: Well, again, there have been some exceptions, I know to the -- there have been dissents on a variety of things -- a variety of the proposals that we have made and all the people have made before the Commission. If the good points of this bill -- I think there are many good points -- in response to your request -- but I think there are definitely some good points in 1081 that ought to be included. I think that if we could assure ourselves there would be at least a majority change-over in the next few months on the Commission, then I don't think we have got to sweep out everyone. I believe in some continuity. But I think we would respond favorably to the fact that if we were assure there would be at least a majority change-over on the Commission, I think we could live with that providing -- it's just not a question -- it's been obvious from the hear-

ings which you have held --

REP. RITTER: There's been real concern expressed by many people to different members of this committee. Not everyone thinks this way, but many people think that even though they may like the notion of a clean sweep, they wonder at the high price that that may develop in terms of future--whether or not setting a policy now, which we've avoided in this State for the 150 years I've been active. Just not sweeping people out. Doing it nicely and gently over a period of time, to be sure, but not with one cut of a sword.

MARC CAPLAN: Let me just offer -- I thought perhaps someone was going to ask, you know, in view of our desire to sweep clean the PUC, perhaps what happens if there's a new Governor--especially if there's a change of party four years from now. My feelings would be to build -- I would like to see -- be able to see a new Governor appoint a majority of the Commissioners to a Public Utilities Commission early in their administration.

REP. RITTER: It's a hell of a way to induce a responsible guy to give up a law practice or something and know he's only going to be there a few years.

MARC CAPLAN: Well, you know, I think we can find responsible enough people who are willing to serve four year terms or fiveyear terms. I don't think necessarily in the first year of any new administration we've got to bring in five, you know, five new people. As I say, I think we can live with the situation so long as we thought there would be a majority change-over in the new Commission in the next few months.

REP. RITTER: Thank you very much.

REP. DEMENNATO: Mr. Caplan, what do you feel about....(not using microphone).

MARC CAPLAN: Well, I think actually action is favorable. I think it's important for citizens to have some opportunity to -- I think there's a tremendous frustration. I've seen a lot of it. Lack of understanding the issue. A tremendous frustration. We've heard, and I'm sure you've heard it -- consumers having in terms of being able to voice themselves to the PUC-- I think that it would be a healthy thing. I know -- politicizing the whole concept. I think in many ways there are many concepts -- I think that people don't understand. Talk about--it's important public issues, then I think it would increase the awareness that many citizens have of the problems the utilities face. I think it would be a wise thing to do especially if it were one or two out of the five. Does that answer your question?

REP. STOBER: Mr. Caplan, do you see...(inaudible - not using microphone)

MARC CAPLAN: Well -- I would define the word political as accountable, and when the PUC makes a decision about a fifty million dollar rate increase, I call

that a political decision because who picks up the tab for that? Which particular consumers? Which particular classes of users of utilities? Who pays for that is an important public policy decision. I would correspond political with public policy and therefore I think the PUC is a political body in that context.

REP. STOBER: Would you prefer to see it changed then every time the Governor is changed?

MARC CAPLAN: Well, I think that the public ought to have some opportunity to express its feelings to the Commission. I would like to see a system where--if it was an appointed system, that early in the administration--within the first year or so of a new administration, there would be an opportunity for the Governor to appoint a majority of new members to the Commission, leaving perhaps two members in terms of bringing some continuity to the old Commission.

SEN. AMENTA: Marc, would you say the Governor should do that with the State Commission of Education? With the University of Connecticut Board of Trustees? Do you think the Governor ought to do it with all the others or at least some of the important ones?

MARC CAPLAN: Well, you know, we've --I think that, you know, where there are important public policy questions involved, I think it's vital -- got to have some confidence in the appointive procedures, and those kinds of people we elect, and I -- the answer to your question is yes.

SEN. AMENTA: The State Board of Education.

MARC CAPLAN: Well, again, I think that a new administration ought to have the prerogatives of being able to appoint within a legal amount of time within that administration -- a majority. I didn't say the complete -- a majority of the members of chief public policy making boards.

REP. RITTER: Thank you very much. Mr. Sillin. Who is your friend?

MR. LELAN F. SILLIN: Mr. Chairman. I have with me Mr. Wayne Blinn, our counsel, and he has prepared an analysis of the two bills that the committee is considering. I'd like to submit his comments for the record and Mr. Blinn will be available to answer any detailed questions that the committee may have regarding the two pieces of legislation.

REP. RITTER: Lee, I didn't think you needed your lawyer.

MR. SILLIN: Always.

REP. RITTER: You do a good job without him. People need lawyers. I wish they'd understand that. Lawyers are indispensible.

SB 1081

MR. LELAN F. SILLIN: My name is Lelan F. Sillin, Jr., and I serve as Chief Executive

~~SB 1086~~

Officer of Northeast Utilities. My associates and I are grateful for the opportunity to take part in these hearings. The legislation you are considering could have a significant impact on the life and economy of our state. It deserves the thoughtful consideration that this committee is giving to it and I hope that my colleagues and I can make a substantial contribution to the legislative process.

I do have a prepared statement which I would like to submit for the record but due to the time I will try to abbreviate that to the extent that my wits permit me.

As I have already indicated, Mr. Blinn does have a series of comments. You've already heard from Mr. Meyer. Mr. Walter French, a Vice-President of Argus, that was referred to, is here and Mr. Roy Weinberger, Associate Manager of Standard & Poor is also here. I do have a statement that I would like to again submit for the record by Mr. Arthur Gregory, a Hartford investment counselor. Mr. Gregory had planned to be here but suffered the tragic loss of his wife over the week-end, and could not be here, so I will ask that his statement be incorporated in the record with your permission.

It is our hope that our combined presentation will be of material value to you in your deliberations. We will, of course, be available for questions.

Let me say at the outset that we share the concern with the Governor, the General Assembly and the public over the escalating price of energy and the ability of the utilities to deliver an adequate and continuous supply of electricity at reasonable cost.

The estimated cost of nuclear power facilities and electric power facilities in Connecticut alone over the next ten years is estimated at over three billion dollars. The capsuled sum that can be generated only if utilities remain strong, solvent and attractive to investors.

The critical factors in gaining the confidence of the investment community -- to be able to meet these requirements rates must assure the capacity of the utilities to operate successfully and maintain their financial integrity, to attract capital and to compensate their investors for the risks assumed.

This is in fact precisely how the United States Supreme Court has defined the obligation of regulatory agencies in meeting their responsibility, to analyze and establish rates. This basic principle of regulation is absolutely essential to the health, safety and economic well being of the public.

Regulation must assure the public that the utilities are doing everything necessary to maintain the flow of energy and that they are doing so in the public interest and at the lowest possible cost.

It is also clear that the agencies which are granted regulatory powers must be totally independent of the organizations being regulated. To serve the public well, there must be a difference in perspective, a difference in responsibility and a difference in accountability. It is just such distinction which will preserve our historic system of checks and balances at the federal and state levels. We believe that a similar separation of powers must exist if regulations are to be effective and if both public welfare and the operating efficiencies of the utilities are to be secure.

I believe that our perception of regulations are essentially the same as that articulated by the Governor and by various members of the Legislature who recognize the singular challenges faced by utilities in meeting the requirements of successful operation, financial integrity, attraction of capital and compensation to the investors as defined by the Supreme Court.

Public dialogue concerning regulation and rate making is both healthy and informative. We have respect for the concerns of the Governor and the General Assembly. We welcome the spirit of constructive debate and open inquiry which is being engendered. And we believe that in an environment free of rancor and an atmosphere of cooperation, public confidence can be restored in the ability of both the utilities and the regulatory agencies to assure an adequate source of energy reasonably priced, efficiently produced and environmentally safe and continuously distributed.

We also understand the pressure on the General Assembly for the enactment of laws which would strengthen the regulatory agencies and enable the utilities to maintain adequate power supplies at reasonable rates. These are precisely the objectives which are -- where all our interests coincide.

In the light of this mutuality of purpose, we have been disappointed that the legislation proposed thus far has not, in our judgment, met the objectives either of protecting the public or strengthening the utilities.

We believe that the public, the state and the utilities would benefit from a regulatory body composed of full time commissioners, supported by an increased staff, with powers to sustain the checks and balances which will enhance the public's confidence in the integrity of the system.

Likewise, we agree that there could be public benefit in working with the state to determine whether there are ways to obtain less expensive financing for our facilities. However, neither the PUCA bill nor the PUDC bill in their present form will protect the public nor strengthen the utilities. By forcing the regulatory agencies to participate actively in detailed

managerial tasks, the proposed PUCA bill would defeat the requirement for regulatory objectivity and weaken the effectiveness of management. The PUDC bill which nowhere in its present form authorizes the proposed state power authority to lend money to the utilities even if this is feasible, would provide a mechanism for public ownership that in itself would be totally beyond the control of any regulation whatsoever.

The PUCA bill is self-defeating. As in no other state, this Bill seeks to legislate operating principles. It would not trust the Control Authority to resolve issues on a case by case basis, exercising its best judgment on changing circumstances. This would undermind the effectiveness of regulation in Connecticut.

Instead of creating a necessary distance between the regulator and the regulated to enable both to function independently in the public interest, this bill would force the regulators to assume a wide range of management functions. They would be involved in continuous auditing, the constant examination of all papers and documents without the requirement of subpoena, the development of capital spending alternatives and the assumption of other significant management responsibilities.

Not only would the regulators lose their objectivity, but they would be forced eventually to defend management decisions because of their role in making them. Thus, the bill in its present form would corrupt the objectives of regulation. Moreover, given the restraints imposed upon it, it would be impossible for management to take effective action. The inevitable result would be a climate of over regulation and uncertainty which would be an inability to deal with operational problems, with a consequent downgrading of service to the consumers.

Needed capital would be difficult, if not impossible, to obtain. Rather than providing for continuity of service at reasonable rates by encouraging innovation, research and expansion, this legislation would bring about instability and ultimate failure which it ostensibly seeks to prevent, compelling the eventual takeover of the utilities by the state.

he PUDC bill could provide the impetus for public ownership and operation of the utilities after they have been rendered inoperative by the pro visions of the PUCA legislation. It would create a state power authority with a broad charter to generate, transmit and sell electric energy.

Contrary to the general impression that the PUDC bill would help the utilities by being able to lend them money for expansion of service at lower rates than the private market, its provisions specifically rule out this possibility.

Nowhere does the PUDC bill authorize or suggest that the Power Authority finance directly or guarantee the debt of private utilities. Its very

existence in the form and for the purposes presently proposed would be to create such an environment of uncertainty that the utilities would be unable to raise funds in private capital markets.

Even if the State had the financial and management capabilities to take over the obligation to fund, build and operate more than three billion dollars in new electric power facilities, such public operation of Connecticut's utilities would create serious problems for the Administration and the taxpayers. What is more, it would not guarantee the provision of electric power at lower rates. And, ironically, it would destroy all regulation by giving the state authority the absolute power to circumvent it.

The present legislation does not go to the heart of any of these issues. In fact, the two bills militate against improved regulation, against the ability of the utilities to attract capital sufficient for needed construction, against the capacity of the utilities to manage more innovatively and productively and against the long-range possibility of providing lower cost electric energy generated by nuclear power with the accompanying end to dependence on high cost, unpredictable sources of foreign fuel oil.

In the general areas of agreement on basic objectives, there is ample opportunity for constructive, mutually beneficial regulatory legislation. But the legislation in its present form will, inevitably, have a harmful effect on the very people it seeks to protect--the consumers of Connecticut.

We pledge to work with the Governor and the General Assembly in meeting our responsibilities to the people of Connecticut. Given constructive legislation and a climate of cooperation: We will deliver adequate power at the lowest manageable cost. We will manage responsibly and productively --reducing wherever possible our costs of doing business. We will maintain a free and open dialogue with the citizens of Connecticut and their representatives.

In conclusion, we are pleased to have the opportunity to express our views in an atmosphere of openness and candor. We believe our Governor wants to help the utilities in their efforts to render the most effective, economical service to the people of this state. We believe that there is a similar spirit among the members of this Committee and the General Assembly as a whole.

I would ask only this. Please ask yourselves--each of you--what you believe are the purposes of legislation. If it is to serve the public better, we agree with this objective, and we hope you will give our views your serious consideration.

If it is to improve both the procedures and the substance of regulation, we agree with this objective, and we will cooperate with you in creating the most effective system of checks and balances.

If it is to help strengthen the utilities and their ability to have access to lower cost capital, we agree with this objective, and we will help search out ways to do this.

But if the real intent of legislation is to open the door to government ownership, then let's put that on the agenda and get on with it in the least damaging, most constructive way possible.

I do not believe, however, that this is your intent, the Governor's intent, or the intent of the people. We all want to enact laws that will serve the long-term interests of the citizens of Connecticut.

We stand ready to work with you in carrying out our responsibilities now and in the future.

REP. RITTER: Thank you very much. It was very well done.

MR. SILLIN: Thank you.

REP. RITTER: Do I sense that if it were the wish of the Governor and the General Assembly for the establishment of public power in this state, that you would cooperate in every possible way to have that accomplished?

MR. SILLIN: If it was to take over the entire system. Yes, sir.

REP. RITTER: That is not something you would shrink from?

MR. SILLIN: This is not something we would recommend, but if that is the issue, then we will address that issue.

REP. RITTER: But your point here is that that ain't what's before us.

MR. SILLIN: No, sir. No.

REP. RITTER: I assure you that that is not what this committee believes is before us. Any questions that anyone wants to ask? Not that it may not be some years.

SEN. AMENTA: Did you have an offering recently of--

MR. SILLIN: We did. We had an offering of CL&P bonds in February. They were rated A. They sold at a little over nine percent.

SEN. AMENTA: Did you also have a stock offering of--

MR. SILLIN: Our last stock offering was in October, Senator.

SEN. AMENTA: What was your experience with it?

MR. SILLIN: It was a very rigorous and, I might say, a most difficult experience.

SEN. AMENTA: Why?

MR. SILLIN: Because of the market price at which we had to sell that stock. That stock was sold at six--yes. The stock was sold at six and an eighth. Our book value is approximately thirteen dollars a share.

SEN. AMENTA: In your opinion, why was it so difficult?

MR. SILLIN: I think, Senator, it's a combination -- first was the general national climate, which we were all caught up in. More specifically, I think it was the result of our inability to recover the cost -- the rapidly escalating cost that we had experienced at a time when, as you heard from earlier witnesses, the fuel costs were exploding, and which we were experiencing unprecedented double digit inflation in our materials, labor, and in which we had unprecedently high interest costs. And the combination of this, together with the increasing concern of the investor over the threatening nature of the concern as to whether we as regulated industries were going to be able to keep pace with the kinds of inflation and the kind of national inflation to which we are subjected and which, I say many times, we're really the messenger that brings the bad news -- that's an unfortunate position to be in, but we're simply reflective of the kind of forces of our national economy and our international circumstances. This is the combination that gave rise to that.

SEN. AMENTA: Do you feel that nuclear power is the way to go--

MR. SILLIN: Yes, sir. I had the privilege of presenting my views on that subject to members of this committee and I do, yes, sir.

REP. RITTER: How do you account for the fact that the stock is about eleven and a half now?

MR. SILLIN: The stock is not eleven and a half. I think most recently when I looked at it, it was about seven and three-quarters.

REP. RITTER: What was I looking at that said eleven and a half?

MR. SILLIN: I don't know. Our stock has been trading at about seven and three-quarters and eight.

REP. RITTER: See, we can't deal in your stock. That's too bad. I was told it was eleven and a half.

MR. SILLIN: No, sir.

REP. RITTER: I'm sorry. Just very succinctly if you would. What is it that you

think this committee should be able to do to help you? Help the utilities and thus the people of the State?

MR. SILLIN: I listened really to you address this question to Mr. Meyer. I tried both in my comments here as well as when I appeared before you the last time--I think one of the most important things is the climate that we're in. A general feeling that an increased understanding of the kind of economic forces that we must deal with and that are reflected in the nature of our business. I don't want to try to convert anyone to conservative Republicanism or any other -- this is just the reality, Mr. Chairman, that if monetary policies bring about high money costs and these must be reflected, then we're caught in that vise.

If the Opec people impose high fuel costs then we're caught in that vise as long as we rely on it. So I guess that what I'm saying is that, number one, I think the climate of understanding of the realities that we face and a sense that we have the kind of support of both our people and our government as we try to wrestle with those problems, that's where I come in as one of the big beginnings. Where we don't find ourselves being constantly faced with a very threatening condition. This gets translated to the investment community.

I think from the standpoint of what I was addressing earlier, I think that many good ideas have been suggested, both in terms of the fulltime Commission, the improvement of the staff, and I do believe that both the Commission and the staff are sorely burdened with the problems that we have to take to them and I do think that they need strengthening and they need the same kind of understanding -- their government, that we're looking for. You, in terms of our ability to carry on in the private sector. I think that these are the kinds of issues, Mr. Chairman, that there are other areas that can be addressed as well. We have no concern over encouraging the Utility Commission to be alert to looking at rate structures. But we do have concern over the legislated rate structures.

When I look back at the last two or three years and seen the dynamic changes that have taken place in our economy and in our society and obviously what was good two or three or four years ago, is not good today, and what those changes will be in the future, we do get concerned. Encourage us--yes. Encourage the Commission--yes. But, after all, they are the people that you are trusting to be our regulators and I think they should have the flexibility to look at those circumstances in the context of the issues and the times that those events are being presented to them.

REP. RITTER: Senator.

SEN. AMENTA: Mr. Sillin, it's been suggested that you will have a seventy-five percent over capacity ability to generate the power by your people. What are your comments on it? Why is that necessary? And, number two, if it is

necessary, why aren't you getting a profit, so to speak, on this over capacity to the people that you supply power to?

MR. SILLIN: Yes, sir. Senator Amenta, if I could go back a little bit. We do have capacity that is in excess of what we need as of today.

REP. RITTER: What do -- about fifty?

MR. SILLIN: Yes. I think we're about fifty percent in reserves at the present time.

SEN. AMENTA: This is before Millstone III?

MR. SILLIN: It is before Millstone III.

SEN. AMENTA: And Millstone III--

MR. SILLIN: Millstone III -- that's in 1979. At that time depending upon what the character of the load growth that occurs will be, we will either have an excess capacity in 1979. Our assumptions in looking at Millstone III and the testimony that I presented to this committee was an effort to say that we have looked at that in the light of not needing it for capacity but needing it really to reduce our fuel costs and the presentation that I made was addressing that set of circumstances -- that it would not be needed for capacity but it would enable us to either retire or place in stand-by capacity higher cost fossil fuel and the savings would be absolute as against what we believe fuel costs will be in 1980. The way we got to our present circumstances was that first was the revolution which has taken place in load forecasts as a result of the events of the past two years. And the considerable slowing down in the rate of electric energy requirements.

In addition to that, you may recall that a few years ago we had the experience of what we call brown-outs and voltage reductions and big public concern existed. This came about because we were experiencing as was all the industry across the country slippages in the construction of these large and sophisticated projects. Since we had experienced slippage on Millstone I, as we looked ahead to the Northfield project, we put in an intermediate fossil-fired cipher, as we call it, ...and indeed, we did have a slippage at Northfield and that unit served its purpose at that time.

In addition we were bringing on stream Millstone II. We were again concerned with potential slippages -- all being against what was then the projected load forecast so that we didn't put in the Middletown intermediate cycler. Now, things have turned out, we have had a slippage at Millstone II, as well. On the other hand, we've also had a rapidly deterioration in our load as a result of what were all the right reasons. Due to the oil crisis of a year and a half ago and we have in effect lost some two years of load growth, as against what had been participated. So it's the combination of those events. We did put the units in in an effort to protect

our customers against the experience of the voltage reductions. We think that was the right decision and it was the right decision of management at that time. Given the conditions that we were looking at.

SEN. AMENTA: About the other question about why -- for the overcapacity to the rate people?

MR. SILLIN: Yes, sir. To the extent that there is a market available for that capacity, we do make a profit and we do sell it and we do earn a return on that to the extent that market is available either in New York or elsewhere in New England. Yes, sir.

SEN. AMENTA: What percentage of -- beyond recovering our capital costs?

MR. SILLIN: We recover our capital cost--we would recover our costs of operation, maintenance and fueld. We get a full recovery.

SEN. AMENTA: Can we get a profit above that once we made our initial contribution?

MR. SILLIN: In our sales of such capacity, Senator Amenta, we come under the jurisdiction of another regulator, and that's known as the Federal Power Commissioner and he has certain rules -- or it has certain rules and regulations that deal with the sale -- as between systems. We comply with them.

REP. DEMENNATO: What percentage of your total power available...(inaudible)

MR. SILLIN: Last year we generated, I think it was about thirty-three percent of nuclear. Yes, sir. As a matter of fact I think I have notes here in my prepared testimony. Yes, it was thirty-three percent last year and in 1976 with the completion of Millstone, we expect that to be about fifty-three percent.

REP. DEMENNATO: Now, the power--is this nuclear?

MR. SILLIN: No, sir. No, sir. We sell off our highest cost--

REP. SHAYS: This is repetitious, but so many different people have told us the extra capacity that we have and it doesn't jibe. Can I take it as gospel that right now we have fifty percent excess capacity at our peak hours of use?

MR. SILLIN: You cannot take it as the absolute gospel. I will furnish the committee with the absolute gospel.

REP. RITTER: Mr. Prentice, is there anything you'd like to share with us at this time?

MR. PRENTICE: No, thank you, Mr. Ritter. I think Mr. Sillin has said it all.

REP. RITTER: Okay. Thank you very much. Mr. Sillin, do you want us to call Mr. French and Mr. Weinberger? Mr. French.

Mr. Willis. You'll be at bat after the next two speakers. Mr. French and Mr. Weinberger.

WALTER J. FRENCH: My name is Walter G. French and I'm Vice President of Argus Research Corporation. Argus Research is an independent economic investment research and portfolio management organization providing continuous coverages of companies of broad investment interests in offering specific recommendations on individual securities to our clients.

I am the senior security analyist specializing in the analysis of public utility securities. In my work I analyze the financial progress of various utility companies and monitor the progress of state regulatory commissions. I also supervise our public utilities department in the Argus utility scope.

There's been much discussion in Connecticut in recent months concerning the plight of the utility consumer and it has been an unhappy one indeed. However, most often there has been an accusing finger usually pointed at the Public Utilities Commission or the State's major electric utilities. Very little that I have read indicates any concern for the deterioration that has occurred in the financial condition of the State's electric utilities in recent years.

The utilities financial problems are severe but to date there has been no apparent willingness to recognize the severity of the problem. In fact, the Governor's proposed bills concerning utilities convey to me a rejection of the idea that investors are important to the State of Connecticut, and its consumers of utility services.

During 1974 many events occurred in Connecticut that caused investors to regard the political regulatory climate of the state with much uncertainty and then early in 1975 the Governor submitted a proposed bill which would require the replacement of the Public Utilities Commission with a new Authority. Following my review of the proposed bill, I concluded that the draftsman could not possibly be familiar with the capital raising mechanisms of f nancial markets.

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The Governor also submitted a bill to create a Public Utilities Development Corporation. This proposal and its reason for being was an additional disturbing question for investors. In order to indicate why investors are apprehensive-- I review and comment on several sections of the proposed Control Authority bill now under consideration by this committee.

In Section 3 of the proposed bill, would abolish the present Commission and create a new Authority composed presumably of new Commissioners. This action would be unwise in my opinion in that it would create massive investor uncertainty about the regulatory climate in Connecticut -- at least

as somebody described this morning, a monster.

Now, how do you describe all of that process. You put it all together - it is purely and simply nationalization by a tertian without compensation. That's going on around the world in lots of places before Connecticut thought of it. It has been done in many, many ways and if it were done just the way these two bills provide for it to be done, it would be looked at by the rest of the world as just about the worse way it can be done.

The end result I think of all of this in short, Mr. Chairman, would be that instead of a bill that is designed to help consumers as it is professed to do, the effect of all of this in the end would be to have a deteriorating utility industry unable to provide service, a new monster which is also not in business and not quite able to provide that service so that the state of Connecticut would be denied for a long period of time, probably ten or more years as we went through this kind of transition - of any kind of adequate utility service, there would be loss of jobs, industry moving out, prices would sky-rocket. There is no question in my mind that the effect of this bill or these two bills together would mean and increase and not a decrease in utility rates. It would diminish and not improve the quality of utility service in the state of Connecticut and it would retard and not promote the quality of life in our state, to attract or retain industry or give people jobs.

So if these two bills were to be enacted in this form, I think you would face disaster for the future of the state of Connecticut.

I would be happy Mr. Chairman, to try to answer any questions your committee might have.

Representative Ritter: Thank you. Mr. Curtin.

Mr. Curtin: Mr. Chairman, members of the committee, I am Attorney James Curtin, representing the Southern New England Telephone Company in opposition to Committee Bill 1081. I have a rather long prepared statement that was distributed and I don't intend to read it. However, I would like to point out to this committee some of the points made in this statement that I haven't heard expressed so far today.

More specifically the telephone company takes no position with respect to whether or not there is a need for replacement of the existing commission. However, a careful analysis of committee Bill 1081 shows that it is poorly drafted, repetitious and most importantly, goes far beyond the constitutional powers of a state to regulate privately owned public service companies.

First constitutional problem I find in analyzing this bill is with respect to the effect of Section 4a and 15. Effect of these sections are to make the state a partner or in the management of private public service companies. As I have stated in my memorandum, this the state clearly cannot do. The Supreme Court of the United States has set

forth very specifically and clearly just what powers the state has with respect to regulation of its private service companies.

On page 5 of this statement, I have quoted the decision of the Supreme Court in the Southwestern Bell Telephone Company versus Missouri Public Service Commission. I would like briefly to quote that to you -

The statement is - it must never be forgotten that while a state may regulate with the view of enforcing reasonable rates and charges, it is not the owner of the propertyof a public utility company and it is not clothed with the general power of management incident to ownership. The Commission is not the financial manager of the corporation and is not powered to substitute its judgement for that of the Directors of the Corporation. Similar state court decisions are also quoted in this memorandum and I state -- quote to you the decision of the Pennsylvania Supreme Court and Bell Telephone Company of Pennsylvania versus Driscoll. There the court said, "It is well settled the Commission is not the financial manager of the corporation. The Public Utilities Commission is not a super Board of Directors for the Public Utilities Company estate and has no right of management of them."

Similar quotations are contained in my memorandum by the Supreme Court of the State of Georgia, the State of Nebraska and the State of Nevada, which I won't read to you. The drafters of Committee Bill 1081 were either unaware or chose to ignore the clear Constitutional limitations on a state's power to regulate the operations and internal workings for a private public service company.

The next point I'd like to make in this memorandum is with respect to the rate making sections of Committee Bill 1081. More specifically, in my memorandum, I've discussed the sections 4A, subsections 3 and 4, and also section 8F on pages 14 and 15. It is my position that these requirements clearly have ignored the Constitutional standards that have been set down by the Supreme Court in a number of well known and well followed rate making cases. More specifically, I am referring to the Bloomfield Water Works and Improvement Company case versus Public Service Commission decided by the Supreme Court in 1923. In this memorandum I have stated or put in the quote of the Supreme Court with respect to standards for rate making by Public Service Commissions.

Subsequent to that case, in 1944 the same standards were reiterated in Federal Power Commission versus Hull National Gas. And most recently by United States Supreme Court in 1968...From these decisions it can clearly be found that the Standards or practice to be followed by a regulatory agency in setting Constitutionally acceptable rates for Public Service Companies are 1, a rate of return is sufficient to cover the opera-

ting expenses and capital costs of the business. 2) A rate of return --it is sufficient to maintain the credit of the utility and enable it to attract capital on a favorable basis. 3) A rate of return that is comparable to returns on investments in other enterprises having corresponding risks. 4) A rate of return sufficient to compensate investors for the risks which they assume.

These standards that I have mentioned are well known and they have been followed by virtually every state in the United States. Yet, it is obvious in 1081 that the drafters of this proposed legislation either were unaware of these standards or chose to ignore them.

And very briefly, members of the Committee, I would like to review a few of these sections of the bill. I know you have heard many of them reviewed already and I would just like to present a few comments with respect to some of the sections that we in the Telephone Company are generally concerned from the standpoint that they are poorly drafted and will be uncertain in their application.

More specifically in Section 5 on page 7, the Authority is in effect required to order the utilities to produce witnesses, books, records, documents, letters, and so forth at the request of anyone unless the Authority refuses to do so for good cause shown. It is basic juris prudens that the party requesting production and information has the burden of showing cause. Proposed changes can only lead to serious and unnecessary disruptions and prolongation proceedings before the Authority. It opens the door to serious abuse of process and in fact, takes away from the new Authority the traditional discretionary powers accorded to all judicial and quasi judicial to tribunals.

Further, in section 5B, on page 8, the Authority is empowered to create management audit teams. While the Telephone Company takes no position with respect to the need and specific procedures to be followed by these audit teams, there is a real need in this bill to require that the audit team makes some substantive findings of inefficiency, neglect, or abuse in discretion before it can recommend changes in the internal workings of a company. Otherwise mere difference of opinions as the best way to operate is -- can lead to frivolous and expensive public hearings.

Next, I briefly mention section 7 on pages 7 and 8 of the bill, which requires immediate compliance with any audit authority. I think we have already heard this morning Professor Standish indicate that that five day period that they originally put in there was probably too short and a thirty day period will be more likely. I think the better way to legislate on this is to give the Authority the discretion that it's going to need to implement orders in the time period and the manner consistent with the specific matter that is before it.

Next, I'd like to comment on section 14, on page 21 of the bill, where there is a requirement for competitive bidding for all purchases of goods,

and services in excess of fifty thousand dollars. We all know that in some situations competitive bidding has distinct advantages in obtaining goods at lower prices and services at lower prices. However, competitive bidding in the utility situation can also be unrealistic. It could lead to a situation where a utility cannot get the quality and reliability that it needs to have to provide reliable service. Here again, I think the Authority is the one that should be empowered and have the discretion to order competitive bidding in those situations where it has insured that this competitive bidding will in fact result in lower procurement costs to the utilities.

I have also mentioned in my memorandum on section 18, the requirement with respect to land transactions. I won't go into that at this time. I would like to state in conclusion that while we have by no means picked apart every part of this bill, I think it illustrates there is a need on the part of the members of this Committee to require sufficient and major changes in this bill before it is given a favorable report by this committee. The Southern New England Telephone Company respectfully requests that the Committee require Committee Bill 1081 be redrafted in order to insure compliance with the requirements of both the United States and Connecticut Constitutions and also to include provisions which will result in improved regulatory procedures rather than unrealistic, extensive and cumbersome restrictions presently contained in this legislation.

REP. RITTER: Thank you, Mr. Curtin. Any questions? I have just one question. You may not be in a position to respond to this, and I would understand if you were not able to, but we as a committee are going to have to make a decision on this bill, and one thing that troubles us greatly is whether or not it is appropriate--whether it's a matter of public policy. We might be committing an error -- a serious error if we abolish the existing PUC. Have you any thoughts about your own view as to what degree the replacement of all five members simultaneously would have -- a negative impact on the operation of the new Utility Commission?

JAMES CURTIN: Yes, Mr. Chairman, I'd like to comment that in my opinion the replacement of all five Commissioners at one time, without any continuity in that body, is going to create a situation that's--and it's going to be a considerable period of time before that Commission functions.

REP. RITTER: Is this something that you've had a chance to think about--is this really your studied opinion or is this--

JAMES CURTIN: No, I think I've had experience appearing before that Commission and I know the technological problems that Commission faces in the matters that are put before it, and it's not a situation where somebody can go in and in a short period of time -- I think Commissioner Stewart indicated thismorning that he has spent weeks and week-ends trying to become accla-

mated and familiar with the jargon that's used there.

REP. RITTER: I think it's more than passing interest to me as one member of this committee that no one has bothered to mention that all day today except one person. To me it's a commentary of some kind that we're here, serious people, addressing ourselves to this total question and perhaps the most important single question is that one. You're perhaps the first one that has addressed it.

JAMES CURTIN: Maybe, Mr. Chairman, there's been some understanding -- it's mine, and it's possible the present members of the Commission are going to be retained in this new Authority.

REP. RITTER: If that's true -- you're the only one with that opinion. Are there any other questions? Thank you very much, Mr. Curtin. That is a possible explanation. It hadn't occurred to me. One of the world's best tennis players happens to be here today to honor us. Mr. LeMaire, where's your racket?

LEON LEMAIRE: It's downstairs.

REP. RITTER: Okay.

LEON LEMAIRE: One of the few consumers, I guess, that's here before you today--

REP. RITTER: Where? Are you going to speak as a consumer now?

LEON LEMAIRE: Yes.

REP. RITTER: Oh, come on. Everything has been authentic so far.

LEON LEMAIRE: Mr. Chairman, Members of the Committee. My name is Leon L. LeMaire. I'm Vice President and General Counsel for Connecticut Business & Industry Association. Our association has twenty-eight hundred member companies, twenty-two hundred of which must be considered small employers and I think that I speak for them here today also. All these employers employ roughly six hundred thousand workers which is about half the work force in the State of Connecticut. I'm going to speak in general terms. You've heard all the specifics that I think you want to hear for one day, from the speakers who came before me. But I would like to state that, first of all, we are grateful for the opportunity to speak and to give you our thoughts and that as a consumer--a major consumer on the two bills which seem to be of interest to a great many people in the State.

Every business and industry in the State of Connecticut has a vital interest in the cost reliability in the future supply of energy and we share with all citizens our concern over rising prices of forms of power. If you will excuse me, there is a statement which I have handed in, which is a little

more elaborate than I will be reading from here.

We also believe and we share with you as members of the General Assembly a strong desire to retain for Connecticut an enviable record as an employer, center of manufacturing commerce in the Northeast. We have other problems with other committees but this one certainly ranks among the greatest in terms of problem areas.

REP. RITTER: Problems before us.

LEON LEMAIRE: Problems before.

REP. RITTER: Not with.

LEON LEMAIRE: Not with.

REP. RITTER: Okay.

LEON LEMAIRE: At CBIA we're not opposed to regulation as serves the public interest. As a matter of principle we support it, when it's required, but the success of the utilities today is going to be, in our opinion, much more difficult --that is, the principle of providing low cost power or let's say at the lowest possible prices, is going to be significantly impaired, we believe, by thepassage of these bills. We have to view these pieces of legislation as a starting point in a productive legislative process. Reports are that government may set up a study that to this committee there may be a study committee set up to explore ways in which the state government can be of assistance. And you constantly ask that question throughout the course of the hearing. I can't answer it really. That is, what can the Legislature in Connecticut do to improve the health, well being of our utility system? I think you -- I'm sorry.

UNIDENTIFIED SPEAKER: Maybe we can't do anything.

LEON LEMAIRE: That may be the case, sir. Yes. That may be the ultimate result of your study -- that you do nothing. That's correct. That's a possibility. In any event, I think there are three things that must be discovered. The first is whether or not we do have in effect the soundest, most efficient operation that we can possibly have for the State. We have to assure acceptable standards of safety, quality, prices are maintained, and finally to sustain and increase the ability of the State's business and industry to grow. We've got to have adequate power or we go out of business, and with all of the talk -- the transition from a manufacturing to a service oriented state, you must be concerned that this may not be a desirable resulted and merely a symptom of the increasing cost of doing business in this state. The utilities are only one -- but it's a significant factor.

We hope in your deliberations you look to this as an area for study. But we commend you for your work and Paul, I hope you're right.

REP. RITTER: Any questions?

LEON LEMAIRE: PR would help by the way. I concur with the prior speaker who said that one of the best things you could do would be to come forth with a statement reassuring the rest of the country, I suppose, Connecticut is a good place to invest. Not just in its utilities but in all of its businesses.

REP. RITTER: Any questions? I imagine statements alone may not do it, but -- I owe you an apology. You did indeed speak as a consumer. Thank you. Mr. MacKenzie.

