

Legislative History for Connecticut Act

HB6733 (PA114) 1995
Senate 3009 - 3012, 3048 - 3049 (6)
House 2331 - 2333 (3)
Energy+Technology: 481-482, 521-522, 525-526,
531-532, 556-557, 581, 619-620, 633, 636-638,
641-646 (23)

TOTAL 32 p.

Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate
and House of Representatives Proceedings

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CONNECTICUT
GEN ASSEMBLY
SENATE

PROCEEDINGS
1995

VOL 38
PART 9
2920-3329

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Senate

Tuesday, May 23, 1995 003009

from school.

So I'll ask you all to give them a warm welcome.

(APPLAUSE)

THE CHAIR:

Thank you, Senator. And students, welcome to the Senate Chamber.

Are there other announcements or points of personal privilege?

If not, would the Clerk return to the call of the Calendar.

THE CLERK:

Page 11, Calendar -- 13, rather, Calendar 449, Substitute for HB6733, An Act Concerning Marketers of Natural Gas, Sales for Resale and the Utility Company Tax. Favorable report of Committee on Energy Technology and Finance. File 534.

THE CHAIR:

Senator Somma.

SEN. SOMMA:

Thank you, Madam President.

I move adoption of the Joint Committee's favorable report and passage of the bill.

THE CHAIR:

Questions on passage. Will you remark.

SEN. SOMMA:

Thank you, Madam President.

This bill essentially will subject out-of-state marketers of natural gas to the gross receipts tax that our local gas companies currently pay at five percent.

Just a little bit of history, if I might. This is as a result of the FERC order 636, the Federal Energy Regulatory Commission order which allowed for competition in the natural gas area and actually highlighted the inequity in the current system which allows our natural gas companies in the state, the three that we have, to face competition from out-of-state marketers that are marketing gas to end users, manufacturers, etcetera, and not paying the five percent gross receipts tax.

What this bill would simply do is level the playing field, allow for the gross receipts tax to be applied to these out-of-state marketers and additionally allow the out-of-state marketers to register with the DPUC before making sales to these end users.

There's no revenue loss to the state at all. And as I mentioned in summary, would encourage adoption of it as it's a level playing field fairness issue for

local gas companies that face competition.

THE CHAIR:

Thank you, Senator.

SEN. SOMMA:

Thank you, Madam President.

THE CHAIR:

Questions on passage. Will you remark further?

Senator Sullivan?

SEN. SULLIVAN:

Thank you, Madam President.

I wonder if Senator Somma could just tell us how much this tax increase will raise in additional revenue for the State of Connecticut?

THE CHAIR:

Senator Somma?

SEN. SOMMA:

Thank you, Madam President.

As I mentioned, there's no revenue loss or -- at all to the State of Connecticut, or gain, because currently, obviously there's a minimal loss because the current companies, the local gas companies are not paying the gas tax, however, it's made up by the tax that will be imposed on the out-of-state marketers, the 25 or so that are currently marketing.

So to answer your question, Senator Sullivan,

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Senate

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there's no net gain or loss at all to the State of Connecticut, but a wash.

THE CHAIR:

Senator Sullivan.

SEN. SULLIVAN:

Thank you very much, Senator Somma. Thank you, Madam President.

THE CHAIR:

Thank you.

SEN. SOMMA:

Thank you. If there's no objection, I'd like to move this to the Consent Calendar, Madam President?

THE CHAIR:

Without objection, move this item to the Consent Calendar.

THE CLERK:

Page 13, Calendar 450, Substitute for HB6953, An Act Making Revisions to Statutes Concerning Elections and Government Administration. Favorable report of Committee on Government Administration Election, File 455.

THE CHAIR:

Senator Upson.

SEN. UPSON:

Yes, Madam President, may we PT this bill on

Senate

Tuesday, May 23, 1995 003048

THE CLERK:

An immediate roll call vote on the Consent Calendar is being taken in the Senate.

An immediate roll call on the Consent Calendar is being taken in the Senate. Will all Senators return to the Chamber?

Page 1, Calendar 462, SJR72.

Page 4, Calendar 280, Substitute for HB5045.

Page 6, Calendar No. 351, Substitute for SB908.

Page 7, Calendar 393, Substitute for SB444.

Page 7, Calendar 395, Substitute for SB392.

Page 8, Calendar 401, Substitute for SB116 --

1116.

Page 9, Calendar 408, Substitute for HB5216.

Page 10, Calendar 418, Substitute for HB6977.

Page 12, Calendar 448, Substitute for HB5847.

Page 13, Calendar 449, Substitute for HB6733.

Page 13, Calendar 452, Substitute for HB5836.

Page 21, Calendar 157, SB203.

22, Calendar 204, Substitute for SB1052.

Page 22 -- no, I'm sorry, 23, Calendar 311,

Substitute for HB6671.

Page 25, Calendar 369, Substitute for SB1063.

Page 29, Calendar 70, Substitute for SB916.

