

Legislative History for Connecticut Act

<u>SB 565</u>	<u>PA 370</u>	<u>1978</u>
Regulated Activities	267-269, 287-88, 293-95	
* See verso	306-309, 387, 406-07, 429	(16)
Senate	1700-1708, 2979-2985	(16)
House	3740-3748, 3882-3895, 4940-51	(35)
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**JOINT
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HEARINGS**

**REGULATED
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RICHARD STEWART (Continued); We felt that under those circumstances that if you buy service you ought to pay for it and, in fact, that was kind of vindicated by what was done in the latest rate case of Southern Connecticut Gas Company when they merged the two rates, but that aside

SEN. GUNTHER: I'd like to argue that.

RICHARD STEWART: Okay, fine, but I don't know the argument would address itself to this particular point.

SEN. GUNTHER: But you make a statement here that 20% increase in the cost of the heating customers gas for the uses in his stove, in his clothes dryer and his hot water heater is discriminatory against him, not the company, because that's exactly the type of rate you people adopted, the three of you, and I know it has nothing to do with but you brought it in and said it wasn't, but anyway I say that this type of a situation certainly doesn't improve the public confidence the public has in any of our regulatory agencies, and I don't give a darn whether it is banking or anything else.

RICHARD STEWART: I have nothing wrong with what the Bill tries to accomplish. I think two years is too long a time, though, frankly, and I am just putting this committee on notice that it may be very difficult in other areas besides the Public Utilities Control Authority area, such as in banking and insurance, that you may be running into a very difficult situation. Furthermore, I don't know that it is fully warranted. There is nothing that Mr. and I discussed that I wouldn't be delighted to offer to this committee if they wanted to find out what we discussed relative to my employment one year later after leaving the commission. I did feel that a one year limitation is the maximum that need be imposed. I agree with you that with respect to public confidence, some reasonable period of time may well be warranted.

With respect to 565, which is an act concerning the disallowance of the recoupment of the Connecticut Gross Earnings Tax under the fossil fuel and PGA clauses. I would like to say, first, that in 1977, the PUCA after extensive hearings modified, and for my purposes I probably should confine myself to the Purchased Gas Adjustment Clause, since I'm from a gas company, and the electric company representatives can discuss the Fuel Adjustment Clause as applies to fossil fuel. We feel that it is very fair because in allowing the recoupment of the tax, a company begins to

RICHARD STEWART (Continued): track its costs, its expenses with its revenues from its rate payers. The companies do not make any profit out of this. They pay a tax, and in certain cases they pay the tax even if they do not collect the revenue, such as the uncollectibles. The way it did it before was that we could only recoup the cost of gas from the customers, and then the company itself would have to be the 5% gross receipts tax, and the customer did not reimburse the company at that time for the 5% tax. It was not until the next rate case that the commission or the authority then took the cost of and the cost of this tax and put it into the basic rates. The company often would have to borrow money to pay for this tax, and it was proved, I think, conclusively in those hearings that this lended a financial stability factor to the public service companies.

The Bill addresses itself on page 2 to the statement of purchase to provide an incentive for public service companies to purchase gas at the lowest possible cost. Well, with respect to gas, at the present time what we can charge is mandated by both federal and state regulatory bodies. Furthermore, we have contracts that are long term contracts and we have to pay for the costs that are set forth in those contracts. Those contracts, by the way, are reviewed by federal and state agencies, so when you have a fixed contract, you have to pay that, and that's exactly what it is. Now, just the elimination of the 5% gross receipts tax from the PGA is not going to be necessarily any incentive for us to break a contract or modify a contract. A pipeline certainly is not about to amend its contract to lower its fee for us just because the state legislature to do, or the PUCA decided to do away with the 5% gross receipts tax to be included in the PGA. So to that extent all it would do would help lend financial instability to the company.

I would like now to give you an example of how it would be a dis-incentive. If you had, what we could refer to as a negative PGA, if you do not have the 5% gross receipts tax in Southern Connecticut through fortuitous events that it has found gas in Ohio, New York and offshore Louisiana. If it receives the authority from in Washington to bring back that gas for its customers, that is going to lower the cost of gas for our customers, and we hope that we'll be able to do that. If you were to do away with the 5% gross receipts tax in the PGA, then we could keep the 5% gross receipts tax that was allotted to us in the rate case, and we would not have to give it back to our customers even though, on a negative PGA, even though the cost has gone down. We would only have to include the cost of gas that would be refunded

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RICHARD STEWART (Continued): to the public and the sword cuts two ways. In our particular case where we are hopeful of bringing back gas, first, to augment our supply, and secondly to help the customers in lowering the price for them, I think that if we run this lower cost gas back through the PGA and it does come back as credit to the rate payers, under the present circumstances we would give back the 5% gross receipts tax. To that extent it is a benefit to have that 5% gross receipts tax. Now, we are unique, I recognize that, but otherwise we might be collecting a windfall, and if there are any manipulations that are presently going on with respect to the PGA or the fuel adjustment clauses, I strongly feel that the PUCA has the authority to eliminate those manipulations.

That's the end of my remarks with respect to 565.

With respect to 566, an Act Concerning Recoupment of Expenses for Rate Increase Applications by Public Service Companies, I think it's unfair to have a company warrant any increase before the expenses are allowed. Let me give you one experience that happened this year with Southern. where I think this Bill would be unfair. We filed an application asking for a little over six million dollars for increased revenues. During the course of that application, during the course of 150 days, we found out from the pipelines that we were going to receive some refunds. We wrote a letter to the Authority asking that we be allowed to apply these refunds to certain expenses that we had accrued, deferral expenses for gas, to be allowed to use those refunds to offset those expenses. That permission was given. Thereafter, the Authority went on and denied our application. If you were to read that decision, you would say most assuredly Southern was denied its rate application when, in fact, we were given three million dollars because of the application of the refunds to our deferral expense. Under that situation with this type of legislation, or this type of Bill, we would not be allowed to recoup our expenses. I just think that's patronly unfair, that we went to a great deal of trouble in presenting the expertise to the Authority, and the Authority had its own expertise, not to be able to be reimbursed for those expenses. This was an event that happened after our application, and under those circumstances would penalize us. I strongly feel that this legislation is not needed because the PUCA has the authority right now to disallow any unreasonable expenses, and again you just begin to erode the discretion that is given to the Authority.

With respect to 575, I feel that any docket that has required all five commissioners to sit is going to lead to trouble

BARRY ZITSER: Yes. In regard to Raised Committee Bill 565, An Act Concerning the Disallowance of Recoupment of the Connecticut Gross Earnings Tax Under Fossil Fuel or Purchased Gas Adjustment Clauses, I was very interested in hearing former Commissioner Stewart mention that this could possibly cause an injustice where there was a negative PGA. I would point out that during the last eight or nine years the cost of gas has gone up approximately 700%, and that with the pending legislation before Congress, it's at least going to go up another 25%, almost immediately and continue to go up until the controls, assuming that the Bill is signed into law, are removed around 1985, so that one freak instance of a negative PGA is highly unlikely to occur. If it was a likely event, then the PUCA would not have a Purchased Gas Adjustment Clause because it was just as likely for it to go down in a minor way as to go up in a minor way and then you know longer have the crisis situation where the financial health of a company is substantially threatened, that you would even have the justification for a Purchased Gas Adjustment Clause.

I think what this Bill would do, if adopted, would, in fact, provide two incentives. One would be to shop around for the cheapest gas possible. That incentive does not exist now because under the existing law if, in fact, you buy gas at a certain price, you just pass it on to your customers through the Purchased Gas Adjustment Clause. There is no incentive for you to shop around and buy cheaper gas, but I see as a more important incentive the fact that the gas companies, at least during the recent rate applications which our office participated in, are very very bent on increasing their number of customers, without being sure to any degree that they can meet the needs of these customers next year, five years from now, or maybe even during the winter, and the reason that they don't have such a concern about taking on more customers than they can service is because they know if, in fact, they run out of pipeline gas, which is the cheapest gas that you can purchase now and have to buy expensive synthetic or liquefied gas, which cost anywhere from two to five times as much, you can always pass on this increase through the Purchased Gas Adjustment Clause, which provides you with 100% protection. There are some commissions throughout the country that have, in fact, only provided 90% or 95% protection for these very purposes, and I think that under the existing legislation as it is now written,

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BARRY ZITSER (Continued): where the Purchased Gas Adjustment Clause is supposed to track cost and only the change in cost of gas that the PUCA may not have the statutory authority to disallow one of those costs, which in this case would be the gross earnings tax, so that I would point out that this Bill would still provide the companies with 95% protection, but it would also give the companies the incentive to (a) shop around for the cheapest gas supplies possible and (b) also not to take on more customers than they can service.

Are there any questions on that Bill?

SEN. O'LEARY: On 565, why do we just touch gas in this way. Is there any cost on oil?

BARRY ZITSER: Yes, this would also apply to oil, but the reason I use gas is because gas is the most pressing case that I can think of and, in fact, I have already moved to end the Fossil Fuel Adjustment Clause in regard to oil because the cost of oil has only increased less than 4% over the past three years, that is, the cost of oil used by these companies, while the cost of living index has gone up seven or eight times that amount.

REP. BALDUCCI: This bill again will be heard this evening by

BARRY ZITSER: No, I believe there is another Bill in regard to efficiency standards for Fossil Fuel Adjustment Clause that will be heard tonight.

A very brief statement in regard to Senate Joint Resolution 74, the Office of Consumer Counsel supports this resolution and urges its adoption.

In regard to Raised Committee Bill 579, an Act Concerning Efficiency Standards of Public Service Companies With Gross Revenues in Excess of Two and One-Half Million Dollars, I would briefly like to join the statements made by Commissioner Standish in regard to this act. I would point out that I also agree that this could be accomplished now in terms of setting efficiency standards, but it's not going to be accomplished now; it's not going to be accomplished in the near future unless the committee, and subsequently the General Assembly were to adopt this act. I've attended many of the meetings of the Public Utilities Control Authority, and on occasion this particular proposal is

CHARLES MOKRISKI (Continued): laws should be normalized, that is, annualized on a normal basis or passed through, which is the phrase used to the rate payers immediately. It's a very significant debate throughout utility commissions throughout the country. To say that a utility company which submits a rate increase application based in part upon a strong contention that it ought to be able to normalize tax benefits is acting in bad faith just overlooks the facts of utility regulation. Some early construction work in progress is another concept that is constantly litigated and disputed over in rate increase applications by utility companies. It's a strong school of opinion that construction work in progress ought to be allowed in the rate base. There is also a strong contending school that it should not be. Again, if a utility company were to submit a rate increase application predicated in part on a strong contention that construction work and progress belongs in the rate base and that a return should be allowed upon it, I don't think anybody can contend that that is bad faith or frivolous, and the mere denial of a rate increase application based upon that view seems to me to be unfounded.

Similarly, rate of return. The cases are replete with statements, but there is nothing golden or scientific about any particular rate of return, and if the utility company submits a rate increase application suggesting that it needs a particular rate of return in order to attract capital to serve its customers adequately and the PUCA may disagree, and either granted no increase or, in fact, reduced its rates that is not a badge of bad faith and should not be a reason to, in fact, confiscate resources of the utility company.