WILLIAM NEAL MACKENZIE: Mr. Chairman and members of the Committee. My name is William Neal MacKenzie, and I am President of the Connecticut Water Company, which through its related subsidiaries serves some hundred and fifty thousand customers in the State of Connecticut through twenty-five different towns in the State. I'm also Vice President of the National Association of Water Companies.

I have testified beforethe Connecticut Public Utilities Commission over a thirty year period in my business association with various water companies on water company rates and financing. You've heard agreat deal of talk about electricity and their soaring bills. I think perhaps the water companies would be subject to this bill, 1081. Low man on the totem pole in one sense. The majority of our customers pay less than ten dollars a month for their water, even in todays inflation times. Large customers with large families -- large lawns, swimming pools, pay up in the fifteen dollars a month. Very few get above that. Compare that with, I guess, your telephone and electric bills, which insofar as my own residence is concerned, even run in the twenty, thirty, and I hear fifty and sixty dollars a month. So we as water companies require a homeowner to pay probably less than one percent of his total gross income for water utility service.

I refer to that by saying that if a home owner has a ten or fifteen thousand dollara year gross income, that a hundred to a hundred and fifty dollars of that gross would go to pay his water bill in most instances. While I have not always agreed with the findings of the Commission, I find it very hard to detect any bias towards at least our water company or any water companies in the State when many of these companies in the States -- when many of these companies have received only a small percentage of the amount they've requested in rate relief. And in some instances, no increase at all-- which has happened to our company on several occasions, in spite of our best presentationof the facts.

I believe that we were given an opportunity to present our case and so was the general public with ample opportunity in many instances for public hearings within the communities that we serve. And I must believe that the

Commission has acted only after a most thorough examination of the facts in each case. I don't know any business that presents more facts in its annual report about all of its operations than the Public Utilities. Just go to the Office Building on the fifth floor and peruse the reports, page after page of very detailed information.

Another thing. Water companies are not guaranteed -- I've heard that word used today -- a certain rate of return, which some people seem to think is the case. In fact they seldom if ever earn the rates of return which the Commission finds fair and reasonable. The reasons are many. Inflation is the whipping stone, of course. The use of historical cost figures in arrivingat projected pro forma rates. Some lengthy delay in the application of revised rates, although I think Connecticut is fortunate in that respect in having a statutory provision which requires a decision five months from the effective date of the requested increase. Many states delay far longer and I see that provision at least was retained in the proposed bill.

I do agree with the objectives of this bill, which are to insure that vital services, and I consider water probably the most vital from health, sanitary and fire protection requirements. Having gone through the '55 flood in Naugatuck when telephone service was disrupted, electricity was disrupted, and water, and believe me, you needed the water first for sanitation and fire protection almost before you needed the other utilities. But at any rate, I agree that these services should be provided at the lowest cost consistent with sound engineering. Efficient operation and prudent forward planning, which I believe, could all be accomplished within the framework of the present Commission, provided it, too, had an increased budget to carry these objectives out.

We all desire--you gentlemen on the Committee, and ladies--the same things as far as the water supply is concerned. You want an ample supply first without restrictions. Years ago there were many restrictions. Don't water. Don't sprinkle on a hot day. You want replacement of the old, worn-out 50, 75 and 100 year old pipelines and the facilities. You want new, larger sized lines. You want new treatment plants. If we are to comply with the new State and Federal Environmental Requirements. You want to safeguard the purity of your water. You want storage tanks to provided increased fire protection, but none of these improvements can be built without money and lots of money--and it doesn't grow on trees. We found that out when we were required to build a rather complete treatment plant in Rockville, which tripled our investment in the rate base of that company and naturally we had to almost triple the rates. In other words, you've got to pay the cost of what you demand.

Only through adequate rates can we or any other utility earn enough to cover the carrying charges on the needed additional capital. Why? So that your insurance companies right here in the Insurance Capital, your banks where

you have your money and savings and hope to get five, six, or seven percent on it, your pension funds including the State, which owns some of our company bonds and hopes that we'll keep paying the interest, so when you retire you will have a pension--and you as individual investors, you've got to have the confidence to give us the funds to build these facilities. If the motives behind this bill are punitive and if they're based on suspicion that the companies are being run inefficiently, then the desired results will not be achieved.

On the other hand, if a renewed spirit of cooperation can be fostered by this committee by enlarging and expanding the present Commission and continuing to keep it free from political interference, as I think it has been, then everyone will benefit--consumer and utility companies alike.

I can only speak for the water utilities, which I think have a vast reservoir of dedicated engineers who have served their communities and customers well, and they need your support and your sympathetic understanding. As a matter of record in the regulatory climate nation-wide, and I have knowledge of this since I participated as an officer at the national conventions of the Association of Water Utilities--Connecticut's Regulatory Commission is considered one of the most strict in the nation, which can be verified by looking at the rates of return either on rate base or equity which they have allowed.

And you have asked various people who have testified this morning, what would you recommend to improve the regulatory climate? What can you as a committee do to help? It might surprise you but to recommend to the existing Commission that they raise their sights and allow even a two or three percent increase in the rate of return would solve virtually all of the financial problems -- at least of the water utilities, who are being allowed in the eight and nine percent rate on rate base in the ten to fourteen percent area on equity, if they were allowed to earn two or three percent more, they'd be able to cover their interest charges in their indenture, meet their requirements, float their securities--the book value of their stock would be approached as far as the present market value is concerned, and you'd be doing a service to the very people that you worry the most about--your constituents and the consumer.

Thank you, gentlemen.

REP. RITTER: Thank you very much, Mr. MacKenzie. Any questions anyone has? Thank you. Mr. Gordon.

ANGUS N. GORDON: Gentlemen, I'm Angus Gordon, Chairman of the Board of United Illuminating Company--an electric business here in Connecticut. I have, with you, been deeply concerned about the situation we in Connecticut are facing in

our energy cause. We need to get out of the situation and the only way we're going to get out of it is by reducing our dependence on imported energy, especially oil. I have listened to the testimony that Mr. Sillin gave and others for Northeast gave about their concerns with going forward the nuclear route, which I personally believe is the way to go. We are somewhat envious, roughly ten percent of our kilowatt hours come from nuclear plants now and the first nuclear addition to our system now scheduled is when Millstone III goes on the line--if it's not necessary further to delay Millstone III--in the latter part of '79.

I heartily endorse everything he and his witnesses said as to the gravity of this situation as to the concern as to whether we in the electric utility business could finance at all but most assuredly on any reasonable terms, with legislation even vaguely similar to that premise. I don't want to impose on what has been a very patient committee by restating in detail my concern that is essentially the same point. I'd be glad to try to answer any questions the committee may have.

REP. RITTER: Just one

MR. GORDON: Thank you.

REP. RITTER: If you were here, what would you do?

MR. GORDON: I think there are two things that I would be awfully tempted to do. I think our main problem is a problem of public being hurt and public rationale, and it's doing it in a period where we've lost confidence in virtually all our institutions--business more assuredly being one of the very high on the list, but politics--political leadership--our regulatory commissions--the AEC in Washington, the PUC in Connecticut. Our difficulties of attracting people to public office under such circumstances are very real and are growing. I have been opposed to a great deal this Commission has done. I have felt that in their efforts to prevent the unpleasant message of another rate increase to our customers, they have forced us into accounting techniques that have made an awful lot of our earnings the creature of accounting rather than dollars available to pay dividends. And thus, the price earnings ratios enjoyed by our electric utilities in Connecticut are far lower than virtually anywhere else in the country.

Their efforts have been to help consumers. I've been annoyed. I think--but I think they have acted always as dedicated men trying to do a job and they have tried to level with the customer as to whether there's some way to avoid paying the cost of oil for example. This has brought a certain amount of lightening on their heads, I think. Sending them out as a sacrifice is not a very good lesson for others who might later be asked to assume public office. That's one point.

Related to that point--but the same ilk exactly--I think the public is pleading for people who will level with them. There is no way we can reduce electric rates. You can shift some of the present burdens of electric cost to our customers in their role as taxpayers, and therefore reduce what they pay in their role as customers. But if you really want to do that, you could eliminate the gross earnings tax. They'd have to pick it up some other way. You gentlemen are facing a massive job in how to meet the other desperate needs of the state. I'm fully aware of this. I'm not asking you to do it, but when we start trying to shift from one pocket to another, that's a much more direct way to go at it. Connecticut utilities are very heavily taxed. Much more heavily taxed than most. This is part of our problem.

Another thing that we could do --

REP. RITTER: (Inaudible)

ANGUS GORDON: Yes, I think you'll find that studies were submitted to Governor Dempsey's Task Force studying the taxes on utilities when he was in office, and you may recall that a report was rendered by that Commission urging that the gross earnings tax be eliminated. On the electric utilities -- I think all the utilities, as a matter of fact--made a very immediate pledge that if that elimination should occur that we would immediately show us a billed deduction...a bill reduction--not credit for that tax being taken out. And that we would apply for rate reductions based on it. But we would pass it through immediately.

Now, that was a recommendation of an intensive study commission, and it was based on the relative burden and it was at a time when funds in other ways were being sought. As you may recall, not only did it not get removed--as a matter of fact, an inspiring gubernatorial candidate charged Governor Dempsey with having made some sort of deal with the utilities, and that didn't help him.

The other thing that could be done by way of some financial relief, the present requirement of a half percent sulphur is perhaps, I believe, not a realistic--I believe it is not necessary or in the best interest of the people of Connecticut.

REP. RITTER: Would you go to two percent?

ANGUS GORDON: I'm afraid in Bridgeport there'd be some question whether we could go to two percent without impinging on the primary federal standard. I think we can go to one and a half with time and with perhaps new stacks, you could perhaps go more. But when I testified in '72--early '72 -- urging that the move from the then one percent requirement to the half percent that occurred the following September 1, not be made, I was pointing out

that you ask contribution to the sulphur content of the atmosphere in the Bridgeport area, could in fact be smaller if we continue burning the oil we were burning, which was one percent, but went to higher stacks, and the cost of the higher stacks would be less than one year's difference in the price we would pay for the oil, which would seem to me to be quite an argument for the customer.

I still think this is worth looking at. I'm not suggesting that we sell our lungs or our health to save something on electric bills and oil bills. But I have a feeling that we have tended to say clean air and health are worth any price therefore if the argument is to deteriorate the quality of the air, you save a dollar, it can't be worth it.

Well, the question is, what particular degree of deterioration are you costing? What's the incremental damage to the quality of the air and the potential impact? And what is the incremental cost associated with that? That's the way you get to a balance that makes sense in the public interest.

REP. RITTER: Could you be (inaudible)

ANGUS GORDON: I would be supportive--yes. I believe that's realistically what it would have to be in some form. It's trying to look at the air people breathe and saying what is it we need to do at lowest overall cost to get the air quality to the level and maintain it there. It's not damaging to people who are breathing it.

REP. RITTER: (Inaudible)

ANGUS GORDON: I suspect there are areas in Connecticut that could go clear back to the 2.2 which all of us were burning -- 2.2 to 2.7. It ranged in that area. Our particular oil tended to be 2.2, which was being burned before September 1 of '71, when I think I saw Mr. Scully here--his Commission first upped it to the one percent.

REP. RITTER: Any other questions?

REP. DEMENNATO: What effect...(inaudible - not using microphone)

ANGUS GORDON: Well, I have to focus on Bridgeport because as you know that's essentially where most of our burnings are. But based on our present, that would probably save us about a dollar a barrel--the cost of oil. This would be passed on. Of course, through the fuel adjustment--if it was passed on no other way--and it would be equivalent to two mils kilowatt hours on the cost--on the rate. To give us a little feel of a yardstick, the rate case which we have had to file, and which is now pending before the Commission, is for a one and a half mil increase. So this move would be larger than the rate case that we now have pending.

REP. RITTER: (Inaudible)

ANGUS GORDON: Well, for us, it would be close to that. We burn something in the order of eight million barrels and at a dollar a barrel, it would be something in that order. That's right.

REP. DEMENNATO: This would be--

ANGUS GORDON: Yes, sir. It would. Yes, it would. And I would urge again the General Assembly needs to study and set policy guidelines, but I'm not going to suggest that it come up with some criteria and then some level, because I don't believe this is the type thing Legislators possibly can do. I think we have to get regulatory commissions that can put the time study in it and then come up based on instructions from the General Assembly as to the specifics of it. Our present problems from Washington with the clean air and the rather absurd things we're going through with automobiles right now, are examples of the problems of Congress trying to get into the detail of either the abolution control systems or the safety systems on automobiles.

REP. RITTER: You've been very helpful.

ANGUS GORDON: Thank you.

REP. RITTER: Thank you. R.H. Franklin.

ROBERT H. FRANKLIN: Thank you, Mr. Chairman, and members of the Committee, who have remained for this extended hearing. I'm Robert H. Franklin, Executive Director of the Connecticut Public Expenditure Council.

REP. RITTER: Are you going to address us in favor of an income tax? Is that your plan?

ROBERT H. FRANKLIN: I didn't understand, Mr. Chairman, that that was the subject.

REP. RITTER: How the hell else are we going to do our job if you don't give us an income tax?

ROBERT H. FRANKLIN: Well, the Council has already suggested that perhaps one of the areas that the General Assembly and the Administration ought to take a look at is the whole area of state-local relations. So you get that sorted out.

REP. RITTER: I didn't mean to get serious.

ROBERT H. FRANKLIN: Just for the record we had thought it is an important point. I won't read the entire statement, Mr. Chairman, but just to call attention to the fact that the Council has prepared some background data with regard to Commission Bill 1086 and its relation to the status of state-local debt in Connecticut.

S-110

CONNECTICUT
GEN. ASSEMBLY
SENATE

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THE PRESIDENT:

Consent Calendar.

THE CLERK:

The Clerk has no other business at this point.

(THE PRESIDENT IN THE CHAIR)

THE PRESIDENT:

The Senate willbe in session. Mr. Clerk, are we ready to go? Senator Lieberman.

SENATOR LIEBERMAN:

Mr. President, if I may, we would like to take up at this time, Cal. 872.

THE CLERK:

Will you please turn to Page four of your calendar. Cal. 872, File 890. Favorable report joint standing committee on Appropriations, Substitute Senate Bill 1081, AN ACT CONCERNINGTHE ESTABLISHMENT OF A PUBLIC UTILITIES CONTROL AUTHORITY.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I believe the Clerk has an amendment. I'd like to first move the adoption of the committee's joint favorable report and passage of the bill and I believe the Clerk has an amendment.

THE CLERK:

Clerk has Senate Amendment A as offered by Senator Amenta.

SENATOR AMENTA:

Mr. President, with your permission, I'd like to waive the reading of the amendment. We all have a copy of it on our desk and I would just like to briefly point out what's in the amendment.

THE PRESIDENT:

Alright, senator. Go right ahead.

SENATOR AMENTA:

Mr. President, the amendment reduces the term, the proposed term for the new PUCA members to six years. It lowers the salary from previously the Judge of Superior Court to thirty thousand now and thirty-two thousand for the chairman. It adds the words energy conservation to the guidelines for rate regulations which include economic development and prudent management of natural environment. It adds the Commission of Commerce to the DEP, PFEC and CEA, who may be parties in cases before the PUCA INVolving plant expansion. It insures that interested parties can still participate in all hearings on their own, without being forced to be represented by the Consumer Counsel. It returns the Court of Common Pleas as the court to which appeals from PUCA decisions are made. It adds the consideration for a study commission to consider where show appeals from PUCA should be handled and it sets up a select committee to look into the state financing of utility plant additions and report back on February 1, 1976. Also, Mr. President, probably the most important thing that it does, it handles a new section 10 which says that any fuel adjustment clause that there shall be no automatic fuel adjustment clause, but when a utility comes in for a fuel adjustment clause

hearing, it shall go to the PUCA committee or commissioners. They shall have a public hearing and after the public hearing, they have five days in which to make a decision. It also adds on Section G that if the authority finds that changes in an electric company's costs, which result from changes in the level of operation of the several components of its generation system, substantially threatening the ability of such company to earn a reasonable rate of return or will cost such company to have an excessive rate of return, the authority may, after investigation and public hearing, approve a suitable generation utilization adjustment clause.

This briefly is what the amendment does. I know we have had extensive discussion on it and I'd like to move for the adoption of the amendment.

THE PRESIDENT:

Are there further remarks? If not, the question is on the adoption of Senate Amendment Schedule A. Senator Lieberman.

SENATOR LIEBERMAN: (10th)

Mr. President, very briefly, Senator Amenta has spoken well about the amendment. What it does, in my opinion, is to end quite dramatically the automatic fuel cost adjustment. That's something that our constituents have asked us to do, something that we have been pledged to do and I am pleased that this amendment does it.

THE PRESIDENT:

Senator Page.

SENATOR PAGE: (12th)

Mr. President, through you to Senator Amenta. Does it completely eliminate the fuel cost adjustment and therefore there will be no further cost adjustments on any electric bill in the State of Connecticut?

SENATOR AMENTA:

There will not be any automatic fuel adjustment cost. There will have to be a hearing of the commissioners themselves.

SENATOR PAGE:

In other words, they can still pass this along? It just takes a little longer.

SENATOR AMENTA:

No, under the amendment, they have to meet every month and they will make the decision in five days which is what they have been doing.

SENATOR PAGE:

And then they can add the fuel cost adjustment on the bill, if the commissioners agree?

SENATOR AMENTA:

If, in their opinion, they feel that the cost of fuel has gone up, they can then determine that that cost will go into the fuel (next few words unintelligible).

SENATOR PAGE:

Then they are not eliminating the fuel cost adjustment, just the automatic fuel cost adjustment?

SENATOR AMENTA:

Right, absolutely.

SENATOR PAGE:

Thank you.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER: (21st)

Mr. President, through you, in other words, what Senator Amenta, and correct me if I am wrong, what we are doing right now is merely putting into writing, except for the automatic adjustment, that there will be a fuel cost adjustment which the companies report every month right now and have ever since the inception of the fuel cost. The only difference is that there is a hearing with the commissioners, that they merely sit down and O.K. the new adjustment based on the cost.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA:

Thank you, Mr. President. No, that's not so. What we are saying is that every month the new PUCA commissioners will take a look at the cost of fuel. If they find that that cost has gone up, they may then recommend and authorize an increase in the fuel adjustment. If they find that the cost has gone down, they then will determine that the fuel cost adjustment will cause a reduction in the utility bills.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER:

Mr. President, actually what we are doing is merely taking

the records that are now there and adjusting it on a monthly basis. And I can tell you that since 1971, when the fuel cost adjustment come in, it would climb every month just like it has. Now the adjustment downward is miniscule. We found very little reduction in the cost of the fuel in the past year or so, so that in essence what we are doing is exactly what has been done before, with the exception that we now have a monthly hearing.

SENATOR LIEBERMAN:

Mr. President, if I may, the monthly hearing is a giant step forward. The current situation, as I understand it, is as follows: the bills, the fuel cost, of the various utility companies are presented to the Public Utilities Commission whose examiners simply examine those bills and it is only by an act of this legislature of last year, only when those fuel cost adjustments reach twenty percent of the total billing of a particular utility that they are subjected to a hearing. This amendment and this bill make dramatic changes in those procedures. They require an administrative hearing every month for the commissioners, which will subject the utilities not merely to the examination of some staff member at the Public Utilities Commission but to a full-fledged hearing for the commissioners; and every three months to something more than an administrative hearing, a complete, a regular hearing comparable to a PUC rate hearing, which is appealable to a court of law. So that what we are eliminating and what I believe the public has asked us to eliminate is the automatic fuel cost adjustment, the automatic nature of the fuel cost adjustment. Now none of us, as much as we would like, can

stand here, in all responsibility, and say we are going to eliminate the fuel cost adjustment. Where is the money going to come from to keep the lights on? I think that's the question and that's why this amendment is notable and I am pleased to support it.

THE PRESIDENT;

Senator Bozzuto.

SENATOR BOZZUTO: (32nd)

Mr. President, a question, through you to Senator Amenta, what will this, Mr. President, do to the hearing process? What can we expect in additional hearings and what is the additional cost to the ratepayers for those hearings?

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA:

Mr. President, through you, this is going to be an administrative hearing and there should not be too much of an increase in the cost of the hearing. It shall be a public hearing and there shall be no appeals from this hearing because they will be held once every month.

THE PRESIDENT:

Senator DeNardis.

SENATOR DENARDIS: (34th)

Mr. President, I would like to address my remarks to one aspect of Senator Amenta's amendment which changes one section of the bill. A section of the bill which I consider one of the

most important sections in the bill. Section 5, which establishesroc certain principles that will guide the PUC in its rate setting endeavors. Currently, there exists now in our statutes no principles, no criteria by which the PUC shall do its work except a fleeting reference to fair and reasonable rates, but what Section 5 does is to spell out, in statutory language, insofar as it is possible, what fair and reasonable rates should constitute, at least listing the component elements. And one element that was omitted, but which Senator Amenta has graciously accepted and included in his omnibus amendment, is the question of energy conservation because there is reference in the bill as it appears in the file to the principles of economy and efficiency et cetera, et cetera, so as to promote the economic development of the state. And now we have added to that, that that economic development of the state should be with consideration for energy conservation - that appears in line 24 of Senator Amenta's amendment. And I think that's important because one thing that is generally missed in the debate for the last two years, concerning the rising cost of electricity, is the question of the role that energy conservation can play in helping to stabilize these rates. I think it is pretty well-known that in America, with only six percent of the world's population, we consume about thirty-three or thirty-four percent of the world's energy. We have a fantastic per capita consumption of energy, a consumption which if reduced by careful conservation methods could help to reduce the total cost of energy in this country or at least bring about a stabilization of cost. And so, I am

glad that Senator Amenta has accepted a suggestion made to him to include energy conservation as a principle upon which the PUC must act. And therefore, we have in Section 5, as now amended, a set of principles that will direct the PUC to consider in their rate-setting procedures the real need for energy which I think is an important matter, and the PUC will be instructed, I feel, by Section 5, as amended, to modify the high-demand projections that electric companies have been making for several years and when they make these high-demand projections, they are of course accompanied by requests for increased capacity and I think the result of which is inevitably an increased cost to the consumers, if those demand projections are accepted and if the increased capacity is allowed by the PUC. I think that a lot of people feel that we can get by in Connecticut on an energy increase of four to five percent a year rather than eight, nine and ten percent a year, if we are careful in our use of energy. I would like to say, finally, that Section 5 is a decided improvement to the title on Public Utility Regulation because, as I said, it does establish criteria and principles to guide the PUC and these principles arethings that a bi-partisan group of New Haven area legislators, last summer when we were being pressed to come back into session to deal with the fuel adjustment and overall crisis of increasing costs of electricity, including Senator Lieberman and Senator Ciarlone and myself and a few others, recommended at that time that one of the things we should do, whether it be at the special session or the next opportunity we might get to deal with the question of public utility regulation

is to have a Section 5, or something comparable, which makes it clear that we, the Legislature, tell the PUC that they consider economy and efficiency and energy conservation within the total concept of fair and reasonable rates. So I applaud Senator Amenta and his committee for including this section and furthermore today including reference to energy conservation.

THE PRESIDENT:

Senator Ciarlone.

SENATOR CIARLONE: (11th)

Thank you, Mr. President, I rise to support this amendment. I believe all the voters in the State of Connecticut also support this amendment. It was very clear during the last campaign, if we all listened to our voters and paid attention to the mail we received, that everyone was completely opposed to the automatic fuel adjustment that was built in right into our bills. I think the mechanism, the amendment we have here today, will eliminate that. It sets up a monthly review of the fuel cost and if at that time there are adjustments to be made, they will be made with the consent of thecommission. I think it is a good amendment. I think we should pass it.

THE PRESIDENT:

Senator Page.

SENATOR PAGE:

Mr. President, through you to Senator Amenta. In the course of your hearings have there been any cases where you found that the fuel cost adjustment, the automatic fuel cost adjustment, was either put on unjustly or unwarranted or unwisely?

SENATOR AMENTA:

This was not an area for our consideration. We never did consider that. I mean that's something that the PUC, I am sure, has looked into and our committee never did. The answer is no, we did not look into it.

THE PRESIDENT:

Senator Dinielli.

SENATOR DINIELLI: (31st)

Through you, Mr. President, to the Senate chairman of Regulated Activities, Senator PaulAmenta of New Britain, My good friend. Just this simple question, Paul - where you call for the monthly meeting by the commission, do you provide, anywhere in the bill for a mandatory attendance - in other words, can the commission delegate athority to some of their hearings' people or do you require, say, a majority of the board or a total attendance of the board.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA:

Through you, Mr. President, to the distinguished senator from Bristol, Senator Dinielli, this is one area, the rate hearings, is the one area that the commissioners themselves must attend. There is language here where on some other technical hearings that they might delegate somebody else to do it, in fact they might even engage a lawyer to run a very simple hearing to get some information, but in the case of a rate hearing, the commissioners themselves, at least three of

the commissioners, have to each month take a look at what is being presented.

THE PRESIDENT:

Senator Dinielli.

SENATOR DINIELLI:

Thank you, Mr. President. Through you again, sir, do you consider the monthly meetings, Senator Amenta, a rate hearing?

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA:

Yes, absolutely. The monthly hearing is definitely a rate hearing. It's an administrative rate hearing. The public is invited to participate. The only difference from that and a full rate hearing is that there shall be no appeal from it, but we further provide, again in the amendment, originally in the bill we had every six months the PUC shall go into a full rate hearing; in the amendment we provided that every three months that the commission shall take a look at the and have a full-blown rate hearing. We also provide in the bill that the commission at any time that it wishes may have a rate hearing. That's very important. As I understand, previous to this point, the commissioners would not act on a rate hearing unless it was instituted or initiated by the utilities and this, of course, when the fuel cost adjustment was working in their favor, when the efficiency factor was working in their favor, they simply chose not to come in for arate increase.

THE PRESIDENT:

Any further remarks? If not, the question is on the adoption of Senate Amendment Schedule A. All those in favor, please signify by saying Aye. Those opposed Nay. The ayes have it. THE AMENDMENT IS ADOPTED.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA:

Mr. President, does the Clerk have any further amendments? If not, I'd like to move that we place the bill on the Consent Calendar. (Laughter)

THE CLERK:

The Clerk's office is in the process of copying some amendments. They will be back immediately. You ended the debate quicker than I thought.

THE PRESIDENT:

That was not an admonition. I think that was in praise of. Senator Schwartz.

SENATOR SCHWARTZ:

Just a, I guess it's a point of personal privilege, seeing that it is getting dark out and it is cooling off in the chamber, I was wondering if we might have more light on our desks, by burning all of the incandescents.

THE CLERK:

It's an impossibility due to the last TV performance here. We've had trouble with the wiring.

THE CLERK:

Favorable report of the joint standing committee on Finance, Sub. S.B. 1478, AN ACT AUTHORIZING THE CONNECTICUT HOUSING FINANCE AUTHORITY TO MAKE FUNDS AVAILABLE FOR RESIDENTIAL MORTGAGES THROUGH LOANS TO MORTGAGE LENDING INSTITUTIONS.

THE PRESIDENT:

Tabled for the Calendar and Printing.

THE CLERK:

Favorable report joint standing committee on Finance, Sub. S.B. 1220, AN ACT CONCERNING STATE TAX COLLECTIONS.

THE PRESIDENT:

Tabled for the Calendar and Printing.

THE CLERK:

The Clerk has Senate Amendment B, offered by Senator Flynn. This will be LCO 9799.

THE PRESIDENT:

Senator Flynn.

SENATOR FLYNN: (17th)

Mr. President, if we could continue this recess for a few minutes. I believe some other copies are being prepared.

THE PRESIDENT:

Alright. The question now is on Senate Amendment Schedule B. Senator Flynn.

SENATOR FLYNN:

Mr. President, I move adoption of the amendment.

THE PRESIDENT:

Will you remark on it, senator?

SENATOR FLYNN:

SB 1081 Yes, Mr. President. We have before us a comprehensive bill which purports to alter the methods by which public utilities are regulated in the state. I call the attention of the circle to Section 70, line 2998,--This act shall take effect December 1, 1975. Over the past year, we have heard tremendous outcries from the general public who resented, strongly, the automatic imposition of fuel cost adjustments, the automatic dip into the public's pocket. If you read that effective date, December 1, 1975, you'll see that the plain implication of the act, even as amended, is that the automatic adjustment under the present Public Utilities Commission will continue on until March of 1976 without ever a public hearing, a true public hearing being held. I ask you, Mr. President, if that keeps the commitments that we all made. A situation where that automatic adjustment continues on unchecked for six months of 1975 and on into 1976. I say clearly that it does not. This amendment would provide that there would be a new subsection (h) and that effective on the passage of this bill that adjustment would no longer be automatic to the extent that the existing public utilities commission would be required to at least hold an administrative hearing and approve any increase before it is granted. What is the purpose of a utility regulation authority if not to regulate rates? If not to approve any increases which might be requested? And what is the purpose of a bill which

allows the situation to go on where these automatic increases can go on unchecked for six months of 1975 and if you read the amendment for another possible three months of 1976. Either we have rate regulation or we do not. And I say, Mr. President, we should have rate regulation. And either the members of the body that regulates rates regulate them or they do not. And I say, Mr. President, they should regulate them. And if this amendment is adopted, they will, in fact, be required by law to regulate them. Not six months from now or nine months from now, but at least through an administrative hearing, immediately. I move adoption of the amendment, and I ask that when the vote is taken, it be taken by roll call.

THE PRESIDENT:

Will you remark further? Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose the amendment. There are several fallacies, although I can sympathize with what the distinguished senator is trying to accomplish. It just, administratively, can't be done. You cannot--in the first place, I'm not so sure that at this point, there is a need for us to do this immediately. I'm sure that the present commission members although as I understand they give all the information on the new fuel costs to the engineering department or delegated to some other department, I am sure that with the hue and cry that there has been for fuel cost adjustment, that the present commissioners are taking a look at the validity of fuel costs very carefully. So I am not so sure that we absolutely have to pass this bill in

such a way that this section of it takes effect immediately. Number two, if there is a period of time when there is no significant increase in the fuel cost, and I say that we may have come to the end of the line on that, I think our president took care of that by allowing a dollar extra to be built in to the barrel cost of fuel, but if the fuel cost is about the same, there is really no need for us to do it for the next several months. But in any case, when the bill becomes effective and it also provides in this bill that if the bill passes and the governor wants to make the appointment previous to December 1, the effective date of the bill, she may; but if the bill does pass, there is no reason why on December or on January first or January second that the new commissioners may not call for a rate hearing, if the need is there. So I really don't think that we have to shotgun this kind of an amendment. I don't think the need is going to be there. I think we can do it in an administrative way and a way that can be done efficiently and can be done in a way that everybody would be satisfied with it. I don't think that this is a good amendment, not that I am against what the amendment is trying to do, but I think administratively it just cannot be handled.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER: (21st)

Mr. President, I rise to support the amendment. I think the admission by the chairman of the committee right now on just what he said that there is no urgency for this certainly

is a sort of a bellwether of what we can anticipate. I know darn right well that there is darn few people in this circle who have ever been to one of these hearings on the fuel cost adjustment and that and know what they are talking about in this circle because I can tell you, go to a hearing, you'll find out how much imput you can get from the public because, very frankly, you've got all the authorities, you have the companies themselves with all their bill of ladings, the cost of fuel and the market is what determines that, not the company; there is darn little that can be done for the cost of fuel and I can remember a year ago and in the last election we have a great hue and cry going throughout this state that the Republican majority wouldn't take and call a special session to clean up the fool, fuel, I should say fuel cost adjustment, but it's the fuel cost adjustment and it was urgent. We had to have it. We had demands. We had meetings up here. We had all the fanagling around you can think of that we had to take some action immediately. Now I'm gonna tell you, the action you are taking here on fuel cost is not going to take and change the cost of fuel for the utility companies. It's not going to change our rate in that particular department. We all know darn right well the cost is determined on the market. WE know that these hearings are going to be a hearing where the companies come in and justify what they did. And I know they are big, bad men. And I hate like the devil to ever come up here and speak in favor of a utility because it is not a very popular position, but unfortunately, they are saddled with the cost of fuel oil and I know darn right well the hearings

aren't going to accomplish a darn thing. But I say if we are going to have this thing effective, let's make it effective immediately like Senator Flynn has suggested. We had an urgency back in November and October of last year and nothing has happened in the six months we have been up here. I say let's get with it, if you are going to do it.

THE PRESIDENT:

Senator Julianelle.

SENATOR JULIANELLE: (14th)

Mr. President, I rise also to support the amendment. Senator Amenta said that he didn't think there was an immediate need. If there wasn't an immediate need, then we wouldn't need the bill at all. And if we do need the bill and we do intend to do justice, we should do it now because justice delayed is justice denied. I would like to associate myself with the remarks of Senator Flynn.

THE PRESIDENT:

Senator Bozzuto.

SENATOR BOZZUTO: (32nd)

Mr. President, I rise to support the amendment. If a rationale for monthly meetings, hearings is there six months from now, it certainly is there today. But I think that Senator Flynn posed a question and I think that it should be answered. He asked, what's the purpose behind this legislation? And I think everyone in this circle well knows the purpose behind this legislation. I won't say any more now. I'll talk about that purpose later. Thank you.

THE PRESIDENT:

The question is on the passage of Senate Amendment Schedule B. If there are no further remarks, all those in favor

SENATOR FLYNN:

A roll call vote has been called for.

THE PRESIDENT:

That's right, senator. Will the Clerk announce the roll call vote, please?

THE CLERK:

An immediate roll call will take place in the Senate. Would all senators please return to the chamber. (A second time)

THE PRESIDENT:

Are the senators prepared to vote? The machine is opened. Will you please cast your vote? The machine is closed and locked and the Clerk will tally the vote.

N	1	Joseph J. Fauliso	Y	19	James J. Murphy, Jr.
A	2	Wilber G. Smith	Y	20	Richard F. Schneller
Y	3	George W. Hannon, Jr.	Y	21	George L. Gunther
Y	4	David M. Barry	Y	22	Howard T. Owens, Jr.
N	5	David H. Neiditz	Y	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
Y	7	Charles T. Alfano	Y	25	Louis S. Ciccarello
Y	8	Lewis B. Rome	Y	26	George C. Guidera
Y	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
Y	11	Anthony M. Ciarlone	A	29	Audrey P. Beck
Y	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
Y	14	Robert L. Julianelle	Y	32	Richard C. Bozzuto
Y	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	Y	34	Lawrence J. DeNardis
Y	17	Joseph P. Flynn	N	35	Robert D. Houley
Y	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 34
Necessary for Passage 18

Voting Yea 20
Voting Nay 14
Absent and Not Voting 2

THE AMENDMENT IS ADOPTED.

THE CLERK:

The Clerk has Senate Amendment C as offered by Senator Flynn. This is LCO 9192, In line 898, delete the words but no less. In line 899, delete everything. In line 900, delete the words has been and insert in lieu thereof the word on whenever, after the word charges, insert the words as proposed. In line 920, after the common insert the words under bond. In line 923, delete the word which and insert in lieu thereof the words in lieu of. In line 924, delete the words may include. In line 930, delete the word quarterly and insert in lieu thereof the word monthly. In line 2999, after the word 1975, insert except that Section 10 of this act shall take effect from its passage.

SENATOR FLYNN:

Mr. President, may that amendment be Withdrawn. That is covered by another which has been revamped.

THE PRESIDENT:

Amendment C has been withdrawn, senator. Thank you.

THE CLERK:

The Clerk will now read the new Amendment C by Senator Flynn. In line 133, delete the word eight and insert in lieu thereof the word four and before the word July insert an opening bracket.

SENATOR FLYNN:

Mr. President, that amendment respects the term of office. That one has been withdrawn.

THE PRESIDENT:

The amendment has been withdrawn.

THE CLERK:

Let's try one more C, Senator Flynn. In line 129a, after the word statutes insert except that the Authority shall not take any action and make any order except to the extent permitted by the provisions of this act.

THE PRESIDENT:

Senator Flynn.

SENATOR FLYNN: (17th)

Mr. President, I move adoption of the amendment.

THE PRESIDENT:

Will you remark on it, senator?