THE CHAIR:

Before we open the machine, would we check, please, page 25, 369. I believe that item was pass retained.

THE CLERK:

All right. 369 is not on the Consent Calendar on page 25, Substitute for SB1063.

THE CHAIR:

All others are. The machine will be open.

THE CLERK:

An immediate roll call is being taken in the Senate. Will all Senators return to the Chamber?

An immediate roll call is being taken in the Senate. Will all Senators please return to the Chamber?

Senator Nickerson? Senator Coleman? And Senator Penn.

THE CHAIR:

Have all members voted?

If all members have voted, the machine will be locked. Clerk, please take a tally.

THE CLERK:

Total number voting, 33; necessary for passage, 17. Those voting yea, 33; those voting nay, 0.

THE CHAIR:

Consent Calendar is adopted.

H-726

CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
1995

VOL 38
PART 7
2265-2666

House of Representatives

Tuesday, May 16, 1995

CLERK:

On page ten, Calendar 344. Substitute for House Bill Number 6733, AN ACT CONCERNING MARKETERS OF NATURAL GAS, SALES FOR RESALE AND THE UTILITY COMPANIES TAX. Favorable report of the Committee on Finance.

DEPUTY SPEAKER PUDLIN:

Representative Fonfara, good afternoon, sir.

REP. FONFARA: (6th)

Good afternoon to you Mr. Speaker. I move acceptance of the Joint Committee's favorable report and passage of the bill.

DEPUTY SPEAKER PUDLIN:

Question is on acceptance and passage, will you remark?

REP. FONFARA: (6th)

Yes, Mr. Speaker. Mr. Speaker the federal regulatory reform in the gas industry has created a much more competitive environment creating new providers of the gas services, in this particular instance known as marketers. This bill would require gas marketers to register with the Department of Public Utility Control as well as subject them to the gross receipts tax on utilities. It also exempts all sales for resale of water, steam, electricity, and gas from the gross receipts tax, currently sales for resale are

House of Representatives

Tuesday, May 16, 1995

exempt in the sales for resale between utilities. This would make it for all sales for resale. I move adoption Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Question is on adoption, will you remark? Will you remark? If not, staff and guests to the well of the House. Members please be seated, the machine is open.

CLERK:

The House of Representatives is voting by roll call. Members to the Chamber. Thank you Mr. Speaker. Members to the Chamber. The House is voting by roll call.

DEPUTY SPEAKER PUDLIN:

If the members have voted. And if your votes are properly recorded. The machine will be locked. The Clerk will take the tally, the Clerk will announce the tally.

CLERK:

House Bill Number 6733	
Total Number Voting	140
Necessary for Passage	71
Those voting Yea	140
Those voting Nay	0
Those absent and not voting	11

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House of Representatives

Tuesday, May 16, 1995

DEPUTY SPEAKER PUDLIN:

Bill passes. The Clerk will return to the call of the Calendar.

CLERK:

On page four, Calendar 212, Substitute for House Bill Number 6690, AN ACT CONCERNING PERSONNEL PROCEDURES. Favorable report of the Committee on Labor.

DEPUTY SPEAKER PUDLIN:

Good afternoon Representative Lyons.

REP. LYONS: (146th)

Good afternoon sir. Thank you Mr. Speaker. Mr. Speaker I would move that House Bill Number 6690 be referred to the Committee on GAE.

DEPUTY SPEAKER PUDLIN:

Hearing no objections, the matter is referred to GAE.

CLERK:

On page fifteen, Calendar 401. Substitute for House Bill Number 6906, AN ACT CONCERNING NEW MOTOR VEHICLE FRANCHISES. Favorable report of the Committee on Judiciary.

DEPUTY SPEAKER PUDLIN:

Representative Lyons.

REP. LYONS: (146th)

JOINT
STANDING
COMMITTEE
HEARINGS

ENERGY
AND
TECHNOLOGY
PART 2
401-730

1995

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ENERGY AND TECHNOLOGY

February 28, 1995
12:00 p.m.

PRESIDING CHAIRMAN: Senator Somma
Representative Fonfara

COMMITTEE MEMBERS PRESENT:

SENATORS: Cook, Nielsen

REPRESENTATIVES: Altobello, Ferrari, Green,
Lockton, Miller, Scipio,
Sellers, Tercyak, Veltri

REPRESENTATIVE FONFARA: Temptation of legislators that hear testimony, for those who are not fortunate enough to sign up early, I would hope that we could dispense with reading testimony. And if you have testimony that is reduced to writing, hand that in and then if you could just summarize that testimony. And then that gives more time, for if there are questions.

Thank you very much, David.

DAVID LEVINE: Mr. Chairman and members of the Committee, I will be brief on a variety of bills, which I will offer testimony on. We do have written testimony, which we have filed with the Energy and Technology Committee.