There are a number of other reasons I think that the Bill is a bad bill and ought not to be considered. I think enough has been said and even its advocates have said that the power exists at the present time in the PUCA to disallow rate increase applications if they were filed in bad faith.

The third Bill 565, an Act Concerning the Disallowance of Recoupment of the Connecticut Gross Earnings Tax Under Fossil Fuel or Purchased Gas Adjustment Clauses, I think enough has been said about this Bill by Mr. Stewart of the Southern Connecticut Gas Company. At the present time the Northeast System Operating Companies have, in fact, credited fuel adjustment charge and fuel adjustment charge is reflected in a deduction from total bill on customers'

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CHARLES MOKRISKI (Continued): bills. This bill would reduce that credit and, therefore, increase the bills. I think the point of the fuel adjustment charge is to fairly track the prices of fuel and to enact this Bill would be a step backwards. The issues raised by the Bill were debated thoroughly in 1976 and 1977 by the PUCA; they carefully considered the question of the inclusion of the gross earnings tax component in the fuel adjustment charge, and they decided that it was in the best interest of the public to include such consideration. I urge the committee to reject the Bill.

REP. BALDUCCI: Mr. Mokriski, on that Bill 565, isn't one of the reasons that there is a credit right now is because the nuclear plants are down and the fossil fuel use companies are basically eating up the cost?

CHARLES MOKRISKI: It is my understanding that one of the reasons for the credit right now is that the price of fuel very very recently is less than the base price of fuel that's in the fuel adjustment clause that was the prevailing price at the time that the clause was adopted. The more fossil fuel that's consumed, the higher the credit is at the present time, exactly.

REP. BALDUCCI: And because the nuclear plants are down ...

CHARLES MOKRISKI: There is a greater amount of fuel being consumed; therefore, there's a greater number of BTU's times the credit amount, and your're absolutely right, the immediate effect of this Bill it seems to me would be, again to increase utility bills and to increase revenues to the company; notwithstanding short term benefits we think that the issues are best left to the PUCA to consider and to act upon as it sees in the best interest of the consuming public.

REP. BALDUCCI: Okay, but on the other side of the coin, once the nuclear plants come back, don't you think that this Bill might help make the utilities go out and search around for the best deal, so to speak.

CHARLES MOKRISKI: Well, as long as the price of fuel oil is less than it was at the time when the fuel adjustment clause was adopted, there will be a credit, it will just be a smaller credit. There is a strong incentive to shop for fuel at the lowest possible price right now. There is a two month delay in getting the charges under fuel adjustment charges. The cost or money being one of the most significant factors that a utility has to bear means that a two month delay in receiving

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CHARLES MOKRISKI (Continued): the millions of dollars spent on oil is already a strong incentive.

Finally, Bill 578, an Act Concerning Competitive Practices for Electric Companies, I am sorry Representative Gejdenson is not here, I was gonna suggest that in old English law there is a phenomenon known as a Bill of Attainder when you are after somebody in particular and you passed a bill about that particular person. The Federal Constitution outlaws them unfortunately, but I notice there is a consistent agenda in this Bill or Bills containing the title. Although it only applies to electric companies to supply electricity to not more than 2,500 customers, we feel the Bill contains an unwarranted preference for a municipal ownership of electric systems, Subsection B, provides that the PUCA must first offer any revoked franchise to the effected municipalities for operation as a municipal electric system without any consideration of what the public interest might be. Municipal electric systems, even though they have some tax advantages because they don't pay local property taxes, they are not always in the best interest of the rate paying public, and we think that the PUCA should not be hamstrung in awarding franchise were it to revoke a franchise based upon existing statutory power.

I would like to very briefly comment on a Bill that I mentioned yesterday concerning the M.D.C. and hydroelectric power. It has come to my attention since testifying that our people at Northeast have been in touch with people of the M.D.C., that there is a specific project which the M.D.C. has in mind and for which it's seeking some authorization in the statutes, and that appropriate legislation to achieve that certainly would not be opposed by Northeast, and I urge if the committee has got the opportunity, that it would perhaps consider taking another look at that Bill.

REP. BALDUCCI: It's already been taken. Thank you very much.

CHARLES MOKRISKI: Thank you.

REP. BALDUCCI: Any other questions for Mr. Mokriski?

Diane Cadrain.

DIANE CADRAIN: Good afternoon, my name is Diane Cadrain, or good evening, as it is slowly becoming. I'm up here from the Connecticut Citizen Action Group, and I would like to speak on three different Bills. I would like to raise, first of all as a preliminary matter, to clarify what I

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REP. BALDUCCI: Samuel Williams followed by Ben Cohen.

Sam - he's not here. Ben -

Jack Fratus followed by Leslie Myers.

JOHN FRATUS: Senator O'Leary and Representative Balducci and members of the committee, my name is John Fratus. I'm Senior Vice President for United Illuminating. The hour is late. There is a lot of work to do. I will keep my remarks brief. I would like to speak to three Bills, Bill 565, 566 and 579.

In 1975, the General Assembly adopted legislation which replaced the former Public Utility Commission with the Public Utility Control Authority. This was enacted following exhaustive study and public hearings, and it concerned itself among other things with the Fossil Fuel or Purchased Gas Adjustment Clauses and Management Efficiency Audits.

The PUCA has, since it was established, devoted a great deal of additional time to the above matters as well as its other extensive regulatory responsibilities. Public input has been received through numerous hearings and expert testimony has been sought out and accepted.

The subjects covered by these proposed Bills are highly technical and complicated as you have heard from the previous witnesses, and we don't feel that changes should be made in haste in the final days of the committee's hearing process. We recommend, therefore, that the committee give unfavorable reports to those three Bills.

REP. BALDUCCI: Jack, you're involved, just one quick question, okay, to one of the comments I made to, I think, it was Mr. Zitser before, as a matter of fact I don't know who I made it to, but it had to do with, okay, and it dealt primarily, I think with electric, but don't you agree that 565 might be an incentive for people to go out, for companies to go out and find the best deal in gas.

JOHN FRATUS: Well, I can't speak for the gas companies now. I used to be employed by the gas, but for the electric ...

REP. BALDUCCI: Then for electric and for oil.

JOHN FRATUS: I can say that there is really no incentive. I think the same kind of logic could be implied to disallowing 10% of any wage increase because it would make an incentive

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JOHN FRATUS (Continued): for keeping a better bargain at the bargaining table. There are all kinds of incentives. We feel that these incentives are implicit in the hearing process that we have before the commission to demonstrate our efficient management of the operation. This has also been surveyed quite extensively within management audits. I am sure that some of you have reviewed the management audits and they go into many many things, one of them being the purchase of fuel.

REP. BALDUCCI: Thank you. Any other questions?

Thank you, Jack, for being brief also.

Leslie Myers followed by Carroll Hughes.

LESLIE MYERS: My name is Leslie Myers. I'm speaking on behalf of Connecticut Natural Gas Corporation in opposition to 565, 566, 579, 583 and 5932.

In reference to 565, the Purchased Gas Adjustment passes to customers the difference between the cost of gas and the most recent rates we are allowed to bill customers, and the cost of gas that we pay. However, gas is not purchased indiscriminantly just because we can recover the increased cost in the Associated Gross Revenues Tax. The pipeline gas we distribute is purchased at wholesale under longterm contracts from two pipeline suppliers who, in turn, buy it either from other pipelines or through producers in Louisiana and other states where principal gas supplies are located. Prices charged by these producers and pipelines are set by the Federal Energy Regulatory Commission. Changes in these prices are passed on through the PGA, but only in the exact amount of additional gas costs not included in our base rates. We do not retain or make one cent of profit from such increases. We do shop very carefully for our gas and have taken several major steps over a period of years to enable us to do this. I'd like to illustrate this. We recognize the increasing importance of storage facilities. While these have always been essential to help meet winter heating peaks, they also enable us to take all of the gas available to us in warm weather, which many gas companies are unable to do, and to buy any excess quantities which become available. Extensive storage enables us to make the most efficient and economical use of the gas available to us, with maximum utilization of lower priced pipeline gas contrasted with more expensive supplemental gases.

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LESLIE MYERS (Continued): Our L & G Plant performs well in adding to our supply flexibility through storage capacity of 1.2 billion cubic feet of natural gas. Since 1969 we've utilized all of the underground storage capacity available to us. During 1977 a very significant 15 year contract was signed for storage of three billion cubic feet of gas in a new underground storage field proposed to be developed by National Fuel Gas Supply Corporation in Western New York State.

Tape #9 The mergers in 1968 of New Britain Gas & Light Company and in 1974, the Greenwich Gas Company make it possible to more efficiently use gas and also enable substantial savings to the larger combined system. Our investments in improved flow of gas from one part of the system to another, also add to our ability to make maximum use of the gas we have. We were able to accept 99.49% of the pipeline gas available to us in 1977, which is a very high figure in comparison to the industry generally. I'd like to take a quotation from the PUCA decision on the Purchased Gas Adjustment in the June 30th decision, where they state the concept of discouraging companies from purchasing gas is more expensive than pipeline gas is a concept which does not recognize the current and probable gas supply situation. With increasing supplier curtailments, these non-pipeline sources are the only supplies which prevent the discontinuance of service to the eventual customer. The concept of a company purchasing gas at a price higher than necessary simply because it can subsequently recover the cost without any profit, is totally illogical and inconsistent with the gas supply actions of Connecticut companies and good business sense. Connecticut companies have consistently invested in longterm contracts and facilities to ensure adequate supply at reasonable cost. Preventing utilities from recovering the Gross Earnings Tax associated with the PGA cannot serve as an incentive to purchase gas at the lowest possible cost, nor is it in the best interest of gas customers. CNG urges an unfavorable report on Raised Committee Bill 565.

REP. BALDUCCI: I have a question, Leslie. Would you just go over and tell me again why it isn't an incentive for gas companies to search out the best price to purchase that gas under this Bill?

LESLIE MYERS: Because a large part of our gas supplies are under longterm contracts.

REP. BALDUCCI: Which come up yearly?

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LESLIE MYERS: They go longer.

REP. BALDUCCI: I know they go longer, but you have more than one contract for one company, whether it be a direct type, demand type of contract, or whether it be a commodity type of contract.

LESLIE MYERS: There are many different types of contracts, right.

REP. BALDUCCI: Okay, so I am wondering why it might not be an incentive to search those out for the best deal.

LESLIE MYERS: Well, each contract that we renew, we are certainly going to be searching out the best deal. One type of situation that gets involved is something that is called, take or pay, in which you have to take the gas or pay for it, regardless of whether you take it or not in some contracts, and by having these storage facilities, it enables us to take the gas at these less expensive pipeline prices, rather than passing it up, and then supplementing it with the higher prices, so, in effect, we are shopping for the gases by having these storage capacities.

REP. LAVINE: Where would the 100% cut go without the 10% which the stockholders should have themselves under this Bill, I mean, if you were not able to recover (inaudible)

LESLIE MYERS: I'm not entirely sure whether that would be figured into a rate case in the long run ...