SENATOR FLYNN:

Yes, Mr. President, in the existing bill, I am talking now about the bill as a whole, there is a carry-over provision which makes reference to Section 4-38 of the General Statutes. I think this technical amendment is necessary so that in the event there are any pending matters before the public utilities commission, any pending matters, which must be acted upon after the effective date of this act, these matters should be acted on by the new commission only to the extent permitted by the new law. So that we do not have a situation where decisions are being made in contravention to the new law by the new body.

THE PRESIDENT:

Are there further remarks? Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, may I have a copy of that amendment, please?

THE PRESIDENT:

The Senate will stand at ease for a moment. Senator Amenta.

SENATOR AMENTA:

Mr. President, I haven't had too much of a chance to read this but as I understand, if this is adopted it means that the present commission will not be able to either pay its bills or not be able to do anything at all because it is not the provisions of this act, it's the provisions of the administrative act that must be followed. WE might be able to live with it if there was a July first date, but if the Governor signed this bill on June 1, as I understand it, we would be in very serious trouble. I'm sorry I can't object to it any more than that, but this is the advice I get from the consumer counsel that has to live with it.

THE PRESIDENT:

Are there any further remarks? Senator Flynn.

SENATOR FLYNN:

Mr. President, I move that when the vote be taken, it be taken by roll call.

THE PRESIDENT:

If there are no further remarks, the Clerk will announce a roll call vote in the Senate.

THE CLERK:

There will be an immediate roll call vote in the senate, would all senators please return to the chamber. (A second time)

THE PRESIDENT:

Senator Rome.

SENATOR ROME: (8th)

Mr. President, I'm wondering if the senator would indulge us. I think I speak for more than myself. If he could explain again what this specifically does, I think it will be helpful.

THE PRESIDENT:

Will you favor the circle with an explanation, Senator Flynn?

SENATOR FLYNN:

Yes, Mr. President, if I may be granted the leave of the body for a minute, I want to exchange some copies. Ready to proceed. I direct the attention of the body to line 1290, page 28 of the main bill in the file. That addresses itself to the transition of functions--transition of functions, powers and duties, the continuance of orders and regulations and more particularly in 1292, the effect on pending actions and proceedings, the completion of unfinished business and the transfer of officers, employees, records and property between the public utilities commission and the authority as of December 1, 1975, shall be governed by the provisions of Section 4-38 of the General Statutes that generally governs such transitions. This amendment provides that after those words, the qualification that the authority not take any action or make any order except to the

extent permitted under the provisions of this act. And what that means simply is if there is a pending matter, the provisions of the main act effective will control, and that the new utility authority will be limited by the body of law embodied in the new PUCA Act and will not be able to use its authority to continue or keep alive provisions of the act that is being repealed.

THE PRESIDENT:

Will you remark further? Senator Neiditz.

SENATOR NEIDITZ: (5th)

Mr. President, perhaps I don't understand this amendment, but as I read it, this is Amendment C, is that correct?

THE PRESIDENT:

Amendment C.

SENATOR NEIDITZ:

except that the authority shall not take any action or make any order except to the extent permitted by the provisions of this act. Well, <u>any</u> action, some actions of the authority of the commission or whatever are covered under the administrative procedure act. Some actions that they take are covered under the civil service laws. Do I misunderstand? Maybe, through you, Mr. President, a question to Senator Flynn, shall not take <u>any</u> action or make <u>any</u> order except to the extent permitted under the provisions of this act. Do I misread that?

THE PRESIDENT:

Do you care to respond, Senator Flynn?

SENATOR FLYNN:

Mr. President, I believe the senator does and so that my

intent is clear in offering the amendment, in the event that it passes for its legislative history, my purpose is to limit the ambit of authority of the new commission to what powers are granted to it under the act itself, not in any way to impinge on the administrative procedural act I do not think that the clear words found therein in the amendment do that. They provide however that the actions taken with respect to regulation of rates shall be as under the provisions of this act.

THE PRESIDENT:

If there are no further remarks? I believe a roll call vote has been requested on Amendment C. Senator Amenta.

SENATOR AMENTA:

Again, this is a very difficult and technical amendment to understand but I believe that we handle this in Section 23, where if you will read, we allow for the transition of functions powers and duties and continuance of orders and regulations, completion of unfinished business and the transfer of officers, employees and the rest of it. We also make provisions that the present members of the PUC shall remain until their replacements are nominated and officially voted by both houses. So I think we adequately take care of it in the bill.

THE PRESIDENT:

Senator Rome.

SENATOR ROME:

Mr. President, I rise to oppose the amendment. I intend to favor a number of amendments, not because I think it makes it a good bill, in all honesty. I think this is a disastrous position

we are in. However, I can't favor this bill for a number of reasons, not the least of which, this amendment, I mean, if this amendment passes, I am going to ask that the Chair rule it substantive because I think we really have to have some clarification and this belongs in the legislative commissioners office, if in fact it is passed.

THE PRESIDENT:

Any further remarks? If there are none, has the Clerk announced a roll call in the Senate.

THE CLERK:

An immediate roll call in the senate. Would all senators return to the chamber. (A second time)

THE PRESIDENT:

Senator DeNardis.

SENATOR DENARDIS: (34th)

Mr. President, if I may, through you, ask Senator Flynn a question. If the senator could tell us what problems he foresees if this amendment is not adopted by way of an example, I would like to hear that - perhaps others would too.

THE PRESIDENT:

Would you care to respond, Senator Flynn?

SENATOR FLYNN:

Yes. Mr. President, through you, there is a substantial change in the whole manner and method of regulation of utilities as found in File 890; that is to say, there is requirements of examination into various levels of deficiency of utilities, the requirements of audits, the requirements of all sorts of similar

things. If an application is pending before the authority for some time and it has not been acted on by the Public Utilities Commission, I should use the word commission, it's my intent by the offering of this amendment to require that the Authority in acting on that application, consider the main body of the matters before it. There is a requirement, for instance, of an independent consumer counsel. There is a possibility that a matter could be pending on what your hearing has not been held. I think those provisions of the act should govern even though the initial application may have been made before the actual authority took over from the commission.

THE PRESIDENT:

Further remarks? If not, are the senators prepared to vote? The machine is opened. Will you please cast your votes? This is on Amendment Schedule C. The machine is closed and locked. The Clerk will please tally the vote.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	N	20	Richard F. Schneller
N	3	George W. Hannon, Jr.	Y	21	George L. Gunther
N	4	David M. Barry	N	22	Howard T. Owens, Jr.
N	5	David H. Neiditz	N	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	N	25	Louis S. Ciccarello
N	8	Lewis B. Rome	N	26	George C. Guidera
N	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	A	29	Audrey P. Beck
N	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
Y	14	Robert L. Julianelle	N	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	N	34	Lawrence J. DeNardis
Y	17	Joseph P. Flynn	A	35	Robert D. Houley
N	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 34
Necessary for Passage 18
Voting Yea 3
Voting Nay 31
Absent and Not Voting 2

SCHEDULE AMENDMENT C IS DEFEATED.

THE CLERK:

Schedule Amendment D as offered by Senator Flynn. It's LCO 9806.

THE PRESIDENT:

Senator Flynn.

SENATOR FLYNN: (17th)

Mr. President, I move adoption of the amendment.

THE PRESIDENT:

Will you remark on it?

SENATOR FLYNN:

Yes, Mr. President. This amendment addresses itself to general rate increases. It is Section 8, subsection (a). In this amendment with respect to general increases addresses itself to the one hundred fifty day time period within which the commission would be required to make a decision on general rate increases. I think that that is an adequate time, for what will now be a full-time commission, to make its decision. What this amendment does is eliminate the automatic feature if the commission does not. It has been said in discussions that have been had on this bill in caucus that perhaps only one or two times in past history has it been necessary to go beyond a hundred and fifty days. I believe what the public has resented

over the last two years is the automatic imposition of rate increases. There is no good reason, with the increased pay that is provided for in this bill for commissioners, with the increased staff that is provided for, with the requirement that all members of the commission act full time, that they cannot make their decision in five months. They not only can but they should; but if they do not, companies have recourse to the courts to force them by writ of mandamus to perform their public duty. And if they do not, the public which purchases electricy should not be saddled with the expense of a rate increase which may later be found to be unjustified, even if a bond is produced, and there is no excuse, there is no good reason why within five months time this cannot be done with promptness, with dispatch and I must say this, Mr. President, that I have no objection and I do not intend to grandstand where a utility does, in fact, present properly its evidence as to legitimate cost to rate increases being granted. But what I do object to and what I think the great bulk of Connecticut public objects to is automatic increases in rates which no regulatory body has approved but which the public must be saddled with payment of. And I think this amendment will address itself to remedying that wrong. I move adoption of the amendment and I ask that when the vote be taken it be taken by roll call.

THE PRESIDENT:

Will you remark? Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, yes. I move to oppose this amendment.

This is probably one of the most damaging amendments that we could pass. This amendment could not only ruin the utilities but could saddle the ratepayers, through no fault of their own, because the financial community would not have the confidence of investing in our Connecticut utilities, which, as I understand today, these investors regard the Connecticut utilities not as a good investment. In fact, I understand the State of Connecticut doesn't have any investments in any of the utilities. This amendment would allow that if a decision was not made for some reason or other in a rate case, and we are dealing with human beings, we are dealing with people of all kinds of pressures, within the one hundred and fifty days, but if they don't, the cost, not the profit, but the cost could not be recouped. Senator Flynn's amendment would just simply leave it in limbo that if they didn't make the decision no rate increase would be granted. That just absolutely we cannot live with this kind of an amendment. This would absolutely ruin the utilities, and if it is our desire in this Legislature to have the state take over the utilities then we ought to simply tell them that this is what we want to do, but if we are going to try to ruin the utilities by doing it this way, by not making it responsible so that if for any reason at all, if five people did not come to a decision for any reason at all, the automatic rate increase would have to go in. And let me tell you, members of the circle, that there are safeguards in this, because if the rate increase did go in, if for some reason or other, they did not make the decision and the one hundred fifty days guarantees that they make a decision,

under the bill as we have it, if for some reason it did not go into, then the commission could determine that a surety bond would be placed or some other security and the ratepayers if there was any increase at all that was judged when the final judgment was made on what the rate should be, the ratepayers would be paid back the amount of increase or the excess amount with interest. I think this is a bad amendment and one of the amendments that definitely should be defeated.

THE PRESIDENT:

Senator Schwartz.

SENATOR SCHWARTZ: (28th)

Mr. President, I find I have to speak against this amendment because I feel it is extremely unwise not to give the utilities an escape clause in the event that the efforts of the authority are unable to come to a decision on a rate case in one hundred fifty days. The consumer would be overburdened with additional costs not because the rates would be instituted temporarily but because without this clause in the statutes bonds would become increasingly more expensive for utilities to float and bond interest is a very substantial portion of the total expenses of public utilities. I think that if this bill which is to try to assure that electricity and gas and water rates are at the lowest possible for the adequate service that we cannot force the utilities to accept higher bond rates and lower lack of confidence in the bond market by precluding them the right to institute rates five months after they have been applied for if for some reason the public utilities commission or

control authority is unable to effect a decision. Now, when we were drafting the bill in the Regulated Activities Commission, the fact that this 150 day limit was there surprised all of us because this has never been used in a rate case in the history of its existence, but it does exist for that rare time when maybe a rate decision will not be settled with 150 days. None of us on the committee knew of its existence until we examined the statutes with a fine tooth comb and we feel that if it wasn't used under a commission that has been maligned as not having performed its public duty then certainly it will never be misused under a commission or an authority that is supposed to be set up to further the interests of the consumers in the state. I feel that it is an undue restriction on the decision-making power of the authority. I feel that it is a very bad restriction on the bond market and I feel that it is a very bad amendment and I urge everyone in this chamber to vote against this.

THE PRESIDENT:

Will you remark further? Senator Schneller.

SENATOR SCHNELLER: (20th)

Mr. President, I rise to oppose the amendment. (The next few words of Senator Schneller were unintelligible because the machine malfunctioned) will work in reverse. Public utility business is a capital intensive business. They are constantly in the money market seeking new money for expansion. If we are to deny to utility companies some kind of automatic relief, after five months, this will add a point, possibly two points to the cost of utility money, particularly in view of the fact that

there are forty-nine other states that provide this relief and these bonds will have to be sold in that same market. Presently the cost of interest on bonds represents fifteen percent of the operating cost of the utilities and without this relief that cost will be considerably increased and who pays for it? The consumer. We are all here tonight to try and pass a bill that will bring energy, public utility service to the consumers at the lowest possible cost. If we do not defeat this amendment, we will defeat our purpose. I urge the members of this circle to vote against the amendment.

THE PRESIDENT:

If there are no further remarks, the Clerk will please announce a roll call vote in the senate.

THE CLERK:

An immediate roll call vote will be taken in the senate. Would all senators please return to the chamber. (A second time)

THE PRESIDENT:

Senator Lieberman.

SENATOR LIEBERMAN: (10th)

Mr. President, while the senators are reconvening, I stand to oppose the amendment. This is an amendment which, in my opinion, has cosmetic value but will have exactly the opposite effect it is intended to have. It may make somebody feel good if they hear we passed it, but in the long run, it will inevitably add to the cost of utility service in the state by increasing the cost of money borrowed by the utilities. So, I strongly oppose this amendment.

THE PRESIDENT:

Senator Ciarlone.

SENATOR CIARLONE: (11th)

Mr. President, I support the amendment. It isn't very often that I disagree with my distinguished colleague from New Haven, but I think I have to disagree with him on this issue. Obviously, it is not our intention to increase the cost of the electricity in Connecticut, but I find it very hard to believe that within 150 days a full-time commission cannot arrive at a decision here. The argument has been advanced here this evening that the cost of bonding will be increased to the utility companies. Conversely I say to all our senators here in the circle, the cost of paying our electric bills is also increased to the consumer who many times also has to go out in the market and borrow money at a higher interest rate than our utilities. So you can see that the problem is the same way on both sides of the issue. It is my opinion that a decision can be rendered within 150 days and I support the amendment.

THE PRESIDENT:

Senator Julianelle.

SENATOR JULIANELLE: (14th)

Mr. President, I also rise to support the amendment. I think it is a good amendment. If the public utilities commission or the authority is to control the activity of the utilities then it should do so. I don't think that this amendment will raise the cost of bonding. I think what it will do is shift the burden, shift the due process and make the utilities provide

the information in a more cogent manner and perhaps at an earlier time so that the arguments can be presented so that the commission will vote and will make its decision within the five month period. I don't think that the commission will feel the compulsion to act if we don't have some kind of a mandate. I think that this amendment will create that mandate and will make them act so as to protect both the public and the utilities in a more efficient manner.

THE PRESIDENT:

Is the Senate ready to vote? The machine is open. Will the senators please cast their vote? The machine is closed and locked and the Clerk will take a tally.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
Y	2	Wilber G. Smith	N	20	Richard F. Schneller
N	3	George W. Hannon, Jr.	Y	21	George L. Gunther
Y	4	David M. Barry	Y	22	Howard T. Owens, Jr.
N	5	David H. Neiditz	Y	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	Y	25	Louis S. Ciccarello
Y	8	Lewis B. Rome	Y	26	George C. Guidera
Y	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
Y	11	Anthony M. Ciarlone	A	29	Audrey P. Beck
N	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
Y	14	Robert L. Julianelle	N	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	N	34	Lawrence J. DeNardis
Y	17	Joseph P. flynn	N	35	Robert D. Houley
N	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 35
Necessary for Adoption 18
Voting Yea 12
Voting Nay 23
Absent and Not Voting 1

AMENDMENT SCHEDULE D IS DEFEATED.

THE CLERK:

This is Senate Amendment Schedule E offered by Senator Flynn.

THE PRESIDENT:

Senator Flynn.

SENATOR FLYNN: (17th)

Mr. President, I move adoption of the amendment.

THE PRESIDENT:

Will you remark on it, senator?

SENATOR FLYNN:

Yes, Mr. President, this is an amendment to line 949 of the bill. It provides that no fuel or purchase gas adjustment clause approved ah, Mr. President, could I have a moment to confer with the Clerk on this. There are a number of different amendments floating and I want to be sure

THE PRESIDENT:

The Senate will stand at ease for a few moments. Senator Flynn.

SENATOR FLYNN:

This number that was read is substantially similar to another amendment which has already been considered and I would respectfully withdraw it. I believe it is in the Clerk's hands because of an error on my part.

THE PRESIDENT:

THE AMENDMENT IS WITHDRAWN.

THE CLERK:

I now have Senate Amendment Schedule F as offered by Senator Flynn. LCO 9879.

THE PRESIDENT:

Senator Flynn.

SENATOR FLYNN: (14th)

Mr. President, I move adoption of the amendment.

THE PRESIDENT:

Will you remark, senator?

SENATOR FLYNN:

Mr. President, this amendment addresses itself to Section 10(g) of the act and for the benefit of those who may not be familiar with that section by number, that introduces a new nuclear fuel adjustment cost factor where we never had one before. I ask, Mr. President, where will these adjustments end? The genesis of the need of this type of legislation, as I understand it, was because of the public outcry against an automatic cost of fuel adjustment which dealt with fossil fuels. If you read Section (g) that's proposing a new automatic cost of fuel adjustment for nuclear fuels although that word does not appear. Where does this type of adjustment situation end? We had a fossil fuel adjustment. The people didn't like it so we had legislative action about it. And the result is to add a new type of automatic adjustment? I find this to be most incongruous. And I ask, Mr. President, is this the response to the public demand which we saw for the last several months? Is this what the public asks us to come here to do? To impose a new and a different type of fuel adjustment? I think, Mr. President, the

answer to that question is a clear no. And Mr. President, if I might remark further about it. It makes reference in the amendment, the first amendment which passed, Senator Amenta's that if there is any case where such a generation utilization adjustment clause is established the provisions of Section b to f inclusive of this section shall apply. Now read section (h) where it states clearly that no such adjustment clause shall be in effect until it is approved by the commission. Go back in the amendment, Senator Amenta's which is already passed, and read the words in line 82 - notwithstanding the provisions of this section, strike that, go back a little farther - in line 31 - no adjustment clause of any kind whatsoever shall be authorized by this authority if such clause operates automatically to prevent charges which have not first been approved by the authority. How do you square that section with what you find in Section (g) the authorization for a new and different type of automatic adjustment. I say, Mr. President, we cannot and keep faith with the public and it's our obligation to eliminate this provision from the bill.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, thank you, through you, I'd like to reply and again be absolutely against this amendment. My remarks of the previous amendment that we just defeated apply equally as well here. In fact, ladies and gentlemen of the circle, Northeast Utilities is today nearly one-third nuclear power. In the very

near future, Northeast Utilities will be over fifty percent nuclear power. Again, the effect of this amendment, if passed, if Northeast Utilities is not allowed to recoup its costs and conditions beyond their own control, we will absolutely bankrupt them. And when we do that, we are not helping out the ratepayers of the state of connecticut. There is a provision in the bill that the PUC may consider this fuel adjustment cost in this kind of a situation. They may consider that if it is the fault of the management of Northeast Utilities, they do not have to allow for the automatic fuel adjustment. But again, the same thing that applied to the previous amendment, if we do not allow our utilities to survive, we are absolutely doing nothing at all for our constituents. And I know it is easy for some to stand up and be against the utilities and give them heck because they are not in a good position these days because the cost of fuel has gone up from two dollars a barrel to thirteen and fourteen dollars a barrel. But in this amendment, it's a very bad amendment because, again, we've got a utility that, in my opinion, offers the only hope, the only real hope for not relying on foreign governments for oil. And if we pass this amendment, there is no question that we will not only be discouraging their activities in this area, which, by the way, is completely too late because Northeast is already committed and the ratepayers have a stake in the nuclear generation power facility and if this amendment passes, it will be disastrous for the Northeast Utilities who generate so much nuclear power. I certainly hope that we defeat this amendment.

THE PRESIDENT:

Senator Schwartz.

SENATOR SCHWARTZ: (28th)

Mr. President, I would like to associate myself with the remarks of Senator Amenta. I believe that this amendment is misplaced. I feel that it is ill-advised and I urge that the members of this circle vote against it. Present public utility policy talks of automatic fuel adjustments. Our present bill, the bill that we have under consideration now talks about fossil fuel adjustments. It is this distinction that precludes use of the fuel adjustment charge we are adopting now for fossil fuel in the same manner as the fuel adjustment cost that is in present existence. Under the presently existing fuel adjustment cost, when a nuclear plant breaks down and the utilities are forced to use fossil fuel to meet their generating requirements, the cost of that fuel goes into the fuel adjustment charge. But under the new fossil fuel adjustment cost, the cost of new fossil fuel generation cannot be used in the fossil fuel adjustment cost. Therefore, if we are to continue the policy of letting the utilities have the opportunity to use other forms of generation when certain forms are no longer operative, we must come up with this nuclear fuel adjustment cost to provide for the additional cost incurred bythe utility when nuclear generation capacity is out of service. This is not another fuel adjustment cost. What it does is break present cost into two costs and changes the manner in which they may be administered. We are not adding another automatic rise to the bill to

consumers. We are providing for two separate, well-controlled adjustment costs. They must both be heard through administrative procedures before they may go into effect and I feel that it is of the most utmost importance that this facet of the public utilities control authority bill remain.

SENATOR ROME: (8th)

Mr. President, stay right there, Mr. President, I'll assume you recognize me. Mr. President, it is a very, very long day. It has been a very distressing day. All of the members of this circle know how much I, how strongly I feel about this bill. How much I feel that the entire bill is a mistake. But two wrongs, in this case, just quadruple the problem. And this amendment would make another wrong. I think you have got to realize that in the name of politics, in the name of satisfying some constituents who don't understand or can't understand as completely as we are obliged to investigate and understand the problems of fuel costs and utility costs, to satisfy them when we know they are wrong would be a tragic mistake. This would be another wrong compounded on top of the wrong of the bill itself. It would be more than you would want to take back to your constituents no matter how they might at first blush react affirmatively to your action. I would hope that you would defeat the amendment.

THE PRESIDENT:

Senator Flynn.

SENATOR FLYNN:

Mr. President, if I might remark further with respect to this amendment. I think this section (g) of the bill is

totally unnecessary. There is already, within the bill itself, a provision for emergency or catastrophic situations. That's the provision that should be used in these situations. Not some new type of automatic dip into the public's pockets. That's the reasonable approach to this situation because no one wants to put utility companies out of business who is in his right mind. But why should we have another automatic adjustment added to the one we now have.

THE PRESIDENT:

Senator Schneller.

SENATOR SCHNELLER: (20th)

Mr. President, I rise to oppose the amendment. I think the section is very necessary in view of the fact that we have in this state come in to the nuclear age in electrical generation. Senator Amenta referred to the fact that we are presently generating approximately a third of our power through nuclear energy and in a few short years we will be at fifty percent. We are using a relatively new technology with new problems. Many of these problems are unforeseen and consequently the utilities need this kind of relief. If we do not provide it, again, who is going to pay the cost? The cost will be borne in creased cost of money and ultimately the consumer will pay for it. I urge defeat of the amendment.

THE PRESIDENT:

Are there further remarks? If not, the question is on the adoption of Senate Amendment F.

SENATOR FLYNN:

Mr. President, I may have called for it already, but I call for it now again, if I have not done so, I move that when the vote be taken it be by roll call.

THE CLERK:

An immediate roll call will be taken in the senate. Would all senators please return to the chamber. (A second time)

THE PRESIDENT:

Are the senators prepared to vote on Senate Amendment Schedule F. The machine is opened. Will you please cast your votes. The machine is closed and locked and the Clerk will please tally the vote.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
Y	2	Wilber G. Smith	N	20	Richard F. Schneller
N	3	George W. Hannon, Jr.	Y	21	George L. Gunther
N	4	David M. Barry	Y	22	Howard T. Owens, Jr.
N	5	David H. Neiditz	Y	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	Y	25	Louis S. Ciccarello
N	8	Lewis B. Rome	Y	26	George C. Guidera
N	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	A	29	Audrey P. Beck
N	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
Y	14	Robert L. Julianelle	N	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	Y	34	Lawrence J. DeNardis
Y	17	Joseph P. Flynn	N	35	Robert D. Houley
N	18	Mary A. Martin	N	36	Florence F. Finney

Total Voting 35
Necessary for Adoption 18
Voting Yea 9
Voting Nay 26
Absent and Not Voting 1

SENATE AMENDMENT SCHEDULE F IS DEFEATED.

THE CLERK:

The Clerk has Senate Amendment Schedule G as offered by Senate Owens of the 22nd. LCO 9665.

THE PRESIDENT:

Senator Owens.

SENATOR OWENS; (22nd)

Mr. President, I believe that I have withdrawn all of my amendments. If I haven't done so, please do so. Thank you.

THE PRESIDENT:

G is WITHDRAWN.

the cLERK:

This will be Senate Amendment H offered by Senator Schwartz.

THE PRESIDENT:

Senator Schwartz.

SENATOR SCHWARTZ: (28th)

I move adoption of the amendment.

THE PRESIDENT:

Will you remark on it, senator? Do you care to have it read?

SENATOR SCHWARTZ:

No, I'll waive the reading, Mr. President. The reading would not invade the intent of this amendment. What this amendment does is address itself to a problem that Senator Flynn sought to address himself to as far as the continuity of decision making between the demise of the PUC and the adoption of the

or the establishment of the Public Utilities Control Authority. This amendment, Mr. President, retains the public utilities commission as the regulatory agency for public utilities in the state. And that is all that it does to this bill. It retains all of the changes that have been made to the commission under a new name and I feel that this is important, Mr. President, because I am concerned about problems with continuity, about possible precedents that may be set if commissions are abolished and similar agencies are established in their place. I feel that it is very important that we have continuity and I want to point out that when we were talking, when we, the members of the Regulated Activities Committee, were talking with the members of the commission over the last few months in establishing our legislation for this session, we found and I found that it wasn't necessarily the commission members or the fact that we had a public utilities commission that led to the problems that we experience in the state now with public utilities regulations, but the law was much too restrictive and the members took a viewpoint of reading that narrow law narrowly. What was not spelled out, they interrupted as not being properly in their sphere to accomplish. And It is for that reason that I feel that if the present commission is maintained and if we make the changes that we have made into the present law that we will be doing the consumers of the state a great service. What I would also hope that the members of the circle not take this as being or use this amendment as a partisan stab because, Mr. President,

I think that we are all here for good legislation and I feel that the best legislation can be accomplished if the present utilities commission is maintained with the changes that we have enumerated in this very detailed bill. And I urge that the members of the circle vote for the acceptance of this amendment.

THE PRESIDENT:

will you remark further? Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose this amendment.

THE PRESIDENT:

Are there further remarks? If there are none, all those in favor of the amendment signify by saying Aye. Those opposed. The noes have it. THE AMENDMENT H IS DEFEATED.

THE CLERK:

Senate Amendment I offered by Senator Dinielli. LCO 9613.

THE PRESIDENT:

Senator Dinielli.

SENATOR DINIELLI: (31st)

Mr. President, May I withdraw that amendment?

THE PRESIDENT:

"I"IS WITHDRAWN, with gratitude of the Chair.

We will give Senator Gunther the same chance, right now. You have one opportunity, George, to redeem yourself.

THE CLERK:

This is Senate Amendment J as offered by Senator Gunther. LCO 9814.

I think that we are all here for good legislation and I feel that the best legislation can be accomplished if the present utilities commission is maintained with the changes that we have enumerated in this very detailed bill. And I urge that the members of the circle vote for the acceptance of this amendment.

THE PRESIDENT:

will you remark further? Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose this amendment.

THE PRESIDENT:

Are there further remarks? If there are none, all those in favor of the amendment signify by saying Aye. Those opposed. The noes have it. THE AMENDMENT H IS DEFEATED.

THE CLERK:

Senate Amendment I offered by Senator Dinielli. LCO 9613.

THE PRESIDENT:

Senator Dinielli.

SENATOR DINIELLI: (31st)

Mr. President, May I withdraw that amendment?

THE PRESIDENT:

"I"IS WITHDRAWN, with gratitude of the Chair.

We will give Senator Gunther the same chance, right now. You have one opportunity, George, to redeem yourself.

THE CLERK:

This is Senate Amendment J as offered by Senator Gunther. LCO 9814.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER: (21st)

Mr. President, I move the adoption of the amendment and waive the reading.

THE PRESIDENT:

Would you care to remark on it, Senator?

SENATOR GUNTHER:

This particular amendment is quite simple. It might be quite lengthy to you but what this amendment would do is eliminate all the transportation department obligations of the, whether you call it the PUC or PUCA, or whatever you might call it, because very frankly the new commission or the new authority or the old authority or whatever we end up with certainly is going to take and have enough on its hands to take care of all the business, the electric, the gas, the water and the telephone, the utilities in the State of Connecticut. Now I have heard comments - we're going to study this. Well I can tell you, Mr. President, that you can study it until it comes out of your ears but the answer is going to be--let's get this out of that particular commission, let's take the transportation obligations of the Public Utilities and transfer them to the DOT where they belong. Now in many of these areas, the new transit districts that we have had set up have already taken over much of the obligations of the act relative to transportation, the various buslines and that sort of thing, taxicabs and what have you. I say there is no sense to wait and go through a lot of study just

for the sake of study. I think this more rightly belong in the Department of Transportation and we should do it now. And Mr. President, so I might save myself asking for these, I'd like to have a roll call on each one of my amendments.

THE PRESIDENT:

Thank you, senator. Will you remark further? Senator DeNardis.

SENATOR DENARDIS: (34th)

Mr. President, very briefly, I think it's a good amendment. I think that transportation, particularly mass transportation is going to be an extremely important and time-consuming area of regulation. There is provision in the law now for transit districts to take over the PUC powers and we can give additional powers to the Connecticut Transportation Authority for those areas that don't have transit districts and so I would support the amendment.

THE PRESIDENT:

Will you remark further? Senator Amenta.

SENATOR AMENTA: (6th)

Yes, Mr. President, thank you. Mr. President, the subject matter of this amendment is included in the body of this bill under a study and I am sure that when the study comes out this whole matter will be taken care of. I oppose this amendment.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER:

Just briefly, Mr. President, we're talking about taking some action here. You are talking about loading up on hearings, you're talking about putting work into this commission so that they will be running out of their ears, and even if they are full time, they are full time now. The commissioners that are on that the PUC right now spend thirty-five to forty hours a week. Now the obligations, the existing act, and I will tell you ultimately you are going to come with taking it out and putting it where it belongs which is Transportation. And I think to put it off is ridiculous.

THE PRESIDENT:

If there are no remarks, the question is on the passage of Senate Amendment Schedule J. A roll call has been requested.

THE CLERK:

An immediate roll call has been ordered in the senate. Would all senators please return to the chamber. (A second time)

THE PRESIDENT:

Just let me say this. Senator Gunther has indicated that he will request successive roll calls on the amendments that he has submitted. So will you stay in the chamber for the next few minutes. The machine is open. Will the senators please cast their votes? The machine is closed and locked. The Clerk will tally the vote.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	N	20	Richard F. Schneller
N	3	George W. Hannon, Jr.	Y	21	George L. Gunther
N	4	David M. Barry	N	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	N	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker

N	7	Charles T. Alfano	N	25	Louis S. Ciccarello
Y	8	Lewis B. Rome	Y	26	George C. Guidera
Y	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	A	29	Audrey P. Beck
Y	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
N	14	Robert L. Julianelle	Y	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	A	33	Betty Hudson
N	16	William J. Sullivan	Y	34	Lawrence J. DeNardis
N	17	Joseph P. Flynn	A	35	Robert D. Houley
N	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 32
Necessary for Passage 17
Voting Yea 7
Voting Nay 25
Absent and Not Voting . . . 4

AMENDMENT J IS DEFEATED.

THE CLERK:

Senate Amendment K as offered by Senator Gunther. LCO 9807.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER: (21st)

Mr. President, I move adoption and waive the reading.

THE PRESIDENT:

Will you remark, senator?

SENATOR GUNTHER:

This is quite a simple amendment, Mr. President. In your new PUCA, peuka or whatever you want to call it, the bill, you say that this is going to be a full-time job. Now, Mr. President, if it is going to be a full-time job, let's make it a full-time job, because on line 245 to 51, you then stipulate that they can do work outside of this, as long as it doesn't in-

fere with their particular obligations and that. Now if we are talking about a full-time job in my book, it means no moonlighting and I don't think that any of the commissioners should be put in a position where they might be doing other work that they could be conceivably, there could be a challenge that the work they are doing could remotely involve them in their particular utility job, especially if you are leaving transportation and all the rest of it in. You have a very broad scope that is going to be covered by this particular commission. Now if you want it a full-time job, let's make it a full-time job and by passing this amendment, you do make it such and delete that area that they can do other jobs on the side.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose this amendment. In the first place, this amendment does not apply only to the commissioners but it applies also to the staff. We already have a conflict of interest prohibition in the bill and it is very definite. And I don't know how we can, in good conscience or even constitutionally pass a bill that says we can limit what members of the staff, members of the PUC can do on the time off, as long as it doesn't interfere with their work on the commission. I think it is a bad amendment and I hope it is defeated.

THE PRESIDENT:

No further remarks. The Clerk will please announce a roll call vote.

THE CLERK:

An immediate roll call in the senate. Would all senators please take their chairs. (A second time)

THE PRESIDENT:

The machine is open. Will the senators please cast their votes? The machine is closed and locked. The Clerk will please tally the vote.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	N	20	Richard F. Schneller
N	3	George W. Hannon, Jr.	Y	21	George L. Gunther
N	4	David M. Barry	N	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	A	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	N	25	Louis S. Ciccarello
Y	8	Lewis B. Rome	Y	26	George C. Guidera
A	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	Y	29	Audrey P. Beck
Y	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
N	14	Robert L. Julianelle	Y	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	Y	34	Lawrence J. DeNardis
N	17	Joseph P. Flynn	N	35	Robert D. Houley
N	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 33
Necessary for Passage 17
Voting Yea 7
Voting Nay 26
Absent and Not Voging . 3

AMENDMENT K IS DEFEATED.

THE CLERK:

Senate Amendment L as offered by Senator Gunther.

SENATOR DEPIANO: (23rd)

Mr. President, may I be recorded as a no vote on that last vote, please. I pressed the button. I was too late.

THE PRESIDENT:

I'm sorry. It is too late. I have announced the vote. I regret that.

THE CLERK:

This is Senate Amendment L as offered by Senator Gunther. It's LCO 9516.

SENATOR GUNTHER: (21st)

Mr. President, I move the adoption of the amendment and waive the reading.

THE PRESIDENT:

Will you remark on it, senator.

SENATOR GUNTHER:

This, again, is a very simple amendment. You will notice in your bill that all the commissioners of the new commission must be appointed by the governor and confirmed in both houses. Now that's just for the commissioners. Now we do have the consumer counsel which you break your stride in and require the appointment by the governor but confirmation by only one house. The consumer counsel, as far as I am concerned, is as important, if not more important than the individual five commissioners. And I can see no reason why the confirmation shouldn't be by both houses. Now we heard an awful lot in the last election about the competency in the type of people that we are going to put into the offices up here and the various agency heads. I think this is a very important position and especially you are creating a new department with a nice fat salary to it, giving

him plenty of staff and I think he ought to have the overview of both houses. So if you don't mind, I'd like to see the support of the circle. It's a simple amendment. It's not going to break any humps around here, but I do think (laughter) - you heard me - this particular position deserves the confirmation of both houses so that we can be assured that this is one of the best men that we can pick, or women, for this particular job.

THE PRESIDENT:

Senator DeNardis.

SENATOR DENARDIS: (34th)

Mr. President, I rise to support the amendment for the reasons that Senator Gunther, or some of the reasons Senator Gunther has articulated, and I would ask my good friend the majority leader, Senator Lieberman to join me in the support for this amendment, because it was, after all, he and I who co-sponsored the amendment that created the office of consumer counsel in the first place. I am sure that he would regard this as a perfecting amendment to our original legislation.

THE PRESIDENT:

Senator Lieberman.