First on SB985, which is one that would remove the gross receipts tax. I just want to call you attention to the fact that there was legislation, which covered fleets last years PA94-170. We feel that we would oppose this, because this isn't the time to loose tax revenues. We do feel that under the clean air act, propane's already eligible for motor fuel tax exemption. As I say from last year and that this bill at present is not necessary.

On the gross receipts tax from marketers that's SB987 and HB6733, we do believe that there should be a reach back, to anybody who sells natural gas. Even more important now as gas can be bought further down stream. We would oppose the non-lapsing hardship count. Again, also the specification of categories of customers under the SIC code, for exemptions. Same reason, right now

we need the money, and I guess that's it period. We just are not in a position at this time to encourage the loss of revenue in taxes.

HB6622, certain electrical technologies. First, I'd say that we would recommend that this bill, if it goes forward, include other agencies than OPM. Particularly, Department of Transportation, Department of Utility Control, it's for a feasibility study by OPM on electric vehicles. I think our feeling is, if there are federal funds, which become available to do this, we would be certainly ready and willing to work with other agencies. But we don't have any money which is out there to do the study as such. And so while we would be prepared to join with other agencies and look at some of these issues, we would not support a specific study, done by OPM.

REPRESENTATIVE LOCKTON: Excuse me, what number would that be?

DAVID LEVINE: That is 6622.

HB6734, this is the one which eliminates repeals the residential and commercial energy conservation service. Probably, we are coming close to the time where this measure has had it's run. The only thing we would point out to you, is that it still is needed for the weatherization program, audit must be done for that to -- for that program to go forward. And also, it is required under shift legislation, where there is a zero percentage on the loan, you have to have that. We would ask you to recognize that as you think of cancelling this program. And either change that -- those statutes or give some time to phase out or deal with it, with that.

HB6735, expanding the definition of the energy conservation loan to include heat pumps. We would strongly urge that the committee reject this bill. We've had some discussions with particularly United Illuminating on this. Our feeling is, that they're all together to few examples of heat pumps in the State right now. I think we say that to the best of our knowledge that the CL&P has 13 installed

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ENERGY AND TECHNOLOGY February 28, 1995

January 1994. During the calendar year 1994, some parts were warmer, some parts were colder. The end result was overall, calendar year 1994 was colder than normal. And the companies customers, received over \$500,000 worth of credits from the company. So, we ended calendar year 1994 in the customers favor.

The benefit of the doubt of WNA to the company, is basically conceptional, the same benefit to the customer. It moderates revenue fluctuations for the company, due to changes in weather. It moderates bill fluctuations to the customer due --

(GAP IN TESTIMONY CHANGING TAPE 2A TO 2B)
(SIDE B, TAP 2 WAS BLANK)

733, AN ACT CONCERNING MARKETERS IN NATURAL GAS, NATURAL GAS LOCAL DISTRIBUTION COMPANIES AND THE GROSS RECEIPTS TAX. As this committee is becoming aware, local gas distribution companies, no longer are monopoly providers of natural gas, in their franchise areas.

HB 6733

Large customers are increasingly taking advantage of opportunities to purchase gas from others, and then transport the gas to the local LDC. The gas marketers, who sell gas to these customers, do not currently have to pay the gross receipts tax on gas sales, and do not have to support the cost of providing gas to hardship customers.

Whether or not, such hardship customers can pay for the service. This in effect, gives the gas marketers a significant advantage over the local gas companies. And as Miss Younger testified, Southern itself has a significant uncollectible problem.

Raised bill 987, would address both these issues. It would pose on gas marketers the same rate of gross receipts tax, which local distribution companies, like Southern pay. And further, it would take those taxes and distribute them back to the local distribution companies in proportion to their hardship customers. So it has a dual advantage of helping to reduce other customer's bills.

Raised bill 6733, would tax gas marketers, but would put the revenues raised into the general fund. And would reduce the rate or tax on gas sold to certain types of customers.

Southern also favors the aspects of 6733, which taxes gas marketers and reduces the tax for some of its customers.

Raised bill 986, AN ACT CONCERNING TRANSPORTATION RATES FOR NATURAL GAS COMPANIES. This bill requires the gas companies establish a firm rate for transportation service. It's not clear to us, whether this bill refers to a fixed rate, for transportation services. Which services maybe firmer interruptible or whether the bill really referring to a firm transportation service. A firm transportation service, is a service that's available 365 days a year, 24 hours a day, and is not subject to interruption. So, there's just a little bit of confusion in our mind, exactly what the bill is referring to.

In any case, Southern believes the bill should be unnecessary. In the fall of 1194, as other people have sat up here and testified, the DPUC issued a decision, upon their review of four quarter 636, which requires all three gas distribution companies to put into place, by November 1995, unbundled rates. These rates will include, firm transportation rates. The DPUC has opened a docket. Docket 94-11-12, to obtain additional information regarding such rates. As a matter of fact, Southern will be filing its testimony on March 3rd, in that Docket. Part of the testimony will propose a firm transportation rate. And we'll discuss those and other services.

The Docket 94-11-12.

REP. FONFARA: Which rate are you talking about?