REP. LAVINE: Or does it, in fact, allow to the consumers and they have to pay some other point in time?

LESLIE MYERS: I don't honestly know the answer to that.

REP. LAVINE: I mean it seems silly if what the Bill says is you don't get enough, you get it later, I don't understand the purpose of it and that's what I am trying to ascertain.

LESLIE MYERS: I can think if we can hold that question until this evening since you are hearing further on this one, I'll have

REP. LAVINE: I have no other questions on that.

LESLIE MYERS: I think as much feeling as there has been on that one, I do feel that there were some points that I wanted to make which hadn't been made previously.

MARC CAPLAN (Continued): Secondly, I want to strongly endorse House Bill 5501, the utility shutoffs bill. I think it's been spoken to very eloquently, tonight, far better than I could possibly do so. I think we're talking here about a basic right. Talking about not terminating service in cases of financial hardship. The PUCA would have responsibility under the law that's passed to come out with regulations to define what financial hardship is. I think the only thing that we could add to what has been said tonight is simply to reiterate the basic utility service is not a luxury, it's a right, and that people ought to have that service available to them regardless of whether or not they can make payment if they're in tough financial circumstances. We ought not to see circumstances which happened in New Haven last year and happened in Hartford this winter where customers were cut off by CNG in the middle of the winter. We ought to see to it that utility service, which is a right to the citizens of this state, is provided to them on an ongoing basis. This does not forbid the utility companies in this state from being paid, it simply means that they would be paid in those circumstances like any other business. They would use the courts or whatever the circumstances warranted.

Finally, I do want to comment on the two fuel cost adjustment bills. Our -- CCAG's position is that the fuel cost adjustment is long -- if it ever was justified, has outlived its usefulness at this point. It was set up at a time, allegedly, when there were skyrocketing fuel costs. Fuel prices have stabilized. The need for the fuel cost adjustment, if there ever was one, should be dispensed with at this point. It's absurd to simply provide the utilities with a cost plus situation, so that regardless of what your fuel costs are, regardless of whether or not you've made your best efforts to shop around, we're going to pay for those fuel costs. HB 586!

I don't know any consumer that's been here tonight that's faced with a rising inflation, that exists on a cost plus situation, so we would certainly advocate the abolition of the fuel cost adjustment as a very small first step. We would hope that House Bill 565 would be moved out so it would provide a somewhat limited incentive for the utility companies in the state to do shopping around because they would have to absorb the five percent tax on fuel. HB 5865!

Finally, in regard to the other fuel adjustment bill, the complicated bill, we have no particular stand on it, but we would urge the bill be moved out of Committee so it could be debated fully on the floor and the problems which are inherent

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REP. BALDUCCI: We also invited here this evening, the former Consumer Council for the State of Connecticut, who is no longer in that position but was kind enough to come out and help discuss a couple of these bills with us, Mr. David Silverstone. Thank you for your patience, Mr. Silverstone, and thank you for your's, Mr. Standish.

DAVID SILVERSTONE: My name is David Silverstone. I'm representing myself. Thank you for your patience in having this hearing with these long hours.

Let me just speak very briefly, hopefully, on just a couple of these bills. First, on the Shutoff Bill 5501, while I think a better way of insuring the people don't lose utility services direct payments -- for one reason or another, this state and most other states haven't seen fit to provide sufficient funds to make sure that everyone has sufficient funds to pay utility bills and on that base, I would endorse 5501.

In regard to estimated bills, 5685, just to clear up some of the questions that came up earlier, the genesis of the estimated billing regulations started with a petition by CCAG in the spring of 1976. That was followed up by proposed regulations from my office in the fall of 1976. They were approved by the PUCA sometime in the spring of 1977. The problem why they haven't been passed, is my understanding that it is that they went to Legislative Review Committee and to the Attorney General's office for approval and were not approved, I believe, by the AG's office for legal insufficiency. They got bounced back to the PUCA, took a while there and then went back after correction back to the Attorney General's office and to the Legislative Review and that's -- they've been there twice, I think that's one reason for the hold up. In any case, those proposed regulations are a far cry from what was originally proposed by my office at that time and on that basis, I would endorse 5685, as well.

With regard to 565, the recoupment of the gross receipt tax -- stopping the recoupment of the gross receipt tax is part of the fuel adjustment and purchase gas adjustment clause, I would endorse that bill as well. I think taxes are taxes and fuel prices are fuel prices and never the twain should meet. That was the position I took before the PUCA, saying that the gross receipt tax provision of the fuel adjustment clause was improper and I would maintain that same position.

I would like to just point out to the Committee that to the extent that there's a credit to the fuel adjustment charge as it presently is, I believe, for one of the Northeast companies

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DAVID SILVERSTONE (Continued): if you have a credit -- if you take out the gross receipts tax, you're going to end up giving a smaller credit or increasing the bills and a very small amount, the decrease in the bill under the purchase gas adjustment will far away any increase in bills due to the fuel adjustment. I'd just point that out.

With regard to Bill 5865, I would oppose that bill and ask that it not be voted upon by this Committee favorably. I think that the difference -- my basic problem with that is several and let me just preface my remarks by saying the following.

I think it's important to separate the fuel adjustment charge on electric bills from the purchase gas adjustment charge on gas bills. There's a lot of testimony this evening from people who are complaining about the large charges on the fuel adjustment charge. I think those people are referring to the gas -- previous gas adjustment charges, not to the electric fuel adjustment charges and let me restrict my remarks to the latter, the fuel adjustment charges on electric bills. I think the basic problem with the bill as it is proposed is that it would require the fuel adjustment charge to fluctuate not related to the price of oil, but rather related to the amount of oil used to produce electricity. So that the amount of oil increased due to the outages of a nuclear plant, the charge would be reduced or the charge would be increased, I'm sorry, regardless of what was actually happening to the price of oil. We could have a situation in this state where we read in the newspaper that the price of oil has dropped from whatever its present level is and because of the outages of nuclear plants, we can have a tremendous increase in bills to customers. For example, at the present time, two of the Millstone plants are not operating for Northeast Utilities so that -- and that's the month of March, so that's reflected in customer bills in the month of May. If we have the fuel adjustment charges contemplated for in the proposed bill, the charge to customers would greatly increase regardless of what was happening to the price of oil in the world market, the price of oil to the utilities.

REP. GEJDENSON: Excuse me. So, what you're -- are you saying that -- let's assume that instead of the price of oil going down, let's assume that the price of oil stays the same and that the two Millstone plants close down. What happens under the present fuel adjustment charge as far as the impact on your fuel adjustment and under the proposed bill?

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LESLIE MYERS (Continued): a large proportion of terminations are not heating customers, particularly in reference to the comments that people are subject to death from these terminations. Many of them are not heating customers. This legislation again is unnecessary and not in the best interest of utility customers. Are there any questions?

Not on that one. In reference to raised Committee Bill 565 I would like to respond to Rep. David Levine's earlier question. Earlier this afternoon. He had asked whether or not if the PGA gross revenues tax applicable to PGA, if it was dis-allowed whether that would ultimately end up being paid by stockholders or by customers. It would become an item in a rate case at a future date. It's not an item that would be paid for by stockholders. The essence is that by being recoverable through the PGA its recoverable on a more timely basis than on a later rate case. And having given you full testimony this afternoon I'm not going to go into that any further.

REP. BALDUCCI: Thank you.

LESLIE MYERS: I would also like to express CNG's opposition to raise Committee Bill 5865 in light of the late hour and in light of the fact that it does apply primarily to electric utilities I will be very happy to turn in written testimony and forego any further oral testimony on that bill. And I thank you very much for your time.

REP. BALDUCCI: Thank you for yours. Trudy Silver, David Silvester, that's Silverstone, Juan Goldstreet.

That's me but (inaudible) Oh you got on another list then. No other speakers at this time I'd like to conclude this public hearing. Thank you very much.

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THE CHAIR:

Go ahead, Senator Houley. Surley.

SENATOR HOULEY:

Mr. President, point of personal privilege. We have in our midst, sitting just outside of the Senate Circle, some very distinguished guests. We have Mr. Leon Doby, the Tax Collector of the Town of Somers who is acting as a guide to Mrs. Joan Revard of Somers again who, for the past several months and on through June will be hosting a very special young guest, George Onatriaticapaulossantalopolous Savanous of the Island of Rhodes, Greece, who had the distinct pleasure of having an opportunity to chat this morning with the Honorable Ella Grasso and I wonder if the Senate would be kind enough to acknowledge the presence of our guests and give them the usual greeting. (Applause).

THE CHAIR:

Welcome to the Senate, our Guests, and we hope that your stay will certainly be a pleasant one.

THE CLERK:

Continuing on page 6 of the calendar, top item on the page, calendar 394, File 290, Favorable Report of the Joint Standing Committee on Regulated Activities and Energy. Senate Bill 565, An Act Concerning the Disallowance of Recoupment of the Connecticut Gross Earnings Tax Under Fossil Fuel or purchased Gas Adjustment Clauses.

THE CHAIR:

Senator O'Leary.

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SENATOR O'LEARY:

Mr. President, I move acceptance and passage of the joint committee's favorable report.

THE CHAIR:

Will you remark on it, Senator?

SENATOR O'LEARY:

Yes. This bill would prohibit tacking onto a utility customer's bill that portion of the bill which is the gross earnings tax on the fuel adjustment clause. This amounts to 5% of the portion of the bill which is under the fuel adjustment clause. It would prohibit that from being tacked onto the bill. The intent of the legislation would be to encourage thereby the gas companies and the utility companies which burn fossil fuel or gas to search for the cheapest price. Presently, 100% of all of their cost of gas and the tax is tacked onto the customer's bill and it's felt that this is not an incentive to the companies to search for the best possible price in the area of fuel especially in regard to gas.

THE CHAIR:

Senator Gunther.

SENATOR GUNTHER:

Mr. President, I rise to oppose the bill. The intent sounds great. You know, it's a very popular thing to try to stick it to the utilities and I find myself in a difficult position because I hate to get up and defend the utility companies themselves, but what you're trying to do with this is actually stick 'em for the 5% they had to pay out on that particular fuel, and I don't see how this is really going to get them to go on out and try to take and

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get any cheaper gas or oil. We all know darn right well that the prices of both these commodities has stabilized very definitely since the 1971 growth that we've had to date. Now to just stick it to them for 5% and tell them to go find some place to take and raise that money - you know anything about the PUCA hearings and the rate structures and that type of thing? All that's going to happen is the next year they're going to go back in there and they're going to say, look, this 5% that you told us to eat is the cost of doing business. We want that put right into the rate and be built into the rate itself rather than have it adjusted with the fuel as it is allocated throughout the period of time that they have it. So, I don't think it's a good bill. I think it's trying to say stick it to 'em because they're sticking it to us, but I think we have to take and really get down to brass tacks if you want to take and hit 'em with cost, identify 'em, go into the hearings and have 'em take those costs off of there, but to just say, look it, they're paying 5% tax on this, they're passing through the fuel cost adjustment, they're not going to be allowed to take and pass through the cost of the tax, I think is wrong and I think when we have the vote, I'd like to have it by roll call, Mr. President.