SENATOR LIEBERMAN: (10th)

Mr. President, I want the record to simply note that I have not nodded toward Senator DeNardis in this occasion.

THE PRESIDENT:

I'd like you both to know that I had the idea about six years ago. Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose the amendment. In Section 11 of the bill, we have made the consumer counsel a real, more responsible than he has ever been before. He is now independent from the authority and has expanded powers. He can now participate in all proceedings, state, federal, judicial and administrative that affect the provisions of utility service to Connecticut consumers. The consumer counsel shall have access to all records of the authority permitted by law and is empowered to hire the necessary staff pursuant to civil service rules and regulations to carry out the assigned duties. This means now that the consumer counsel, who is appointed by the governor, is independent of the PUC and can do an even better job than the good one that he is doing right now. It's a five-year appointment and can only be removed by cause. I don't think that the amendment does anything other than make it more political. I don't think we need a political confirmation here. I just think we have a good consumer counsel. I hope he stays with us, and we need a confirmation by one house and then keep him on as long as he does a good job. This is a bad amendment and I hope it's defeated.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER:

Mr. President, very briefly. The very reasons that the Senator Amenta has stated here is all the more reason that both houses should confirm this appointment. This is the most

important position. There is a great obligation. He cannot be removed except for cause. We don't want it to be political because if it's politics in appointing him from both houses, by God we ought to get rid of the other part of this bill which requires appointment by both houses. So I think his arguments against are the best arguments for it.

THE PRESIDENT:

Will the Clerk please announce a roll call vote on Senate Amendment L?

THE CLERK:

An immediate roll call in the senate. Would the senators please take their seats. (A second time)

THE PRESIDENT:

The machine is open. Will the senators please cast their votes? The machine is closed and locked. The Clerk please tally the vote.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	N	20	Richard F. Schneller
A	3	George W. Hannon, Jr.	Y	21	George L. Gunther
N	4	David M. Barry	N	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	N	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	Y	25	Louis S. Ciccarello
Y	8	Lewis B. Rome	Y	26	George C. Guidera
A	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	Y	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	Y	29	Audrey P. Beck
Y	12	Stanley H. Page	Y	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
Y	14	Robert L. Julianelle	Y	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	Y	34	Lawrence J. DeNardis
N	17	Joseph P. Flynn	N	35	Robert D. Houley
N	18	Mary A. Martin	Y	36	Florence D. Finney

Total Voting 33
Necessary for Passage 17
Voting Yea 12
Voting Nay 21
Absent and Not Voting 3

AMENDMENT L IS DEFEATED.

THE CLERK:

Clerk has Senate Amendment M as offered by Senator Gunther. It's LCO 9193.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER: (21st)

Mr. President, I move adoption and waive the reading.

THE PRESIDENT:

Will you remark?

SENATOR GUNTHER:

This particular amendment is a simple amendment and the meat of it, if you have it before you, it's on line 40 and 41, but it says that any rate design which utilizes the declining block method of revenue allocation be approved by the - in no event rather - shall any rate design which utilizes a declining block method of revenue allocation be approved by the authority. In other words, this prohibits the declining block. And let me say, Mr. President, anybody that has followed the utility hearings as I have, I have appeared before the PUC for the past eight years and it has been a very lonely place to be, very frankly; it's a job I didn't like too much but I couldn't help but get enthused after getting up there and seeing what happens in rate

hearings where very little imput is put in by the public, that you can understand if you go and look at what's happening with the declining block. We talk conservation and Senator DeNardis appealed to Senator Amenta to put this into the body of the PUCA that they now consider conservation as one of the factors. Well, probably one of the greatest incentives to waste fuel and to waste energy in the State of Connecticut is the declining block. Not only is it a waster and encouraging waste but it distributes the costs over the average little guy and he pays a disproportionate share of the the generation of either our electricity or the use of gas in the State of Connecticut. When we put the declining block into use, the more you use the less it costs you, and what happens is a little homeowner has to pick up the slack and he is paying more because of it. Now if you really believe in the conservation of energy in the State of Connecticut, it's about time we ended the declining block on our rate structure and got down to the business of letting those that use it pay for it. Now this is a simple thing to do and I am sure that it is going to crease the cost to commercial users, industrial users, but I think they would think a little bit more about the way they use the energy in the State of Connecticut, and I think it would be the greatest incentive to take and conserve the use of a vital energy that we are just blowing out the window. So, I say to you, Mr. President, I think this is an important amendment. It's one that some of us have tried for years to get consideration for up here and I'll say that if you are thinking about helping the people and the little homeowner and helping him in his rates, which

is what the story is supposed tobe up here, you'd support this particular amendment.

THE PRESIDENT:

Senator DeNardis.

SENATOR DENARDIS: (34th)

Mr. President, I rise to support the amendment and to add that during the 1930's promotional rates were justified on the basis that the more electricity that would be produced, the cheaper electricity would become because of economies of scale. However, in the last few years, as building and operating costs of power plants have sharply increased, the picture has changed dramatically and I think the senator has the right idea in this amendment and I enthusiastically support it. And I want to add one other thing. Senator Gunther is presenting us with a series of amendments this evening, some of which are being taken lightly, some of which are being taken seriously. But I want to say that long before any of us in this circle, and anybody else that I can think of in Connecticut public life, got concerned about the PUC and the process by which they set rates, Senator Gunther, going back ten and twelve years, was the only one that I know of who used to attend rate hearings regularly and as a legislator used to monitor the work of the PUC. And I consider him the first person in this state to really awaken the conscience of the State of Connecticut as to the importance of the work of the PUC and I consider the amendments that he is offering this evening the product of a long number of years of active involvement with the PUC and its work. And I think we all owe him a tribute and the best tribute we can pay him is to support some of these amendments.

THE PRESIDENT:

Senator Schwartz.

SENATOR SCHWARTZ: (28th)

Mr. President, I oppose this amendment because I feel that it is inconsistent with some of the sections of the bill as it stands presently. There is a section that requires the public utilities commission or the public utilities control authority shortly after establishment and periodically thereafter to examine rate structures with regard to innovative rate pricing systems such as off peak and other pricing systems that would utilize conservation of energy as its prime consideration. I agree with the senator that there is great concern about the declining block and its future in the Connecticut energy industry, but I must caution him and the members of the circle about instituting such a radical change in the billing of electricity, about instituting this in the form of a legislative decree. I believe that we are establishing an authority that is a broad-based authority, one with a great deal more expertise available to it than anything available in Connecticut. We are requiring them by law to examine innovative price structures to make certain that conservation is the watchword in rate regulation, and I believe this amendment is misplaced in light of these other provisions of the statute.

THE PRESIDENT:

Senator Amenta, excuse me, Senator Schneller.

SENATOR SCHNELLER: (20th)

Mr. President, I rise to associate myself with the

remarks of Senator Schwartz. I believe that some time in the future, we should go to the concept of peak load pricing and away from the declining block rate. However, a great deal of study still remains to be done. It is my understanding that Northeast Utilities is presently in the process of metering two hundred fifty homes throughout the state which will enable them to test the concept of peak load pricing. We are still faced with the problem of many electric homes which would place a severe burden on the consumers of these homes if we were suddenly to go away from the declining block rate. So I think we are talking about a concept, a very good concept whose time has not arrived and I would certainly oppose it being part of this legislation and therefore I oppose the amendment.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose the amendment and associate myself with my colleagues on the Regulated Activities Committee, Senator Schwartz and Senator Schneller. First of all, just a few words about peak load pricing, time of day pricing and which this amendment addresses itself to. You know, it's not yet known whether such a concept will serve, will save the consumers any money. In fact, the Connecticut PUC was one of six states out of thirty-two who applied to get a three hundred eighty thousand dollar grant to study the whole area. Tests will start on October 15, 1975 and conclude on October 15, 1976

and by that time we will have data on which tomake a much better decision than we can make tonight. Further, I think this amendment establishes a strict and rigid rate structure that may or may not be desirable. We have a, hopefully, PuCA coming on line with some expertise to make such decision. You know, we cannot legislate rates and we shouldn't try it. This is a bad amendment.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER:

Mr. President, just briefly, I think the peak load pricing comments that are made here are just a red herring. I'm not talking about adopting peak loading pricing. What I am talking about is outlawing the declining block which is a totally unfair method of pricing the energy. Senator Beck says it is not totally but damn near totally. But as far as I am concerned, I'm not talking about substituting. I'm saying let a fair and equitable method of distributing the cost of energy be allocated to each user of it and that's what this amendment is. It has nothing to do with peak load pricing or any other structure. It just says cut out the declining block which is totally unfair.

THE PRESIDENT:

Senator Schwartz.

SENATOR SCHWARTZ:

Mr. President, one final comment. What I am afraid the senator from the 21st does not understand or maybe it does not

come to his attention is that if we arbitrarily stop peak load pricing and do not institute another form of price or rate regulations that would offer to manufacturers and heavy users an opportunity to have discounts in some other areas which peak load pricing would do, then I am afraid we are putting a very extreme burden on manufacturers and heavy users because we are taking away one of the advantages they have come to accept and in which their entire operations are centered around and we have given them nothing in exchange to bear the brunt. And I feel that it is very important that when peak load pricing or that when declining block goes by the wayside, which I hope it does, that another form of pricing that would give a discount because of efficient use of energy to a user so that we don't see an undue hardship on our heavy users of electricity.

SENATOR GUNTHER:

Very briefly if I may for the third time because Senator Schwartz says I don't understand. I'm afraid that Senator Schwartz needs a little homework in this department because when it comes to understanding the declining block, it costs just as much to produce the kilowatt, whether you produce one and proportionately to produce a hundred kilowatts. The only thing that the declining block is supposed to pro rate out is the standard costs. In other words, the billing and this type of thing. Let me tell you, if you took a look at the declining block, you would see in no way does it correspond and in no way can you justify the reduction in the cost under the declining block, because what it is doing is distributing to the people

that don't go into the declining block a disproportionate share of the costs of that particular energy. So a littlehomework would be in order. I think the less justification in the world for it than the electric side is the gas; just transmitting gas into these plants and that type of thing and there is very little justification whatsoever in the use of gas for the declining block.

THE PRESIDENT:

Senator DeNardis.

SENATOR DENARDIS:

Mr. President, because it is such an important point, I want to speak again for a second time on this and agree with Senator Gunther because under the present conditions the declining block rate structure actually weakens utility earnings and necessitates new rate increases. The growth of electricity consumption is caused primarily by large users who are the greatest contributors for the need of, the need for costly new power, but these are the same users who contribute the least revenue per kilowatt hour because of the declining block. And the current approach of the PUC and the utilities companies is to, in effect, burden all consumers with a rate increase to subsidize large users. And there are at least fifteen states that have already ordered rate structure reforms to reduce or eliminate such quantity discounts to large customers and I think that it is a step that is inevitable in this state and one that we ought to face up to this year.

THE PRESIDENT:

If there are no further remarks, will the Clerk please announce a roll call vote in the Senate.

THE CLERK:

An immediate roll call vote will be taken in the senate. Would all senators please return to the chamber immediately. (A second time)

THE PRESIDENT:

Are the senators prepared to vote? The machine is open. Please cast your votes? The machine is closed and locked. The Clerk will tally the vote.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	N	20	Richard F. Schneller
A	3	George W. Hannon, Jr.	Y	21	George L. Gunther
N	4	David M. Barry	N	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	N	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	N	25	Louis S. Ciccarello
N	8	Lewis B. Rome	Y	26	George C. Guidera
A	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	N	29	Audrey P. Beck
N	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
N	14	Robert L. Julianelle	Y	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	Y	34	Lawrence J. DeNardis
N	17	Joseph F. Flynn	N	35	Robert D. Houley
N	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 33
Necessary for Passage 17
Voting Yea 4
Voting Nay 29
Absent and Not Voting .. 3

AMENDMENT M IS DEFEATED.

THE CLERK:

This is Senate Amendment N as offered by Senator Gunther. LCO 9808.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER: (21st)

Mr. President, I move adoption and waive the reading.

THE PRESIDENT:

Will you remark on it, senator.

SENATOR GUNTHER:

This is a very simple and I can't see any reason in the world that we couldn't get support for this particular amendment, Mr. President. All this does is allow the minority which could be the Democratic Party some time in the future to take and appoint members to the task force that is called for in this particular bill. Very frankly, if you will read the bill you will find out that the President Pro Tem and the Speaker and the two chairmen of the Regulated Activities appoint to this particular committee. I think, and also the governor has some appointments. You know we usually play fairly fair up here when we are setting up commissions, boards and that type of thing. We try to get minority representation in especially inasmuch as this isn't going to have any great impact on the commission itself. This is merely for a task force. So I think it is an oversight on the part of the drafters of this legislation. I almost said the Regulated Activities but we know damn

right well they didn't draft the bill; but it seems there was an oversight here and I think this is a simple amendment. It merely would allow the minority leaders of the senate and the house to be able to name at least one person on this task force and I ask your support.

THE PRESIDENT:

Senator Schwartz.

SENATOR SCHWARTZ: (28th)

Mr. President, I solidly concur with the distinguished senator from the 21st that it must have been an oversight and I urge passage of the amendment.

THE PRESIDENT:

Will you remark further?

SENATOR ROME: (8th)

Yielding to Senator Amenta who wishes also to

THE PRESIDENT:

Thank you, Senator Rome. Senator Amenta.

SENATOR AMENTA: (6th)

Senator Rome gave me the mike because he knows he is getting something. Mr. President, this was--we really didn't mean to leave out the minority on this bill. I think this is a good amendment and I hope it passes.

SENATOR ROME:

We withdraw our request for a roll call because it is going to pass.

THE PRESIDENT:

The question is on the adoption of Senate Amendment

Schedule N. All those in favor please signify by saying Aye. Those opposed. THE AMENDMENT IS ADOPTED.

SENATOR GUNTHER:

Mr. President, if you'd like, I'll withdraw the roll call on all the rest of them, if they want to pass them that easy.

THE PRESIDENT:

Don't get carried away, George.

THE CLERK:

This is Senate Amendment O as offered by Senator Gunther. It's LCO 9517.

SENATOR GUNTHER: (21st)

Mr. President, I move the adoption and waive the reading. This particular amendment, Mr. President, I think is the meat of the PUC, the Puka bill, that we have before us and frankly I think if you really wanted to do a helluva job right now, we probably could drop the whole bill and adopt this amendment. What this amendment does is allow for the removal of the commissioners. Now under the present law, in order to take and remove any of the commissioners, you've got to go through the Superior Court with a written complaint from the Attorney General and you know how difficult it is to get anything out of that office, Mr. President, (laughter). This would simplify and yet not be too simple where frivilous actions couldn't be taken. What this would do would allow for theremoval of the commissioners based on an affirmative vote by two-thirds of the members of both

houses or by direction of the governor with approval by a majority. Now I think the meat of the whole problem here, Mr. President, if we sit and listen to the last election and play those tapes over and over again, I think that the promise of dumping the public utilities commission was one of the highlights that won an election. That plus the fuel cost adjustment which we were given to believe might disappear or be reduced or what have you. I think that it is important that if we are going to take and pass this bill that we should have provisions in there because some time in the future you might have commissioners that you might want to remove. And I'll say that in speaking for the present commissioners and that, I think there has been a great distortion, incidentally Mr. President, on many of these men. I've heard them called crooks and they were on the take of the public utilities and the public utilities owned them and that type of thing; I don't think there is anyone of them on that commission right now that would ever fit that bill. I think everyone of those men are honest. I think they might be misguided and they don't listen because I've spent eight years up there talking and maybe I talk too long, but they didn't seem to hear me many times but I know that Mr. Thatcher used to vote in favor of me many times. I think that Howard Hausman has done a fantastic job as the chairman, as far as chairing the meetings and that type of thing; but we are talking about removing members. We are talking about dumping the fellows that are in there and I think that's the crux of this whole bill and the promise of this bill that people are trying to do. I say, let's put a provision

in this bill now that if we have future commissioners that somebody wants to remove and again, not frivolously, but for cause that there will be a provision in there that we don't need to go through the difficult procedure that we now have which is the Attorney General and the courts. I think that it is our responsibility to take and see that we have good competent people in there and if they aren't, it is our responsibility to remove them. And I would ask your support on this particular amendment.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose this amendment. The PUC members must have some sense of security and they must make their decisions with integrity. I don't believe that this amendment does anything to help that. I hope this amendment is defeated.

SENATOR GUNTHER:

I might just briefly say, Mr. President. I think there are five men sitting over there now that have been wondering about the security they had a year ago. And I think if we are going to see this happen every four years that somebody gets a majority in here and we want to play games with it and we want to come up with a bill drafted like this one, I'll tell you, they can have no more security than the five men that are sitting there. And I think that by putting a procedure in there so that you can remove them and do it for a cause and do it ourselves

and not rely on a court, I think this amendment should go.

THE PRESIDENT:

Will the Clerk please announce a roll call in the senate.

THE CLERK:

An immediate roll call in the senate. Would the senators please return to the chamber. (A second time)

THE PRESIDENT:

Are the senators ready to vote? The machine is open. Would you please cast your votes? The machine is closed and locked. Will the Clerk please tally the vote.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	N	20	Richard F. Schneller
N	3	George W. Hannon, Jr.	Y	21	George L. Gunther
N	4	David M. Barry	N	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	N	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	N	25	Louis S. Ciccarello
Y	8	Lewis B. Rome	Y	26	George C. Guidera
A	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	N	29	Audrey P. Beck
Y	12	Stanley H. Page	N	30	Harold D. -Hansen
N	13	Anthony P. Miller	N	31	Jospeh J. Dinielli
N	14	Robert L. Julianelle	Y	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	Y	34	Lawrence J. DeNardis
N	17	Joseph P. Flynn	Y	35	Robert D. Houley
N	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 34
Necessary for Passage 18
Voting Yea 7
Voting Nay 27
Absent and Not Voting. 2

AMENDMENT O, as in O Shoot, IS DEFEATED.

THE PRESIDENT:

Senator Ciarlone.

SENATOR CIARLONE: (11th)

Mr. President, I was on the prevailing side of Senate Amendment Schedule B, at this point I would move Reconsideration and yield to my distinguished majority leader, Senator Lieberman.

THE PRESIDENT:

Reconsideration has been moved. Senator Lieberman, will you remark?

SENATOR LIEBERMAN: (10th)

Mr. President, I support the motion for Reconsideration which is to make a technical change in Senate Amendment B which has the approval of the proponent of the proponent of the amendment.

THE PRESIDENT:

The motion is on Reconsideration. Are there any further remarks? All those in favor please signify by saying Aye. Those opposed Nay. The ayes have it. RECONSIDERATION IS ORDERED.

SENATOR LIEBERMAN:

Mr. President, in regard to Senate Amendment B, I would ask permission of the Clerk, I would like to do this orally and ask him to write in the change. It is a brief change. I would move adoption of the amendment with the following change: in line 16, delete the words "the date of passage of this act" and substitute in lieu thereof the words "August 1, 1975." Similarly on line 30 of the amendment, delete the words "from

its passage" and insert in lieu thereof the words "August 1, 1975." Mr. President, the purpose of the amendment is to give the current public utilities commission a period of time between the passage of the act which presumably will be, all going well, and the date when the governor signs it, which presumably would be early in June and August 1, 1975, to prepare to carry on the administrative hearings called for in this amendment.

THE CLERK:

The Clerk has deleted in line 16, the words "the date of passage of this act" and added "August 1, 1975." And on line 30, has deleted the words "from its passage" and added "August 1, 1975."

THE PRESIDENT:

Senator Flynn.

SENATOR FLYNN:

Mr. President, I would support the amendment. I think the original purpose of the amendment is still retained and I have no objection to this technical amendment which makes that original amendment more workable.

THE PRESIDENT:

The question is on the adoption of the amendment. All those in favor will signify by saying Aye. Those opposed Nay. The ayes have it. THE AMENDMENT IS ADOPTED.

THE CLERK:

We now have Senate Amendment P as offered by Senator Gunther. LCO 9660.

SENATOR GUNTHER: (21st)

Mr. President, I move the adoption of the amendment and waive the reading.

THE PRESIDENT:

Would you care to remark, senator?

SENATOR GUNTHER:

This is, again, an amendment that should have been in here. In my estimation it is the way the fuel cost adjustment should have been handled. This is a duplicate of what I put in here a year ago; in fact, almost to the date. This is a method by which the fuel cost should be allocated on a fair and equitable way to every user both in the electric end and the gas. What this calls for is a complete separation of the fuel costs and I am talking about total removal of the cost of fuel into a separate account and that fuel be pro rated over the actual cost of the fuel and the kilowatt hours generated or the cubic feet of gas purchased. And in that way, everybody that actually uses the type of energy we are talking about gets a fair and equitable allocation of the cost in the fuel. Now, this would also call for a hearing on a three-month basis with adjustments at that time; so that there is the hearing procedure provided for in this particular section. Now, very frankly, Mr. President, the allocation of the fuel cost this way would be a fairer way and it would take the total cost of fuel because there are those that will talk about fuel cost adjustment, and many of them talk about 1971 when we put the fuel cost adjustment into the bills of our people in the state. Actually at that time, over twenty percent of the fuel was already

into the base rate. That's been buried in there and it has been in there ever since we talk fuel cost adjustment and nobody knows it. I am talking about separating the total cost of fuel and actually allocate it to the users on a fair and equitable basis. This wouldn't be in any base structure and I know we are being told that it is put into the structure, put in there evenly, it's not on the dec lining block and there is a lot of gobbly-gook about this, but there was over twenty percent of it in that base rate before they even started playing games with it. So if you really want to do a job, if you really want to take and separate the fuel cost and have everybody pay their fair share, I think this is the way to do it. Now, incidentally, Mr. President, I was very happy when the majority leader got up and he said that we couldn't take and get rid of the fuel cost. We couldn't abolish it. We couldn't shove forty percent or twenty percent down the throats of the utilities; and yet a year ago and during the election time, I heard plenty of dialogue from plenty of candidates that were talking about abolishing it, about making the utility companies swallow twenty to forty to fifty percent of this fuel cost. And it was very encouraging here tonight to hear the majority leader come out and tell it like it is. There ain't anybody who is going to take off the fuel cost adjustment. I'm saying it should be distributed fairly amongst the users and this is a method. There is no hanky-panky, there is no efficiencies, there is no formulas, there's no section (b)'s, and as far as normalizing it and all that stuff this would take care of the costs of fuel, that is either sold

as gas or is sold as electric energy in the kilowatt hour by promulgating the total cost, taking it entirely out of the base completely and allocating it to each user on its use.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose the amendment. Speaking on the amendment, the distinguished senator from the 21st, Senator Gunther, makes what he says sound very attractive, but it simply will not work. Some of the problems are it allows for rate increases under Subsection 1 to cover increased operating expenses not connected to fossil fuel without hearings or applications or any proceedings whatsoever. The only hearings are quarterly hearings on strictly fossil fuel costs. The present Section 10, as amended, has monthly hearings and, of course, requires hearings on increases and other costs as set out in the regular procedures of Section 8, which allows for the one hundred fifty days. And also it allows for the fuel adjustment costs to run for three months without adjustment for increased generating and delivery efficiency. This is a bad amendment and it ought to be defeated.

THE PRESIDENT:

If there are no further remarks, will the Clerk please announce a roll call vote in the Senate, ON Senate Amendment P.

THE CLERK:

An immediate roll call will be taken in the senate. Would all senators please return to the chamber. (A second time)

THE PRESIDENT:

The machine is open. Will the senators please cast their votes. The machine is closed and locked. The Clerk will please tally the vote.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	N	20	Richard F. Schneller
N	3	George W. Hannon	Y	21	George L. Gunther
N	4	David M. Barry	N	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	N	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	N	25	Louis S. Ciccarello
N	8	Lewis B. Rome	Y	26	George C. Guidera
A	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	N	29	Audrey P. Beck
Y	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
N	14	Robert L. Julianelle	Y	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	Y	34	Lawrence J. DeNardis
N	17	Joseph P. Flynn	N	35	Robert D. Houley
N	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 34
Necessary for Passage 18
Voting Yea 5
Voting Nay 29
Absent and Not Voting 2

AMENDMENT P IS DEFEATED.

THE CLERK:

The Clerk would like to read in two favorable reports. This is favorable report joint standing committee on Finance, Substitute Senate Bill 1221. AN ACT CONCERNING TRANSPORTATION OF ALCOHOLIC BEVERAGES.

THE PRESIDENT:

Tabled for the Calendar and Printing.

THE CLERK:

Favorable report joint standing committee on Finance. Substitute Senate Bill 1050, AN ACT CONCERNING PARK IMPROVEMENT PROJECTS.

THE PRESIDENT:

Tabled for the Calendar and Printing.

THE CLERK:

The Clerk has Senate Amendment Q as offered by Senator Gunther. LCO 8397.

SENATOR GUNTHER: (21st)

Mr. President, I move the adoption of the amendment and the waiving of the reading. This is a very, very short one.

THE PRESIDENT:

Good.

SENATOR GUNTHER:

Senator Amenta went part way on the salary of these three commissioners or five commissioners, I mean. He went down to thirty thousand dollars from thirty-five thousand dollars. Mr. President, I think twenty-five thousand dollars is more than enough salary for these fellas and especially, we left that Section 8 there, which allows these fellas to have a little gravy on the side; so we are talking about maybe a retirement job and incidentally I used to think that lawyers all wanted to be judges and I find out that they like to be on PUCs or be the head of the Public Utilities, so that this is almost retirement work. And at twenty-five thousand a year, that's a hundred dollars a

day, five hundred dollars a week and maybe I'm an awful peasant but believe me, I think twenty-five thousand is more than enough to pay for this job and if we have any criteria that has been established before and I noticed in writing up some of the stipulations in that, it says some of them should have some talent in law, and I am damn sure we've had an abundance on it in the past. You might change the name, but I daresay, Mr. President, you are going to see plenty of lawyers sticking their nose on that PUC or PUCA or whatever it is, and I think twenty-five thousand is more than enough to pay them.

THE PRESIDENT:

They'll all be glad to see you coming, George, I'm sure. Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose the amendment.

THE PRESIDENT:

If there are no further remarks, the question is on the passage, the adoption of Q and the Clerk will please announce an immediate roll call vote in the senate.

THE CLERK:

An immediate roll call in the senate. Would all the senators please return to the chamber. (A second time)

THE PRESIDENT:

The machine is open. Will the senators please cast their vote? The machine is closed and locked. Will the Clerk please tally the vote.

Thursday, May 29, 1975

SENATOR SCHWARTZ:

Mr. President, before you read the vote, I believe Senator Finney wanted to record her vote and did not....so that she may be recorded.

SENATOR HANNON:

I would like to berecorded in the negative.

THE PRESIDENT:

Senator Finney in the negative. Senator Hannon in the negative.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	N	20	Richard F. Schneller
N	3	George W. Hannon, Jr.	Y	21	George L. Gunther
N	4	David M. Barry	N	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	N	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	N	25	Louis S. Ciccarello
N	8	Lewis B. Rome	Y	26	George C. Guidera
A	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	N	29	Audrey P. Beck
N	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
N	14	Robert L. Julianelle	Y	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	N	34	Lawrence J. DeNardis
N	17	Joseph P. Flynn	Y	35	Robert D. Houley
N	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 34
Necessary for Passage 18
Voting Yea 4
Voting Nay 30
Absent and Not Voting . 2

AMENDMENT Q IS DEFEATED.

THE CLERK:

Clerk has Senate Amendment R as offered by Senator Gunther. LCO 9514.

SENATOR GUNTHER: (21st)

Mr. President, I move adoption of the amendment and waive the reading.

THE PRESIDENT:

Will you remark, senator?

SENATOR GUNTHER:

This particular amendment would set up an individual consumer's counsel in all the gas, electric utilities in the State of Connecticut and it would take and have it paid for by the consumers themselves and controlled by the consumers themselves. We are talking about the cost of one-tenth of one percent on everybody's bill which would be twenty-five cents on a twenty-five dollar bill; fifty cents on a fifty dollar bill. And this would subsidize the cost of a three-man council in each utility who would hire a, I hate to say it, lawyer and a rate man who would be actually within that company but yet independent so that they could have a total overview of the entire operation of that utility. Now our present consumer counsel admitted at hearings that he had to be selective on what he was going to cover. He used to pick his cases. I know we are going to give more staff. We're going to give 'em a little office, help and money and all that sort of thing but I am going to tell you, Mr. President, this man is supposed to cover the full scope of the PUCA or peuka or whatever it is - I get tangled up on that - he is going to have to cover all the buses and the taxi hearings and everything else, technically,

and you haven't cut him out through the transportation amendment, so that I can tell you that it is almost a physical impossibility to cover these things as we want to without you coming back here with one big tab for additional staff, additional help and probably even more salary because he is always complaining that he doesn't have enough time. He is working twenty-four hours a day now and I know the past month he spent most of it over here in the capitol to help draft this particular bill. So as far as I am concerned, Mr. President, the way to know what's going on in the utility company is to have people there sitting on it and living with it with a total overview of what's going on in that particular company. Now the present language in this particular bill also puts the consumers counsel in the involvement of hearings and any judicial action that is taken. There is no way that he can get into the company itself and actually go through the books and the operation of the company. Now if we really want the consumers' councils, the utilities overviewed, if we want to know what's going on, we want somebody to be there looking after our interest, this is the way to do it. Not by an independent counsel who can only go into rate hearings, who can only go into the judicial actions that are taken relative to rate cases and that type of thing, instead of being where he ought to be where the action is overviewing that company itself, within that company with a total access to that company's records and operations. And I would ask the support of this amendment.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose this amendment, but before I speak any further on it, I think that this is probably the right time for me to introduce a gentleman that has been discussed several times here tonight, who has been areal help to our committee, who I think has been a real help to the consumers of this State of Connecticut. He is a very hard-working, very talented person and I think that this is the time that this body should rise and give recognition to a wonderful, hard-working guy, our consumer counsel, David Silverstone. (Applause)

SENATOR GUNTHER:

Might I ask, what's he doing over here with the telephone company in for a rate increase?

SENATOR AMENTA:

Mr. President, the subjectmatter of this amendment is a very cumbersome arrangement. No. one, Section C gives advisory and observatory functions only, no power to act. Number two, it increases bills of electric and gas customers and it is not clear whether the assessment is point one percent of a monthly or of an annual bill and the fiscal impact on the customer is in any case. Number three, it will be ineffective in effecting rates or changes. Anyone who wants to can presently get all the information necessary during hearings before the PUCA. This is a bad amendment. I hope it will be defeated.

THE PRESIDENT:

Senator DeNardis.

SENATOR DENARDIS: (34th)

Mr. President, I simply want to agree with Senator Amenta and break ranks with my good friend, Senator Gunther. I think it is a very cumbersome, unwieldly arrangement and I think the system we inaugurated last year and that is being perfected this year is a far superior approach.

THE CLERK:

An immediate roll call will be taken in the Senate. Would all senators please return to the chamber. (A second time)

THE PRESIDENT:

The machine, senators, is open. Will you please cast your votes? The machine is closed and locked. The Clerk please tally the vote.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	N	20	Richard F. Schneller
A	3	George W. Hannon, Jr.	Y	21	George L. Gunther
N	4	David M. Barry	N	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	N	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	N	25	Louis S. Ciccarello
N	8	Lewis B. Rome	N	26	George C. Guidera
A	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	N	29	Audrey P. Beck
N	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
N	14	Robert L. Julianelle	Y	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	N	34	Lawrence J. DeNardis
N	17	Joseph P. Flynn	N	35	Robert D. Houley
N	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 33
Necessary for Passage 17

Voting Yea 2
Voting Nay 31
Absent and Not Voting 2

AMENDMENT R IS DEFEATED.

THE CLERK:

The Clerk has Senate Amendment S as offered by Senator Gunther. LCO 8398.

THE PRESIDENT:

Senator Sullivan.

SENATOR SULLIVAN: (16th)

Mr. President, I was on the prevailing side on Senate Amendment Schedule N. At this time I would move for Reconsideration of that amendment.

THE PRESIDENT:

Are you a lawyer, Senator Sullivan? Are you trying to get even?

SENATOR GUNTHER: (21st)

Mr. President, I would oppose that and I would like to say I have one more amendment left and if Senator Sullivan would like to take and pursue the reconsideration, I would be very happy on this next one to spend a helluva lot more time than I have on the last. So if they would like to go ahead and reconsider it, be my guest. I oppose it.

SENATOR SULLIVAN:

Mr. President, if Senator Gunther makes that promise then I'll withdraw my motion.

THE PRESIDENT:

I think that that was a valiant thing to do. Now we are on "S".

SENATOR GUNTHER:

We only have one left here, Mr. President, and I think this is one you really ought to take a good look at. So far, you know, I've had a good batting average - one out of nine. I'd like to move the adoption of the amendment and the waiving of the reading.

THE PRESIDENT:

Will you remark on it, senator?

SENATOR GUNTHER:

What this particular amendment does is what I have tried to get in here several times. It was here and you scootered it off and you said that the proper time to put in the amendment and the proper time to put this amendment in here would come up. It has come up now. This is to outlaw the cost of political, institutional or promotional advertising of any gas or electric company so that actually what we are talking about the time is now. You talked about it. You said that it is a good amendment and it's a place to put it. Here it is. I'd like to have your support.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I agree with Senator Gunther that this subject matter ought to be taken up at this session of the

legislature. There is a vehicle, a bill that passed the house of representatives and is in the senate committee. We will have the senate committee on Regulated Activities meet sometime tomorrow and hopefully we will take up this bill. It's a much.. we can do it at a much more leisurely pace. We can really take a look at what the bill does and I think that we can probably do a better job by doing it tomorrow and if Senator Gunther would kindly consider withdrawing this, I promise him that we will take the subject up tomorrow. We will have a hearing tomorrow and take this subject matter in the senate.

SENATOR GUNTHER:

Mr. President, we've said that there is nothing like the time right now, Senator, through you, Mr. President. The bill is here and it will take two seconds to run a vote on it. Now is the time to do it.

SENATOR AMENTA:

Mr. President, I rise to oppose the amendment.

THE PRESIDENT:

Will the Clerk announce an immediate roll call please in the senate.

THE CLERK:

An immediate roll call will be taken in the senate. Would all senators please return to the chamber. (A second time)

THE PRESIDENT:

The machine is open. Will you please cast your votes? The machine is closed and locked. The Clerk will tally the vote.

N	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	N	20	Richard F. Schneller
N	3	George W. Hannon, Jr.	Y	21	George L. Gunther
Y	4	David M. Barry	Y	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	Y	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	Y	25	Louis S. Ciccarello
Y	8	Lewis B. Rome	Y	26	George C. Guidera
N	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	Y	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	Y	29	Audrey P. Beck
N	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	N	31	Joseph J. Dinielli
Y	14	Robert L. Julianelle	N	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J. Sullivan	Y	34	Lawrence J. DeNardis
Y	17	Joseph P. Flynn	N	35	Robert D. Houley
N	18	Mary A. Martin	Y	36	Florence D. Finney

Total Voting 35
Necessary for Passage 18
Voting Yea 13
Voting Nay 22
Absent and Not Voting 1

AMENDMENT S IS DEFEATED.

THE CLERK:

Clerk has Senate Amendment T as offered by Senator Bozzuto. LCO 9617.

THE PRESIDENT:

Senator Bozzuto.

SENATOR BOZZUTO: (32nd)

Mr. President, that amendment would please be withdrawn.

THE CLERK:

The Clerk has U and V from Senator Bozzuto. Do you wish those withdrawn, too, senator? Senate Amendment U is LCO 9615.

SENATOR BUZZUTO:

Courtesy of Senator Amenta, that has been included in his major amendment. Will you please withdraw that one.

THE CLERK:

Senate Amendment V is LCO 9616.

SENATOR BOZZUTO: (32nd)

I move adoption of the amendment and waive the reading, Mr. President.

THE PRESIDENT:

This is V.

SENATOR BOZZUTO:

Yes, sir. LCO 9616.

THE PRESIDENT:

Alright.