PHYLLIS O'BRIEN: Firm transportation service, it's going to be a firm transportation service rate. So, we'll discuss -- we'll file the proposal for the rate, with all the conditions. The actual dollar to be charged for that rate, will be worked

With regard to the weather normalization clause, I appreciate your testimony on that. And recognition that additional public information is needed for your customers. And just let me understand your testimony. You've agreed to do an additional mailer, to better describe the weather normalization process and adjustment clause, is that correct?

PHYLLIS O'BRIEN: Yes a re-education mailer, but probably simplifying it. And spending more time on addressing, maybe a question and answer. Whatever, we can put together, that we think will really reach the customers and explain exactly, what's going on.

SEN. SOMMA: And how soon do you expect that?

PHYLLIS O'BRIEN: We need to put it together, and get it printed and then what we normally do with mailers, is run it as a bill insert. So we don't have a special mailing fee. And that usually takes probably about six weeks, to do the whole cycle. So I would say some of them may get earlier -- maybe we should look at some other way of notification, or maybe some kind of something or other. If we can get something sooner, we'll certainly look at it, all of that.

SEN. SOMMA: Great, thank you very much for your flexibility on that.

PHYLLIS O'BRIEN: Thank you.

REP. FONFARA: Any other questions? Representative Miller.

REP. MILLER: Thank you. On 6733, the gross receipts, are you loosing money? Is the company actually loosing money, when some large producer provides product to another large company? Are you loosing money, or you're not making enough revenues, or what?

PHYLLIS O'BRIEN: This is going to become more important as firm transportation. A firm transportation service is available. Right now, the only

customers who can purchase from another supplier, other than Southern, are interruptible customers. And yes, in those interruptible transportation, or interruptible sales customers, we are losing sales. Because we can't price the gas cost, to be competitive. Because from the beginning, we are off five percent. So we do lose revenues. Because of that five percent gross receipts tax.

REP. MILLER: But do you gain any monies from the use of your pipes?

PHYLLIS O'BRIEN: On an interruptible basis, if a customer doesn't purchase interruptible sales or doesn't purchase interruptible transportation, I'm not selling him anything, I'm not making anything.

It's slightly different than a firm rate. What happens with an interruptible is, that customer can buy or not buy from Southern any month during the year. Or it could transport, interruptible transport or not. If that customer transports Southern makes some margin. If the customer purchases from Southern an interruptible basis, Southern makes margin, if the customer doesn't, the customer uses his alternate fuel, then we make no margins. These are dual fuel customers currently.

REP. MILLER: On the dual, I can understand. But when it's a gas product they're buying whether from you or from someone else.

PHYLLIS O'BRIEN: Right now all we have is that the customer would have to be dual fuel customer, prior to this interruptible, firm transportation rate, being put in place. The only customers that can take advantage of purchasing outside, because we don't have a rate to address it, are customers who have dual fuel capability.

REP. MILLER: Thank you.

REP. FONFARA: Any other questions? Thank you very much.

PHYLLIS O'BRIEN: Thank you.

But yes, if they could do that by that amount of time them it would be fine. And if the gas companies--

SEN. SOMMA: And providing that it's clarified in your mind.

FRANK JOHNSON: Right.

SEN. SOMMA: As to what firm transportation rate means, and cost based, etc.

FRANK JOHNSON: Absolutely.

REP. FONFARA: Representative Miller.

REP. MILLER: You mentioned a Stratford company using bunker oil, as opposed to gas. What's the cost comparison between the two, for that particular location?

FRANK JOHNSON: He's using it for two different reasons. He's using six oil as a heat source in the company, but her needs to use gas for his process. And the thing that struck me is not necessarily the difference in cost of the commodity, it's the difference in cost of transporting the same gas, to the same plant, to two meters that are side by side. And having that much of a difference in pricing. Because the price isn't based on the cost of bringing the gas there, the price is based on keeping him from using his alternate fuel.

REP. MILLER: Would he be able to use bunker oil for the processing? Is that an alternative method?

FRANK JOHNSON: Not for that particular process.

REP. MILLER: Thank you.

REP. FONFARA: John Conroy.

JOHN CONROY: Good afternoon Senator Somma, Representative Fonfara, and distinguished members of the Energy and Technology Committee. I'm here this afternoon, from United Illuminating, to testify on two bills. One raised bill 6733, and we

heard a little bit of testimony on this earlier. This particular bill would open up, at least expand the definition of those entities required, to collect the Connecticut gross earnings tax, to include marketers.

The way we in fact read the bill, is it may in fact go beyond natural gas, and go to water or electric marketers. And we think that's just fine. As long as we're collecting that tax, in our rates hopefully some day we won't have to. But as long as we are, we'd like to at least see a level playing field, for any other competitor, that comes into the market. That's only fair and I think all of us can agree to that.