THE CHAIR:

Senator Putnam.

SENATOR PUTNAM:

Thank you, Mr. President. Mr. President, through you, I would like to ask the Chairman of the Committee a question. The question

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is, at this time if there is a credit in the account on this tax account, do the utilities pay it back to the customers at this time?

THE CHAIR:

Senator O'Leary, do you care to respond?

SENATOR O'LEARY:

If there's a credit the utility would return that portion of the fuel adjustment cost less the gross earnings tax if this bill were to pass.

THE CHAIR:

Does that answer your question, Senator?

SENATOR PUTNAM:

Well, only partially.

THE CHAIR:

All right, press on.

SENATOR PUTNAM:

Because we have been told in the Senate here that this is a very small tax. In point of fact, in 1974, Northeast Utilities alone paid six million dollars. In 1975, they paid 1.2 million, in 1976, they paid six hundred and seventy-eight thousand. This is a combination of both the gas and the oil. Up to March of this year, they've paid \$859,000.00 in this tax. We are trying to penalize them and say to these utilities that they must pay the tax, but the consumer doesn't. I submit to you that in the next rate case that comes along, the Public Utility Control Authority is going to have to increase the rates enough to keep the companies going.

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If they don't increase it enough so the companies go broke, then the State is going to have to buy 'em out, and that's going to cost you a substantial amount of money. I submit to you that when you're told that utilities will then be able to buy the cheapest price. In 1976, there was a credit of \$229,000.00 for Northeast Utilities on its electric rates of this particular tax which was paid back to the people. It was paid back to them in 1976 because Northeast Utilities and the other utilities happen to be made up of Connecticut people. They happen to be as honest as most of us and honest than probably other people in the State. They're not out here to make it tough on the consumer. They are the consumer also. This credit that came in 1976 came about by the fact that in the rate structure the cost of fuel is set by the PUCA. When they can buy the fuel for less than that amount, there results in a tax credit. This is paid back to the rate payers. It's not kept by the utilities. It's paid back to the rate payers. You get an adjustment on your bill. Now, if you feel that the utility is going to buy gas or oil inexpensively and sell it to you at the top price, it came out in today's Industry Week that the nation's proven reserves for oil declined again. We have to buy from overseas, unfortunately. We have to pay top price, and to try and tell the utility company which exists by right of our laws which can't do anything without our PUCA telling them that they must do it, that now they must pay tax and they cannot collect it from their customers, it'd be almost the same as a law that said that, oh yes, a lawyer can represent you in court, he can only col-

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lect a fee that covers his expenses but nothing that is his own compensation. It is not a good law. It will not benefit the consumer. It will not benefit the utilities and it won't benefit the State, and I would hope that this Circle would repudiate this law, and send it back from whence it came.

THE CHAIR:

Roll call has been requested.

SENATOR FLYNN:

Mr. President.

THE CHAIR:

Senator Flynn.

SENATOR FLYNN:

Mr. President, I want to take a moment to speak on behalf of the main bill. The whole issue here is one that I've been involved with for some time. I think the less that's shot through these kind of automatic pass through adjustment clauses, the better. Matter of fact, if it were up to me, I would eliminate them entirely, but we have been that route and made that attempt and failed. The issue really is whether you're going to have regulation of utilities or not, and if a hundred different types of items we pass through automatic and the consumer must bear the brunt of them at that point in time, then we don't even need a public utilities commission. The whole thing becomes a farce. Either we're going to have regulation of these kind of utilities or we're not. I say we should and if we're going to have it, then let them pass judgement on those items that will go into the rate that the consumer has to pay. If they don't

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want to do that as members of that commission, they ought to resign. seems to me that we're doing our constituents a favor here in listening or at least narrowing those things that we cranked into this rusty formula which I'm sure would be repealed entirely if most of the people of this State had their way.

THE CHAIR:

Senator Madden.

SENATOR MADDEN:

Thank you, Mr. President. I rise in opposition to this bill. I find the arguments that we're going to be doing the consumer a favor hard to take. If we wanted to do the consumer a favor, we wouldn't have this tax on the revenues that had to be paid to us in the first place, but to come up here and say that we're doing them a favor not having to charge them for this, and yet at the same time ask the money to be paid by the utility, the money's got to come from some place. It isn't going to come out of thin air. The utilities are guaranteed a rate of return and if they're going to make that rate of return, it's got to come from somewhere, and where it's going to come from is from all of us anyway, so I think what we're doing here is pushing around numbers and putting a label on the bill and saying it's consumer oriented when in fact, it isn't. It's not going to do anything in the long run for the people of this State. Gas companies years in advance for available supplies so that they'll be able to continue to supply their present and future customers. To say that this year they should have to absorb this tax and then that's going to force them to go out and find new sources is ludicrous. They're not going to be able to go out and find new

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sources. Those contracts for the gas that they'll be selling in the current period and in the next period were arrived at several years ago. I think all we're really doing here is adding a new layer of bookkeeping, not only for the utilities, but for ourselves at the State Tax Department. We're not really saving the consumer any money. He's going to end up paying it anyway, one way or the other, either in his rate or in the fuel cost adjustment. If you had a bill before you which says there's no gross receipts tax on the cost adjustment, that's fine, but to stand up here and say that we're giving someone a break on this just isn't true and to put a label on it and say it's a consumer bill isn't true, and I think it's a silly piece of legislation and ought to be defeated.

THE CHAIR:

Let's have a roll call on it. We'll see. Announce a roll call, please.

THE CLERK:

Immediate roll call has been ordered in the Senate. Would all Senators please take their seats. Immediate roll call in the Senate. Would all Senators please be seated.

THE CHAIR:

Want a quick one, George, while they're coming in?

SENATOR GUNTHER:

Yeah, just a quick one, Mr. President. I thought when Senator Flynn got up that he might be speaking against the bill because we

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do have the PUCA that actually controls the rates and the utilities in the State of Connecticut and if we have any use for the PUCA at all, we ought to leave the regulations of the utilities to them, and not come up here and alter their ground rules by legislative action, and especially the type of expertise that it takes to sit there and make a judgement, so for a while, I thought maybe Senator Flynn was speaking against the bill, and I know that the PUCA didn't care whether this passed or it didn't pass up here, so I think that we ought to leave it within the commission. You set up a regulatory body, make them do their job and if they don't, why get some words over to there, but at least let that body whose expertise in this area make this determination, not the legislative body.

THE CHAIR:

Machine is open. Please cast your vote. Machine is closed and locked. Total voting 35, necessary for passage 18. 31 yeas, 4 nays.

The bill is passed.

THE CLERK:

Continuing on page 6 of the calendar, calendar 418, File 320, Favorable Report of the Joint Standing Committee on Public Personnel and Military Affairs. Substitute for Senate Bill 560, An Act Concerning Political Activities of State Employees.

THE CHAIR:

Senator Barry.

SENATOR BARRY:

Mr. President, I move acceptance of the committee's favorable

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be seated. A roll call in the Senate. Would all senators please take their seats.

THE PRESIDENT:

We have a Rule 15 roll call. Top of page eleven, Cal. 285. I have opened the machine. Please cast your vote. The machine is closed and locked.

Total Voting	33
Necessary for Passage	17
Voting Yea	33
Voting Nay	0

THE BILL IS PASSED.

THE CLERK:

Continuing on page eleven, Cal. 394, File 290. Favorable report of the joint standing Committee on Regulated Activities and Energy. Senate Bill 565. AN ACT CONCERNING THE DISALLOWANCE OF RECOUPMENT OF THE CONNECTICUT GROSS EARNINGS TAX UNDER FOSSIL FUEL OR PURCHASED GAS ADJUSTMENT CLAUSES, as amended by House Amendment Schedule A.

THE PRESIDENT:

Senator O'Leary.

SENATOR O'LEARY: (7th)

Mr. President, I move for the rejection of House Amendment Schedule A.

THE PRESIDENT:

Question is on rejection. Senator DeNardis.

SENATOR DENARDIS: (34th)

Mr. President, I oppose rejection of House A. I would

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like to speak on it and would like to have a roll call recorded on this matter.

THE PRESIDENT:

Go ahead and speak on it, Senator DeNardis.

SENATOR DENARDIS:

Mr. President, House A would require that each bill that would be rendered to a customer by a public service company selling gas or electric services shall contain a notation of the amount of the bill representing the gross earnings tax imposed by the appropriate sections of the General Statute. Mr. President, members of the circle, this is a fiscal accountability measure quite comparable to the matter that we had in this chamber a few days ago with the property tax relief bill wherein this General Assembly required all tax collectors in this state to note on the tax bills issued from their office to the people in their community the amount of money and the impact of the so-called property tax relief. This, Mr. President, is precisely the same concept applied to utility bills to break out the components to demonstrate what is taxed, to demonstrate the various segments of consumer and taxpayer liability. This, Mr. President, is an excellent amendment. It is in the spirit of the provision of the property tax relief bill and I cannot imagine anyone who voted for the property tax relief bill with the notation clause being against the notation clause in this particular amendment. I urge that we accept it and pass the bill as amended.

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THE PRESIDENT:

Senator O'Leary.

SENATOR O'LEARY:

Mr. President, I would move that when we vote on this issue we vote by roll. One has been called on this? Thank you. I move for rejection of House A. I see no connection whatsoever between the property tax issue and this issue. In one case we are dealing with municipalities and in the other with public service companies. Furthermore this does not do the same thing that the language would have done in our property tax aid. This would require that the gross earnings tax, that portion of the bill be separated out and itemized and noted on the customer's bill. There are any number of taxes which go into a utility bill. There are any number of other factors such as labor costs, unemployment compensation costs, corporate income taxes, sales taxes on various items. There is no rationale for separating all of these items in a bill and presenting them to the customer on an individual basis. I think that the motive for this amendment may have come from a desire on the part of those who opposed the property tax aid and the requirement that the taxpayer be shown what they would be saving by the state grant. I think that's a very different issue. In that case, we had a rather complicated tax matter. It is very difficult to explain to an individual back in the community exactly how state aid is going to save that individual tax money. The bill that we passed a few weeks

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earlier would do that. This bill sets a very unfortunate precedent, I believe, and imposes a very difficult task on our utility companies. If we start itemizing the bill with respect to this matter, that is the gross earnings tax, there are no end of items that we can pull out of that bill and separate out and put down individually. And I think we would thereby imposing a very, very difficult burden on our public service companies.

THE PRESIDENT:

Senator Gunther.

SENATOR GUNTHER: (21st)

Mr. President, I rise to support the amendment for the same argument that Senator O'Leary talked about it. You know, it's all right to go in there and the whole philosophy of the bill to stick the utilities with their five percent tax that was paid on that fuel cost but to identify it and say you are sticking them makes it wrong. And I think that's what this amendment does and it does say that this is not going to be on their bill but it is going to be built in, well, it's going to be built into their, ah, it won't identify it that well. Let's put it that way, but it will identify that something is happening. And what's going to happen at the next rate case when they add that into the base rate itself which is the basic bill and I know you spoke a bit on the basic bill. This is what is going to happen. They are going to build it into the rate base. And you know that's an expense to the customer and the

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expense of doing business. So I think any way that we can identify or any way we can give notice on the thing, I think we should do it and let the public know because I think this is one of those things that we are doing up here now because it is popular to take and give it to the utility companies. It's hard to defend them. But all I can say is that I think the whole bill itself is wrong. At least the amendment makes it a little bit better.