SENATOR BOZZUTO:

This simply deletes the poverty status section which in essence should be welfare's responsibility. I believe if you look at line 373, you will note that the reading says that the authority shall determine whether existing or future rate structures place an undue burden upon those persons of poverty status and shall make such adjustment in the rate structure as is necessary or desirable to take account of their indigency Mr. President, this will make another department of welfare in the utility department. I believe it should be removed from the structure and I would move the adoption of the amendment.

THE PRESIDENT:

Further remarks? Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I rise to oppose the amendment. Mr. President, this amendment, as I understand it, would have two effects. One, it removes the ability of the authority to remedy an undue burden on "Poor" as it finds necessary or desirable. It also removes the expressed power of the PUCA to order the implementation of new rate principles and structures, if necessary in the public interest, and it can be accomplished without being unfair, discriminating, unduly burdensome or disruptive. Also the first part of the amendment directs itself to removing provisions to aid the poor. This provision was written with great care so that only undue burden or unfair burden on poor would be removed if desirable and necessary. If the authority did decide to act pursuant to this provision, it could only remove undue and unfair burden. Therefore, unless the authority found these to be undue burden on poor, it cannot act under this provision. The second part of the amendment would remove the requirement that the PUCA keep up to date with new pricing principles and with changes in the way electricity is sold and produced. Again, there are no careful restrictions on this provision to insure that the PUCA acts carefully and in the public interest. I think this is a bad amendment and it ought to be defeated.

THE PRESIDENT:

Senator Bozzuto.

SENATOR BOZZUTO:

Mr. President, through you a question to Senator Amenta,

two parts. Who determines undue burden and what are these new rate structures that he mentinns, which I do not see in that particular section that I have asked to be removed?

THE PRESIDENT:

Do you care to remark, Senator Amenta?

SENATOR AMENTA:

Mr. President, the members of the PUCA would determine the rate structure or the undue burden and they also will determine if there, indeed, is a rate structure that can help the poor.

THE PRESIDENT:

No further remarks? Joe Dinielli.

SENATOR DINIELLI: (31st)

Mr. President, I rise to support this amendment. It's obvious from the writing of that portion of the bill, which is being or which would be removed by this amendment, that it's directly aimed at taking care of the poverty-stricken, the indigent and, Mr. President, members of this circle, we all know that we appropriate over 400 million dollars a year for welfare programs and I think this could be a vehicle to hide some of those costs and spread it among the ratepayers. I think it's an out and out attempt to hide rates, I don't think it belongs in this bill. I know that Senator Amenta and his staff have worked long and hard on this. I can't for the life of me understand the need for the inclusion of this portion in that bill. It specifically refers to the indigent, poverty-stricken. I just can't

understand, senator, through you, Mr. President, why this has to be part of this type of legislation.

THE PRESIDENT:

Senator Rome.

SENATOR ROME: (8th)

Mr. President, I rise to associate myself with the remarks of Senator Dinielli. I think that this just does not belong in this bill.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER: (21st)

Mr. President, very briefly, I support the amendment and what the members of the circle ought to see is what we already absorb in that account and we are talking about thousands and hundreds of thousands of dollars of that account. Now you are going to add another dimension to the bill. You are going to have to have the average ratepayer pick up the indigent which I think is a federal function for the welfare department. I think it's a good amendment. You ought to really take a look at it and support it.

THE PRESIDENT:

Senator Finney.

SENATOR FINNEY: (36th)

Mr. President, I don't usually talk on these things and I think I have along record in this General Assembly of consideration for the poor and the underprivileged, but I do agree with those who have spoken before that it seems to me

strange

THE PRESIDENT:

Gaveling for order - excuse me, Senator Finney. There will be order in the chamber. Proceed, senator.

SENATOR FINNEY:

..strange that we should be putting part of the burden of helping people on the public utilities. I think we ought all to be willing to take our share of that burden and not put it on the utility companies.

THE PRESIDENT:

Thank you, senator. Senator Amenta.

SENATOR AMENTA:

Mr. President, again I'd like to speak on this amendment. The strength of this bill, if there is really any real strength to it, is the fact that everyone had an imput in the bill and I think it is a strong bill and I think it is a good bill. And for that very reason, I think it is a good bill. You know, way back several months ago, when we had all the problems of paying for power for the poor, it was then a very important subject. Today it's not quite as important because the need isn't quite there. All this section says, and the words in this section say, that the PUCA will take a look at the problems of the poor. It doesn't mandate that they have to do anything specific about it. It does say that there is a group of the poor who have different problems than the rest of us. And if there is some way where we can help them out, if, in fact, the declining block does dis-

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criminate against the poor that they will take a look at this declining block and do something about it. That's all this does. It doesn't mandate that anything be done. It simply says that the new PUCA be sensitive, take a look at another area that the present PUC members have never taken a look at. And I think it's a bad amendment and with this amendment, I think, we will lose a very important segment of the bill.

THE PRESIDENT:

Senator Dinielli.

SENATOR DINIELLI:

Mr. President, I would like to make it clear that I, in no way, oppose helping the poor in the case of paying for utilities, utility bills, as I have supported a resolution, I think that was presented by Senator Amenta earlier this session. I believe that my words are being twisted. All I say is that we have a welfare commissioner, we have a welfare department. I do not see any justification for the placing of this type of wording in a public utilities control authority bill. Now, fine, it's nice to have or know we are going to have commissioners that are concerned about the poor and well they should. They should be concerned about everybody. I don't see the need for this in the bill. And I just want to make it clear that I am not opposing any welfare payments, when necessary, but we have the vehicle to do that. We have done it in the past and we will probably continue to do that. This is not a matter for the PUCA or the peuka or whatever you want to call it.

THE PRESIDENT:

Senator Bozzuto.

SENATOR BOZZUTO:

Mr. President, I think it is obvious that "PUCA" commissioners are not welfare commissioners. They will be unable, they will not have the time or the expertise to decide undue burden/or indigency. This has no place in this bill. I urge consideration by the members of the circle. It will not in any way harm this legislation to take this out and, in fact, it will make it more positive. If we need to spend more money for welfare, we have a welfare budget. That's the vehicle we should use.

THE PRESIDENT:

Senator Lieberman.

SENATOR LIEBERMAN: (10th)

Mr. President, I rise to oppose the amendment. I really think the amendment is misconceived and in effect, at least, seems to be punitive. This amendment, this section, has to be taken in context of the overall bill. And what does this bill do in this section. It says that certain factors should be considered in the commission's judgments on rates and rate structures. It says, for instance, that matters of economic development should be considered. I believe it indicates that matters of environmental concern should be considered. That's just about as relevant to say that that question of the effect on the poor should be taken out because of the welfare department budget as it would to say that the factor of economic development should

be taken out because we have a Department of Commerce or that the factor of environmental impact should be taken out because we have a Department of Environmental Protection. This is just one more factor for this commission to consider and I think they should consider it. I know that the welfare, the whole question of the poor raises a certain connotation, but I've heard a lot of discussion about the effect of our rate structure on poor people particularly on the elderly poor who live alone, who use small amounts of electricity, for instance, but have small amounts of money and perhaps it would be the best judgment of our society that they should be able to obtain that electric service which is absolutely necessary to their lives at a somewhat less expensive rate per kilowatt unit. So, sure this section of the bill is not imperative but I think this amendment is misconceived and punitivee and I strongly oppose it.

THE PRESIDENT:

Will you remark further? Senator Hudson.

SENATOR HUDSON: (33rd)

Mr. President, I also oppose this amendment. The truth of the matter is we have never taken care of the poor. And I think we have to face that fact. We have made attempts to take care of the poor but we have never taken care of the poor and they remain a real problem to this country whether it is in Appalachia or in theghettoes of our cities or in poor communities throughout Connecticut. And it is about time that not only the Welfare Department, but everyone in government, look at their problem and do everything they can to address the problems of

the poor in their particular area. I think this is a good addition to the bill and I would hate to see this amendment pass.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA:

Mr. President, in further reading the amendment, if you will turn to lines 373 to 387, which is what the amendment deletes, I am going to take a little time to read it. The Authority, it deletes this section - the authority shall determine whether existing or future rate structures place an undue burden upon those persons of poverty status and shall make such adjustment in their rate structure. But it goes on further, it says as is necessary or desirable to take into account their indigency. Also the authority shall require the utilization of such new principles and structures to the extent that the authority determines that their implementation is in the public interest and necessary or desirable to accomplish the purpose of this provision without being unfair or discriminatory or unduly burdensome or disruptive to any group or class of customers and determines that such principles and structures are capable of yielding the required revenues.

So that it does take an awful lot; it deals with the poor and the indigent, but it does takes an awful lot out of the guts of the bill. I think it further shows that this is a bad amendment.

THE PRESIDENT:

Senator Bozzuto.

SENATOR BOZZUTO:

Mr. President, there is obviously something not being said here and it seems to me, I can't quite understand what the objection is on the part of the majority leader because if we are not going to take it on a case by case basis and we are going to take it in groups, then perhaps we should be identifying those groups. And again if we are going to be taking it on groups, I don't believe that it's a decision that should be left with the PUC commissioners. It's more rightfully the responsibility of this legislature or perhaps the welfare commission and as Senator Amenta has read on, I think the people of Connecticut should know that there is a very definite possibility that what's going to happen here is that we are going to give one class of people a rate break and we are going to pass that break along to the other utility payers. Now as I understand the original intent of abolishing the PUC, the governor's promise during the election, the candidate, was to lower rates. This in no way lowers rates, nothing we've done tonight lowers rates and we should make note of that. This certainly deserves the approval of this body.

THE PRESIDENT:

Will the Clerk announce a roll call vote in the senate.

THE CLERK:

An immediate roll call will be taken in the senate. Would all senators please return to the chamber? (A second time)

THE PRESIDENT:

The machine is opened. Will the senators please cast

their votes? The machine is closed and locked. The Clerk will tally the vote.

N	1	Joseph J. Fauliso	Y	19	James J. Murphy, Jr.
N	2	Wilber G. Smith	Y	20	Richard F. Schneller
N	3	George W. Hannon, Jr.	Y	21	George L. Gunther
N	4	David M. Barry	N	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	N	23	Salvatore C. DePiano
N	6	Paul S. Amenta	N	24	Wayne A. Baker
N	7	Charles T. Alfano	N	25	Louis S. Ciccarello
Y	8	Lewis B. Rome	Y	26	George C. Guidera
N	9	J. Martin Hennessey	N	27	William E. Strada, Jr.
N	10	Joseph I. Lieberman	N	28	Joseph W. Schwartz
N	11	Anthony M. Ciarlone	N	29	Audrey P. Beck
Y	12	Stanley H. Page	N	30	Harold D. Hansen
N	13	Anthony P. Miller	Y	31	Joseph J. Dinielli
N	14	Robert L. Julianelle	Y	32	Richard C. Bozzuto
N	15	Louis S. Cutillo	N	33	Betty Hudson
N	16	William J.Sullivan	Y	34	Lawrence J.DeNardis
N	17	Joseph P. flynn	Y	35	Robert D. Houley
Y	18	Mary A. Martin	Y	36	Florence D. Finney

Total Voting 35
Necessary for Passage 18
Voting Yea 12
Voting Nay 23
Absent and Not Voting 1

AMENDMENT V IS DEFEATED.

THE CLERK:

The Clerk has Senate Amendment W as offered by Senator DeNardis. LCO 9796.

THE PRESIDENT:

Senator DeNardis.

SENATOR DENARDIS: (34th)

Mr. President, I believe that that is the amendment dealing with energy conservation and it has been absorbed the Senator Amenta's original amendment, Amendment A. And I withdraw it.

THE CLERK:

The clerk has no further amendments at this time.

THE PRESIDENT:

Senator Rome.

SENATOR ROME: (8th)

Mr. President, to expedite matters, I move adoption of the bill as amended and I would like to speak against it. I'll be very brief.

PRESIDENT:

Proceed, senator.

SENATOR ROME:

Mr. President, as witnessed by the fact that there were some twenty-eight amendments from both sides, I think fairly evenly split, of the aisle, this is a very serious problem of identifying, perhaps not our political obligations, but our obligations to our constituents, our obligations to all of the people of the State of Connecticut. I indicated earlier that one of the obligations we have to the people of the State of Connecticut is sometimes to assess the problem with all the information that we can find, with all the resources that we can command. And sometimes we really have to lead instead of follow. I think that's the instance in this particular case. This is a very bad bill. I oppose the bill. I would make a suggestion that the President really ought to find these amendments that were adopted as substantive amendments and therefore returned to the legislative commissioners. I don't want to do that by way of

parliamentary maneuver because I know the votes are here in the circle, commitments are here. If we were all free agents, this bill would not be debated tonight, it would have been recommitted some many, many hours ago. We are not free agents and I recognize that and therefore I will not make my parliamentary suggestion to the Chair. I would hope that we would get on with the voting as quickly as possible. We've all debated and discussed this subject here and outside of the chamber adequately.

THE PRESIDENT:

Senator Amenta.

SENATOR AMENTA: (6th)

Mr. President, I can sympathize with what the minority leader has said but, in my opinion, he is absolutely and entirely wrong. This is a good bill. In comparison to what we have, this is an excellent bill. The fact that there were twenty-seven amendments doesn't surprise me and shouldn't surprise anyone else. Whenever you deal with the abolition of an agency, as influential, as large, as technical as this one, there are differences of opinion and our committee, has over the past five months, sought and gotten imput from every facet of this community, of this state that had an interest in the PUCA. That's what makes it a good bill, as I said before. For the first time, you are going to have an agency that is going to be sensitive to people, an agency that is going to go out and is going to seek from the utilities justifications for their rate increases. Mr. President, this bill establishes a public utilities control authority to vigorously safeguard the interests of the state and its citizens.

The pledge of the Administration was to abolish the PUC and establish a strong new regulatory authority in its place. It has been attacked and assailed as politics. Thepolitical process is the very essence of democracy. It is through politics that we are chosen to represent the people and it is through politics that, hopefully, we serve them once elected. And through the political process we have received a strong and clear message that people of the State of Connecticut have lost confidence in the old PUC and the existing regulatory framework. They have demanded its replacement with an authority endowed with a staff guidelines and powers necessary to insure that vital utility services are provided to the people of the State of Connecticut with maximum efficiency and at the lowest, reasonable cost to the customers. The Public Utilities Control Authority will accomplish this. This is not a time to indulge in recriminations and postmortems. No one is saying that the members of the present PUC are not conscientious public servants of honor and integrity. I have known Chairman Hausman and dealt with him in public life for years and have nothing but the highest regard for him. The problem is not in the incumbent members but, in my opinion, in the institution of the PUC itself. Let's face it. It's a relic of a bygone era in which railroads and street-cars were the central focus of regulation and in which techno-logical advances and economies of scale spelled a happy era of decreasing costs for utility service. WE cannot put new wine into old wineskins. Today's problems and realities are different and they demand new approaches and institutions. There are those

who will say that this bill represents a dangerous precedent in the abolition of the existing state agency by an incoming administration. To this I say that this step is not being taken lightly. The times in which we find ourselves and the problems peculiar to them require this action. State agencies are created to serve the people of the State of Connecticut and when they cease to do so effectively or when the people have lost confidence in their ability to serve those people, they must be replaced. There will be those who will say that the bill is too severe on utilities and that it seeks to impede their operations and their ability to manage themselves and that it threatens their financial condition by imposing stringent restrictions on rates. To this let me say that this bill has not been drafted and developed into its present form in a vacuum. The committee sought the broadest possible imput from all points of view and has tried to reflect a sound workable blending of ideas in this final draft. Moreover the members of the Regulated Activities Committee have had occasion in the course of hearings and seminars and work sessions concerning the utility industry to learn a great deal about the major utilities companies of the state and I am fully confident that those companies will be able to function effectively and remain strong and their ability to provide reliable service to the public and reasonable return to their investors, under the scrutiny and regulation provided for in this bill. Finally, there will be those who will say that this bill does not go far enough, that we need socialized utilities and a full-blown state

takeover of public utility company assets and operations. To this I say that such a takeover is neither practical nor advisable. Instead it is clear that a strong, financially viable investor-owned utility industry operating under the watchful eye of a strong regulatory authority is in the best interest of the citizens of this state and holds the best promise of providing adequate, reliable service at the lowest possible cost. Ladies and gentlemen of the circle, I think this bill is a good bill. I think this bill would be a bill where the new PUCA will be sensitive to the needs of the people and the ratepayers and because of that I hope that we adopt it.

THE PRESIDENT:

Senator Page.

SENATOR PAGE: (12th)

Mr. President, through you to Senator Amenta, with all of the amendments out of the way, would you refresh my memory as to what the salary will be for the new commissioners?

SENATOR AMENTA:

It's about thirty thousand dollars. It has a grade. We spelled it out in a grade salary.

SENATOR Page:

That's close enough, senator. ARe these new commissioners required to serve full time?

SENATOR AMENTA:

Yes, they are. I have comments but I thought that most of you read the bill and we have been here a long period of time. In fact, the thought occurred to me that if we could harness all

this energy, we might be able to lower the bills for the people of the State of Connecticut. Yes, it spells it out in the bill that they are full time. They are required to give full public disclosure of their assets and provides for the upgrading of staff and if the circle would like to have me give some of the highlights of the bill, I would be very happy to, but I think most of you have read them and you have heard the discussions and unless there are any other questions, I will defer to the passage of the bill.

THE PRESIDENT:

If there are none....Senator Gunther.

SENATOR GUNTHER: (21st)

Mr. President, very briefly. I'm going to oppose the bill. It could have been a good bill. It could have been a good bill with some of the amendments, maybe not all of them; but if all of them had been in there, it would have been a good bill. I say this is a facade and I think that the public is going to be able to evaluate it after we get this thing geared up and thrown in there because apparently that's what is going to happen, because they talked about lowered bills; a lot of people think there is going to be lowered bills by utilities and yet if we allowed Senator Amenta to give the breakdown - you are increasing the cost of the hearings because there is going to be more of them, more time. You are increasing the staff. I subscribe to that. They needed staff a long time ago. Increased costs. Increased pay for the commission. Another

extra thirty thousand a year for them. Increase in the number and salary of the consumers counsel, that's more money. I subscribe to part of that, but as much as it is going to take to implement this bill, it might be a helluva lot more than what we think it is going to be. It increases the contributions by the utilities from fifty-six to seventy percent. And where do you think that's going to come from? The utility ratepayers. This whole bill is going to cost more, if nothing else moves, it is not going to take and make any real impact in the fuel cost adjustment which people have been yelling about. Now, you know, P-U-C-A is puka, I guess, and there is a Hawaiian word "puka" it means a hole. Now this is going to be a Connecticut "puka". We ought to put it in a hole and leave it there and come up with a good bill. I oppose it.

THE PRESIDENT:

Senator Hennessey.

SENATOR HENNESSEY: (9th)

Mr. President, I'd like to rise and support the bill very vigorously. It's not what we would all like but it's something that's a step in the right direction. A great deal of effort and work - we'd all like something better but we have to live with many of the things that we don't want to. I support Senator Amenta and the committee for the work that they have done and I hope it passes.

THE PRESIDENT:

Shall we vote? Senator Beck.

SENATOR BECK: (29th)

Mr. President, it's very late and many people have many more profound things to say about the bill, but I just wanted to say two very brief things about my feeling of the direction of what Senator Amenta's committee has attempted to do which I think is extremely important for all of us here and it is that we all recognize, I think, that we cannot solve problems of national dimension, but that perhaps the most pervasive uneasiness has been with the qualifications and the commitment and the ability of the public utilities commission to handle its own affairs and to be free of special interests. We all recognize that we are limited in what we can accomplish at any state level and I want to say to the senator and to his committee that I, for one, am particularly grateful that these full-time commissioners are paid the salaries they are because I think what you have written into the bill is exceedingly important. You have pointed out to us that their salaries are to be equivalent to those of chief judge of the Superior Court and I think that this has been a fundamental attempt on your part to establish that they are comparable in nature and whatever the dollar figure turns out to be, it's the attempt to establish comparability that your committee has tried to do for us. And I would like to just briefly say that particularly I am grateful that you put in on page eleven in line 485, the fact that management audit teams will be established as a part or management audits rather, pardon me, management audits will be established as a part of this commission's responsibilities at least every six years, if not

more frequently. I only wanted to say that, as late as it is, because I think no one has referred to the fact that if there is anything else that has had an erosion of public confidence, it has been, in terms of the ability of the utilities to tend to their own house and to their own affairs in a situation where costs are rising. And I think that when we look at this bill in the long run and come back to it, it is that management audit concept by a public body dealing with a private company using public funds which is going to turn out to be one of the most important steps which this new authority has taken. And I think all of us tonight, even though we would have perhaps liked some more changes, can be very grateful that you have done these very important things for us.

THE PRESIDENT:

Senator Rome.

SENATOR ROME:

Mr. President, could you be merciful and get on with the inevitable forthwith, please?

THE PRESIDENT:

Senator Bozzuto:

SENATOR BOZZUTO:

I'm sorry, Mr. President. Mr. Minority Leader, I'm sorry. I must make a few comments

THE PRESIDENT:

No dicipline.

SENATOR BOZZUTO:

because I was particularly struck by Senator Amenta's

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comments in making his remarks to the bill and he expressly remarked twice - lost confidence, in relating those remarks to the PUC. And I contend that that lost confidence, after this bill is passed, will transfer from the PUC to this legislative body and to the governor on the second floor. Because I sat through the hearings, the last two years, and I heard what the people wanted and I knew it was impossible to give it to them. They wanted lower utility bills. But the governor candidate, in her wisdom, decided she would make that promise. So tonight, what do we have? Longer terms for the commissioners at higher salaries, that simply is more cost to the consumer. No full-time requirements in spite of your protestations, no full-time requirements, rather so long as there is no conflict of interest they can have outside activities. Much of the comment during the campaign was with regard to the fuel adjustment clause. So what did we do, we renamed it the fossil fuel clause and in addition, to add a little bit of scorn to it, we added a generation utiliazation adjustment clause. So what about the customers. They are going to have increased bills, without any question. We have included perhaps five to six million dollarsof more money in a poverty status which will need to be apportioned against those people who do pay their bills. And we have increased the assessment from fifty-six percent to seventy percent which is going to be another three hundred thousand dollars of hidden taxes that we'll not take out of the General Fund but we will take from the utilities an assessment which they will take out of the rate

base. Yes, a great deal of loss confidence in the part of this body and the part of the governor. In fact, I think this bill should be renamed and it should be properly named, "the Grasso Grand Deception."

THE PRESIDENT:

Senator Lieberman.

SENATOR LIEBERMAN:

Mr. President, through you, I want to make two very brief comments to my fellow members of the Senate. One, I want to offer to Senator Bozzuto my personal support of his candidacy for the Republican State Chairman position and, secondly, to Senator Amenta, my thanks and personal pride in the job that he has done, a long, hard, responsible and respectable job in bringing this bill forward.

SENATOR BOZZUTO:

Mr. President, thank you, sir. I accept the majority leader's compliments and I hope you join me at nine-thirty tomorrow morning when I make that announcement official. Thank you.

SENATOR HANNON: (3rd)

Mr. President, may I be recorded in the affirmative.

THE PRESIDENT:

Senator Hannon, thank you. Senator Amenta, did you want to add some remarks?

SENATOR AMENTA: (6th)

Yes, Mr. President, just to clear up a very important

comment that has been made and I think it is important. The fact has been brought out that possibly the commissioners shall not be full time. It spells it out in the bill that they shall be full time. In fact, for the first time they shall make full financial disclosure annually, so that if they are fiddling around and making some money someplace else, unless they do it illegally, the people of the State of Connecticut will know about it.

THE PRESIDENT:

Senator Flynn.

SENATOR FLYNN: (17th)

Mr. President, the hour is late and the day has been long and I will be brief. I want to support this bill. I expressed some reservations earlier. I fought that fight and lost, some of it won on one part of it. I'm not going to reiterate those arguments except to state that I will support it with those same reservations. I had hoped that, in the future, we may improve it.

THE PRESIDENT:

Senator Dinielli.

SENATOR DINIELLI: (31st)

Mr President, I rise to regretfully announce that I have to oppose this bill for a number of reasons, notwithstanding the efforts put in by Senator Amenta and his staff. I feel very strongly that the bill will do nothing for the people of Connecticut, for the ratepayers. I remind the circle of the remarks

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of Senator Amenta that he has a great deal of respect for the present members of the PUC. You know, I am disappointed that they are becoming sacrificial lambs because of a public outcry, part of which, or the fault of which is not theirs. We all know that this is just nothing more than the outcome of the increase in fuel costs. I would also like to say that, I say this with, regarding the fact that I voted against one of the commissioners last year who was appointed under the Republicans, and not for the man but in the manner in which he was appointed. I thought that was a political move, but I still respect the fact that he did get appointed and most of those people or all of them are good men. I do have to make note also that there are some good aspects to this bill and I would be derelict if I didn't acknowledge that. I think the removal of the consumer counsel from under the jurisdiction of the PUC, placing him on his own, I think is a great step forward. I espoused that cause last year and I think the real worth of this bill is the appropriation of one hundred thousand dollars for staff, ninety thousand dollars for the consumer counsel staff . I think that really is the gut of the bill. And that's what we should have done with the present staff because all we are doing, Mr. President, is changing some names on the doors of some offices, changing personnel. We have the same problem ahead of us. We are not going to lower the rates and I think this is what the people wanted and I respect the fact that Senator Amenta had an impossible task and this does not do it.

THE PRESIDENT:

The question is on the adoption of the bill. Will the Clerk announce the roll call vote.

THE CLERK:

An immediate roll call in the senate. Would all senators please return to the chamber. (A second time)

THE PRESIDENT:

The machine is opened. Will the senators please cast their votes. The machine is closed and locked. The Clerk will tally the vote.

Y	1	Joseph J. Fauliso	N	19	James J. Murphy, Jr.
Y	2	Wilber G. Smith	Y	20	Richard F. Schneller
Y	3	George W. Hannon, Jr.	N	21	George L. Gunther
Y	4	David M. Barry	Y	22	Howard T. Owens, Jr.
A	5	David H. Neiditz	Y	23	Salvatore C. DePiano
Y	6	Paul S. Amenta	Y	24	Wayne A. Baker
Y	7	Charles T. Alfano	Y	25	Louis S. Ciccarello
N	8	Lewis B. Rome	N	26	George C. Guidera
Y	9	J. Martin Hennessey	Y	27	William E. Strada, Jr.
Y	10	Joseph I. Lieberman	Y	28	Joseph W. Schwartz
Y	11	Anthony M. Ciarlone	Y	29	Audrey P. Beck
N	12	Stanley H. Page	Y	30	Harold D. Hansen
Y	13	Anthony P. Miller	N	31	Joseph J. Dinielli
Y	14	Robert L. Julianelle	N	32	Richard C. Bozzuto
Y	15	Louis S. Cutillo	Y	33	Betty Hudson
Y	16	William J. Sullivan	Y	34	Lawrence J. DeNardis
Y	17	Joseph P. Flynn	Y	35	Robert D. Houley
Y	18	Mary A. Martin	N	36	Florence D. Finney

Total Voting 35
Necessary for Passage 18
Voting Yea 27
Voting Nay 8
Absent and Not Voting . 1

THE BILL AS AMENDED BY SENATE AMENDMENTS A, B, AND N IS ADOPTED.

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THE SPEAKER:

Will you remark further on the motion to refer the matter to the General Law Committee? Is there objection? Hearing none, the matter is referred to General Law.

MR. O'NEILL (34th):

Mr. Speaker, I move for suspension of therules for the immediate transmittal to the Senate of all items passed today that need further Senate action.

THE SPEAKER:

Is there objection to suspension for immediate transmittal to the Senate of all matters requiring their action favorably entertained in this chamber this day to this point? Hearing none, the rules are suspended, the matters relative thereto are transmitted forthwith.

Will the chamber please be in order.

THE CLERK:

The bottom of page 8, Calendar No. 1362, substitute for S.B. No. 1081, An Act Concerning the Establishment of a Public Utilities Control Authority, as amended by Senate Amendment Schedules "A", "B", and "N", File No. 890.

MR. RITTER (6th):

Mr. Speaker, I'd like to move acceptance and passage of the bill, Mr. Speaker.

THE SPEAKER:

Question is on acceptance and passage and will you remark, sir?

MR. RITTER (6th):

I believe there are some amendments on the Clerk's desk.

THE SPEAKER:

Will the Clerk please call Senate Amendment Schedule "A"?

MR. RITTER (6th):

Mr. Speaker, would you like me to summarize this?

THE CLERK:

Senate Amendment Schedule "A", LCO No. 9188, consisting of 6 pages.

THE SPEAKER:

Is there objection to the gentleman from the 6th summarizing in lieu of reading?

MR. STEVENS (119th):

Mr. Speaker, I'm going to object to summarization on this. I do because it's a six page amendment to one of the major bills of the 1975 session. I don't think all members have copies on their desks and the basis of my objection is it is much too important a matter to be summarized by the Clerk.

MRS. GOODWIN (54th):

Mr. Speaker, may I be excused because of a possible conflict of interest?

THE SPEAKER:

The Chair will so note.

Does any further member seek leave to be excused at this time?

MR. ALLYN (43rd):

Mr. Speaker, for the same reason.

THE SPEAKER:

Any further member for this purpose?

The Chamber will come to order.

MR. O'NEILL (34th):

Mr. Speaker, I move that this item be passed temporarily as evidently these amendments have not been distributed and I agree with the Minority Leader, certainly they should be in the possession of the membership, if not every member,

certainly in the leadership possession so that the members can at least look at that number of copies.

Therefore, I move that we p.t. this bill andperhaps be able to develop a further goal list while these amendments are being printed.

THE SPEAKER:

Is there objection to the matter being passed temporarily? Hearing none, the matter will be passed temporarily.

Points of personal privilege at this time?

DR. COHEN (17th):

Mr. Speaker, for the purpose of an introduction.

THE SPEAKER:

Please proceed, sir.

DR. COHEN (17th):

Mr. Speaker and members of this General Assembly. Sitting on the dias is a good friend of mine from Israel, General Ezer Weizman,newphew of Israel's First President Chaim Weizman.

Our guest, a native of Tel Aviv, was a fighter pilot in the R.A.F. from 1942 to 1946 during England's darkest hours in World War II. In 1952, he graduated from the R.A.F. staff college in Andover, England and at the age of 34, become commander-in-chief of the Israeli Air Force.

On June 5, 1967, Israel made military history under his command. The small Israeli Air Force wiped out the entire Egyptian, Jordan and Syrian Air Power in a matter of hours, shortening the war to six days.

In 1967, Ezer Weizman returned to civilian life as a minister of transportation. He is in Connecticut at this time to speak tonight on something we all pray for--that is the prospect of peace in the Middle East.

If General Weizman will rise, I'm sure we shall afford him a warm welcome.

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school system and he has with him today ten students from the fifth and sixth grades of the Central School who are participating in Mr. Bannon's mini course on politics and government and they're coming here today, one half of the class today and the other half tomorrow. I'm sure if they will rise the general assembly will give them a nice greeting. Thank you.

THE SPEAKER:

Will the chamber please come to order.

THE CLERK:

Page 8 of the Calendar, the bottom of thepage, Calendar No. 1362, substitute for S.B. No. 1081, An Act Concerning the Establishment of a Public Utilities Control Authority, as amended by Senate Amendment Schedule "A", "B" and "N", copies on your desks, File No. 890.

THE SPEAKER:

Will the members please be seated.

MR. RITTER (6th):

Mr. Speaker, Amendment "A" essentially does the following, Mr. Speaker. I believe we moved that before, Mr. Speaker, before we recessed.

THE SPEAKER:

The gentleman is entirely correct that the matter was passed temporarily. The matter has been recalled, the Chair would entertain the motion again.

MR. RITTER (6th):

Thank you, Mr. Speaker. I'd like to move acceptance and passage of this bill.

THE SPEAKER:

Question is on acceptance of the joint committees' favorable report and passage of the bill. Will you remark?

MR. RITTER (6th):

Mr. Speaker, I believe there are three amendments, Mr. Speaker.

MR. MORRIS (94th):

Mr. Speaker, would the gentleman yield to several people who would like to absent themselves?

THE SPEAKER:

The lady from the 54th is recognized by the Chair.

MRS. GOODWIN (54th):

Thank you, Mr. Speaker. May I absent myself again.

THE SPEAKER:

The Journal will so note.

MR. CAMPBELL (118th):

Mr. Speaker, may I absent myself due to a conflict.

THE SPEAKER:

The Journal will so note.

MR. SHEA (19th):

Mr. Speaker, may I also absent myself due to a possible conflict.

THE SPEAKER:

The Journal will so note.

MR. ALLYN (43rd):

Mr. Speaker, for the same reason please.

THE SPEAKER:

Would the gentleman be kind enough to state his reason.

MR. ALLYN (43rd):

Possible conflict of interest.

THE SPEAKER:

The Journal will so note.

MR. MORRIS (94th):

Mr. Speaker, may I absent myself for a possible conflict of interest.

THE SPEAKER:

The Journal will so note.

MR. HENDERSON (112th):

For the same reason, Mr. Speaker, possible conflict of interest.

THE SPEAKER:

Thank you, sir. The Journal will so note.

Are there any further members who care to excuse themselves from the discussion and consideration of this bill as amended? If not, the Chair again recognizes the gentleman from the 6th, Rep. George Ritter.

MR. RITTER (6th):

Thank you, Mr. Speaker. Since we all have copies of the amendments on our desks, perhaps it would simply serve the purpose if I were to quickly review something, some of the more important portions.

Senate "A" reduces the proposed terms of the commissioners from eight to six years. The present terms, you'll remember, are five.

THE SPEAKER:

Excuse me, sir. At the time the matter was passed temporarily, I believe there was a motion for leave to summarize and it was at that point that the matter was passed temporarily.

MR. RITTER (6th):

Yes, my memory is the same as yours, Mr. Speaker.

THE SPEAKER:

Then may I inquire of the chamber if the chamber will be kind enough to extend leave to you sir for purposes of summarization of Senate "A". Is there objection? Hearing none, the gentleman from the 6th to summarize Senate Amendment

Schedule "A".

MR. RITTER (6th):

Thank you, Mr. Speaker. I hope that this kind of uniminity and thoughtfulness will feature the entire discussion this afternoon. I'm almost confident that it will, so long as the Democrats will stay together!

Amendment "A", Mr. Speaker, deletes reference to the same salary as superior court judge and establishes the salary for commission members at salary group 40 which is approximately $30,000 a year and for the chairman of the group, it establishes, for the chairman of the commission, it establishes group 42 which is approximately $32,000 a year. As you may recall, commissioners who are now serving in a parttime capacity receive approximately $25,000 a year.

In addition, this amendment adds to the guidelines for rate making an additional consideration, one for energy conservation and this is added to the (record 16) guidelines which are already in the bill, such as economic developments and prudent management of natural environment. Under the existing statutes, no guidelines exist other than rates should be just, reasonable and non-discriminatory.

Amendment "A" also adds the commissioner of commerce to the DEP, PFEC and CEA as agencies that may become parties to the PUCA proceedings that are concerned with rate increases based on need for increased revenues to finance capital expansion.

In addition, there's an entirely new section 10. This amendment, I think, does what many people would want to see done--Senate Amendment section 10 abolishes the automatic nature of the fuel fossil automatic adjustment clause and rather it requires that the authority, that is the commissioners, convene a special administrative proceeding every month, at least once, to investigate whether the price of fossil fuel or purchased gas has changed. And further, to establish whether the companies can charge for any increase in such price or indeed whether

they must reimburse customers for any decrease in such price.

Further, electric and gas companies must furnish, prior to the hearing, all pertinent records regarding fuel prices and costs and these records must be made available to the public.

The authority further provides that in the administrative proceedings, it must permit and must consider comments of all interested persons. Due to the expedited basis of such hearings, there will not be an appeal permitted from these hearings. However, every three months a full-scale hearing must be held by the authority to investigate fully the operation of the adjustment clause and to explore any changes in it that may be suggested. You will recall that at the present time, hearings are required only in those instances where the fuel charge is greater than 20% of revenues. Now that hearing must be held at least every three months regardless of the amount of increase or decrease. In addition, interested persons are guaranteed full participation in these proceedings quite contrary to the present regulation and if the authority should findthat the charges of the past three months are not accurate and that they were not based on the actual prices paid for the fossil fuel or the purchased gas, it may take whatever action is required.