Second thing this bill does though, is begin to exempt certain SIC codes. SIC codes or segments of customers from the gross earnings tax on natural gas purchased. And we don't object to eventually, having all customers not have to pay the gross earnings tax, if that's at all possible here in Connecticut. But looking at the particular industries, or customer segments I should call them, which are universities and hospitals, sewage treatment plants, the U.S. Post Office, and other like that. We would question, whether that is the wisest use of tax reductions, right now.

We just heard from MAC, the Manufacturing Lines of Connecticut. I do think if we can -- if we're going to give gross earnings tax reductions, if we could look to other types of entities, which may be the engines of growth here in Connecticut. They create more employment here in Connecticut, and may help the State in many ways, over time. Maybe that would be a better place to start, other than the U.S. Post Office or some of the things targeted in this particular bill. That's my comments on that one.

If I can quickly move to the other, and I'd be happy to take your questions. Second bill would be SB657. This bill would begin the process of eliminating, or at least beginning to exempt or phase out from gross earnings tax, small businesses, yet undefined. We would certainly

highlight my written testimony, which is already submitted on four different bills.

SB657, AN ACT CONCERNING TAXING OF ELECTRICITY AND NATURAL GAS USED BY SMALL BUSINESSES. Our company supports this, anything that would encourage small business, and help reduce the energy burden placed on them, we're in favor of that.

SB67, AN ACT CONCERNING NATURAL GAS SERVICE STATIONS. Once again, we're in favor of this bill also. It supports alternate fuels, and we're in favor of the alternate fuels.

Third bill, SB986, AN ACT CONCERNING TRANSPORTATION RATES FOR NATURAL GAS COMPANIES. We believe that this committee's interest in this transportation rate has sped this along. And we are in favor of firm transportation rates, for the local gas distribution companies. We will submit within the next 30 days, to the DPUC, and concurrently, we will give to your committee a list of our firm transportation rates, that we're proposing to be put in place. Within the next time frame that the DPUC has set up.

The last bill, HB6733, AN ACT CONCERNING MARKETERS OF NATURAL GAS, NATURAL GAS LOCAL DISTRIBUTION COMPANIES AND THE GROSS RECEIPTS TAX. Our company supports this bill. Under the current law, the way it's written, only Connecticut companies or LDCs are subject to the gross receipts tax of 5%. An outside marketer coming into Connecticut, can sell to one of our customers, and is not subject to that 5% gross receipts tax. And we'd like to see this playing field leveled. We welcome the competition, we think that we have the lowest gas cost in Connecticut, and we think that we can do well, and we'd like to see a level playing field, with the outsiders on the same basis we're on. And that they be charged the 5% gross receipts tax also.

In addition, there are a number of SIC codes, which this committee exempted, or has put into an exemption to be phased in our manufacturing. And we'd like to see this expanded to cover companies, including insurance companies, utilities,

governments, postal service, social services, schools, and hospitals. With that, that ends my verbal remarks here. If you have any questions, I'd be more than happy to answer them for you.

REP. FONFARA: Could you provide for the committee why those other SIC codes should be included. You heard testimony earlier, I think, that why do government agencies at a time when you need the revenue?

ANDREW JOHNSON: Well, we believe these are some of the larger purchases and some of these obviously, are not susceptible to move out of State. But other ones are, insurance companies, and some of these other services, could move out of State. And we believe that philosophically, we think that energy costs should be reduced, and the gross receipts tax is one way. By eliminating gross receipts tax on these customers, is to do that and that's why we favor increasing the SIC codes to do that.

REP. FONFARA: Any questions? Thank you very much. Michael Morrissey.

MICHAEL MORRISSEY: I guess I am the one that everybody has been waiting for today. I'll try and keep it as brief as possible. Mr. Chairman, and other very patient members of your committee. My name is Mike Morrissey, and I'm Vice President with Bemer Petroleum, Glastonbury, connecticut. Aside from my corporate duties, I also serve as a State Director to the National Propane Gas Association.

Today I represent our local membership and industry customers. I am here to ask for your support for Raised Bill 985, AN ACT CONCERNING THE TREATMENT OF PROPANE GAS, providing it be technically corrected. The bill in part, must include reference to Connecticut General Statue, Section 12-587, and not Section 12-264, which in it's present form, applies to public utility companies, and not the private industry that I represent. If this raised bill is to achieve it's intended objective, it must reference the former Section.

Now, under our existing General Statutes, propane

4. **H.B. 6733, AN ACT CONCERNING MARKETERS OF NATURAL GAS, NATURAL GAS LOCAL DISTRIBUTION COMPANIES AND THE GROSS RECEIPTS TAX.**

Our company supports this Bill.

Federal Energy Regulatory Commission Ruling 636 revolutionized our business by deregulating certain aspects and bringing significant competition for the first time.

The result of FERC 636 is that our company now faces competition in the sale of natural gas. We have embraced these changes and stand ready to compete.

The proposed Bill would make sure that such competition is not only fair for the Connecticut gas companies but also fair for Connecticut ratepayers.