THE PRESIDENT:

Senator Rome.

SENATOR ROME: (8th)

Mr. President, I rise to associate myself with the remarks of Senator DeNardis, Senator Gunther and the about to be made remarks of Senator Madden. And that should expedite the debate.

THE PRESIDENT:

Very good. Senator Madden, WE Are waiting for your remarks.

SENATOR MADDEN: (14th)

I would like to associate myself with the remarks of Senator Rome.

THE PRESIDENT:

It's tough to top you Yale guys. Anything else to be said. If not, let's go ahead on the motion to Reject. If you vote Yea you will be voting to reject.

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An immediate roll call has been ordered in the Senate. Will all senators please take their seats. An immediate roll call has been ordered in the Senate. Will all senators please be seated.

THE PRESIDENT:

We are voting on House A, Cal. 394 on page eleven, the second matter. The motion was made to reject House Amendment Schedule A. A yea vote is in favor of rejection. The machine is open. Please cast your vote. The machine is closed and locked.

Total Voting	35
Necessary for Passage . . .	18
Voting Yea	21
Voting Nay	14

HOUSE A HAS BEEN REJECTED.

SENATOR O'LEARY:

I believe there was some opposition to this bill when it initially passed and I think we may have to have a roll call on the bill. I would move acceptance and passage of the bill at this time.

THE PRESIDENT:

Senator Madden.

SENATOR MADDEN;

I'm sorry, Mr. President, I pushed my button but I guess I wasn't recorded up there. I would like to be recorded in the negative.

THE PRESIDENT:

You were, Senator. It was up there. They all worked.

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Oh, they don't work on your desks.

SENATOR MURPHY:

Mr. President, the problem is they are not registering on the board and the senators believe that they are not being recorded. A whole bunch of lights didn't work.

THE CLERK:

I think you have to look at the other board. They are registering on this board.

THE PRESIDENT:

Let's roll call the bill. Announce an immediate roll call in the Senate.

THE CLERK:

A roll call has been ordered in the Senate. Would all senators please take their seats. An immediate roll call in the Senate. Would all senators please be seated.

THE PRESIDENT:

The machine is open. Please cast your vote. The machine is closed and locked.

Total Voting	35
Necessary for Passage . . .	18
Voting Yea	23
Voting Nay	12

THE BILL HAS BEEN ADOPTED.

THE CLERK:

Continuing on page eleven of the Calendar, Cal. 397, File 295. Favorable report of the joint standing Committee on State and Urban Development. Substitute for Senate Bill 539.

AN ACT CONCERNING TENANT PARTICIPATION IN MANAGEMENT OF

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THE CLERK:

Cal. 1020, S. B. 565, File 290, An Act Concerning the Disallowance of Recoupment of the Conn. Gross Earnings Tax under Fossil Fuel or Purchased Gas Adjustment Clauses. Favorable report of the Committee on Regulated Activities and Energy.

REP. BALDUCCI (27th):

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

THE DEPUTY SPEAKER:

The question is on acceptance of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate. Will you remark, sir?

REP. BALDUCCI (27th):

Yes, thank you, Mr. Speaker. What this bill is intended to do is to remove right now a 5% gross earnings tax which is included on the fuel adjustment clause in all utility bills, gas and electric. The intent of the bill and the legislation is to encourage utilities to seek out and find the lowest possible fuel which they can use in purchasing and therefore saving consumers dollars and state and company's dollars.

I move passage of the bill, Mr. Speaker.

THE DEPUTY SPEAKER:

The question is on passage of the bill. Would you remark further. If not -

REP. WRIGHT (77th):

Mr. Speaker, I'm concerned about this bill because

as it was explained, it excludes the fossil fuel cost adjustment, the gross earnings tax, and the State of Connecticut receives a considerable amount of money from the tax on the fuel cost adjustment and I think because of that, that loss, that potential tax loss that we have not looked at. I would move that this bill be referred to the Committee on Finance so that they can determine if there is a problem here.

REP. STEVENS (119th):

Mr. Speaker, that's probably a good idea and I rise to support the motion. I rise to support the motion, Mr. Speaker, and in speaking on the reference to Finance, I think it would help the members to know some history about this particular bill. The file copy of the bill relates to recoupment of the gross tax placed upon utilities which is a 5% tax through the fuel cost adjustment.

THE DEPUTY SPEAKER:

Excuse me, sir. The Chair is in error and at this point did not put the question before the Chamber. The question is to refer to the Committee on Finance and I want to state the question before the Chamber. I'm sorry, sir. You have the floor.

REP. STEVENS (119th):

Mr. Speaker, do you wish to place the issue before the Chamber?

THE DEPUTY SPEAKER:

I have indeed, right now. I've already done that, sir. you have the floor.

REP. STEVENS (119th):

Mr. Speaker, I rise to support the reference and I

think if the members would listen for a moment, they might be interested because this is an issue which was greatly discussed in 1974. The motion is to refer to Finance because of the possible fiscal impact on the state. But what has happened here is that the Committee on Regulated Activities has come up with a bill. Mr. Speaker, might we have order.

THE DEPUTY SPEAKER:

The gentleman has requested order justifiably so and so does the Chamber with a very high noise level. May we please have your attention?

REP. STEVENS (119th):

Thank you, Mr. Speaker. The Regulated Activities Committee has come out with a bill that would prohibit recoupment through the fuel cost adjustment clause of any portion of the tax imposed upon utilities in Connecticut, the 5% gross earnings tax. That is the bill before the Chamber and a motion has been made to refer to Finance. It is interesting to note that the old PUC which I'm sure you remember, existed before 1975, never permitted the pass-through of the 5% gross earnings tax to consumers on the fuel cost adjustment. Yet, in September of 1977, a new commission, the PUCA decided that you could pass through to consumers in (record 9 Connecticut through the fuel cost adjustment the 5% gross earnings tax. That's the new consumer oriented utility regulatory body that was created in 1975 to reduce utility costs and instead, they added to your bills in 1977, and now the committee has come out with the bill to try to go back to what the old PUC did for consumers before they were disbanded. Now the Chairman of Finance has asked for a reference and that's the best thing that could happen because the bill's nothing but a fraud. It's a fraud

because if you don't get it back through the fuel cost adjustment, You get it back at the next rate hearing. Only there's a difference. The companies then get interest on the money that they've had to borrow to make up what they didn't get back on the pass-through through the fuel cost adjustment. All of which means that the reference to Finance is good and should be supported but you ought to also bear in mind that those lower utility bills that were promised haven't come yet; and perhaps, the real idea behind this bill before the Chamber which goes into effect on October 1st, 1978 is that we can show some reduction in the month of October in utility bills. Now, wouldn't that be a coincident that after 3½ years of higher utility bills under a new consumer oriented agency, a few weeks before the election, the bills might go down by 2 or 3 cents. It sure would be in keeping with everything else that's happening around here.

REP. SCULLY (75TH):

Mr. Speaker, at this point in time any reduction in our fuel bills - in my home town would be worthwhile whether it came in election year or in between election year. I would object to this bill being referred to Finance. I think we need this type of legislation to help the people in our home towns.

REP. GOODWIN (54th):

Thank you, Mr. Speaker. I believe I may have a conflict of interest in this bill and I would like to be excused.

THE DEPUTY SPEAKER:

Clerk, please note Rep. Goodwin being excused.

REP. BALDUCCI (27th):

Thank you, Mr. Speaker. I thank the Minority Leader for his remarks concerning the history of the bill but I respectfully disagree with reference to Finance. I have before me a fiscal note which says that there is no impact whatsoever upon the State of Connecticut as far as finances go. Also, along with that history, I think there should have been mentioned ~~is~~ the fact that at the times 1973 and 74, there was a rapid increase in prices in both gas and oil and that the fuel adjustment clause worked well for its time, particularly in the oil area. But oil has made as you probably know today one of the most - has held a status quo and has only increased I guess over the last couple of years of only about 4% whereas we can see the cost of living having escalated somewhere around 22 to 24%. This tax that the utilities pay to the State of Conn., this 5% tax, has to do or has an impact. By removing this particular tax, it has an impact upon the utility. The basic thrust of the idea of the bill is to ask utilities to please go forth and seek cheaper sources of fuel to negotiate when they are involved with contracts. Thank you, Mr. Speaker.

REP. WRIGHT (77th):

Mr. Speaker, there's some concern about this bill at this time. I would like to withdraw my motion to refer to Finance and yield to Rep. Carragher.

REP. CARRAGHER:

Mr. Speaker, in light of what's transpired regarding the question of fiscal impact, I move the bill be passed temporarily.

REP. SHAYS (147th):

Mr. Speaker, I object to it being passed temporarily.

I object because that's just another method to kill the bill. We passed temporarily bills yesterday and the day before but at the end of the day, it turns out to be a P.R. I totally and completely object to it. The intent of this, what's going on right now is to kill the bill and to pass temporarily is to kill the bill. There's absolutely no expense to the state.

THE DEPUTY SPEAKER:

The motion is before the Chamber whether or not this bill should be passed temporarily. Would you remark further? Would you remark further on the motion to pass temporarily?

REP. MCKENNA (85th):

Mr. Speaker, so I would object to pass temporary. I put in a bill this year which would remove the gross 5% gross earnings tax on all utilities. One gentleman said that at this time, we should be happy to even reduce the bills by 2 or 3 cents because of the high cost. I circulated a petition after my bill on the gross earnings tax was boxed if you will.

THE DEPUTY SPEAKER:

Excuse me, sir. The Chair respectfully will remind you that the motion before us is the motion to pass temporarily. I hope you would confine your remarks to that motion.

REP. MCKENNA (85th):

Yes, I object to the passage. I wanted just to explain my reasons, Mr. Speaker, wishing it not to be passed temporarily.

REP. FRANKEL (121st):

Mr. Speaker, on the motion to pass temporarily, it wasn't too many days ago, that the Minority Leader rose on a

similar matter where a member on that side of the aisle had requested permission to have the matter passed temporarily and there was an objection on his side of the aisle and yet, encouraged this side of the aisle to withdraw on the objection as a matter of courtesy. I think it's most appropriate that the same consideration be offered at this point in time.

REP. STEVENS (119th):

Mr. Speaker, I don't believe that I made a motion in objecting to the passed temporarily. It was not the minority leader who did it and on this side of the aisle, people are free to act as individuals.

THE DEPUTY SPEAKER:

Will you remark further on the motion to pass temporarily? The Chair will only allow debates strictly confined to that motion and would not allow anything else. Rep. Scully.