This amendment is calculated and I'm sure does obtain the result to cure any possible abuse of the adjustment clause.

In addition, Amendment "A" provides that section 10g will be permissive. It will permit, but does not require, the PUCA to establish a generation utilization adjustment if it finds that such a step necessary and desirable. The key word there is that it does not require, it simply authorizes the PUCA to establish if it seems necessary and desirable. If the PUCA does feel that there should be some adjustment for a generation adjustment, it is not automatic. This is not an automatic adjustment. Any company desiring such an adjustment must go through

the same hearing procedure as required for fossil fuel, that is month proceedings and full reviews every three months. This is the so-called neculear energy provision.

Section 10h permits the new authority to keep existing clauses in it that from December 1, 1975 until it establishes proper procedures for the new method of handling fossil fuel and purchased gas clauses. However, these new methods must be in effect by July 1, 1976.

6a insures that interested persons will be allowed full participation in PUCA proceedings and have the option of representing themselves or being represented by the consumer council or being represented by council of their own choice retained by them. This, by the way, is comperable to the present law.

7 retains jurisdiction for appeals from decisions for the common pleas. Also, it retains the existing prohibition on companies filing for new rate increases if the company has appealed the decision on the last rate increase and if such matter is still pending in court. The purpose for the retention of this provision is to avoid confusion in both the PUCA andin the courts as to what is a proper rate.

8 refers to the study committee and whether or not changes in the appeals procedure is required or necessary.

9 establishes a special task force on utility finance to consider state financing and utilities. It is hoped that this would be of the broadest possible nature and that the study would include all aspects that may in anybody's mind be relevant to the consideration of state financing of utilities. This would consist of seven members, three appointed by the governor, and one each by the President Pro Tem of the Senate, the Speaker of the House of Representatives, the Senate Chairman of Regulated Activities and the House Chairman of Regulated

Activities. This report would be due on February 1, 1976 and $25,000 is provided to defray expenses of the study.

Mr. Speaker, I move the adoption of this amendment.

THE SPEAKER:

Question is on adoption of Senate Amendment Schedule "A". Will you remark?

MR. STEVENS (119th):

Through you, Mr. Speaker, a question to the gentleman reporting out the amendment. Is there a fiscal note attached to the amendment relative to section 68 which the gentleman just described?

MR. RITTER (6th):

If there is, I don't have it in my possession, but I do know that each of us has on his desk a report from the office of legislative research which indicates the amount of additional funds that would be required.

THE SPEAKER:

The gentleman from the 119th has the floor.

MR. STEVENS (119th):

Mr. Speaker, I raise a point of order. My point of order is that Senate Amendment Schedule "A" is not properly before us. Section 68 says the sum of $25,000 appropriated for the purpose of defraying the expense of carrying out the provisions of this section. Under section 2-24 of the Connecticut General Statutes, this would clearly have an impact on the appropriation act the next fiscal year and without a fiscal note, the members have no way of knowing whether or not there is provision in the budget. I would additionally point out to the Speaker that this is an amendment adopted by the Senate and was not included, the $25,000 was not included in the file copy of the bill. My precedent is the ruling of Speaker Kennelly on inquiry of Mr. Dice early in the session relative

to amendments being subject to section 2-24.

MR. RITTER (6th):

Mr. Speaker.

THE SPEAKER:

The Chair has not yet invited debate. The Chair understands that the thrust of the point of order raised by the gentleman from the 119th relates to page 6, Senate Amendment Schedule "A" lines 161 through 184 inclusive and most particularly line 182 through 184.

MR. STEVENS (119th):

That is correct, Mr. Speaker.

THE SPEAKER:

The Chair will invite debate on the point of order.

MR. RITTER (6th):

Mr. Speaker, I'm advised this question was ruled on in the Senate and that Senator Hooley had made an oral statement as to what the situation involved and that was accepted by the Senate. For what it's worth to you, Mr. Speaker.

MR. STEVENS (119th):

Mr. Speaker, to clarify my point, I would, through the Speaker, direct a question to the gentleman who reported out the amendment. My question specifically being, is there, sir, a fiscal note before the House relative to Senate Amendment Schedule "A"?

MR. RITTER (6th):

I have no knowledge as to whether or not there is. I report to you that I understand that Senator Hooley and the Senate indicated that this was in order for passage.

MR. O'NEILL (34th):

Mr. Speaker, I think the point is well taken. I move we pass temporarily this bill while 151 fiscal notes are prepared.

THE SPEAKER:

Is there objection to the--there is a point of order pending.

MR. STEVENS (119th):

Mr. Speaker, based upon the motion of the Majority Leader, I would ask the Speaker to withdraw my point of order.

THE SPEAKER.

Yes, sir. And the gentleman from the 34th has moved the matter be passed temporarily for purposes of preparation of a fiscal note on Senate Amendment"A". Is there objection? Hearing none, the matter will be passed temporarily.

The chamber will be at ease.

THE CLERK:

Page 2 of the Calendar, Calendar No. 1308, substitute for S.B. No. 1583, An Act Concerning a Sales and Use Tax Exemption and a Personal Property Tax Exemption on Privately-Owned Noncommercial Ambulance Type Vehicles, File No. 1045.

MR. MARTIN (39th):

Mr. Speaker, I move acceptance and adoption of the report in concurrance with the Senate.

THE SPEAKER:

Question is on acceptance and passage in concurrence. Will you remark, sir?

MR. MARTIN (39th):

Mr. Speaker, the Clerk has an amendment, LCO No. 7677. Would the Clerk please read?

THE SPEAKER:

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In the affirmative.

THE DEPUTY SPEAKER:

In the affirmative.

MR. GROPPO (63rd):

In the affirmative.

THE DEPUTY SPEAKER:

In the affirmative.

THE ASSISTANT CLERK:

Total Number Voting.....145
Necessary for Passage..... 73
Those Voting Yea.....144
Those Voting Nay..... 1
Those Absent and Not Voting..... 6

THE DEPUTY SPEAKER:

The bill is PASSED in concurrence with the Senate.

The Chamber will be at ease.

THE SPEAKER IN THE CHAIR

THE CLERK:

Page 8, bottom of the page, Calendar No. 1362, substitute for S.B. No. 1081, An Act Concerning the Establishment of a Public Utilities Control Authority, as amended by Senate Amendment Schedules "A", "B" and "N", File No. 890.

MR. RITTER (6th):

Mr. Speaker, I believe that each of us has a fiscal impact statement on his desk. If there are no questions concerning it, I would renew my motion for the adoption of the amendment.

THE SPEAKER:

The Chair will entertain a motion for acceptance and passage.

MR. RITTER (6th):

So move please, Mr. Speaker.

THE SPEAKER:

Question is on acceptance and passage of the bill in concurrence and further adoption of Senate "A" summarized by the gentleman from the 6th, copies are on the desks of the fiscal note.

MRS. GOODWIN (54th):

Mr. Speaker, may I be excused again please.

THE SPEAKER:

The Chair will so note.

MR. FARRICIELLI (102nd):

Mr. Speaker, the same thing, possible conflict.

THE SPEAKER:

The Journal will so note.

MR. CAMPBELL (118th):

Mr. Speaker, if necessary may I be excused.

THE SPEAKER:

The Journal will so note.

MR. HENDERSON (112th):

May I be excused under our rules for a possible conflict of interest.

THE SPEAKER:

The Journal will so note.

MR. ALLYN (43rd):

Possible conflict of interest sir.

THE SPEAKER:

The Journal will so note.

MR. MORRIS (94th):

Mr. Speaker, may I be excused because of a possible conflict of interest.

THE SPEAKER:

The Journal will so note.

Are there any further members who would care to excuse themselves from consideration of this matter?

If not, the question before the chamber is adoption of Senate Amendment Schedule "A". Will you remark further on adoption of Senate Amendment Schedule "A"? If not, the question is on adoption of Senate "A". All those in favor of adoption--

MR. CAMP (111th):

Mr. Speaker. Mr. Speaker, thank you. Commenting on Senate Amendment Schedule "A", I find that I believe in section 68 which is a new section we have another one of our, to me, unnecessary commissions that's been established with another $25,000 worth of taxpayers money which is being spent for something that ought to have been done a long time before this if it were to be done and if it were to be done now, I really don't see the point in establishing this commission. Thank you.

THE SPEAKER:

Will you remark further? If not, the question is on adoption of Senate "A". All those in favor of its adoption will indicate by saying aye. Opposed? The ayes have it. Senate "A" is ADOPTED.

Will you remark further on the bill as amended by Senate "A"?

MR. RITTER (6th):

Mr. Speaker, I'd like to move the adoption of Senate Amendment "B". (record 21)

THE SPEAKER:

The Clerk please call Senate "B".

THE CLERK:

Senate Amendment Schedule "B", LCO No. 9799.

THE SPEAKER:

Does the gentleman care to have the Clerk read or does the gentleman care to seek leave to summarize in lieu of reading?

MR. RITTER (6th):

May I seek leave to summarize.

THE SPEAKER:

Is there objection to the gentleman from the 6th summarizing in lieu of the Clerk's reading. The Chair would note parenthetically copies of this amendment are on each member's desk. Is there objection? Hearing none, the gentleman from the 6th to summarize.

MR. RITTER (6th):

Thank you, Mr. Speaker. This amendment abolishes the automatic nature of the fuel adjustment clause as of August 1, '75 and requires administrative proceedings to start with the August billing of the fossil fuel charge. It is different from section 10c in several respects. There's no requirement that the PUC render final decisions within five days and no requirement for the filing of records prior to the administrative hearing. However, this will only be in effect from August 1, 1975 to December 1, 1975 when 10 c takes over.

THE SPEAKER:

And the gentleman moves adoption?

MR. RITTER (6th):

I'd like to move adoption, Mr. Speaker.

THE SPEAKER:

Question is on adoption of Senate Amendment Schedule "B". Will you remark further?

MR. STEVENS (119th):

Mr. Speaker, through you Mr. Speaker, a question to the proponent of

Senate "B". Without Senate Amendment Schedule "B", would there be a requirement for a dual cost adjustment hearing during theinterim period, that is between the August 1st date and December 1, 1975.

MR. RITTER (6th):

My understanding it would not.

MR. STEVENS (119th):

Mr. Speaker, through you, would a fuel cost adjustment hearing be required during that period pursuant to the 1974 act which mandates a public hearing on fuel cost adjustment when and if the fuel cost adjustment portion of the bill exceeds 20% of the monthly billing?

MR. RITTER (6th):

Through you Mr. Speaker, I believe it would.

MR. STEVENS (119th):

Through you Mr. Speaker, can the gentleman tell us how many administrative proceedings would be required on a monthly basis if Senate Amendment Schedule "H" is adopted, that's for the months of August through December 1st.

MR. RITTER (6th):

None.

MR. STEVENS (119th):

Through you Mr. Speaker, --

MR. RITTER (6th):

Excuse me, Mr. Speaker, you're talking about Senate Amendment "B".

MR. STEVENS (119th):

Through you Mr. Speaker, yes, Senate "B".

Through you Mr. Speaker, is the gentleman saying that Senate "B" would not require any administrative proceedings on thefuel cost adjustment pass through?

MR. RITTER (6th):

It would require one, excuse me.

MR. STEVENS (119th):

Through you Mr. Speaker, would it require one for each application for a fuel cost adjustment by any effected utility company?

MR. RITTER (6th):

Yes.

MR. STEVENS (119th):

Through you Mr. Speaker, if the fuel cost adjustment to be charged changed on a monthly basis, would it require a hearing each month by each applicant for each change in the proposed fuel cost adjustment formula for that month?

MR. RITTER (6th):

It is my understanding, it would.

MR. STEVENS (119th):

Through you Mr. Speaker, can the gentleman tell us how many utility companies in Connecticut presently have fuel cost adjustments?

MR. RITTER (6th):

Five.

MR. STEVENS (119th):

Through you Mr. Speaker, does the committee have any information on the potential number of hearings that this Senate Amendment Schedule "B" might require?

MR. RITTER (6th):

No.

MR. STEVENS (6th):

Through you Mr. Speaker, was it a recommendation of the committee on regulated activities that this type of an amendment be offered?

MR. RITTER (6th):

No, it was a very free-wheeling amendment.

MR. STEVENS (119th):

Through you Mr. Speaker, does the House Chairman of the Regulated Activities Committee feel this is a good amendment?

MR. RITTER (6th):

I would have preferred not having the amendment but I can live with it. It's for a very short period, Mr. Speaker.

MR. STEVENS (119th):

Through you Mr. Speaker, could the gentleman indicate why he would have preferred not to have it?

MR. RITTER (6th):

Yes, I would have preferred to have the automatic hearings each month. This does not require it between now and the first of December '75.

MR. STEVENS (119th):

Thank you, Mr. Speaker.

THE SPEAKER:

Will you remark further on Senate "B"?

MR. CAMP (111th):

Mr. Speaker, through you please, a question to the proponent of the amendment.

THE SPEAKER:

Please frame your question, sir.

MR. CAMP (111th):

Would this apply, would this amendment apply to new fuel cost adjustments or does it apply to those fuel cost adjustments which are in effect on August 1, 1975?

MR. RITTER (6th):

Just the new ones.

THE SPEAKER:

Will you remark further on Senate "B"? If not, the question is on its adoption. All those in favor will indicate by saying aye. Opposed? The ayes have it. Senate "B" is ADOPTED.

Will you remark further on the bill as amended by Senate "A" and "B"?

MR. RITTER (6th):

Mr. Speaker, I'd like to move the adoption of Senate Amendment "N".

THE CLERK:

Senate Amendment "N", LCO No. 9808.

MR. RITTER (6th):

May I have leave to summarize, Mr. Speaker?

THE SPEAKER:

It's a rather short amendment. Perhaps the Clerk could read.

The Clerk please read.

THE CLERK:

Senate Amendment Schedule "N", LCO No. 9808.

In line 1268, delete the word "five" and insert in lieu thereof the word "three".

In line 1275, after the word activities, insert the words ", the minority leader of the senate and the minority leader of the House of Representatives.

MR. RITTER (6th):

Mr. Speaker, unlike the previous amendment which leaves me rather lukewarm as I indicated, I think this is a positive amendment in every respect and I urge the adoption unanimously.

THE SPEAKER:

Will you remark further on adoption of Senate "N"? If not, the question is on adoption of Senate "N". All those in favor will indicate by saying aye. Opposed? Senate Amendment "N" is ADOPTED.

Will you remark further on the bill as amended by Senate Amendment Schedules "A", "B" and "N"?

MR. RITTER (6th):

Mr. Speaker, with your permission, I'd like to summarize the basic elements of the basic bill as amended.

THE SPEAKER:

The gentleman has the floor.

MR. RITTER (6th):

Thankyou. Section 1 changes every reference in the general statutes from the Public Utilities Commission to the Public Utilities Control Authority.

Section 2 makes specific changes in, after 16-1 ofthe general statutes the definition section of Title XVI to read Public Utilities Control Authority.

Section 3 abolishes the present PUC and replaces it with the Public Utilities Control Authority, which like the present PUC consists of five electors of the state, not more than three of whom shall be of the same political party. However, as amended, it charges the term from five to six years except for those first appointed who will serve terms of eight months, one year and eight months, two years and eight months, three years and eight months and four years and eight months respectively. To insure a smooth transition, existing members of the PUC shall continue to serve until their successors are appointed and confirmed. Confirmation of members must be by both houses of the general assembly, not just one as is presently the case. As is now the case, the chairman and the vice-chairman of the authority are elected by the members of the authority.

Section 3d requires for the first time that members serve fulltime. Now, they are parttime and it makes, requires full financial disclosures, not only at the initial appointment but annually. Also, as amended, it sets the salary of the members at the pay scale equivalent to $30,000 a year.

Section 3e requires, and this is again for the first time, that at least three members have training or experience in areas of expertise important to public utility regulations. These areas include economics, engineering, law, accounting or finance. This too is new and for the first time.

Section 3 mandates that the existing staff of the PUC shall be the staff of the PUCA. However, and this is an important thing, by March 1, 1976, the PUCA must submit a report to the governor and to this general assembly to specify new reorganization, expansion and upgrading it deems necessary to insure that expertise on its staff in engineering, accounting, finance, economics, computers and rate design are fully present on the staff. That is not the case at this time.

Sections 3g to 3k set out a strict prohibition against conflict of interest situations both for members of the PUCA and the staff. While members or staff may engage in certain professional activities, such as writing books or articles, they may not engage in any activities that compromise their independence or impartiality.

Section 4 increases the assessment on public service companies so they will then pay 70% of thebudget of the PUCA, as now, they pay 56%. It should be emphasized that this assessment is levied by the comptroller and is paid in the fiscal year following the year of expenditure andfurther that it is paid into the general fund. At no time does the PUCA actually receive or control these funds which are paid in by the utilities.

Section 5 is really the guts of the bill. Section 5 sets out new principles and guidelines for regulating the transfer of franchises for the expansion of plants and equipment, the operation, including the internal workings of public service companies and the setting of rates. The guidelines require thePUCA establish a need for the proposed service and further the ability of the public service company to carry out the service. They further require that the PUCA insure that the public service companies perform their responsibilities and it states specifically with economy, efficiency, care for public safety and to promote economic development and prudent management of the environment.

Rates must be set so that the public service company can maintain fiscal integrity and still protect the public interest. Rates must also reflect prudent and efficient management.

Section 5b is also new. It requires that the authority at least once every two years conduct an investigation and hold a hearing on new pricing principles and on rate structures for electric and gas companies to see whether or not such principles would benefit Connecticut repayers. At such time, the authority must determine whether existing or proposed rate structures add energy conservation or place an undue burden on the poor. If so, the authority must make adjustments as it finds necessary.

The section further requires the new authority to make its first such investigation and interim report within a year after taking office and a final report within eighteen months from taking office.

Section 5c requires annual consultation by the PUC with the DEP, PFEC and CEA to insure that the actions of all agencies are consistent with the goal of energy conservation, economic development and prudent management of the environment.

Section 5d requires participation by the DEP, PFEC and CEA in rate

applications before the PUCA gas and electric companies that are based on an alleged need for increased revenues for an expansion of facilities. Both this section and 5c are new and are included to assure coordination of all state agency action and policy regarding energy.

Section 6a is similar to the existing provisions permitting the authority to delegate in specific cases to one or more members to ascertain facts, report to the authority in a pacticular matter. It also retains for the authority the subpoena power but expands it so that if the authority finds it advisable, it may subpoena persons or documents at the request of any person, corporation or company, town, borough or association.

Section 6b is new. It permits the authority to establish management audit teams. Management audit teams as a component of its staff. This is a very crucial new requirement. It also requires the authority to perform and management audits on public service companies as it deems necessary.For electric, gas, telephone and major water companies, such an audit must be performed at least every three years except if the authority specifically finds it unnecessary. However, in no event, can such an order be performed less frequently than less than once every six years. It is required that an audit be performed at least every six years. The expenses of the audit shall be borne entirely by the company and at the option of the authority can be performed by the authority's own audit team or the company's internal audit staff as supervised by the authority or by an (record 22) independent management consulting firm supervised by the authority.

Mr. Speaker, I know this is awfully long but it is a 64 page bill and I'll try to condense it as I go along.

The results of the audit must be filed with the authority and must be open to public inspection and the authority can at the public hearing order the company to take those steps and adopt those practices or procedures necessary to

insure economic and efficient management and to promote efficient and adequate service.

Section 7 expands those who can petition the authority to revoke a franchise on the grounds it's not providing adequate service for the city or town for which the service is to be provided. This can be done by a petition of5% of those affected or a thousand persons affected. Also, for the first time, it permits the authority on its own initiative to convene a hearing for the possible revocation of a franchise if it feels that the service is not adequate. That is new.

Section 8 sets out a new procedure for handling rate increase applications to the authority while it retains the present requirement that rates must be approved with 150 days, it requires the authority to hold a hearing on every single application to ever increase any rates. It also changes the existing provision that new rates are permitted unless suspended by the PUC. Instead, it mandates that rates are not permitted unless specifically approved by the authority. In conducting its investigation of the application, the authority must be assured that the proposed rates are in accordance with the guidelines set forth in section 5 and discussed earlier.

Section 8d permits interim rate increases only if necessary to prevent the substantial and material deterioration of the financial condition for adequacy and reliability on the service of the company. Furthermore, before such an interim increase is granted, the authority must hold a special hearing on its necessity. Under the present law, there is no standard upon which interim increases must be based nor is there any requirement of a public hearing. This, then, sets a new standard and it also requires a public hearing for the first time. As under the present law, all interim increases are collected under bond or corporate assurance subject to refund if the authority in its final decision so orders.

Section 8e retains the provision that municipalities may defer any increase to the following fiscal year, if necessary.

Section 9 retains the existing requirement that the authority must conduct a full review not more than two years from the last general rate hearing of every gas and electric company to insure it's operating efficiently and that it's rates are just, reasonable and that they conform to the guidelines of section 5. This section corrects an error in the law which was enacted last year and which requires such hearings not more than instead of not less than two years from the date of the last hearing.

Section 10 as amended abolishes the automatic nature of the fossil fuel adjustment clause. Many people who ran for office were concerned about abolishing the automatic nature of the fossil fuel automatic adjustment clause. This does that and this requires the authority to convene a special administrative proceeding once each month to investigate whether the price of fossil fuel or purchased gas has changed and to establish whether the companies can charge for any increase in such price or reimburse customers for any decrease in such price. Electric and gas companies must furnish prioer to the hearing all pertinent records regarding fuel prices and costs and these records will be available to the public. The authority in that administrative proceeding must permit and must consider comments of any interested person who chooses to appear either personally or through attorney. Due to the expedited basis of such hearings, there will be no appeal from them. However, every three months a fullscale hearing must be held by the authority to investigate fully the operation of the adjustment clause and to explore any changes that may be suggested. At the present time, hearings are only required if the fuel charge is greater than 20% of revenues. Under this section, under thenew section, there must be a hearing every three months regardless. Interested persons are guaranteed full participation

in these proceedings and if the authority should find the charges of the past three months are not accurate and not based on the actual prices paid for fossil fuel or purchased gas, the authority must take any action that it believes required.

Substantially section 10a will insure that any abuse of the adjustment clause is halted.

Section 10g we discussed before in the first Amendment "A".

Section 10h, as amended, permits existing fossil fuel or purchased gas adjustment clauses to remain in effect until the authority has established the procedures required. However, it requires that this be done no later than July 1, 1976.

Section 11 makes the Office of Consumer Council independent from the authority and expands the powers of this important office so that the Consumer Council can appear not just in proceedings before the Public Utilities Commission but in all proceedings, state, federal, judicial and administrative that affect the provisions of utility service to Connecticut consumers. The Consumer Council shall have access to all records of the authority permitted by law and is empowered to hire the necessary staff, it's important to understand this, pursuant to civil service rules and regulations required to carry out the assigned duties. The Consumer Council who is presently hired by the PUC shall be appointed by the governor with the consent of either House and serve for a five year term unless removed pursuant to petitions of Superior Court as set out in 16-5 of the general statutes. This assures them of great independence.

Section 12 permits the PUCA to require public service companies. This is new provision. It requires them to provide for competitive bidding in contracts in excess of $50,000 if the authority determines that such bidding will reduce costs without impairingquality or dependability of service or ability to respond

to emergency.

Section 13 keeps the burden of proof in rate cases on the company and expands existing law so that theburden of proof in proceedings for the transfer of ownership of assets is also on the company proposing such a transfer. This is also new.

Section 14 retains the requirement that financial audits by independent public accountants acceptable to the authority must be filed by each public service company annually. It permits the authority to conduct the audit atthe expense of the company, if such audit is not filed. The section retains the exemption for companies with annual gross revenue of not less than $10,000.

Section 15 is amended, changes the existing law to require appeals from the authority's decision to be heard by the superior court instead of the common pleas. That has been changed as the result of one of the amendments so it will still be the common pleas court.

Section 16 and 17 is omitted as a result of Senate Amendment "A".

Section 18 increases the penalty for failure to comply on a timely bais with an order of the authority from $5,000 to $20,000. It also, very importantly, specifically excludes the amount of any fine from the operating expenses for rate making purposes and must instead be paid by the shareholders, not the ratepayers.

Section 19 requires public service companies who intend to sell their land to notify or any portion of their land, not only the state but also the municipalities in which such land is situated and the entire, all such notifications must also go to the United States Government. It also requires the authority hold a hearing on those transactions in which the acquisition cost is in excess of $20,000.

I think I'll be through in a few minutes folks but it is a very long bill.

Section 20 requires that the load forecasts which under existing law must be filed on an annual basis with the PFEC must contain a full description of the methodology used to arrive at such forecasts.

Section 21 revises the existing requirement that the authority hold hearings on rate applications in the area affected. There is much concern expressed in committee on this existing law is interpreted by several court decisions is both confusing and ineffective. The authority, under this new provision, must, if it receives a petition from not fewer than twenty-five affected persons hold at least a portion of its hearings in a town in that area of the state served by the company filing a rate application. The hearing site selected must be as convenient as practicable to those persons petitioning and the hearing may be held in the evening if the petition so requests.

Section 22 sets up a study commission consisting of nine electors, five appointed by the Governor, one each by the President Pro Tem of the Senate, Speaker of the House, Senate and House Representatives Chairman of the Regulated Activities and must report to the state by February 1, 1976 to the general assembly on the following matters: 1) whether certain regulated functions, such as jurisdiction over transportation or tele-communication should be transferred to a new or existing state agency; 2) the relationship of the authority to DEP, PFEC, CEA and the relationship of all these agencies to jurisdiction by the authority of the expanasion of plant of facilities by public service companies; 3) whether any other changes in jurisdiction of the authority on provision of Title XVI are necessary or desirable.

Section 23 is the transition section, permits the governor to make appointments to the PUCA prior to December 1, 1975 with the advice and consent of both Houses.

Section 24-67 merely changes existing references in the general statutes

from PUC to PUCA.

Section 68 appropriates $190,000 additional for PUCA , excuse me, $100,000 additional for the PUCA and $90,000 for the office of consumer council.

Section 69 repeals section 16-96 of the general statute which is the present method of monitoring fuel adjustment charges.

Section 70 sets the effective date of the actas of December 1, 1975.

Mr. Speaker, I move the adoption of the bill as amended.

THE SPEAKER:

Will you remark further on the bill as amended?

MR. STEVENS (119th):

Mr. Speaker, I rise for the purpose of inquiry of the gentleman reporting the bill out.

THE SPEAKER:

Please state your question.

MR. STEVENS (119th):

Through you, Mr. Speaker, my first question is, would the chairman of the House Committee on Regulated Activities please advise the body as to whether or not the committee at any time held a public hearing on the file copy of this bill.

MR. RITTER (6th):

It held its public hearing on the grandfather of this bill and the father of this bill and it held a public hearing on this bill without amendments.

MR. STEVENS (119th):

Through you Mr. Speaker, could the gentleman be more specific as to whether or not there was a public hearing on the bill as it now appears on the file copy as File No. 890, without amendment.

MR. RITTER (6th):

To the best of my knowledge, no.

MR. STEVENS (119th):

Thank you. Through you, Mr. Speaker, directing your attention to lines 155 through 160, section 3, my question is would the gentleman please explain what is meant by public utilities commission members continuing to serve at the pleasure of the governor and general assembly?

MR. RITTER (6th):

Through you, Mr. Speaker, the present commissioners who will continue to serve until any is replaced by the appointment of the governor and the ratification by both Houses.

MR. STEVENS (119th):

Through you, Mr. Speaker, would the approval of the general assembly be required for an existing member to be removed?

MR. RITTER (6th):

At this time, it is not believed that any existing member will be removed. There's nothing in this provision which changes any removal powers. If somebody's caught with his hand in the till, he will be removed in accordance with the present laws. What this provides is that each commissioner, as long as he performs in good behavior will stay in office until he's replaced by appointment, nomination by the governor and approval by the House and Senate. (record 23)

MR. STEVENS (119th):

Through you, Mr. Speaker, then what is the reason for inclusion of "and general assembly" in lines 164 and 165?

MR. RITTER (6th):

Mr. Speaker, I've given my answer.

MR. STEVENS (119th):

Through you, Mr. Speaker, then we'll move to line 215 of the bill.

And if the gentleman would please explain whether or not, on line 215, subsection f, the mandate for expansion, reorganization, upgrading of staff must be preceded by a study.

MR. RITTER (6th):

The answer to that I would assume that the commissioners would be very anxious to have proper information, whether they're the present commissioners or new commissioners or a mixture of both, but that would be their responsibility.

MR. STEVENS (119th):

Through you, Mr. Speaker, does the language starting on line 221 with "the authority" through the end of 227 require that the study be submitted to the general assembly before any of the expansion of improvement can occur?

MR. RITTER (6th):

No.

MR. STEVENS (119th):

Through you, Mr. Speaker, then directing your attention to section 3d, would the gentleman please indicate whether or not--

MR. RITTER (6th):

What line is that please?

MR. STEVENS (119th):

Through you Mr. Speaker, I'm talking about 3d which is found on line 193. Through you Mr. Speaker, my question is: is the intention of the committee that any commissioner must serve fulltime on the PUCA?

MR. RITTER (6th):

Through you Mr. Speaker, yes, yes, yes.

MR. STEVENS (119th):

Through you Mr. Speaker then, directing your attention to line 245, what is the reason for the inclusion in the bill of the language indicating that

no member of the authority shall accept other employment which will impair his independence of judgement?

MR. RITTER (6th):

Through you Mr. Speaker, many people have full time jobs and they have second jobs and some even have third jobs. Andthe requirement here is that number one, that PUCA commissioners work full time; number two, if on Saturday they want to play football, professional football, and it doesn't interfer with their actions as a PUCA commissioner, they are not prevented from doing it, so long as it does not interfer with their actions and their decisions as PUCA commissioners. Excuse me,Mr. Speaker, they may for example, teach at a law school or they may do something of that sort.

MR. STEVENS (119th):

Through you Mr. Speaker, could an attorney serve on the PUCA and maintain his private practice in the evening and on weekends?

MR. RITTER (6th):

Mr. Speaker, through you, no.

MR. STEVENS (119th):

Through you Mr. Speaker, would the gentleman please indicate where in the bill an attorney would be precluded from practicing law on a parttime basis if he were working fulltimefor the Public Utilities Commission Authority?

MR. RITTER (6th):

Mr. Speaker, it really wasn't felt appropriate that we should list what attorneys or ditch diggers, or doctors or dentists, or any other professionals or non-professionals may do. Wehave stated the general, general basis. It is our interpretation, and I have shared that with you, as to the meaning of that. I think it will be the responsibility of the PUCA commissioners themselves to a) interpret it and b) if they are wrong, it will be up to us to make of that.

MR. STEVENS (119th):

Throughyou Mr. Speaker, what distinction does the gentleman draw with the professor teaching law in the evening and the attorney practicing law at night that would permit the former to engage in that other activity but not the latter?

MR. RITTER (6th):

Mr. Speaker, through you, the real guideline as indicated in the bill is the impairment of judgment, and perhaps as an attorney,it would be rather subjective but I'll state it. It is my interpretation that an attorney, if he is a fulltime PUCA commissioner and continues to practice, is in a position where his judgement might be impaired on matters which appear before the commission. I hope that PUCA commissioners see it the same way.

MR. STEVENS (119th):

Through you Mr. Speaker, would the gentleman feel the same way about a professor teaching economics in the evening?

MR. RITTER (6th):

Mr. Speaker, very subjection and I ampleased to respond for this catechism and personal inquiry of my value judgemt, if you feel it's relevant. To the extend that it's relevant, I would say that I do not think it would do violence to the intent of the act in terms of conflict of interest.

MR. STEVENS (119th):

Through you Mr. Speaker, then, the new authority could have on it individuals who had sources of income from employment other than the PUCA and still, in the gentleman's interpretation of the file copy,be serving fulltime.

MR. RITTER (6th):

Mr. Speaker through you, Mr. Speaker, depending entirely on what that is when this is,when that is accomplished, i.e. on a Saturday or an evening, my

understanding is, yes.

MR. STEVENS (119th):

Thank you. Through you Mr. Speaker, direction your attention to line 228 which is subsection g, is that not a repetition word-for-word of section 1-66a of the general statutes?

MR. RITTER (6th):

Mr. Speaker throughyou, I do not know. I only do know that the conflict of interest rules as provided for in supreme court, for superior court judges. It was meant to be copied word-for-word with adaptations for this bill so that we would have the strongest possible conflict of interest provision in this bill.

MR. STEVENS (119th):

Through you Mr. Speaker, line 245, subsection h, is that not a word-for-word repetition of section 1-66b of the general statutes and 1-66,by the way, is the code of ethics which applies to general assembly and executive and judicial branch employees.

MR. RITTER (6th):

Mr. Speaker through you, I do not know that but if it's true, I'm happy to see this. It may be a little redundant but it does reunderline the concern that the committee had that there be no ambiguity about the high standards expected of members of the PUCA.

MR. STEVENS (119th):

Through you Mr. Speaker, is not section 3i a word-for-word repetition of section 1-66c of the Connecticut General Statutes?

MR. RITTER (6th):

Through you Mr. Speaker, the same answer as to the two previous questions.

MR. STEVENS (119th):

Through you Mr. Speaker, does not 1-66, the code of ethics, already apply to members of the Public Utilities Commission and subsequently members of the Public Utilies Commission Authority?

MR. RITTER (6th):

Through you Mr. Speaker, whether it does or not, I believe restating it does no violence to the requirement.

MR. STEVENS (119th):

Through you Mr. Speaker, is the gentleman then saying that if, in fact, it is restated it is merely a repetition?

MR. RITTER (6th):

That's correct.

MR. STEVENS (119th):

Through you Mr. Speaker, directing your attention to lines 373 through 378, what is poverty status mean?

MR. RITTER (6th):

Mr. Speaker, that is generally in the view of an individual. That is pretty much of a subjective judgment. I think that Mr. Stevens perhaps should have his own interpretation of that.

MR. STEVENS (119th):

Through you Mr. Speaker, what is the intentionof the committee on regulated activities in putting the word "poverty status" into this statute as a standard to be determined by PUCA?

MR. RITTER (6th):

Thank you Mr. Speaker. I consider that a different question. It is my understanding, Mr. Speaker through you, that just as we are concerned about

environmental matters, just as we are concerned about economic matters, just as we are concerned in this bill about other comperable matters, we're concerned about the question of how any rate affects people who are described as being below the poverty level and it was the intention of this provision to require that the PUCA commissioners, when establishing their rates, look not only on the effect on the environment, not only on the effect on the economy, but also the effect on the poor people of the State of Connecticut.

MR. STEVENS (119th):

Through you Mr. Speaker, is it intended by the committee that that language grant authority to the PUCA to establish a special class of rates for individuals who may fall within the so-called poverty status as they may establish as standards for "poverty status"?

MR. RITTER (6th):

Mr. Speaker through you, as the illustrous minority leader may know, the regulated activities committee held many meetings and held many hearings and had many seminars and in many of these, we had individual speakers make representations to us that throughout the country, many PUCs are now developing what they call lifeline sections. Lifeline essentially, lifeline rate is one that PUC looks at and says that where people are falling in a poverty level, that we will see whether we may instead of using a declining block rate, instead of being in a position where the more electricity you use, the less you pay, perhaps review and decide that if you use only, for example, up to 250 killowatts, you would pay a lesser rate than if you use 500 or a thousand killowatts. But we decided in our regulated activities that this was really too complicated a matter forus to really determine at that level. We decided also that it would be preferable for the assembly to take note of this problem and to request that the PUCA review

this and when setting rates, just as we've requested that they review the impact on environment, on the economics and so forth. So essentially what this does mean, Mr. Speaker through you to the Minority Leader and members of the House, that it will require the PUCA to take special note and be aware of the impact on rates on many factors including the poorest people of our state.