Without Legislative action out-of-state marketers have a 5% advantage against local Connecticut gas companies for the simple reason that the marketers are not subject to the gross receipts tax. With firm transportation rates soon to be established, Connecticut's gas companies distribution systems will be open for use by any customer purchasing gas from some other than their local distribution company. Connecticut Natural Gas Corp. is proposing that the playing field be leveled, regardless of whether the sale is made by an out of state marketer or a local distribution company.

As we studied this problem, we also realized that there are certain large users of natural gas who merit the same type of relief which was provided by the Legislature two years ago for certain manufacturers.

This bill proposes a phase-out of the gross receipts tax on natural gas sold to certain large users. This reduction will benefit the customers as the Company will, within thirty days after the bill becomes effective, file rates with the DPUC to return any reduction in the tax to the customer through lower rates. The real stake holders of the Bill are the individual customer who will benefit from the reduced tax and the fair competition between all sellers. The SIC codes set forth to be exempted include the following volume users for phase out of the gross receipts tax:

Postal Service, Utilities, Insurance Companies, Hospitals, Schools, Social Services, Museums and Government.



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT
POLICY DEVELOPMENT AND PLANNING DIVISION

FACT SHEET 1995 LEGISLATIVE SESSION

SB 987

AAC MARKETERS OF NATURAL GAS, THE GROSS RECEIPTS TAX AND HARDSHIP CUSTOMERS

HB 6733

AAC MARKETERS OF NATURAL GAS, NATURAL GAS LOCAL DISTRIBUTION COMPANIES AND THE GROSS RECEIPTS TAX

Summary of the Bills

These bill would both specify that alternative suppliers of natural gas are subject to the state's gross receipts tax on natural gas service.

SB 987 would also establish a nonlapsing hardship account within the general fund. All gross receipts tax revenues received under the bill from alternative natural gas suppliers would go into this account. Monies in the account would be distributed to gas companies and municipal gas utilities in proportion to their number of hardship cases and proportion of hardship cases to total customers. The DPUC would make such allocation annually.

HB 6733 would instead phase out the gross receipts tax on gas service to specified categories of customer (by Standard Industrial Code (SIC)). In general, the exemption would apply to institutional customers, including: federal & state governmental agencies, educational facilities, hospitals, insurance companies, social service providers (e.g., day care facilities), museums, art galleries, zoos, and national security installations, among others. The tax would be phased out over the period 1995 through 1998.

OPM Position

OPM supports the provisions of these bills which specify that alternative marketers of natural gas are subject to the same gross receipts tax as are the state's gas companies. We believe that it is only equitable that various providers of a commodity, in this case natural gas, be subject to similar tax provisions.

OPM is opposed at this time to phasing out of the gross receipts tax for additional categories of customer, since this would result in a loss of revenues to the state's general fund.

OPM also recommends that your Committee reserve judgment on the use of revenues from alternative natural gas suppliers. From the state's fiscal perspective, any revenues from alternative gas suppliers may be offset by a corresponding reduction in revenues from gas companies. In addition, the future status of federal funding for the state's winter

energy assistance program remains problematic. We also do not yet have a track record on natural gas competition in the state that would allow us to estimate the amount of natural gas sales, and thus tax revenues, that might accrue to alternative suppliers. For these reasons, OPM recommends that your Committee not seek to commit any additional revenues from taxation of alternative gas suppliers at this time.

Background

In recent years, action by the Federal Energy Regulatory Commission (FERC) has authorized competition within the natural gas marketplace (in particular, FERC Orders 436 & 636). In Connecticut, the DPUC has indicated that it intends to adopt firm gas transportation rates, and thus implement such competition, by 11/1/95 (DPUC Docket No. 94-01-12, Decision of 7/8/94). Your committee also has a bill before it calling for the adoption of such implementing rates, also being heard today (SB 986).

*Contact Persons: Dan Lemire & Beth Petroni, OPM Capitol Office, 566-5339
Energy Unit: David Lavine, 566-1559, Kevin Guernier, 566-2067*

2/28/95

**TESTIMONY OF THE SOUTHERN CONNECTICUT
GAS COMPANY REGARDING BILLS
6732, 987, 6733 AND 986**

Mr. Chairman and members of the Energy and Technology Committee.

Good afternoon. My name is Phyllis O'Brien and I am Vice President -
Accounting and Regulatory Services for the Southern Connecticut Gas Company. Ms.
Younger from our company just described Southern and I will not repeat that again.

I am speaking to you today on 4 bills:

Raised Bill 6732, An Act concerning Weather Normalization Adjustments for
Electric and Gas Companies,

Raised Bill 987, An Act concerning Marketers of Natural Gas, The Gross
Receipts Tax and Hardship Customers,

Raised Bill 6733, An Act concerning Marketers of Natural Gas, Natural Gas
Local Distribution Companies and the Gross Receipts Tax, and

Raised Bill 986, An Act concerning Transportation Rates for Natural Gas
Companies.