REP. SCULLY (75th):

Mr. Speaker, as the supporter of this bill, I object referral to Finance. I think that because people have a problem with this bill. Some people do not understand it. I think it's only fair to those people who have questions about it that we have an opportunity to explain to them exactly what this bill does. I do support this point in time that this bill be passed temporarily until we have a chance to explain exactly what the bill does.

REP. SHAYS (147th):

Mr. Speaker, for the second time on this motion, through you, if I could ask a question, I might withdraw my motion, my objection to pass temporarily. Rep. Carragher, is

it your intention to bring this bill up today for consideration?

THE DEPUTY SPEAKER:

Please reframe your question, sir. The gentleman I don't believe heard you.

REP. SHAYS (147th):

Through you, Mr. Speaker. I have a question to the assistant majority leader, deputy majority leader, excuse me, the most distinguished deputy majority leader. I'd like to ask, through you, Mr. Speaker, if it is his intention to bring this bill up today for a vote?

REP. CARRAGHER (5th):

Mr. Speaker, to respond, it's my intention following the rules as they are laid down and been ruled by the Speaker, Mr. Shays, to pass the bill temporarily and proceed through the call of the calendar and then return as has been their practice in the last week or two, to the beginning of the calendar and start again. I would hope that we would get to this bill again, yes.

THE DEPUTY SPEAKER:

Will you remark further on the motion to pass temporarily?

REP. DYER (110th):

Mr. Speaker, as an individual who does support this bill and objects to referral to Finance, I do not object to P.T. and since the incident was just related by a member of this side regarding a bill last week which was my bill on P.T., I think that it is courtesy to this side to have it P.T.'d and the minority leader in a very distinguished fashion last week, defended an individual on his side of the aisle who objected to P.T. but he

asked this side in courtesy to Mr. Abate to remove his objection and I think the P.T. is a courtesy to all members of this House.

THE DEPUTY SPEAKER:

All those in favor of the motion to pass temporarily will indicate by saying Aye. Those opposed. The motion to pass temporarily is carried.

THE CLERK:

Page 5 of the Calendar. Cal. 1050, Sub. for S.B. 239, File 556, An Act Concerning Maternal and Infant Care. As amended by Senate Amendment Schedule A. Favorable report of the Committee on Appropriations.

REP. CARRAGHER (5th):

Mr. Speaker, I move the bill be passed temporarily.

THE DEPUTY SPEAKER:

Any objections, so ordered.

THE CLERK:

Cal. 1057, Sub. for S. B. 545, File 573, An Act Concerning Grant Commitments for School Construction Projects Authorized in Public Act 77-106, as amended by Sen. Amendment, Schedule A, Favorable report of the Committee on Appropriations.

REP. GOODWIN (54th):

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

THE DEPUTY SPEAKER:

The question is on acceptance of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate. Would you remark?

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THE SPEAKER:

Yes, you have the floor, sir.

REP. O'NEILL (34th):

Thank you, Mr. Speaker. We've been here today for approximately 8 hours. We passed approximately 20 pieces of legislation. We have approximately 120 pieces of legislation to face before the end of the session. I know the debate has been good but it seems in many instances, the debate has been awfully prolonged. I don't like working late at night any more than any others do but we're going to have to stay in the chamber until we finish our business on Wednesday. Thank you, Mr. Speaker.

THE SPEAKER:

The Chair will inquire if you're ready to vote on the bill as amended. That being the case, will the members please be seated and staff and guests, come to the well and the machine will be opened. Have all the members voted. Is your vote properly recorded? If so, the machine will be locked. Clerk, please take a tally. Clerk, please announce the tally.

THE CLERK:

Total Number Voting.....	141
Necessary for Passage.....	71
Those voting Yea.....	89
Those voting Nay.....	52
Those absent and not Voting.....	10

THE SPEAKER:

The bill as amended is PASSED. (record 31)

THE CLERK:

Cal. 1020, S. B. 565, File 290, An Act Concerning the Disallowance of Recoupment of the Connecticut Gross Earnings Tax Under Fossil Fuel or Purchased Gas Adjustment Clauses. Favorable

report of the Committee on Regulated Activities and Energy.

REP. BALDUCCI (27th):

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

THE SPEAKER:

The question is on the bill of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate and before calling for remarks, I'm going to call the Chamber to order. Now, will the members please be seated. (repeated 3 times). The Chair out of respect that each of us have for this room and each for the others is going to insist upon decorum. Now the gentleman from the 27th has the floor and the motion is for acceptance and passage. Will you remark?

REP. BALDUCCI (27th):

Thank you, Mr. Speaker. The intent of the bill prohibits the inclusion in the customer's billing by a utility company of the 5% gross earnings tax. The intent of the bill is to encourage utility companies to go out and seek cheaper and better sources of fuel. This can be done in a fashion in which, if they go out seeking cheaper sources of fuel, the 5% gross earnings tax which they pay and then will pick up through this piece of legislation. It will be less, of course. They have also instituted a similar piece of legislation, such as this in the State of Michigan, only theirs is 10% instead of 5% as ours is. I move passage of the bill.

REP. GOODWIN (54th):

Mr. Speaker, may I be excused for possible conflict?

THE SPEAKER:

You may, madam. The Journal will so reflect. The gentleman from the 89th.

REP. ROBERTSON (89th):

Mr. Speaker, a number of questions, through you, Mr. Speaker. I ask these questions, Mr. Speaker, only because it's a difficult subject to understand. It's regulated very tightly and some of my questions may seem basic but through you, Mr. Speaker, Rep. Balducci, would you please explain to me and to the rest of the members in the House exactly what is the fuel adjustment clause?

REP. BALDUCCI (27th):

The fuel adjustment clause was instituted ^{be} to/put in use actually after the oil embargo. Actually in 1973. What it does is to reflect the increase in utilities costs for fuel. At the present time, there is a base rate which the utility pays and up until 1973, was fairly static. After the oil embargo, prices rose rapidly and the use of the fuel adjustment clause became necessary. This fuel adjustment clause shows the increase in the prices of oil between one rate case and another. It allows the company to recoup their costs for the increase in oil to help prevent them from suffering massive losses.

REP. ROBERTSON (89th):

Thank you again. Through you, Mr. Speaker, is the fuel adjustment clause considered by a utility as part of its gross receivable?

REP. BALDUCCI (27th):

Yes, it is.

REP. ROBERTSON (89th):

Through you, Mr. Speaker. Are the utilities also required to pay that 5% on gross sales, 5% on the fuel adjustment clause?

REP. BALDUCCI (27th):

Through you, Mr. Speaker. Yes, they do.

REP. ROBERTSON (89th):

Again, through you, Mr. Speaker. Thank you, Rep. Balducci. In conversations that I've had with you, we basically agreed that the level of fuel oil has remained relatively static over at least the last year. Could you possibly tell me, does this bill specifically attack a specific resource?

REP. BALDUCCI (27th):

Yes, Mr. Speaker, through you. It's geared to as you read in the bill, the file copy, it's geared to oil and gas. As you stated, oil is pretty much leveled out. In actuality, there probably is no real use, at least for the present time for fuel adjustment clause because it's remaining relatively stable. I think in earlier testimony, I commented that you know, the average increase in the last year or two, in oil has only been approximately 4% while the increase in the cost of living has been approximately 22 to 24%. The biggest point is in the gas, natural gas where the greatest increase is noted.

REP. ROBERTSON (89th):

Through you, Mr. Speaker, please. In your opinion, Rep. Balducci, could this if upon passage, could this legislation which is an additional attempt to control utilities, could it possibly affect their bond rating?

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REP. BALDUCCI (27th):

I don't believe it would. Through you, Mr. Speaker and I'd like to tell you why. Initially and right now, O.K., utilities are out and involved in contracts which they currently have. They can't do anything about that and the only thing that would happen right now if this bill is passed, is their cash flow would be impacted for the period of time until the next going for a rate increase. At that time, they will probably receive, O.K., considerations for these impacted funds which they are forced to make up because the consumer would have to pay for. However, after that period of time, I think that the idea of seeking out less expensive jewels would be to their advantage and I don't think would hurt their bond ratings at all.

REP. ROBERTSON (89th):

Through you, Mr. Speaker, when would this bill take effect, Rep. Balducci?

REP. BALDUCCI (27th):

It takes effect as most bills take effect, October 1 of this year.

REP. ROBERTSON (89th):

Thank you. Again, through you, Mr. Speaker, could you very, very quickly - I don't wish to prolong this - could you possibly tell us very quickly, what is the purpose, what was the reason for the establishment of the PUCA?

REP. BALDUCCI (27th):

To act as an overseer to the public utilities.

REP. ROBERTSON (89th):

Mr. Speaker, Rep. Balducci has basically told us that this bill is more aimed towards gas, not towards fuel. Certainly in a situation in Washington, after the deregulation of natural gas, I think it's more or less assumed that there will be some deregulation of natural gas. Mr. Balducci has made reference to the fact that natural gas in the State of Connecticut, much synthetic gas purchased, he seems to feel, many people seem to feel, some lobbyists seem to feel that Connecticut's gas companies do not seek the cheapest gas knowing that they always have a fuel adjustment clause to rely on so they go out and buy the most expensive gas. Mr. Balducci has also admitted to me and to you that the purpose of the PUCA is to regulate the utilities. PUCA in June 30 of 1977 had an investigation and it came up with the following decision on purchased gas adjustment and it was docked at 760,307 and it stated if I may quote "The concept of discouraging companies from purchasing gas more expensive than pipeline gas is a concept which does not recognize the current and probable gas supply situation. With increasing supplier curtailments, these non pipeline sources are the only supply which prevents discontinuance of service to the eventual consumer." The concept of a company purchasing gas at a price higher than necessary, simply because it is, excuse me, since they are required to recover cost without any profit is totally illogical and inconsistent with the gas supply actions of the Conn. companies and good business sense. Conn. companies have consistently invested in long-term contracts and facilities to insure adequate supply at reasonable cost. I suggest that our own regulatory body has found that the purpose

of this bill is not necessary. Earlier, there was a move to refer this to Finance. If the gas utilities were for some reason to find cheaper gas, there would be 5% of a lesser amount and therefore there would be an impact on the incoming revenues to the state. That motion was withdrawn. The fact that this comes out and becomes effective October 1st, as soon as I say it, then it becomes a part of an issue and of course, we know how the vote will go, the fact that our present governor has her, one of her election pledges was to lower utility rates, it seems that yes, utility rates will be lowered. The fact that a gas company or a utility or any utility is going to be charged 5% on the fuel adjustment and now this law will not allow them to charge the 5% to the consumer is eventually going to lower their profit structure. Therefore, certainly not by October 1st, unfortunately not by November 7th, but sometime in the near future, they're going to come back for a rate increase. What comes in front of us and we've all gotten letters from the CCAG those people who are responsible for representing the consumer, what comes in front of us as a consumer piece of legislation, I suggest is not. It is openly going to cause there to be an increase in utility rates. Thank you.