MR. STEVENS (119th):

Through you Mr. Speaker, is it the intention of the committee to grant authority by this language to establish a separate rate structure for those who fall within that classification?

MR. RITTER (6th):

Mr. Speaker through you, this would have to be the decision of the PUCA. After they've had hearings, if they determine that there was a rational basis for making such a judgment because it would be unfair, I think that's the key figure, unduly burdened and unfair to a certain group of rate payers, just as it might be unfair to certain group of commercial rate payers, they felt was unfair and an undue burden on property families, they could set up such a classification.

MR. STEVENS (119th):

Through you Mr. Speaker, would the difference in rates under such a structure be borne by the other ratepayers in different classifications?

MR. RITTER (6th):

Mr. Speaker through you, I think that would depend on how the rate was structured.

MR. STEVENS (119th):

Through you Mr. Speaker, if instead of that approach a difference in the rate structure were subsidized through direct payments to people in this class, would the state not receive 50% reimbursement from the federal government?

MR. RITTER (6th):

Mr. Speaker through you, yes. But, Mr. Speaker--

MR. STEVENS (119th):

Through you Mr. Speaker, then would it not be more economical to do it through the direct grant to the recipient and that the state would receive back 50%according to the gentleman's just earlier response to my question.

MR. RITTER (6th):

Mr. Speaker through you, I'm afraid I haven't completed my analysis, Mr. Speaker. I wanted to point out that,of course, the way the present rate structures are established, we have many situations in which if it's meant to be and it's understood to be and in fact is that one class of rate payers are indeed bearing a disproportionate share, quote-unquote, of burden as compared to other rate payers because in the judgment of the commissioners that is the best way to have the total rate structure. One of the examples of that again is the declining block. This again is one of the things that goes along with (record 24) peakload pricing and allof the other ideas that came before our committee that we have mandated the PUCA to study and we've given them no requirement that they have to come in with any particular solution to any particular problem rather only that they're required to review them.

MR. STEVENS (119th):

Through you Mr. Speaker, directing your attention to Section 4, lines 288 and 289, does the file copy increase the percentageof costs to the borne by the utility companies from the existing percentage to 70%, an increase of 14%?

MR. RITTER (6th):

Through you Mr. Speaker, yes.

MR. STEVENS (119th):

Through you Mr. Speaker, is that increase a cost which the company can pass on to the consumers in the subsequent rate increases?

MR. RITTER (6th):

Mr. Speaker through you, I know, I believe that's probably what would happen.

MR. STEVENS (119th):

Through you Mr. Speaker, directing your attention to section 6b, the audits that the gentleman require beginning on line 485, who would bear the cost of those audits?

MR. RITTER (6th):

Mr. Speaker through you, ultimately the rate payer.

MR. STEVENS (119th):

Yes, Mr. Speaker. Directing your attention to section 8a beginning on line 622, is the new language in line 622 through 630 a restatement of existing law?

MR. RITTER (6th):

No, Mr. Speaker through you, no it is not.

MR. STEVENS (119th):

Through you Mr. Speaker, wouldthe gentleman indicate what the difference in that section is from what is already law for the Public Utilities Commission?

MR. RITTER (6th):

Mr. Speaker, I'm sorry I don't have that in front of me.

MR. STEVENS (119th):

Through you Mr. Speaker, can the gentleman make reference to the statute which he claims is different from that in the file copy?

MR. RITTER (6th):

No, Mr. Speaker.

MR. STEVENS (119th):

Directing your attention then to line 715 which is on page 16, small c, how is that new language different from the present refund required under the existing statute?

MR. RITTER (6th):

Mr. Speaker through you, I do not know.

MR. STEVENS (119th):

Through you Mr. Speaker, directing the gentleman's attention to page 21, subsection g, could the gentleman explain what a generation utilization adjustment clause is?

MR. RITTER (6th):

The sense of that is meant to apply itself to nuclear energy.

MR. STEVENS (119th):

Through you Mr. Speaker, could the gentleman explain how it would apply to nuclear energy?

MR. RITTER (6th):

The same way it applies to fossil fuel.

MR. STEVENS (119th):

Through you Mr. Speaker, is there provision in this bill for a public hearing on the generation utilization adjustment clause?

MR. RITTER (6th):

Mr. Speaker, this is not established in this bill. What is section does is to authorize the PUCA to review this to see whether or not the, it deems it appropriate to establish such a fuel adjustment clause and if it does, it would follow the same procedures that the present new bill requirement is for

fossil fuel adjustment. That is a non-automatic adjustment. There would be a hearing every month.

MR. STEVENS (119th):

Through you Mr. Speaker, would a public hearing be required or would it be an administrative proceeding?

MR. RITTER (6th):

Mr. Speaker through you, if it were following the procedure, as I believe it would, of the fossil fuel, then a public hearing would be required every three months. There would be an administrative public hearing every month at which people could testify, at which people could be heard but from which they could not appeal, but every three months there would not only be the full hearing which anyone could testify but an appeal could be taken to court from any finding, any decision of the PUCA every three months.

MR. STEVENS (119th):

Through you Mr. Speaker, with a generation utilization adjustment clause, is that not most likely triggered by a temporary breakdown in an atomic energy plant?

MR. RITTER (6th):

Mr. Speaker through you,yes.

MR. STEVENS (119th):

Through you Mr. Speaker, then could it not be that by the time the required three month hearing was held, the breakdown had been corrected and the passon would already have gone into effect through the administrative proceeding?

MR. RITTER (6th):

Mr. Speaker through you, as I understand your question, no.

MR. STEVENS (119th):

Through you Mr. Speaker, would the gentleman please explain what safeguard there would be other than an administrative proceeding from which there is no appeal?

MR. RITTER (6th):

Mr. Speaker through you, you've answered the question. There would be an administrative hearing at which time all the evidence would be presented in public, the parties--any party could participate. It would then be the decision of the PUCA which would control during that time until the three month period came about.

MR. STEVENS (119th):

Through you Mr. Speaker, if the clause were no longer in effect at the end of the three month period, would the hearing still be required?

MR. RITTER (6th):

Mr. Speaker through you, please repeat the impact of your question. I didn't get the import of your question.

MR. STEVENS (119th):

Wasmy question, through you Mr. Speaker, was that if at the end of the three month period the generation utilization clause was no longer in effect, would the public hearing still be required?

MR. RITTER (6th):

Mr. Speaker through you, in my opinion, yes.

MR. STEVENS (119th):

Mr. Speaker through you, line 966, subsection 11b, this appears to be an authorization for regulations by the PUC to provide adequate compensation for the providing of office space for the consumer council. Does that mean the PUCA takes the place of the public works commissioner in terms of securing office

space for the consumer council?

MR. RITTER (6th):

Mr. Speaker through you, this is one of the few provisions, Mr. Speaker, that we copied from the Meskill administration.

MR. STEVENS (119th):

Through you Mr. Speaker, I would repeat my question. Does this take the authority away from the public works commissioner?

MR. RITTER (6th):

Mr. Speaker, the answer is that essentially it's meant to put the council in the same building with the PUCA so that they, he can have the benefit of that proximity. It also requires that the PUCA make available to him office space as indicated in this state which is an exact reproduction of the present law.

MR. STEVENS (119th):

Through you Mr. Speaker, are employees of the consumer council to be under civil service?

MR. RITTER (6th):

Yes, Mr. Speaker, through you, yes.

MR. STEVENS (119th):

Through you Mr. Speaker, would the gentleman please indicate where in the bill it places them under civil service protection.

MR. RITTER (6th):

Mr. Speaker through you, lines 105 to 108.

MR. STEVENS (119th):

Through you Mr. Speaker, where in those lines does it indicate they must be civil service and not just regular employees outside the classified service?

MR. RITTER (6th):

Mr. Speaker, that's my understand and interpretation. I believe it's the committees.

MR. STEVENS (119th):

Through you Mr. Speaker, does the bill in any part specifically state they shall be civil service employees?

MR. RITTER (6th):

Mr. Speaker, through you, in my opinion, yes. That's the intent of those words.

MR. STEVENS (119th):

Through you Mr. Speaker, does the file copy of the bill require evening public hearings on either fuel cost adjustments or rate increases?

MR. RITTER (6th):

Mr. Speaker, through you, only upon petition of, up to 25 citizens in a particular town. Then it would be a portion of that hearing would bere-quired to be held in the evening in the town in which the company provides ser-vice.

MR. STEVENS (119th):

Through you Mr. Speaker, is that a mandatory requirement for an evening hearing?

MR. RITTER (6th):

Through you Mr. Speaker, it's my understanding it is.

MR. STEVENS (119th):

Through you Mr. Speaker, would the gentleman indicate where in the bill it mandates an evening public hearing?

MR. RITTER (6th):

Mr. Speaker, I think Mr. Stevens is going to have to find that himself.

MR. STEVENS (119th):

Through you Mr. Speaker, directing your attention to line 1241 which states as follows: If a petitioner so requests such a session may be held in the evening. Is it the gentleman's response that may be held is mandatory under the PUCA?

MR. RITTER (6th):

Mr. Speaker through you, I can only say it was the intentention of the committee and I think we set the stage for the PUCA to understand that. I gather from the import of your question that is is not mandatory, it is simply indicated that's the wish of the general assembly.

MR. STEVENS (119th):

And through you Mr. Speaker, is it the gentleman's response then that it is, if thelanguage I have read is correct, discretionary as to whether or not they would hold a public hearing in the evening?

MR. RITTER (6th):

Through you Mr. Speaker, yes.

MR. STEVENS (119th):

Thank you. Directing your attention to line 1282, could the gentleman indicate when the governor may appoint new members of the PUCA?

THE SPEAKER:

Does the gentleman care to respond?

MR. RITTER (6th):

Yes, Mr. Speaker. Any time now.

MR. STEVENS (119th):

Through you Mr. Speaker, does not the bill require prior advise and

consent of both House and Senate prior to the appointee taking office?

MR. RITTER (6th):

Mr. Speaker through you, yes.

MR. STEVENS (119th):

Through you Mr. Speaker, if the general assembly adjourns on Wednesday of this week, with no appointees confirmed, could the governor appoint and have individuals serve prior to our coming back into session to advise and consent?

MR. RITTER (6th):

Mr. Speaker, my interpretation to this language, the answer is no.

MR. STEVENS (119th):

Through you, Mr. Speaker, to follow the gentleman's answer up and assuming we adjourn on midnight, Wednesday of this week, without approving any new members, is the gentleman indicating then that the present members would serve at least until February of 1976 when we come back in session?

MR. RITTER (6th):

Mr. Speaker, through you, no. That may be the case, it may not be the case. If the, if we had a special session, then the governor presented names to us at the special session, and we approved them, they would then be able to take office.

MR. STEVENS (119th):

Thank you. Mr. Speaker through you, the gentleman is indicating that appointees must have prior approval of both House and Senate before they may sit.

MR. RITTER (6th):

Mr. Speaker, that is the way the bill was meant to be drafted. I hope it has been and is certainly our intent.

MR. STEVENS (119th):

Through you Mr. Speaker, is there any provision in the bill for payment of the salaries for the remainder of the term of any commissioners who may have replacements named and still have a term of office to which they were originally appointed left unserved?

MR. RITTER (6th): (record 25)

Through you Mr. Speaker, no.

MR. STEVENS (119th):

Through you Mr. Speaker, if such were the case, and a court case resulted in the upholding of that position, would the funds be paid out of the PUCA budget?

MR. RITTER (6th):

Mr. Speaker through you, probably not.

MR. STEVENS (119th):

Through you Mr. Speaker, the gentleman is indicating there's no provision in the funding for this bill for such an eventuality.

MR. RITTER (6th):

That's correct, Mr. Speaker.

MR. STEVENS (119th):

I have no further questions at this time, Mr. Speaker.

THE SPEAKER:

Will you remark further on the bill as amended?

MR. RITTER (6th):

I'm going to move passage, Mr. Speaker, and waive my four hour address to the jury and urge that all of us do our duty and support this good bill.

THE SPEAKER:

Will you remark further on the bill?

MR. STEVENS (119th):

Mr. Speaker, the Clerk has an amendment, LCO No. 3539. I would ask the Clerk to please call the Amendment.

THE SPEAKER:

Will the Clerk please call LCO No. 3539 which will be designated House Amendment Schedule "A"? The Clerk please read the amendment.

THE CLERK:

House Amendment Schedule "A" offered by Mr. Stevens of the 119th, LCO No. 3539.

In line 373, delete everything after the period.

Delete lines 374 through 377 inclusive.

In line 378, delete everything before the word "the"

MR. STEVENS (119th):

Mr. Speaker, I move adoption of the amendment.

THE SPEAKER:

Question is on adoption of House "A". Will you remark?

MR. STEVENS (119th):

Mr. Speaker, I would request that when the vote on this amendment be taken, it be taken by roll call.

THE SPEAKER:

Motion is for a roll call vote when appropriate and all those in favor of the motion will indicate by saying aye. In the opinion of the Chair, clearly a sufficient number are in approval of the motion and a roll call, when appropriate, will be ordered.

And will you remark on adoption of House "A"?

MR. STEVENS (119th):

Mr. Speaker, this amendment would delete the language which gives the authority to the Public Utilities Commission to take into consideration in establishing rate structures, the so-called poverty status. The reason I offer the amendment is that I do not think the Public Utilities Commission should be setting social policy for the State of Connecticut. If the flat grant is improper, is insufficient to meet utility bills, then it's the responsibility of this general assembly to act as we have acted and to provide as we have provided additional funds to meet those bills. It is wrong for the public utilities commission to be allowed to establish a standard of income upon which to base rates. By so doing, you are passing that additional cost on to the other rate payers and that is a social decision that should be made by this general assembly. Accordingly, I suggest that this language be deleted and that we in this assembly address ourselves to that problem as it arises.

THE SPEAKER:

Further remarks on House "A".

MR. RITTER (6th):

Mr. Speaker, I rise to oppose this amendment. I will not repeat the discussion we've had previously. I would only add that at the moment the state legislation provides funds only for people who are on welfare. We did not see fit to pass the bill which provided funds to help utility bills for people who might be unemployed but not on welfare, people who are indigent but not on welfare, or people who were having problems, financial problems, but not on welfare. That's number one.

Number two, much more relevant perhaps, this does not require the PUCA to do any more than to look into this matter. It does not direct them, for

example, to set up a lifeline rate which our regulated activities committee thought of putting in the bill itself. What it does say and only say is that just as we have to look at conservation, just as we have to look at economics, just as we have to look at other aspects when we're setting rates, we do have to review as well the implication so far as the poverty is concerned.

THE SPEAKER:

Further remarks?

MR. GEJDENSON (48th):

Mr. Speaker, I rise to oppose the amendment. The amendment refuses to recognize other portions of the bill that takes into account the economy of this state. When we set electric rates, we set social policy. The existing commission which has failed to take into consideration that special policy, has seen fit only to do so regarding industrial rates. What this language in the bill does is ask the new commission to take a look at the whole picture, to take a look at how rates are bringing business into the state and how our rates affect the lives of the people in this state, as well as taking a look at how we can conserve energy when the largest costs today is building new generating plants--Millstone III probably cost somewhere in the neighborhood of $800 million. If we were to set up a lifeline sort of rate where a person would have an incentive to use less electricity, we would end up saving all the rate payers money because we wouldn't keep needing new generating capacity. I urge defeat of the motion.

THE SPEAKER:

The gentleman from the 147th.

MR. SHAYS (147th):

I'd like to ask the last speaker one question. I'd like to ask him who if any the public utilities commissioners or whatever name they would be called

are elected by the people of this state.

THE SPEAKER:

Is the gentleman presenting his question to the gentleman from the 48th?

MR. SHAYS (147th):

The last speaker who spoke, Mr. Speaker.

MR. GEJDENSON (48th):

Mr. Speaker, I assume those remarks, the question was in regard to my remark and I don't understand the relevance. I would assume that none of the present members will be elected by the people of this state but appointed by the elected representatives of the state.

MR. SHAYS (147th):

Thank you, Mr. Speaker. Mr. Speaker, I support this amendment. I support it with all my heart because the State of Connecticut should provide those monies necessary for the poor to pay their utility bills. The state themselves can't pay it but I don't want five utility commissioner to decide what should be done.

THE SPEAKER:

Will you remark further on the amendment?

MR. BELDEN (113th):

Mr. Speaker, I rise to support this amendment. The gentleman from the 48th indicated that what incentives were there to save electricity. I know what I do in my house. I walk around in the dark. Now if you go into a low rental housing project and look around, and see how it's lit up, these people couldn't care less because somebody else is paying the bill in most cases. Now if we're going to help people, and I'm not against, objecting in any way, shape

or form to helping those people who need help, I don't think there's anybody in this chamber who would disagree with that but let's keep it out in the open so we can see what it really is and what our problems really are and not bury in the rate structure within the State of Connecticut. I'm in favor of this amendment.

MR. DE MENNATO (87th):

Mr. Speaker, I have people in the ten to fifteen thousand dollar income brackets who might be able to take advantage of this poverty factor, depending on how its judged. They're living in houses which are darkened at night. They're living in houses which don't have heat and we cannot get assistance stamps for them. They're living with candles. I don't think that this amendment will do any good because the State of Connecticut won't help these people. Nobody will help them right now. I only hope to God we can help them in the future and I'm against this amendment because I think maybe, just maybe, we might be able to get some help from this new PUCA for these people. Thank you.

MR. VARIS (90th):

Mr. Speaker, speaking in favor of the amendment. This language of the, the present language of the bill without the amendment very obviously sets a direction for the other rate payers of the state to pay the electric bill. Now all taxpayers of this state through welfare department, whether it be clothing which is just as essential as the utility costs, should be paid by the state with a known line in our budget rather than through a subterfuge of other rate payers indirectly subsidizing welfare. We should live up to our responsibilities at what level established, at whatever level is established and pay through taxation rather than this indirect method.

MR. CAMP (111th):

Through you please a question to the proponent of the amendment.

THE SPEAKER:

Please frame your question, sir.

MR. CAMP (111th):

Yes, could you tell me how the new public utility authority might do what is set forth in line 376-7 and 8, that is make adjustments in the rate structure as is necessary or desirable to take into account of the indigency that is to say, would they, could they establish some level at which you'd pay less of arate or something of that ilk or exactly how would this mechanically be carried out?

THE SPEAKER:

Does the gentleman from the 119th care to respond?

MR. STEVENS (111th):

Through you Mr. Speaker, it's my understanding from reading those lines and from the responses from the chairman of the committee, that that language gives the authority to the PUCA to one, establish a standard of poverty status, and two, to adjust rates accordingly. To me, that is interpreted to mean that if your income is below a certain level, you could receive electric service, for example, at a certain rate which would be lower than that paid by the next income level and the next income level would, in effect, be subsidizing the lower income.

MR. CAMP (111th):

Mr. Speaker, I believe I have the floor. My question had intended to be through the chairman of the committee, to ask him: is the interpretation that the Minority Leader has given to the present sections in the statute an accurate way that the PUC could carry out the language that would be in the bill,

but for the amendment.

MR. RITTER (6th):

Mr. Speaker through you, I believe they'd had the authority to do that now without the amendment. I believe what this does, through you Mr. Speaker, is to say it's the public policy of this general assembly that the PUCA will recognize that this is an important aspect in setting rates and will review this situation just as it will review the declining black rate, just as it will review the peak pricing, just as it will review all the other kinds of matters which we've requested they look into. Further, through you Mr. Speaker, it does not require that they establish any particular classification. It requires rather that they look into this and make sure, Mr. Speaker, that they believe that the rates are fair and that there is no undue hardship on people who are characterized as being in a poverty classification.

MR. CAMP (111th):

Mr. Speaker, perhaps I could ask the chairman of the committee again, through you, to read the language himself again because that clearly isn't what the language says. The language is not permissive. The language uses the word "shall" in line 376 the language in the present bill says "shall make such adjustments to the rate structure as is necessary or desirable to take into account of their indigency" and I would ask him, would this set up the type of poverty determination through the commission and then have the commission in some way reduce bills that were to specific individuals and is it still his opinion that this is merely permissive language.

MR. RITTER (6th):

Mr. Speaker, through you, it talks in terms of necessary and desirable. That gives enough flexibility to the commissioners to determine whether or not

they wish to establish a particular kind of rate. I would also underscore the fact that in many other states in this country now, there are rate classifications known as lifeline classifications. These were presented to your committee. With a lifeline classification, essentially what it provides is that for the first 250 kilowatts, you would pay less than you would pay, for example, for the next 500 kilowatts. In other words, this is the opposite of the declining block and it would only be applicable in those situations where the PUCA, after proper hearing, should determine would be appropriate.

MR. CAMP (111th):

Mr. Speaker, would the, and another question through you to the gentleman bringing out the bill, is it the statement then that the way that an adjustment would be made would be that very small users could get an advantageous rate or would be required to under this bill?

MR. RITTER (6th):

Mr. Speaker through you, that would be one possibility with the additional requirement that there be some kind of income criteria applied to it. But again, this is the one way of handling it, Mr. Speaker, and indeed again we (record 26) believed it was the responsibility of the PUCA andnot of this body to review this and to determine an appropriate rate structure, if they thought it was required under the necessary and proper language.

MR. CAMP (111th):

Mr. Speaker, I won't burden the House with further questions, but I think the language is quote obvious and I think there is sufficient justification for one of our good litigants here to go into court on a class action if he desired to and force the PUC under the language that's here to adopt some special rates. I would ask the members of the House if this is indeed what they want and I would

suggest to those who arein doubt to re-read line 376 to 378 which it seems to me ought to be abolished and would be abolished under this amendment which I support.

THE SPEAKER:

Will you remark further?

MR. POST (62nd):

Thank you Mr. Speaker. I believe that many of the things that the committee has included in sub-paragraph b dealing with rate structures are commendable. The energy crisis was real and continues to be very severe and the committee has recognized that whoever controls rate structure should take into account such issues as energy conservation. But there is a major difference between peakload pricing or lifeline pricing and the language contained in the lines 373 to 378 and I would hope the chairman of the committee would reconsider his position on these, on this amendment. Peakload pricing is an attempt to have all of us recognize, rich or poor, have all of us recognize that drawing energy at certain times of the day adds to the need to build new plants which are expensive and increase the average cost of electricity to all ofus and that if we can adjust our rate schedules to reflect that fact, we can discourage the use of electricity at the peak times of day.

THE SPEAKER:

Will the chamber please come to order. The gentleman from the 62nd has the floor.

MR. POST (62nd):

Thank you Mr. Speaker. Lifeline pricing, which Rep. Ritter mentioned, is a commendable concept which rewards those of us, rich or poor, who are willing to limit our use of electricity and thus, curtail demand and thus eliminate some of

the pressures to build new facilities. The problem with the sentence thatis the subject of this amendment is that it allows the authority, whatever its name, to take into account the economic status of individual users. That creates an artificial price for those users. Potentially it creates a lower price for lower income people than, of this state and it's that very fact that we've had a low and artificial price of electricity that has led to the overdemand for that power source. Electricity should be honestly priced and fairly priced and the rate structure should be designed to discourage the wastefulness that this clause would permit an artifidal price that would apply to certain segments of our society. If we want indeed to help those that are poor, we should that through the welfare system, not through artificial pricing in electricity. That's the very concept that's gotten us into trouble with electricity andthe very concept that's gotten us into trouble with natural gas. Let's price those commodities fairly and I would urge the chairman of the committee to reconsider his position. If this section is deleted from the bill, the penalty that it will have to go back to the Senate for their action but if it's deleted from the bill, it does not do damage to the underlying concept that you are supporting here, namely to give the authority the power to establish rate structures that will discourage energy waste. I hope you will reconsider your position and support this amendment. Thank you, Mr. Speaker.

MR. GEJDENSON (48th):

Thank you Mr. Speaker. Mr. Speaker, I would suggest that the members of the House look at that same page in the file, on lines 383 to 385 where it says: purpose of this provision without being unfair and discriminatory or unduly burdensome or disruptive to any group or class. The intent of this section is not to place an undue burden on those other individuals in our society. What this

section refers to is a situation that came to me in my first public hearing on electricity where people came in and said, look, I'm making $8,000 a year. I've been using less electricity and my bills keep going up. The people that have proposed this amendment and have supported it are taking a look at it out of context and are misinterpreting what it tries to do. I urge you defeat this amendment. It is a bad one.

MR. FERRARI (15th):

Thank you Mr. Speaker. A question through you to the gentleman from the 6th, Rep. Ritter.

THE SPEAKER:

Please frame your question.

MR. FERRARI (15th):

Thank you, Mr. Speaker. Through you Mr. Speaker, does this provision Rep. Ritter, possibly also mean that in considering a rate structure which might be beneficial to say business expansion such as the declining block structure, the PUC or the PUCA would also have to consider the possible effect that that sort of a concession might have on the poor or smaller rate user. Is that what this is doing, basically mandating that they consider the impact of other sources of special rates on say poorer individuals.

MR. RITTER (6th):

Mr. Speaker through you, this is certainly one of the effects of other provisions of this bill and this reinforces it. This requires that there be a special look at what any rate structure, general rate structure will do to the folks we're now talking about. It requires further that there be a special look at this particular segment of society to see whether it is carrying an unfair, undue burden. That's the language, undue burden. Whether it's carrying

an undue burden as compared with what large manufacturers are carrying, as compared to what other classifications of rate payers are carrying and if it's felt that there's an undue burden, then the PUCA is permitted to establish a classification.

THE SPEAKER:

If there are no further remarks, the members please be seated, the staff come to the well. The vote is on House "A". The machine will be open. Have all the members votedand is your vote properly recorded? If so, the machine will be closed and the Clerk will take a tally.

THE ASSISTANT CLERK:

Total Number Voting.....142
Necessary for Adoption..... 72
Those voting Yea.....53
Those voting Nay.....89
Those absent and not Voting..... 9

THE SPEAKER:

House Amendment "A" is REJECTED.

Will you remark further on the bill as amended?

MR. SHAYS (147th):

Mr. Speaker. thank you Mr. Speaker. I'd like to draw the House's attention to section 10g, page 21, lines 931 to 949. I would like to ask a question to the chairman of the regulated activities committee, Rep. Ritter.

THE SPEAKER:

Please frame your question.

MR. SHAYS (147th):

Thank you. I'd like to know, Mr. Ritter, does any other state have a similar clause?

MR. RITTER (6th):

Mr. Speaker through you, I do not know.

MR. SHAYS (147th):

Does the gentleman know if any other state is considering having such a clause?

MR. RITTER (6th):

Mr. Speaker, through you, I do not know.

MR. SHAYS (147th):

I'd like to know if the gentleman thinks it is wise for regulated utilities to have adjustment clauses.

MR. RITTER (6th):

Through you Mr. Speaker, yes.

MR. SHAYS (147th):

In that event, why not have adjustment clauses for every aspect of utility regulations?

MR. RITTER (6th):

Mr. Speaker, through you, I think it would be too cumbersome and it's not required.

MR. SHAYS (147th):

I'm sorry, Ididn't hear the answer.

MR. RITTER (6th):

I believe it would be too cumbersome. It would be difficult to administer. I don't think it's required.

MR. SHAYS (147th):

Does the gentleman believe that adjustment clauses encourage efficient operation of utilities?

MR. RITTER (6th):

Mr. Speaker, I think it depends on the circumstances.

MR. SHAYS (147th):

I'd like to know why, in your opinion, did Governor Grasso in one of her news conferences term this section as dangerous.

MR. RITTER (6th):

Mr. Speaker, I suspect you ought to ask, if she made that statement, I suspect you ought to ask her.

MR. SHAYS (147th):

I'd like to know from the gentleman why, in his opinion, did the PUC Consumer Counsel David Silverstone term section 10g as a Pandora's box which may result in higher bills.

MR. RITTER (6th):

Mr. Speaker, because, in my opinion, he misunderstood the application of this.

MR. SHAYS (147th):

Mr. Speaker, the Clerk has an amendment, LCO 9898.

THE SPEAKER:

Would the Clerk please call LCO 9898 which will be nominated House Amendment Schedule "B". The Clerk please read.

THE CLERK:

House Amendment Schedule "B", LCO 9898, Mr. Shays of the 147th.

Delete lines 931 to 949, inclusive.

THE SPEAKER:

You have the amendment. What is your pleasure?

MR. SHAYS (147th):

Mr. Speaker, I move adoption of House Amendment "B".

THE SPEAKER:

Question is on adoption of House Amendment "B" and will you remark, sir?

MR. SHAYS (147th):

Yes, Mr. Speaker. No other state has created such a clause and we'll have the dubious distinction of being the first state in the union to adopt an additional adjustment clause which the rate payer will probably call the nuclear adjustment clause and I personally don't want any part of the adjustment clause. I'd like to have the House recognize with section 10g, the nuclear adjustment clause means, and to put in perspective we must recognize that Connecticut is a major user of nuclear energy, approximately 25% of our electric energy is nuclear, with the operation of Millstone II, nearly 40% will be nuclear energy and if in the event section--Millstone III is finished, it will be well over 50% of our energy will be nuclear. The advantage of nuclear energy is that the fuel cost is fairly low. The disadvantage is that the capital costs are major. They are very major. There are some that wonder actually if in the end nuclear energy is cheaper than fossil fuel energy when you consider all costs.

What this section, 10g, would enable the public commission to do, the public utilities commission to do is in the event that nuclear energy plants are shut down, the utilities could pass the cost of the capital cost of the nuclear plants to the consumer in what is called a nuclear adjustment cost. (record 27) This would mean that you would not only pay, have to pay for higher oil bills but you would also have to continue to pay for the higher capital cost of nuclear energy. It's my opinion that if nuclear plants are shut down, the persons to bear that burden would be the owners and the shareholders, actually the shareholders of the utility companies. They presented, when introducing nuclear energy to the State of Connecticut, they said that the plants would be operating

approximately 75% of the time.

Now what this clause says, that if a plant can't operate at 75% of the time, if it operates 60% of the time or 50% of the time, that cost will be paid by the rate payer and not by the utilities as I feel it should be. I sincerely hope that this amendment is adopted and I request, Mr. Speaker, that when the vote be taken, it be taken by roll call.

THE SPEAKER:

Motion is for a roll call vote on House "B".

MR. SHAYS (147th):

Mr. Speaker, before that, I would also like to request that it be printed in the Journal.

THE SPEAKER:

The Chair will take the gentlemen's motions in the order presented. The first motion was for a roll call. All those in favor of the vote being taken by roll, will indicate by saying aye. In the opinion of the Chair, at least 20% of themembers of the chamber are supportive of the motion. A roll call will be ordered.

MR. SHAYS (147th):

Thank you Mr. Speaker. I would like the amendment to be printed in the Journal.

THE SPEAKER:

Pursuant to the request of the gentleman from the 147th, House "B" will be printed in the Journal of today's proceedings.

Will you remark further on adoption of House Amendment Schedule "B"?

MR. DE MENNATO (87th):

Mr. Speaker, one of the most difficult things that I've had to do in my first term in the general assembly will probably be to rise to speak against

this amendment. I put this amendment in this morning and withdrew it this afternoon because I think that the bill itself is more important to get through than just the amendment and I have great doubts that were this amendment to pass and be attached to the bill, that the bill would make it through the Senate and be enacted into law, and for this reason and this reason alone, I must oppose the amendment and ask each member of the House to oppose this amendment. Thank you.

THE SPEAKER:

Will you remark further on House "B"?

MR. RITTER (6th):

Mr. Speaker, I rise to oppose this amendment on the merits. Whether it would pass the Senate or not it should be defeated. I'd first like to respond to some of the questions of the maker of this amendment with new information or refreshed recollection. Both the Governor and the consumer counsel opposed section g when it said shall. Amendment "A" says may. The bill before us as amended by Senate Amendment "A" provides that the PUCA may, not shall. That explains the difference perhaps in the position that the Governor and the consumer counsel took initially and the position which I understand that they now share.

Further, may I say this Mr. Speaker and members of the House, I consider this a most important indispensible section. Without this, the rest of the bill would be sorely lacking. On the merits what this bill does, it says to the electric utility companies of this state, we, the legislature and the Governor and hopefully the PUCA, recognizeyour important responsibilities. We understand what we're calling upon you to do. We know the franchises that we have awarded you and we expect you to deliver. We expect you to provide adequate and at the least possible cost electricity for all our purposes and for Republican representative to oppose this measure, which is the guts of a proper controlled economic status is beyond me. This is more in keeping, I must say, with Republican

long term Republican view than any other but it should not be the position of only one party. We should recognize the realities of the public utility requirements in this state. They include the following. They include taking partisan politics to the extent possible out of ratemaking. It includes to the extent possible recognizing the need to provide adequate funds to the public utilities to provide what we need and ask them to do. It also requires a recognition that if we are going to permit, for example Northeast Utilities to go into nuclear energy perhaps to the extent of 50% of its total production of electricity, we cannot ask that their shareholders play crap with what's going to happen so far as rates are concerned. And what this, what would happen, let me give you an example of what would happen if this amendment were to be passed. It would provide very clearly that under the new law if it were adopted with this amendment out, there would not be possible for the utility companies to obtain the proper return for the payments that they've made on the fossil fuel that were required for the time of the shutdown for the substitute for the nuclear energy. It would result in a loss perhaps of $300,000 a day to the Northeast Utilities.

I don't believe that that's something any of our people who sent us up here expect us to do. It certainly is no way to help provide proper electricity at the lowestpossible cost to thepeople of this state. I oppose this amendment.

MR. STOBER (42nd):

Mr. Speaker, I rise to oppose the amendment and I hope the House will defeat it. Thank you.

MRS. HENDEL (40th):

Mr. Speaker, I rise to support the amendment. I don't think our constituents sent us up here to create new fuel adjustment clause. I don't think they sent us up here to cause customers, the public, to pay for inefficient utility operations. I hope that the House will consider very carefully and vote to support

this amendment.

THE SPEAKER:

Are you prepared to vote?

MR. TURIANO (120th):

Mr. Speaker, I rise to support the amendment. The utility companies have been crying for the last forty years and when you play the stockmarket, it's only a glorified racetrack. If they can't run their business and make money, if they expect the rate payers to pay their bills, we might just as well give them our check and they can give us electricity for it. I support the amendment. Thank you.

MR. SHAYS (147th):

Mr. Speaker, I'd just like to first respond to the gentleman, Mr. Ritter, that there are all kinds of Republicans, and then point out that it's important for the House to recognize how rates are set. The utilities go before the commission and they say, we have a system. Some of our system is nuclear and some of it is electricity--is oil and they say that approximately 25% of our power is going to be generated by nuclear energy and 75% may be generated by oil. Then they say that based on the nuclear energy that their plant, their nuclear plant, will run 75% of the time. Obviously if it runs at 80% of the time, they make a savings and if it runs at less than 75% of the time, if the rates are set on that, they're going to lose money.

But the important thing is that when they sold nuclear energy to the State of Connecticut, they said nuclear energy will operate, our plants will operate at 75% of the time. Now if they discovered that their plants only operated 50% of the time, then they should come to the public utilities company and say, our plants aren't operating as efficiently as we thought. They have to

shut down more than we thought and we need a new rate increase and I have no objection to that. We may find that we don't want nuclear energy. We may find that we want it but I just don't want it to be such as the fuel adjustment. I don't want to have a nuclear adjustment clause.

THE SPEAKER:

Are you prepared to vote? Will the members please be seated, the staff come to the well. Have all the members voted and is your vote properly recorded? If so, the machine will be closed and the Clerk will take a tally.

THE ASSISTANT CLERK:

Total Number Voting.....135
Necessary for Adoption..... 68
Those voting Yea..... 27
Those voting Nay.....108
Those Absent and Not Voting..... 16

THE SPEAKER:

House Amendment "B" is rejected.

Will you remark further on the bill as amended by Senate "A" "B" and "N"?

MR. SHAYS (147th):

Mr. Speaker, I have no more amendments but I would like to ask the proponent of the bill a very few questions. I'd like to know how much new money has been appropriated for this act.

MR. RITTER (6th):

Mr. Speaker, 215, $215,000.