Southern is the only utility in Connecticut which has applied for a WNA, primarily because Southern's heating load relative to its size is greater than the heating load of other gas and electric utilities in the state. However a WNA has been adopted in fifteen states, many in the northeast, and three additional states are considering it.

Southern urges the Committee not to prohibit the WNA which has proven to be a benefit to its customers. While customers are paying somewhat more in 1995 than they otherwise would pay, because of the warmer weather, significant savings were achieved by customers in 1994. Please allow these benefits to continue.

987 - An Act Concerning Marketers of Natural Gas, The Gross Receipts Tax and Hardship Customers.

6733 - An Act Concerning Marketers of Natural Gas, Natural Gas Local Distribution Companies and the Gross Receipts Tax.

As this Committee is becoming aware, local gas distribution companies no longer are monopoly providers of natural gas in their franchise area. Any user can buy natural gas on its own from gas suppliers in other parts of the United States and Canada, transport the gas to Connecticut on interstate pipelines and then transport the gas from the interstate pipeline to the customers' facilities through the local distribution company. Large customers are increasingly taking advantage of these opportunities to purchase and transport their own gas. Gas marketers are approaching these customers and arranging

for such purchases. These gas marketers have significant advantages in competing with local gas distribution companies like Southern. The gas marketers do not currently have to pay the gross receipts tax on gas sales and do not have to support the cost of providing gas to hardship customers whether or not such hardship customers can pay for the service.

Raised Bill 987 would address both these issues. It would impose on gas marketers the same rate of gross receipt tax which local gas distribution companies like Southern pay. Further it would take these taxes and distribute them back to the local distribution companies in proportion to their hardship customers.

The bill would therefore help level the playing field in two ways. First it would insure the marketers pay the same taxes as Southern pays. Second it would apply these funds to offset hardship costs borne by Southern and its ratepayers. These revenues would be used to directly reduce Southern's rates to its firm customers.

Raised Bill 6733 would tax gas marketers but would put the revenues raised into the general fund. It would reduce the rate of tax on gas sold to certain types of customers. The reduction would take place over several years and basically extends the bill past last year to reduce the tax on manufacturers to other types of customers.

Southern is strongly in favor of 987 because it deals with two aspects of the level playing field. Southern is not asking that its monopoly be restored. Rather it is merely asking that the playing field be level.

It also favors these aspects of 6733 which taxes gas marketers and reduces the tax for some of its customers.

I should note that our counsel has reviewed these bills and informs me that there may be some technical drafting issues. He will be supplying these to the Committee with suggested changes to meet what appears to be the Committee's intent.

986 An Act Concerning Transportation Rates for Natural Gas Companies.

This bill requires that gas companies establish a "firm" rate for transportation service. It is not clear whether this bill means to refer to a "fixed" rate for transportation service which services may be firm or interruptible service or whether the bill is referring to a firm transportation service. Firm service mean it is available 24 hours a day, 365 days a year. Interruptible service means the services may be interrupted on a few hours notice if the capacity is needed to serve firm customers such as residential heating customers. Interruptible service is of course less expensive but usually requires that the customer has the capacity to burn oil if gas is not available. Interruption usually occurs in the winter when capacity is needed to serve firm customers.

TESTIMONY OF THE OFFICE OF CONSUMER COUNSEL**Public Hearing Held February 28, 1995****Raised Bill No. 6733****An Act Concerning Marketers of Natural Gas, Natural
Local Gas Distribution Companies and the Gross Receipts Tax**

This proposal would subject marketers of natural gas to Connecticut's utility company tax and gradually decrease, then eliminate that tax for certain high volume users.

OCC is not presenting testimony on taxation or tax policy in Connecticut. However, with the emergence of alternative suppliers of energy in Connecticut, the issue of equity in taxation of the provision of energy has emerged. This proposal would subject marketers of natural gas to the same taxes that gas companies pay. This does provide for equality.

The proposal would also decrease the rate of taxation but only for certain natural gas users. Again, OCC cannot speak to matters of tax or revenue policy, but will urge care. Posed here is not equal treatment. Taxes are perceived as creating high energy prices, those prices are being borne by all consumers not those with certain standard industrial codes.

John 05/21

TESTIMONY
Of
THE UNITED ILLUMINATING COMPANY
before the
ENERGY AND TECHNOLOGY COMMITTEE

Re

RAISED BILL 6733

**An Act Concerning Marketers of Natural Gas, Natural Gas Local
Distribution Companies, and the Gross Receipts Tax**

Good Morning Senator Somma, Representative Fonfara, and distinguished members of the Energy and Technology Committee. My name is John Conroy, and I am Director of Market Strategies at the United Illuminating Company (UI) . I am here today to testify on Raised Bill 6733, "An Act Concerning Marketers of Natural Gas, Natural Gas Local Distribution Companies, and the Gross Receipts Tax".

This bill, if enacted, will do two things. First, it will expand the definition of entities which are required to collect and remit to the State of Connecticut the utilities company tax (or gross earnings tax). As worded, it would apply to sellers of natural gas, electricity and water. Although UI would like to see the gross earnings tax eliminated completely over time, it does support the establishment of a "level playing" field while the tax still exists, so that all sellers of electricity, natural gas, and water are subjected to the same rules that the currently existing rules that utility companies must play by.

Second, the bill would institute the phase out of the gross earnings tax on certain specified users of natural gas. Based upon the Standard Industrial Classification Codes contained in the bill, the phase out would apply to universities, hospitals, municipal buildings, the United States Postal Service, insurance companies, sewage treatment plants, and a number of other "public service" type entities. As stated earlier, UI does support the complete elimination of the gross earnings tax

over time, and on that basis would support this section of the raised bill if it were to apply to electricity sales as well. However, UI would suggest that if a group of industries were to be targeted for elimination of the gross earnings tax over time, as outlined in this bill or as previously enacted with respect to Connecticut manufacturers, then we may want to look first at industries and employers that we want to retain in or attract to Connecticut. For example, the Department of Economic Development has targeted seven industry groups where attraction and expansion efforts will be focused. It would make sense to coordinate a gross earnings tax phase out with this effort, thereby making Connecticut that much more salable. Placing our tax reduction efforts here first will likely produce maximum leverage and return by expanding business and employment opportunities here in Connecticut.

Thank you for the opportunity to present these comments. I would be happy to answer any questions.



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT
POLICY DEVELOPMENT AND PLANNING DIVISION

FACT SHEET 1995 LEGISLATIVE SESSION

HB 6734, AAC THE RESIDENTIAL & COMMERCIAL ENERGY CONSERVATION SERVICE PROGRAMS

Summary of the Bill:

This bill would repeal the state statutes establishing two programs under which energy audits are made available to residential and commercial customers of electric and gas companies. Audits are also available for customers of the state's larger oil dealers, which also participate in these programs.

OPM Position:

OPM believes that to a large extent the energy audit program addressed by this bill have served their purposes. However, elimination of the RCS program would, we believe, pose problems for other state programs that make use of the RCS energy audits. Specifically, the RCS audits are employed by the state's weatherization program (funded by the U.S. Dept. of Energy) and by the residential energy loan program. We believe that complete elimination of the RCS audits would have an adverse fiscal impact on these programs, as described below.

OPM therefore recommends that the statutory requirement that electric and gas companies and oil dealers provide residential energy audits be retained, **but only for those customers that are clients of the weatherization program or residential energy loan program.** With regard to customers generally, we agree that the statutory requirement to offer audits could be eliminated. In the case of electric and gas companies, such repeal would leave it up to the respective companies, or their collaborative groups (which review energy conservation proposals), whether or not to continue to offer such audits to residential customers generally and to commercial customers (subject to DPUC approval). Oil dealers would be able to continue to offer the audits on a voluntary basis if they so chose.

Background

The Residential Conservation Service (RCS) and Commercial & Apartments Conservation Service (CACS) programs were established under federal law in 1978 and 1980, respectively (42 U.S.C.A. §§ 8211 et seq., 8281 et seq.). Under these programs, electric and gas utilities were required to provide energy audits to customers, as well as related services designed to facilitate the implementation of energy conservation measures. Connecticut has also enacted its own legislation which in effect wrote the federal program into state law (C.G.S. §§ 16-45a through 16-46d). In addition to the electric and gas utilities, oil dealers (over a specified size) are also required to participate in the program under state law.

The federal program has since expired: the CACS program was repealed in 1986, and the RCS program sunset as of 6/30/89 (in both cases, under the Conservation Service Reform

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Act of 1986, PL 99-412). Thus, the present RCS and CACS programs are operating under the provisions of the state law. The RCS program (but not the CACS program) is scheduled to sunset under state law as of 7/1/2001 (C.G.S. § 2c-2b (b) (13)).

Since the programs' creation, 18,564 commercial and apartments audits have been conducted by utilities in the state, plus 195 by participating oil dealers (*Source: 1994 RCS & CACS Annual Reports*). In 1994, 3,793 audits were conducted (2,914 for low income households, and 879 non-low income audits). The projected 1995 cost of the program to electric companies is \$242,000 (plus additional costs to participating oil dealers).

Fiscal Impact

As noted above, the present RCS audits are employed in the federal low income weatherization program (administered by DSS and the CAAs) and the residential energy loan program (operated by DED). It may be possible to operate these programs using a simplified, less costly analysis in lieu of an RCS audit. However, OPM believes that such programmatic revamping is likely to incur a cost. In the case of DSS, the loss of utility and oil company funding would require approval from the U.S. Dept. of Energy and could require the agency to make up those costs by reducing the number of units weatherized. Connecticut also receives additional DOE weatherization funding as a reward for leveraging other funding sources. The RCS audits count toward such leveraging.

OPM would be pleased to work with your Committee and the other affected agencies on language designed to avoid any adverse fiscal impact to state from this legislation.

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2/28/95