REP. GEJDENSON (48th):

Thank you, Mr. Speaker. To my knowledge, CCAG has not endorsed any particular candidate for Governor. I suggest if you're trying to make that the issue of this debate, but I think what we really should look at is whose interest we're going to try to defend here, whether we're going to sit here with

our primary concern the revenues and the profits of utility companies and read the reports of the utility companies or take a look at what we can potentially do. And I am one who feels there would be no benefits from this bill - I could not see benefits from this bill for at least 6 months and possibly a year and maybe even longer. What this bill will try to do is try to give the gas companies if that's what we're primarily concerned about an incentive to find cheaper gas and to not bring customers on line who will demand the higher synthetic gases and those of us who several years ago voted to exclude advertising from the rate base and I now believe we're ill advised to exclude gas (record 32) companies replacement appliances can drive up to Hartford on the way to the Capitol and listen to the gas companies by telling us that they do not have adequate supplies to serve their customers. They need higher prices. They need to buy synthetic fuels. Yet every day we hear them advertising asking to get new customers. What this is going to do is not a great deal. It's not radically going to alter anybody's bill; it's not going to save those people who are now paying three or four hundred dollars a month in heating bills if they've got gas heat and it's not going to save us from deregulation and God knows what that's going to do to the consumers, but what it may do is force Conn. companies to try and the only reason they will try is if we can affect their tax flow. You're right. And in the final analysis, utilities under the present rate structure and present laws have to get a rate of return and there's not much we're going to do about that but what we can do is give them one small incentive to try to find cheaper gas and if they can't find cheaper gas, at least not

bring on customers for winter use which they cannot serve adequately. Thank you.

REP. SHAYS (147th):

Thank you, Mr. Speaker. The Clerk has an amendment LCO No. 4006.

THE SPEAKER:

Will the Clerk please call the LCO 4006, House A.

THE CLERK:

House Amendment, Schedule A, LCO 4006 offered by Rep. Shays, 147th District. In line 1, insert "Sec. 1". After line 32, insert Sec. 2 as follows: "Sec. 2. Each bill rendered to a customer by a public service company selling gas or electric service shall contain a notation of the amount of the bill representing the gross earning tax imposed by section 12-264 of the general statutes."

REP. SHAYS (147th):

Thank you, Mr. Speaker. I move adoption of the amendment.

THE SPEAKER:

The question is on adoption of House A. Will you remark, sir?

REP. SHAYS: (147th):

Mr. Speaker and members of the House. The State of Connecticut has many sources of tax revenue and one of them is the public service tax and on gas and electricity bills, the State of Connecticut in 1974 raised 30.7 million dollars. By 1978, it came up to \$58, million, an increase of about \$27 million over the last 4 years that we are taking from the consumer of

utilities on gas and electricity and what this amendment would do i s would merely inform the public user of utilities what the State of Connecticut takes out in taxes, the additional amount that their bill is because of the tax of the state of Connecticut. I would use to describe this amendment some of the words that I heard last week when we discussed the bill or an act concerning property tax to meet the towns. When one legislator said, this is a local property taxpayers right to know. I would consider this amendment as being; this is a local consumer's right to know, how much more his tax bill is because of the State of Connecticut. When another legislator said last week that the better informed taxpayer would go to local agencies of government and say, just a moment. I would say that this notation in the bill would enable those utility consumers to know what is being paid to the State of Connecticut and if they don't like it, to go to the proper authorities. I would say it's the same kind of example that we heard last week when a legislator said, I think the amendment smacks a close shot. Now, the amendment that we offered last week was to eliminate the notation or description that your property tax would be so much lower because of the generosity of the state. I would merely use those same words and say, I think the opposition to the amendment, this amendment, would smack a close shot in hidden information and that if it's not in our spirit of right to know, not to provide this information. It would be the same words that were said last week when a legislator said, I think that the information is helpful. The information he was referring to was telling the local property taxpayer how much less his taxes were because of the generosity

of the state. I would say that this amendment would be very helpful to that individual, the local consumers of utilities to know how much their utility bill is higher because of the policy of the state for the last 4 years. I would close basically by also using the words of another legislator in this House who last week considered the information that we were providing to local property taxpayers as the freedom of information and the right of people, the right of people to know, he said, right for people to see, the right for people to understand and to be educated. I consider this amendment as helping the utility consumer to know and to see and to understand and to be educated just what the state of Connecticut is doing to increase the utility bills and I would use the words of Rep. O'Neill when he said, People at home should know it and I feel that people at home should know what their utility rate is because of the tax the State of Conn. puts on and passes through to the consumer. I would make one last comment that in 1974, we had a tax rate of \$30 million. It took \$30 million from the consumers of this state because of service tax on electricity and gas. Now, it takes \$58 million. That means that \$58 million is coming out of the paychecks of the consumers in this state for higher utility bills because we have failed to address this issue. I would move, Mr. Speaker, that when the vote be taken on this amendment, it be taken by roll call. Thank you.

THE SPEAKER:

All those in favor of the motion for roll call by the gentleman of the 147th will indicate by saying Aye.

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When appropriate, the roll call will be ordered. Will you remark further on House A. The gentleman from the 77th.

REP. WRIGHTS (77th):

Mr. Speaker, some people will think that this amendment is frivolous but I don't. I agree with this amendment. I thought of putting this in as a bill last year. I discussed it with the electric companies because I felt the same way Rep. Shays feels, that electric companies and utility companies would be getting a bum rap. They were getting accused of having high rates and of raising their prices and the people didn't know that 5% in the case of most utilities, and 8% in the case of some, is the gross receipts tax that goes to the state of Connecticut. I don't think either party can take the blame or take the credit for that tax. We both have had opportunities to repeal it and we haven't. But one thing we haven't done is admit to it and we try to pretend it's not there. We try to let it be a hidden tax. We all take great pride in attacking the utilities companies because their rates are so high and then stand back and collect our 5%. This amendment will put that message right up front and people will know that part of their electric company bill is going to the State of Connecticut and part of the money that welfare recipients are paying for electricity is going back to the state of Connecticut. I think for that reason, it's a good amendment. The reason I didn't submit it last year, Mr. Speaker, is because utility companies said they had so much problems now with all the things they had to put in their bill, they didn't have space for it and didn't

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want to be bothered with it. I still think it's a good amendment and I will support it.

REP. BALDUCCI (27th):

Mr. Speaker, speaking to the amendment, Mr. Speaker. With all due respect to Rep. Shays with whom I served two years on this committee, I don't agree and I oppose the amendment. I think the possibility of forcing utilities to add this additional information on may somehow lead to increased costs somewhere along the line and those, of course, are going to get taxed right on to the consumer. Therefore, I urge its defeat.

THE SPEAKER:

Will you remark further on House A or are you prepared to vote on the issue? Prepare to vote. Members be seated. Staff and guests, come to the well and the machine will be opened. Have all the members voted. Is your vote properly recorded. The machine will be locked. Clerk, please take a tally. Clerk, please announce the tally.

THE CLERK:

Total Number Voting.....	137
Necessary for Adoption.....	69
Those voting Yea.....	89
Those voting Nay.....	48
Those absent and not voting.....	14

THE SPEAKER:

House A is Adopted. Will you remark further on the bill as amended? If not, will the members please be seated and staff and guests, come to the well. The machine will be opened. Have all the members voted? If so, the machine will be locked. Clerk, please take a tally. Clerk, please announce the tally.

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THE CLERK:

Total Number Voting.....140
Necessary for Passage.....71
Those voting Yea.....103
Those voting Nay..... 34
Those absent and not Voting..... 11

THE SPEAKER:

The bill as amended is PASSED.

THE CLERK:

Cal. 1050, Sub. for S.B. 239, File 556, An Act
Concerning Maternal and Infant Care. As amended by Senate
Amendment, Schedule A. Favorable report of the Committee on
Appropriations.

REP. O'NEILL (34th):

Mr. Speaker, this ought to be passed retaining its
place on the calendar.

THE SPEAKER:

Is there objection. Hearing none, the matter is
retained.

THE CLERK:

Page 6 of the calendar. Cal. 1106, Sub. for H.B.
5976, file 723, An Act Concerning a Work Opportunities Program
for Employable General Assistance Recipients. Favorable report
of the Committee on Appropriations.

REP. KEMLER (18th):

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Thank you, Mr. Speaker. I move acceptance of the
Joint Committee's favorable report and passage of the bill.

THE SPEAKER:

The question is on acceptance of the Joint Committee's
favorable report and passage of the bill. Will you remark, madam.

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the fact that in discussing products liability we should reject efr what were conceded to be very good amendments because of the late- ness of the hour, and because of the virtual certainty that if we sent the matter to the Senate the amendments would not have been accepted, and the bill would have died. In this particular in- stance, we had precisely the same issue. We had a good amendment which, because it was rejected, saves a very good bill, and I thank you very much for your support in that particular issue. I move passage of the bill, Mr. Speaker.

MR. SPEAKER:

The question is on passage of the bill. The members please take their seats; the staff and guests please come to the well of the House. The machine will be opened. Have all the members voted, and is your vote properly recorded? Have all the members voted? The machine will be locked. The Clerk please take a tally. The Clerk please announce the tally.

The following is the result of the vote:

Total number voting	149
Necessary for passage	75
Those voting Yea.	135
Those voting Nay.	14
Those absent and not voting	2

The bill is passed.

THE CLERK:

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290, an Act concerning the disallowance of recouplement of the Connecticut gross earnings tax under fossil fuel or purchased gas adjustment clauses. As amended by House Amendment Schedule "A". Favorable report of the Committee on Regulated Activities and Energy. The Senate rejected House Amendment Schedule "A" on May 1st.

RICHARD J. BALDUCCI:

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

MR. SPEAKER:

The question is on acceptance of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate. Would you remark?

RICHARD J. BALDUCCI:

Yes, Mr. Speaker. Mr. Speaker, the Clerk has House Amendment Schedule "A", L.C.O. 4006. I would like that amendment called, please...and seek leave to summarize, sir.

MR. SPEAKER:

The Clerk has L.C.O. 4006, which has been designated as House Amendment Schedule "A". Would the Clerk please call the amendment.

THE CLERK:

House Amendment Schedule "A", L.C.O. 4006.

MR. SPEAKER:

Does the gentleman seek (At this point tape number 6 stops and tape number 7 begins. However, it skips to the point where the Speaker asks that the Clerk make notation of the fact

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that Representative Goodwin is to be excused.)

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MR. SPEAKER:

Representative Balducci, you have the floor, sir.

RICHARD J. BALDUCCI:

Thank you, Mr. Speaker. This bill has had a long and arduous trip through the Houses. It's made the trip twice. It was originally passed in the Senate, came down to the House, was amended and passed, meandered back...its way back up to the Senate, and they there rejected House Amendment Schedule "A", which I had opposed in the Hall of the House. I again move for rejection of this amendment, because it really, in my opinion, serves no purpose but to increase cost to customers.

MR. SPEAKER:

The question is on rejection of House Amendment Schedule "A". Would you remark?

PHILIP S. ROBERTSON:

Mr. Speaker. Yes, Mr. Speaker. A question through you to Representative Balducci, please.

MR. SPEAKER:

Please frame your question, sir.

PHILIP S. ROBERTSON:

I wish he would explain exactly what House "A" did again. I didn't quite hear him, and I didn't quite understand what he had expressed to us.

MR. SPEAKER:

The gentleman care to respond?

RICHARD J. BALDUCCI:

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Yes. It's rather brief, Mr. Speaker. If I may, I efr
would just like to read the four lines. It says, "Each bill
rendered to a customer by a public service company selling gas
or electric service shall contain a notation of the amount of the
bill representing the gross earnings tax imposed by 16-264 of the
General Statutes."

PHILIP S. ROBERTSON:

Mr. Speaker, again, that was my understanding. That
was not how he summarized, but thank you, Mr. Speaker. I would
ask that when we vote on this amendment, please, it be done by
roll.

MR. SPEAKER:

The question is on a roll call vote. All those in favor
of a roll call vote please indicate by saying "aye". More than
20% have answered in the affirmative. A roll call is in order.
Would the members please take your seats. Would the staff and
guests please come to the well of the House. The machine will
be opened. The machine is still open. The Chair will restate
the question before the chamber. The question before the chamber
is rejection...the motion is to reject House Amendment Schedule
"A"...to reject House Amendment Schedule "A". The machine is
still open. Have all the members voted? All the members please
check the board to see if your vote has been recorded, and if,
in fact, it's properly recorded. The machine will be locked.
The Clerk please take a tally. The Clerk please announce the
tally.

The following is the result of the vote:

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Total number voting	146	efr
Necessary for rejection	74	
Those voting Yea.	76	
Those voting Nay.	70	
Those absent and not voting	5	

House Amendment Schedule "A" is rejected.

Would you remark further on the bill?

RICHARD J. BALDUCCI:

Yes, Mr. Speaker. This bill that's before us serves a couple of purposes. At the present time there's a five per cent gross earnings tax included in a customer's bill and fuel adjustment clause. What this bill does is remove the cost...remove the five per cent gross earnings tax on the bill. The idea of removing the gross earnings tax...excuse me...from the fuel adjustment clause. By removing it from the fuel adjustment clause, hopefully, what will happen are a couple of things. One, it will give incentive to the utility companies to go out and seek out cheaper gas or oil. It'll do it in the following manner, hopefully. If they have to pay a five per cent on gas or oil, and they're paying top dollar, right now this is passed totally on to the customer. If they seek out less expensive fuels, the five per cent gross earnings tax would therefore be reduced by whatever their savings is on the cost of the fuel. It would also add incentive for them not to go out and gather in customers, which they cannot really serve without using synthetic fuels.

I move passage of the bill, Mr. Speaker.

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RICHARD E. VARIS: efr

Mr. Speaker, through you I'd like to ask a couple of questions to Representative Balducci.

MR. SPEAKER:

Frame your question, sir.

RICHARD E. VARIS:

Representative Balducci, what we're asking...what you're asking us to vote on today is it not the prerogative of the P.U.C.A. to do this?

RICHARD J. BALDUCCI:

Through you, Mr. Speaker, no. I think we can legislate that very simply.

RICHARD E. VARIS:

Mr. Speaker, perhaps Mr. Balducci didn't understand my question. Is this legislation within the domain of the P.U.C.A.? Then further, could it not be done by the P.U.C.A. within the jurisdictional powers they currently have?

MR. SPEAKER:

The gentleman care to respond?

RICHARD J. BALDUCCI:

Thank you, Mr. Speaker. Through you, yes, I believe there is a possibility that they might be able to do this.

RICHARD E. VARIS:

Mr. Speaker, I believe this bill is a sham. We have a quasi judicial body...the P.U.C.A. ...that was much heralded in the State of Connecticut as being a body that would lower our energy consumption rates. This is totally within their jurisdic-

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tion. They meet. They have public hearings, testimony, etc., and efr here this body, with the briefest of explanations, is asking us to do...to pass legislation which is purely within their domain. I think it's more of a political sham than good legislation.

MR. SPEAKER:

Would you remark further on the bill?

PHILIP S. ROBERTSON:

Thank you, Mr. Speaker. It's late in the day, and certainly it's late in the session, but I do believe there are a number of comments I'd like to make, though I'll make them briefly. As Representative Balducci has indicated, this bill is aimed at the gas companies to keep them from seeking and purchasing synthetic gas. For anyone who's kept abreast of the natural gas market throughout the country, certainly the problem over President Carter's energy bill, you can understand that there is a serious problem in this country about natural gas pricings... and natural grass? I don't know. Excuse me, Mr. Speaker. It is true that it is within the purview of the P.U.C.A. to regulate the natural gas companies. As a matter of fact, upon an investigation as recently as 1977...June of 1977...upon investigating the pricing procedures of the gas companies of our state, the P.U.C.A. found, upon their investigation, that pricing policies of our gas companies was realistic in view of today's natural gas pricing market. I remember last year when I attempted to amend the budget to do something about the welfare situation, and a number of people who opposed the amendment stood up and said, "Washington is regulating and is beginning to regulate, and

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President Carter was going to come out with a comprehensive program in welfare reform." And, therefore, many people voted against that amendment. Certainly President Carter has made his welfare reform, and certainly we would hope that it will be effective. Presently, the Congress of our country has been involved for God knows how many months in trying to work out a compromise about natural gas pricing. And certainly from the indicators I receive that they're close to a compromise. The minimum compromise would be a \$1.75 per mcf. Presently, it's \$1.44 per mcf. So, may I suggest that anything that we do to tamper with our natural gas companies at this point could possibly be very serious. It could cause trouble in the market. Certainly we don't wish for them to seek out synthetic fuels at 3.50, 4.50. But presently they have no alternative. There is not enough natural gas in the pipeline to reach up to this State of Connecticut. And certainly I think to pass this law at this point could possibly have a negative effect on the gas market in our state. Thank you, Mr. Speaker.

GARDNER WRIGHT, JR.:

Mr. Speaker, I rise in opposition to this bill, and I'd like to take just a short minute to outline what I think are two results of this bill if you pass it today. No. 1 is a very personal reason. My electric bill is going to go up. I got my electric bill yesterday, and there was a credit on there for the fuel cost adjustment, because the rate base which the P.U.C.A. has allowed charges more for oil than the current price. And what I receive back as a fuel cost adjustment credit is not only

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the price of the oil but the five per cent gross earnings tax. efr
If this bill is passed, the C. L. & P. will pass on to me the
cost of the oil as a credit, but they will keep...they will keep
within their own corporation the five per cent gross earnings
tax that's built into the base rate. So, this is not going to
lower my cost, Mr. Speaker. This bill is going to raise the cost
of electricity for me. And the other thing I want to say is the
long-term implication. In the long-term, I believe that this
bill is going to raise the price of electricity for all of us.
What happens is if we pass this bill, and at some point in time
the fuel cost adjustment turns around and becomes a positive
number, and the electric company cannot recover the five per
cent gross earnings tax, then that becomes an expense for them in
that year. And then they go into the P.U.C.A. and ask for a rate
increase, and one of their expenses is a million dollars for
gross earnings taxes that they have had to pay but have not been
able to collect. So, the P.U.C.A., this is a legitimate expense,
has to allow that as an expense in their rate base, and so their
rates have to be increased enough to make up that one million
dollars which they did not collect in the past year because they
were not allowed to collect it through the fuel cost adjustment.
What that means is not only do they get that one million dollars
the next year, they get it the second year, and the third year,
and the fourth year. So, we're saving a million dollars now, if
the fuel cost adjustment turns around, but we're going to build
it into the rate base, and we're going to pay it every year into
the future. I do not believe that this bill is in the best

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interest of Connecticut consumers.

efr

KENNETH E. STOBER:

Mr. Speaker, I concur with Representative Wright on everything that he has said concerning what this bill will do to our electric rates. He is absolutely right. This is a matter that should be before the P.U.C.A. and not be before the Assembly. This is exactly why we have the Authority set up for regulating utilities. Once we get into the area of legislating areas that should be covered by the P.U.C.A., then all our regulations will go out the window. I oppose this bill and think you should vote against it. Thank you.

CHRISTOPHER SHAYS:

Mr. Speaker, the bill before us is an excellent bill, and Representative Wright, in my opinion, is dead wrong. The former P.U.C. never allowed a gross earnings tax pass-through on the fuel adjustment...the former P.U.C. ...but this present P.U.C.A. has allowed that pass-through. This legislation would say to the P.U.C.A. that they can't allow that pass-through. Now, Representative is right...wrong about...he's got a right name, but he's wrong. He's wrong when he says that the utilities cannot pass on that cost in their rate base. The million dollars he referred to would have to be absorbed by the utilities. They would not pass it on to the consumer. When the utilities go before...

TAP:
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MR. SPEAKER:

Excuse me, sir. May we have some order in the chamber, please. Direct your attention to the gentleman from the 147th.

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Thank you.

efr

CHRISTOPHER SHAYS:

When the utilities go before the P.U.C.A. and argue for a particular rate, they have to live with that rate for so many years until they go back for another one. If, in the meantime, they provided for a contract providing, say, ten per cent more to their workers, they could not go back to the P.U.C.A. and say, "Increase our rates for that." They can only go back later and say, "From now on we have a certain level of payment to our workers, and we want a higher rate from now on." There is no way that this cost can be passed on to the consumer...absolutely none. And I'd like to remind the members on that side of the aisle that the former P.U.C. never would have allowed for this.

MR. SPEAKER:

Are you prepared to vote? Members please take your seats; staff and guests please come to the well of the House. The machine will be opened. The machine is still open. The machine is still open. Have all the members voted, and is your vote properly recorded? The machine will be locked. The Clerk please take a tally. Please announce the tally.

The following is the result of the vote:

Total number voting	146
Necessary for passage	74
Those voting Yea.	83
Those voting Nay.	63
Those absent and not voting	5

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The bill is passed.

efr

THE SPEAKER IN THE CHAIR

MR. SPEAKER:

Will the Clerk please call S.S.B. 252, which does not appear on today's Calendar...correction...will the Clerk please call S.S.B. 253, which does not appear on the House Calendar for today, but which does appear on the Senate Calendar for today, and which appeared last on the House Calendar for May, the 2nd. Will the Clerk please refer to the Calendar for yesterday, Tuesday, May, the 2nd, 1978, Page 4...the reference is Page 4, Calendar No. 1293, the legislative history relevant to which is this. Subsequent to a Joint Favorable Report, the matter was first addressed by either chamber...obviously in the Senate...Senate Bill...Substitute Senate Bill. The State Senate on April, the 27th, passed this matter with Senate Amendment Schedule "A" adopted. This body yesterday...well, during the course of the legislative day which commenced on May, the 2nd, 1978...during the course of that legislative day rejected...passed the matter, S.S.B. 253, but rejected Senate Amendment Schedule "A", obviously creating a potential disagreeing action, and the Senate...the State Senate...this date...this legislative day, May, the 3rd, readopted Senate Amendment Schedule "A" and repassed the bill having reaffirmed its earlier posture on Senate "A", thereby creating under the operation of Joint Rule 22 the necessity for a Committee of Conference. The presiding officer in the Senate, whoever was presiding at the time, has responded