MR. SHAYS (147th):

Excuse me, Mr. Speaker, just to make sure I have, I understand the answer, I'm asking how much does the public utilities spend now and how much will it spend under this new act.

MR. RITTER (6th):

I'd invite, Mr. Speaker through you, my friend to look at the note which is on everybody's desk which lays that out cold, to which he can add $215,000.

MR. SHAYS (147th):

I'd like to know what that $215,000 goes for.

MR. RITTER (6th):

Mr. Speaker, through you Mr. Speaker, $100,000 goes for PUCA for additional staff, $90,000 goes, this is not entirely new money actually, to the Consumer Council, $25,000 goes to the study committee for one of the most important things we can do and study how we can better finance our public utilities.

MR. SHAYS (147th):

Dealing specifically, Mr. Speaker, dealing specifically with the $100,000, how many new staff will that enable the new PUC to hire.

MR. RITTER (6th):

Mr. Speaker through you, that would depend on the PUC's priority, what they decide in their wisdom they would like to do with the money and they have the flexibility to use that $100,000 in accordance with the mandates which are incorporated in the bill; in other words, it's impossible to be more specific than that.

MR. SHAYS (147th):

Thank you Mr. Speaker. I do understand that it is difficult to say where $100,000 will go but I would like to point out to the House members that $100,000 isn't a great deal of money when you consider that the public utilities commission is sorely understaffed. And it was my strong conviction when I ran for public office that the major problems with the utilities commission, aside

from the fact that they may not be innovators and they may not initiate new types of programs which I think they should, they don't have the staff to really look at the public utilities and examine their operation and I don't believe that $100,000 will enable them to do this and quite frankly, if I were asked to me on this new commission, I would refuse because I don't think I would have the tools to do a good job.

MR. RITTER (6th):

Mr. Speaker through you, I agree with what has just been stated. I agree that it should have been much closer to a half a million dollars. That was the figure that I felt it should be but unfortunately we haven't adopted a state income tax around here and until we do, we're not going to have the funds to do many of the things that should be done and this is only one of them. So it's with a rather heavy heart that I agree with the last speaker but, nevertheless, support the bill.

MR. BELDEN (113th):

Mr. Speaker, thank you Mr. Speaker. This is undoubtedly the worst consumer bill to come out of this legislative session. I would like to remind those present that this is probably the greatest Republican billto be passed this session, because unless you can reduce the price of oil or other energy sources, there's no way in the world that you're going to reduce the cost of utilities in the State of Connecticut. As you all know, when you go to buy your own gasoline that it's more than twice the previous cost. The price of crude oil over thepast few years has gone from $2.75 a barrel to up to $13.00 a barrel.

I heard no talk today about any consideration for the price of oil or other energy sources. I heard no talk today about the state offering to take over, buy out any of the privately owned public utilities in the State of Connecticut which is esentially what you're talking about except you're not paying

them any money for it.

This is a great Republican bill because, as Mr. Ritter indicated, we're talking additional cost of $200,000 and some in tax money to increase the PUCA staff which is already costing more than $1,100,000, eighty some people. We're about to add to that 64 additional pages of bureaucracy. If any of you people are involved in business, you can learn about the law of diminishing returns. One man can do 90% of the job and ten men can do maybe three percent of the job, especially when you're trying to attract something. Gentlemen, this is a great Republican bill. It's going to send a lot of us back here next year because the price of utilities is not going to go down. If you add a half a million dollars, a hundred more people to the PUC, gentlemen I'll tell you this, a rose by any other name is still a rose, the PUC is still a PUC. We've just added the cost.

MR. DICE (89th):

Mr. Speaker, through you a question to the proponent of the bill. Mr. Ritter, can you tell me whether this bill there is anywhere that sets forth that the new PUCA can consider labor efficiency in setting rates?

MR. RITTER (6th):

Mr. Speaker, through you, only as part of an audit would they be able to do that as they reviewed all aspects of whatever they choose to audit.

MR. DICE (89th):

Mr. Speaker, through you, then that in setting a rate not in afterwards considering whether or not the commission has properly set a rate, in setting the rate, is there any provision that requires this commission to consider whether or not the utilities are properly using their labor in delivering to the customer of the required energy.

MR. RITTER (6th):

Mr. Speaker, through you, one of the innovations in this bill is the ability to have a management audit. A management audit should be able to look into all aspects of management, all aspects of costs. There would then be a public hearing on the management report. If any aspects of that should happen to touch on the area in which the speaker is interested, that would then be covered.

MR. DICE (89th):

Mr. Speaker, through you, does this bill in any way require or suggest that section 16-42 be repealed or in any way the labor contract between the union and/or the employees of the utility can be effected by this commission?

MR. RITTER (6th):

Mr. Speaker, through you, this does not abrogate the right of collective bargaining, if that's your question.

MR. DICE (89th):

Mr. Speaker, it is not the question. The question is, whether or not the commission itself can have an effect upon how the labor or the labor contract is made in respect to delivering to this state's community and this state's users the services that are rendered by the utilities.

MR. RITTER (6th):

Mr. Speaker, I would the PUCA would be in derelect of its duties if anything came to its attention or in one of its audits should discover something that was inappropriate in any dealings between management and labor or in any "sweetheart contract". But it's also true, again, this does not abrogate the right of the union or the management to enter into arms length bargaining and to obtain collective bargaining as a result of the arms length bargaining.

MR. DICE (89th):

Mr. Speaker, in respect to this bill, it seems to me that it has one glaring or at least one glaring major defect and that defect is that the utility companies can make a contract and ...then can pass on to the consumer the inefficiencies or the results of that contract without, in effect, having PUCA or the control involved in analyzing and requiring the utility before the rate is set or at the time the rate is set to make sure that labor efficiency is an accomplished fact. From what the chairman of the committee says, it's only afterwards, it's only after the consumer has had to eat it. After the consumer has had to take what the company and the union or the other employees have made in a contract is the commission involved. It's only after they've been involved that do you determine whether or not there is a fair rate of return. It seems to me that there are three basic requirements in setting rates. One is the cost of the operation of labor; one is the overhead; and one is the cost of materials. This bill is grossly defective in that the utilities are not rescrutinized at the time the rate is set as far as what the labor efficiencies and how its produced. It seems to be that we have done nothing in respect to giving the public a fair shake. What has happened is that the utility and the union can make a contract without worrying whether or not there is labor efficiency, make a contract of which the entire results, and I'm not saying there is and there is not, but the entire result of featherbedding will be passed on to the public because the featherbedding, if that's what can happen, is scrutinized before you set the rate to the consumer. This is the matter that made the railroads go down. This is a matter that it seems to me that this bill, in which this bill is defective.

Consequently, I think we have accomplished nothing by this bill. We're still in the situation that we are under the present system whereby a rate is set without giving consideration as to whether or not we have efficiency

and the lack of efficiency is to continue to pass on to the public through the rates, without scrutiny before you set the rates. You can make all kinds of comments about, well after the rates we do audits and we do concerns but after the rate, we are in a situation where we're worrying about rates of return. And consequently, I think we have a defective bill in the respect that we do not consider one of the major aspects of setting rates. Thank you.

MR. MATTHEWS (143rd):

Mr. Speaker, in fundamentals and economic theory there's one thing that's very important in the state today as there is in this country today and that is that energy makes jobs and jobs is the way that we get our people back to work, get them off unemployment, welfare and get them funnelling the taxes that are necessary to keep our state going and to avoid an income tax. Now one of the major elements in the program with the utilities in this state are that they have absolutely no capital funds to build, to improve and to do things and this bill does nothing whatsoever that I can read into it which will give them any assistance in this area at all. It seems to me that if we want to do a constructive, longrange, sensible building of needs for energy and jobs in this state, that the fundamental thing is that we must have the energy and the energy will come from the plants that are built and are producing that energy and I think that it's an evidence of this lack of understanding on the part of the people of the State and the legislature is that there are no utilities today that I'm aware of who can sell any money, bonds or anything. There's nobody that wants to purchase them because they think that they're all going to be in terribly poor financial shape and that the one thing and one thing only and that is that prices are going to go up. The utilities are going to charge more. They have to pay for more and you will have no way to build their plants

or refinance their facilities so that they can reduce costs in any way.

MR. RITTER (6th):

Mr. Speaker, the previous speaker, I think, has put his finger on one of the most important unsolved problems that we will face. I would like, however, to call attention to all members to the language of Amendment "A", page 6, section 68. In order to consider whether major capital expenditures for the expansion of public service companies might be more advantageously financed by the use of tax exempt bonds, etc. etc. etc. That is the purpose of the $25,000 which has been set aside for this study commission and which Mr. Camp, I'm sure, will lend his support because it's so necessarily meets the needs that have just been pointed up by the last speaker.

MR. MATTIES (20th):

Mr. Speaker, I oppose this bill. I coin one of Carl Ajello's phrases it's a sham. It does nothing constructive that cannot be accomplished under the present structure. It simply, in my humble opinion, an effort to fulfill a campaign promise. I just think it's awfully unfortunate that this assembly has decided to finally live up to the campaign promise on this issue. I wish they'd break this one too.

MR. CAMP (111th):

Mr. Speaker, through you please, a couple of questions to the proponent of the bill.

THE SPEAKER:

Please frame your question.

MR. CAMP (111th):

Yes. First, it's my understanding that the present PUC has adopted a number of regulations. Is there a provision in this bill which continues those

regulations in law or are those in some way repealed by adoption of this bill?

MR. RITTER (6th):

I believe they're continued, Mr. Speaker, through you.

MR. CAMP (111th):

Yes, through you please, could you point to the section of the bill which continues the present regulations.

MR. RITTER (6th):

Mr. Speaker, through you, you've got some pretty good lawyers over there. I'll let them look at it.

MR. CAMP (111th):

Mr. Speaker, through you please, are you representing to the House that there is specifically a provision in this bill to renew those regulations?

MR. RITTER (6th):

Through you, Mr. Speaker, I'm representing to the House that it is (record 29) my understanding that they will stay in full force and effect unless and until repealed.

MR. CAMP (111th):

Thank you.

In line 348, the Senate Amendment added the language "to consider as well energy conservation" as one of the considerations which the PUCA could take into account in determining rates. Could the commission in doing that raise rates on the theory that this would reduce useage?

MR. RITTER (6th):

Mr. Speaker, through you, not without being impeached, I would guess.

MR. CAMP (111th):

But that power exists.

MR. RITTER (6th):

Mr. Speaker, through you, the PUCA and the PUC have very, very heavy powers but they're not unlimited and their action must somehow correspond to the realities of the rate case before them or the individual rate adjustment before them, so that, Mr. Speaker, it's very difficult to speculate on such a question. I can only say that the purpose of the provision is to make sure that the PUCA is obligated to consider these factors, including conservation.

MR. CAMP (111th):

Thank you. Through you please, another question.

In line 847, which was included in the Senate Amendment, the commission I understand has the authority to approve fossil fuel adjustments and when approved by one company, these same clauses are automatically approved by all other companies. Is that correct, through you please?

MR. RITTER (6th):

Mr. Speaker, through you, that's correct.

MR. CAMP (111th):

Yes. Through you, please, do the recipients of one company's services have notice of the hearings which, with respect to other companies?

MR. RITTER (6th):

Through you Mr. Speaker, I would hope they did. I would assume that the consumer counsel would have as one of his functions to make sure that they do.

MR. CAMP (111th):

Mr. Speaker, through you please, does that section carry out the present law, that is, under present law if a rate adjustment is made for one company for fuel adjustment, that that is automatically carried out in other

companies?

MR. RITTER (6th):

Through you, Mr. Speaker, yes, that's the present regulation.

MR. CAMP (111th):

Thank you. One further question and then I will be through with questions.

In section 16, which I believe has been knocked out by the Senate amendment, there was a provision that if there are a great number of people at a hearing, they could be noticed by some means other than personal service. Has that section now been deleted from the bill?

MR. RITTER (6th):

Mr. Speaker, through you, Mr. Camp, can you direct me please to the specific line that you're concerned about?

MR. CAMP (111th):

In section 16. I believe that section has been deleted in the Senate Amendment, line 1090.

MR. RITTER (6th):

Mr. Speaker, for an old man you know you're really putting me through my paces, Mr. Camp. You're pretty tough, boy.

MR. CAMP (111th):

Before this bill puts the people through their paces, we should be here.

MR. RITTER (6th):

Well, Mr. Speaker, I do not see where that's deleted. It still requires public notice.

MR. CAMP (111th):

Well, in reading the Senate Amendment, I notice that in line 182 through line 1123 appear to be deleted.

MR. RITTER (6th):

Which amendment are you looking at?

MR. CAMP (111th):

Senate "A", through you please.

MR. RITTER (6th):

Mr. Speaker, through you, I see Senate "A" 141, 142.

MR. CAMP (111th):

Mr. Speaker, I won't press the point. I frankly don't understand the lack of inclusion.

As to the bill itself, it seems to me what it's mainly doing is changing a name. It has that would have been deleted by Mr. Stevens' amendment, it seems to me had a hidden attack on the middle class which is probably about typical. I think this bill is probably indicative of something Clark Hull told me during the last campaign and that is, what you're really trying to do is to replace our old cronies with your new cronies. I don't think the bill really does much more than that.

Mr. Speaker, I've read this bill and I've read most of the bills that are in the files yet before us. Based upon my best judgment of what would be the interest of the people of the State of Connecticut, I move that we adjourn sine die and I ask that when the vote vote be taken, it be taken by roll call.

THE SPEAKER:

Will the members please be seated? The Chair would inquire if the gentleman from the 111t, whether he seriously is presenting this motion to this chamber for consideration or whether he is indulging in frivolity.

MR. CAMP (111th):

By no means, am I frivolous. I have read the files, as I have indicated to you. I have read this bill. I wish I had done it a couple of weeks ago.

THE SPEAKER:

Is the gentleman pressing the motion?

MR. CAMP (111th):

Yes, Mr. Speaker.

THE SPEAKER:

Is the gentleman serious about his motion?

MR. CAMP (111th):

Yes, and of the roll call.

THE SPEAKER:

The Chair calls the chamber's attention to the constitution of the State of Connecticut, Article Third of the legislative department, section 2 thereof wherein it is stated that the general assembly shall adjourn each regular session not later than the first Wednesday after the first Monday in June, following its organization in the odd numbered year.

The Chair makes further reference to Article Third of the amendments to the constitution of the State of Connecticut.

The Chair makes further reference to the rules that regulate the proceedings of the House of Representatives of the State of Connecticut. The permanent manual, page 61, specific reference, the specific reference is made to Rule 27, priorities of motions and the motion of the highest and first priority is the motion to adjourn. Further reference is made to Rule 28, this motion shall be in order, an ordinary motion to adjourn...vote being taken, no motion to adjournshall be debatable.

Under the constitution, the motion is properly before us. It takes priority. It is not susceptible to debate and in the opinion of the Chair it is outrageous.

There is a motion for a roll call vote. All those in favor of the roll being taken, vote being taken by roll, please indicate by saying aye. More than a sufficient number have supported it. There is no debate. No dabe permitted under our rules. A roll call has been ordered and the machine will be open.

The Chair will ask the members to remain seated during the pendency of the roll call. The Chair would announce for the benefit of those members who retired from the chamber out of a question of personal conscience as to whether or not there was a conflict of interest, that in the opinion of the chamber, the motion before us is totally isolated from any questions appertaining to the issue at hand or amendments relative thereto. The rule does not apply. If they care to enter the chamber and vote on this motion to adjourn sine die offered by the distinguished gentleman from the 111th, they are privileged so to do. (record 30)

Have all the members voted and is your vote properly recorded? If so, the machine will be closed and the Clerk will take a tally.

THE ASSISTANT CLERK:

Total Number Voting.....146
Necessary to Adjourn sine die..... 74
Those voting Yea..... 9
Those voting Nay..... 137
Those Absent and Not Voting..... 5

THE SPEAKER:

The motion FAILS.

Will you remark further on the bill as amended? At this time, it will be appropriate for those who had absented themselves from the chamber to again absent themselves from the chamber. Will you remark further on the bill

as amended?

MR. DICE (89th):

Mr. Speaker, the Clerk has an amendment.

THE SPEAKER:

Would the gentleman be kind enough to indicate the LCO NO.?

MR. DICE (89th):

9900.

THE SPEAKER:

Thank you sir. The Clerk please call LCO 9900 which will be designated as House Amendment Schedule "C".

THE CLERK:

House Amendment Schedule "C", LCO No. 9900 offered by Mr. Dice of the 89th.

MR. DICE (89th):

Mr. Speaker, I would request that the Clerk read the amendment and that it be printed in the Journal and I will also ask for a roll call.

THE SPEAKER:

Firstly, will the Clerk please read.

THE CLERK:

In line 358, delete the word "and"

In line 360, before the period insert the following: ", and (6) that the labor efficiency of the public service company and the terms of any contract such company has with labor reflect its public responsibility to operate with efficiency and economy"

In line 2996, delete the word "Section" and insert in lieu thereof the word "Sections" and after the number "16-19c" insert "and 16-42"

In line 2997, delete the word "is" and insert in lieu thereof the word

"are"

THE SPEAKER:

You have the motion. What is your pleasure, sir?

MR. DICE (89th):

Mr. Speaker, I ask that it be printed in the Journal and move the motion.

THE SPEAKER:

Question is on adoption of House "C". Pursuant to the request of the gentleman from the 89th, it will appear in the Journal of today's proceedings.

MR. DICE (89th):

Mr. Speaker, I also request a roll call at the time.

THE SPEAKER:

And further, the gentleman requests the vote be taken by roll. All those in favor of a roll call vote will indicate by saying aye. In the opinion of the Chair, a sufficient number are in support of the motion, a roll call will be ordered when appropriate.

Will you remark on adoption of House Amendment Schedule "C", sir?

MR. DICE (89th):

May I, Mr. Speaker. Mr. Speaker, the response to my question to the proponent of the bill earlier indicated that there was an indication that the new PUCA could consider and I understood the words, retroactive, not retroactive--but after the fact, labor or labor efficiency as far as an auditing of what happens in the public utilities. What this amendment does is says that at the time the rates are considered, that third and vital aspect of setting rates, that is, labor efficiency, must be considered at the time the rate is set. The amendment is very clear that the labor efficiency of the public service company and the terms of the contract as it reflects the public responsibility to operate

with efficiency and with economy shall be considered. And in turn, amends by deletion a provision of the statute which may be in conflict with this but it does not obviously in any way affect an existing labor contract because we cannot do this constitutionally. It seems to me that if we are serious about reducing the cost to the consumer of our energy, we should not leave out the matter of labor efficiency. It seems to me that the bill before us is woefully defective in that we, quote, audit afterwards, which is something like letting the horses out of the barn and then worrying about it afterwards about the matter.

I respectfully request that this be amended into the bill so that we can give the consumers of this state their full money's worth if we're going to make a change. Thank you, Mr. Speaker.

MR. RITTER (6th):

Mr. Speaker, I rise to oppose this bill. Section 16-42 prohibits the PUC from interfering from collective bargaining. This bill does not change that.

Further, I point out that both under the present law and under the proposed PUCA and without this amendment, the PUCA can insure that labor is used efficiently. If the PUCA should find that labor is not used efficiently due to labor contract or for any other reason, it can take steps, including exclusion from the operating expenses for rate making purposes anything which it declares to be excess costs.

I oppose this amendment. It is unnecessary.

MR. DICE (89th):

Mr. Speaker, may I respectfully respond to the gentleman and read him section 16-42 because I think in all fairness he overstated it. He did not state the statute as it reads. The statute reads: nothing in this title shall be construed to authorize the commission to interfere in any matter with contracts between

public service company and their employees and as I understood him, he indicated that there was an interferring with collective bargaining. Section 16-42 does not say that it interfers with collective bargaining. It says it cannot interfere with existing contracts. It seems to me that one, an endeavor to try to protect his position, he has overstated the statute. The statute is very clear as read. In addition to that, he--in all fairness if this commission is to consider this labor efficiency as is stated and as the respective gentleman indicated are the laws, then this amendment does absolutely no harm. But it does make very clear if he is afraid to have it in, let's have it on the floor, if he's afraid to have them consider labor efficiency.

But frankly, it is stated in this amendment very clearly and it is nowhere stated and nor has he pointed out where it is stated elsewhere in this bill. It seems to me is a matter that is of great concern to the people of the State of Connecticut and should be and should not be sluffed over as the gentleman ...tried to do. Thank you, Mr. Speaker.

THE SPEAKER:

Are you prepared to vote? If so, will the members please be seated, the staff be kind enough to come to the well. The machine will be open. Have all the members voted and is your vote properly recorded? If so, the machine will the closed; the Clerk will take a tally.

The gentleman from the 1st in the negative.

THE ASSISTANT CLERK:

Total Number Voting.....133
Necessary for Adoption..... 67
Those Voting Yea.....28
Those Voting Nay.....105
Those Absent and Not Voting.....18

THE SPEAKER:

House Amendment "C" is REJECTED.

Will you remark further on the bill as amended by Senate "A", "B"

and "N".

MR. STEVENS (119th):

Mr. Speaker, one thing that has disturbed me for the last two hours is that as we debate this 64 page bill which indeed must be rated among the most important to come before the 1975 session of the general assembly, the disturbing factor is that there appears to be little interest in the House in the debate, in the terms of the 64 page bill and in the comments that are made. And I find that regretable because the actions that we will take on this bill will affect many facets of the economic and personal lives of people of this state for years to come. I think we're almost at the point where we're going to vote on the act, an act which I think can best be called the consumer fraud act of 1975 because that's exactly what it is.

It's a piece of legislation that's been brought about as a necessity because of irresponsible campaign promises made by Congresswoman Grasso and the need to redeem that promise, singular among many of the others made, the decision has been made to redeem this one. Starting in October of the 1964--1974, throughout the State of Connecticut we were told the public utilities commission must go. It is not serving its function. It must be replaced. It requires political courage, political courage which I think is lacking in this hall to reject those words for just what they were--irresponsible campaign promises designed to get votes and it certainly succeeded.

But now, in furtherance of those promises, we're about to take steps that can have drastic repercussions for the State of Connecticut for many, many years.

One of the points that I think we have to bring out on the floor of the House is the impropriety of any Governor, be it Republican or Democrat, to make a grab, a political grab in a quasi-judicial body and try to influence decisions

that should be above politics, decisions that involve dollars, people, lives, the economy of the state all relegated by the Grasso administration to a political grab. That's all this is.

We've seen it during this session in other areas, The Board of Trustees of the University of Connecticut, other areas. And now, we're seeing it at the ultimate target, the Public Utilities Commission.

The whole thrust of this legislation, all 64 pages of it, is nothing more than a ... on the people of Connecticut. It's evolved purpose is to (record 31) reduce utility bills and, therefore, the main question before the House tonight should be, will this bill accomplish its purpose? Will it reduce utility bills? This year, next year and in the years to come. The answer from anybody who reads the bill, anyone who knows anything about the subject of the bill is a resounding no. And I think everybody in this House knows that this bill is not going to reduce a utility bill by one single penny.

It's about time people in public office had the courage to speak up on the facts and not look for targets that are easy to attack. I think most people in this assembly have finally realized that there's absolutely nothing the State of Connecticut can do to keep utility costs from escalating. As long as we're tied in to a utility system that uses oil as its major component, we're quite obviously going to be subject to the whims of the oil market and when the cost of a barrel of oil goes from $1.50 to $13.00 a barrel, that money has got to come from somewhere. Governor Grasso says that PUCA is going to stop this. That's absurd. We have no control over the price of oil. The PUC has no control and PUCA will have no control. You know that in the last eighteen months 50% of the capital expenditures of the utility companies have been for the cost of acquisition of oil and this bill is going to address itself to that? It's nonsense.

This bill will do one thing--it's going to increase utility costs. It has built into it provisions designed to do just that. For instance, it increases from 56% to 70% the share of the cost of the operation of the PUCA that must be picked up by the utility companies and where do the utility companies get their money from? The consumers. It's a built-in 14% increase.

Secondly, as a matter of social policy, we have now decided we're going to have income limitations on utility bills in the State of Connecticut instead of coming before a general assembly for additional funds through the welfare budget, the PUCA has made--will make a determination that middle income people will pay more in electric, gas and other rates than people in the lower income brackets. Now that might be a correct social decision but it's none of the business of the PUC and it's none of thebusiness of the PUCA. We're the ones who are responsible for the state budget. We're elected. We make those determinations, not PUCA. But that's in there and that's going to increase the cost also.

The claim that this bill will reduce utility billings by one nickel is about as meaningful as Governor Grasso's claim on October of 1974 that there'd be a rebate in your $19 million utility overcharge for fuel cost adjustment. Who, in Connecticut, has gotten that rebate? Not a single person. It's another irresponsible statement made by an irresponsible candidate for Governor who is now carrying out that promise. On the contrary, in addition to the costs that I've already outlined that will be increased by the passage of this absurd piece of legislation, there's another, more dramatic, more dangerous, more long term effect of this bill.

I said earlier, it's a political grab to replacefive commissioners who have overlapping terms for a specific purpose with five new commissioners.

Beyond that, for those in this House who profess to be concerned about employment, you should know that a yes vote on this bill will have a stiflying effect on the economic growth in this state. It's pretty simple to realize that industires cannot expand or locate in a state without a continuing source of power. Power is supplied by the utilities to be regulated by PUCA. For any who want to take the time to understand the utility structure, it becomes obvious that we need money on a continuous basis to expand, to meet the continuing demand for increased energy for more jobs. Where do they get that money? They borrow it. They borrow it on short-term and long-term basis. You know what the agencies that rate the Connecticut utilities are saying about the climate in Connecticut for interest rates in investment in Connecticut utilities? Standard and Poores, which we all know right now what they think of the State of Connecticut, are already indicating that Connecticut is a "high risk investment area for utilities". The people who advise whether or not to buy utility purchases of those bonds are saying it's a high risk state. And you know what else? If you look at their rating sheets, there's an asterick next to Connecticut and if you go to the bottom of the page, it says, there's a political climate in the State of Connecticut that will have an effect upon the agencies that are regulated by the regulatory agencies.

This may be just politics to Ella Grasso. It may just be an opportunity to give five more appointments to her but it has a serious effect on the ability of utilities in this state to get money and without money they can't operate and if they can't operate with money they can borrow, they come back more frequently for rate increases. And who pays for it? The people you're supposed to be here representing. Perhaps the decision has been made since Standard and Poores has already reduced the state's rating, we're going to reduce

the utility rating even more. That may be the decision. It's apparent from the way the votes have been going here this evening that that may, in fact, be the word that's sent down.

Additionally, from the questions and answers that were put forth here tonight, my personal opinion that this legislation represents a complete sellout of the legislative process. It is a major bill and the chairman admitted it never had a public hearing. It's a bill that was drafted in the Governor's office, not on this side of the House, not on the second floor, the third floor, or the fourth floor,of the legislative chambers,but drafted by the Governor's office. And when it was brought back before the committee for discussion and members asked for copies and members asked for time to study this bill and debate, they were said no, we're going to vote. Even the committee members were not given a chance to debate this legislation. That's a sellout.

The comments that I'm making here tonight in opposition to this bill do not,in my opinion, reflect simply my comments but the comments of the Republicans in this House. I'd address the members of this House to the editorials that have appeared in January in every major paper in the State of Connecticut calling this bill a fraud and calling upon the Governor to step back from her irresponsible campaign promises; not a single editorial or a major newspaper in this state saying anything except kill this bill. These aren't just Republican editorial writers. They're people who have an objective view of the importance of utilities to the economic growth of this state and realize that a political promise being redeemed can be disasterous to the continued economic growth at the time when we need to encourage economic growth.

We're establishing a situation here, a precedent that scares me. Who is to say that another legislature, another governor, won't through a PUCA out

the window and substitute his or her commisssioners. And that's wrong. You've got to have continuity in these agencies. They should be above politics. And they have been, until the present time. It's a serious mistake.

During the course of the debate, I asked a question, which I think the gentleman thought was frivilous, relative to whether or not provision had been made for payment of the salaries to any existing members who may be replaced if their terms have not yet run out. And it was not a frivilous question. And after the debate is over, I'm going to refer the members of the House to a supreme court decision in the State of Connecticut, June 1946, reported in 133 Conn. page 40, State ... Elmer W. Ryan vs. John M. Bailey. Read it, ladies and gentlemen, and find out about rights which people in positions for said terms of office may have in the State of Connecticut. This bill is nothing, nothing but a total fraud designed to redeem irresponsible campaign promises by a Governor who is supporting and pushing this discording economic disaster for the State of Connecticut.

MR. O'NEILL (34th):

Mr. Speaker, I rise to support this bill. And it seems to me that we've been accused of everything during the course of this session but tonight's the first time we've been accused of keeping a campaign pledge. All I've heard since January about broken promises, broken words, words said in the wind, tonight we're bringing to fruition a commitment and a promise that we made. Do we know if this can solve all our problems? Of course, we don't. But we know this, the problems have not been solved up to this point. Do we know whether it will keep the cost of oil down? No, we don't. But we certainly know this, the cost of oil just went up in the City of Washington by an edict of a dollar a barrel that's going to throw every budget in the state out of whack in every state, in every city, in every home, and that we have no control over. But if we

can make our utility companies operate more efficiently, if we can through governmental control and through expertise hold the line in areas that we're charged to hold the line in, then I think this bill is a good bill.

Let's vote for this bill. Let's give the PUCA the opportunity to do something that it's been unable to attain up to this point.

MR. VICINO (78th):

Mr. Speaker, the other side of the aisle is quite consistent. A year ago, thirteen months ago, the Democratic Party offered an amendment to a bill that was before us, the fuel cost adjustment that would have mandated a hearing before any cost could be increased, such as the fuel cost adjustment. And yes, they were consistent as they are tonight, once again, they resisted what is needed by the citizens throughout Connecticut and they voted against it. Rep. Stevens, Rep. Nevas, true as they are tonight, not at all concerned. Rep. Stevens mentioned that the PUC ...then above politics. Well can you imagine that? With the former state Republican chairman sitting on the Public Utilities Commission and that's above politics? Please, don't insult the ignorance of this chamber--of the intelligence, I'm sorry. Let me try that again, Mr. Speaker, if I may. The former Republican State Chairman, a member of the Public Utilities Commission, is being protected here tonight, and well he should be, I suppose. He did a fine job as Republican State Chairman, a great deal of loyalty from the Minority Leader, the Deputy Minority Leader but please, don't give us this line. You have never been above politics with the Public Utilities Commission and any other commission in the State of Connecticut and don't try to start now.

MR. RITTER (6th):

Mr. Speaker, the Regulated Activities Committee held two hearings on this bill. As I said, on the grandfather and the father. We did not have a public hearing, as I was asked, on the exact bill that is before us now. We

had it on the exact bill with some amendments.

Mr. Speaker, the thing I'd like to emphasize with all the force that I can muster quietly is that I consider this bill to strengthen the private utility companies immeasurably, and simultaneously to strengthen their regulation. I think this bill does both of those things. I know that representatives of the private utility companies believe that. And I think that's important. They believe that their companies have been strengthened, particularly by the inclusion of 10g as well as by the inclusion of other factors. They also know that (record 32) the new language of this bill will provide for much greater powers of the PUCA and greater control.

I will not take the time even to tick them off in terms of management audits, in terms of hearings, even on fuel adjustments. There will be no more automatic fuel adjustments.

I think the main thing that I would like to address myself to is that some point, rhetoric can be overdone. We are here ultimately to make clear, not to petifog what we're doing. I can represent to members of this chamber that the dominent reaction of the Governor's Office, of some of the labor groups, indeed of some of the consumer groups is that this bill errs, if it does, on the side of strengthening the private utilities more than each of the people or groups that I mentioned believed we should. It was the ultimate judgment of your committee that it was required that we do this, in part because of the last campaign, in part because of what is happening all over this country and is happening particularly in Connecticut and to which the Minority Leader accurately referred and that is, that there is a chilling climate here, so far as investment in private utilities is concerned. And ultimately we all got together, the consumers, the Governor's office, representatives of the committee, representatives of private utilities and we all put our heads together, as well we were directed to

and should. And we did have a public hearing on that. We did have two public hearings on that. And the truth is that we will see that instead of the private utilities, Standard and Poore ratings going down as a result of this bill, they will go up. And when they go up, then we will recognize, perhaps understandably for the first time, that at the point the consumer will immediately benefit. Because at that point, investment will come to our private utilities. At that point, investment will result in our private utilities receiving that, particularly the bonds, at a lower percentage rate, a lower interest rate, which will be passed on to our consumers.

But even more important than that, the ultimate results of this bill is to strengthen the sense of commitment of our state to our private utilities, even as we strengthen the control and regulation to which they must respond by our strengthening of the PUCA.

MR. NEVAS (136th):

Mr. Speaker, I know the hour is late. I know the debate has gone on. However, the Deputy Majority Leader raised a question concerning the ability or the performance of the chairman of the current Public Utilities Commission and I'd like to bring to the attention of the members of the House the language of the statement that was made before the regulated activities committee of this general assembly on March 31st of this year by Mr. H. Russell Fraiser. Mr. Fraiser is the Vice-President of the corporate--for the corporate department of Standard and Poores. Standard and Poores, as we all know in recent days, is a highly respected rating agency for bonds, stocks and the like. And I'd like to read from Mr. Frasier's statement and I'd like you all to listen to it. These are Mr. Frasier's words and I quote. "Inherent in both bills 1081 and 1086 are certain significant uncertainers relating to the future prospects for the Connecticut investor-owned utilities. This would appear to us to be a drastic change

from the pattern which had developed in recent years, particularly since the apprival of Chairman Hausman at the head of the Connecticut Public Utilities Commission. Prior to his appointment, we honestly assessed the Connecticut regulatory climate as a disaster. In the last several years, however, the decisions of the commission had had direction and our assessment of regulation in the state has been clarified to a certain extent. This is certainly not to be construed as an impression on our part that the commission has been overly generous in its rate awards, as evidenced by the fact that there have been various rating reductions of utilities in the state over this period. However, I do mean that the climate has appeared significantly more workable and that we have been able, with some degree of assuredness, to give the investor, through our ratings, some insight into the direction of Connecticut regulation. As I see it, these bills--and he's referring to the PUCA bills--represent a serious deviation from this pattern and so concern us deeply and make it difficult, if not impossible, to predict a healthy future for the investor-owned utilities of this state."

THE SPEAKER:

Are you prepared to vote? Will the members please be seated and the come--the gentleman from the 143rd.

MR. MATTHEWS (143rd):

Mr. Speaker, very quickly in response to Mr. Ritter, I have heard from no president of the utility or any office of a utility who indicates to me that they're pleased about this bill. I think the implication that the utilities are cooperating and think this is a fine bill is not a fair statement.

THE SPEAKER:

Are you prepared to vote? The members be seated, the staff come to the well. The machine will be open. Have all the members voted and is your vote

properly recorded? If so, the machine will be closed and the Clerk will take a tally.

THE ASSISTANT CLERK:

Total Number Voting.....138
Necessary for Passage..... 70
Those voting Yea.....96
Those voting Nay.....42
Those absent and Not Voting.....13

THE SPEAKER:

The bill as amended is PASSED.

MR. O'NEILL (34th):

Mr. Speaker, I move for suspension of the rules of all matters acted favorably upon today up to this point.

THE SPEAKER:

Is there objection to suspension of the rules for immediate transmittal to the Senate of all matters requiring their action acted favorably in this chamber this date to this point since the time of thelast previous motion to this effect? Hearing none, the rules are suspanded and the matters pertaining to the motion are transmitted forthwith.

MR. O'NEILL (34th):

Mr. Speaker, I move we recess for thirty minutes for an immediate Democratic caucus in the Appropriations room, immediate Democratic caucus.

THE SPEAKER:

Motion is for a recess for thirty minutes. All in favor will indicate by saying aye. Opposed? The House stands in recess.

The House recessed at 9:07 o'clock, P.M.

The House reconvened at 10:45 o'clock, P.M.,

the Speaker in the Chair.

THE SPEAKER: