

Legislative History for Connecticut Act

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**Public Act:** 00-91  
**Bill Number:** 24  
**Senate Pages:** 638, 690-691, 1572, 1596-1597 6  
**House Pages:** 2417-2421 5  
**Committee:** Energy & Technology: 7, 8-10, 12, 15-17, 22-24, 25, 26-27, 28-30, 32-44, 50-54 35

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Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate  
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S-442

CONNECTICUT  
GEN. ASSEMBLY  
SENATE

PROCEEDINGS  
2000

VOL. 43  
PART 2  
321-650

pat  
Senate

000638  
22

March 29, 2000

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

177, SB492 I move to the Committee on General Law.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

178, SB311 I move to the Committee on  
Appropriations.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

179 is PR.

180 is PR.

182, PR.

183, SB550 I move to the Consent Calendar.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

184, SB24 I move to the Consent Calendar.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

185, SB164 I move to the Committee on Public  
Health.

H-826

CONNECTICUT  
GEN. ASSEMBLY  
HOUSE

PROCEEDINGS  
2000

VOL. 43  
PART 8  
2372-2763

002417

prh

271

House of Representatives

April 17, 2000

THE CLERK:

The House of Representatives is voting by Roll Call. Members to the Chamber. The House is voting by Roll Call. Members to the Chamber please.

DEPUTY SPEAKER CURREY:

Have all members voted? Have all members voted? If all members have voted, please check the machine and be sure your vote is properly cast. If all members have voted, the machine will be locked. The Clerk will take a tally.

The Clerk will please announce the tally.

THE CLERK:

H.B. 5720, as amended by House "A". Total number voting, 147; necessary for passage, 74. Yea, 144; Nay, three; absent, not voting, four.

DEPUTY SPEAKER CURREY:

The bill passes as amended.

Will the Clerk please call Calendar 269?

THE CLERK:

On Page 28, Calendar 269, Substitute for S.B. No. 24, An Act Licensing Natural Gas Suppliers. Favorable report of the Committee on Labor

DEPUTY SPEAKER CURREY:

Representative Giannaros of the 21st.

REPRESENTATIVE GIANNAROS:

(21st)

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prh

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House of Representatives

April 17, 2000

Thank you, Madam Speaker. I move the acceptance of the joint committee's favorable report and passage of the bill.

DEPUTY SPEAKER CURREY:

The question before us is on acceptance and passage. Please proceed, sir.

REPRESENTATIVE GIANNAROS: (21st)

This particular bill requires that non-utility gas suppliers must register with the Department of Public Utilities. And we're doing this primarily to prevent any possibility of companies that come in and perhaps don't meet their obligations with regard to supplying natural gas.

Under the new market structure that we have, the gas supply can be provided or gas can be supplied by a variety of enterprises. So this bill requires that they register and that they establish bonding and other requirements for registrants. It requires registrants to comply with the utility law and the Department of Public Utilities orders and subjects those that do not comply to civil penalties. The bill requires suppliers to pay an annual registration fee and it requires the Department of Public Utilities approval to transfer registration and allows the Department of Public Utilities to impose additional fees for administrative

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prh

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House of Representatives

April 17, 2000

costs in reviewing the application.

I move its adoption.

DEPUTY SPEAKER CURREY:

Would you care to remark further on the bill before us?

REPRESENTATIVE GIANNAROS: (21st)

Madam Speaker?

DEPUTY SPEAKER CURREY:

Representative Christ of the 11th.

REPRESENTATIVE GIANNAROS: (21st)

Madam Speaker --

DEPUTY SPEAKER CURREY:

Representative Christ, I'm sorry. You're light was on by mistake.

Representative Giannaros.

REPRESENTATIVE GIANNAROS: (21st)

Thank you, Madam Speaker. The Clerk has an amendment in his possession, LCO No. 3824. Would the Clerk please call and may I be allowed to summarize?

DEPUTY SPEAKER CURREY:

Will the Clerk please call LCO 3824, designated House "A"?

THE CLERK:

LCO No. 3824, designated House "A". Offered by Representative Godfrey.

prh

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House of Representatives

April 17, 2000

DEPUTY SPEAKER CURREY:

Representative Giannaros.

REPRESENTATIVE GIANNAROS: (21st)

Thank you, Madam Speaker. This particular amendment is technical in nature. It just simply introduces language that conforms with other statutory language with regards to the application of the administrative costs by the Department of Public Utilities.

I move its adoption.

DEPUTY SPEAKER CURREY:

The question before us is on adoption of the amendment. Would you care to remark further on the amendment? Would you care to remark further on the amendment? If not, I'll try your minds. All those in favor please signify by saying Aye.

VOICES:

Aye.

DEPUTY SPEAKER CURREY:

All those opposed No. The amendment is adopted.

Would you care to remark further on the bill before us as amended? Would you care to remark further on the bill before us as amended? If not, staff and guests to the well of the House. The machine will be opened.

THE CLERK:

002421

prh

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House of Representatives

April 17, 2000

The House of Representatives is voting by Roll  
Call. Members to the Chamber. The House is voting by  
Roll Call. Members to the Chamber please.

DEPUTY SPEAKER CURREY:

Have all members voted? Have all members voted?  
If all members have voted, please check the board and be  
sure your vote is properly cast. If all members have  
voted, the machine will be locked. The Clerk will take  
a tally.

The Clerk will please announce the tally.

THE CLERK:

S.B. 24, as amended by House "A". Total number  
voting, 148; necessary for adoption, 75. Yea, 148; Nay,  
zero; absent, not voting, three.

DEPUTY SPEAKER CURREY:

The bill as amended passes.

The Clerk will now please call Calendar 353.

THE CLERK:

On Page 9, Calendar 353, H.B. No. 5882, An Act  
Concerning Sexual Assault. Favorable report of the  
Committee on the Judiciary.

DEPUTY SPEAKER CURREY:

Representative Lawlor of the 99th.

REPRESENTATIVE LAWLOR: (99th)

Thank you, Madam Speaker. Good afternoon.

JOINT  
STANDING  
COMMITTEE  
HEARINGS

ENERGY  
AND  
TECHNOLOGY  
PART 1  
1987

2000  
INDEX

gmh ENERGY & TECHNOLOGIES COMMITTEE February 15, 2000 000007  
2:00 P.M.

PRESIDING CHAIRMAN: Representative Giannaros  
MEMBERS PRESENT:  
SENATORS: Peters, Herlihy, Daily  
REPRESENTATIVES: DelGobbo, Nardello, Altobello,  
Horton, Lockton, Miller,  
Orefice, Scipio, Tercyak

REPRESENTATIVE GIANNAROS: Commissioner Glenn Arthur.  
Nice to see you.

CMRS. GLENN ARTHUR: Good afternoon. Senator Peters,  
Chairman Giannaros, members of the committee.

I'm here today to testify and support three  
proposed bills, actually four proposed bills.  
Sorry.

And in each case, the Department is looking to more  
effectively use both our time and the time of  
companies that come before us and at the same time,  
protect the public interest.

The first bill is raised SB22, AN ACT CONCERNING  
CERTIFICATION OF TELECOMMUNICATIONS SERVICE  
PROVIDERS. This bill would amend Section 16-247g  
of the General Statutes would provide the  
Department with the option of conducting a public  
hearing to certify perspective telecommunication  
service providers requesting a certificate of  
public convenience and necessity, a CPCN.

Currently all tele-communication service providers  
are required to be certified in order to provide  
tele-communications services in our state.

The statute I spoke to permit the Department to  
approve or deny the perspective providers  
applications only after a required hearing is held.  
Since July of 1994 the Department has investigated  
well over 300 applications for CPCNs and has found  
that in the majority of these cases hearings have  
served only a perfunctory role. Experience has  
shown that the majority of the Department's  
investigation and the development of the

SB22  
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evidentiary record of the proceeding have been conducted during the discovery phase of the docket and not during the hearing.

The Department believes that the CPCN hearing process can be modified without any sacrifice of due process or public protections. This proposal also provides benefit without being detrimental to the certification process by conserving company and staff resources by conducting hearings only when the evidentiary record requires that one be held.

The second bill, and if there are any questions or I'll take them at the end, is raised SB24, AN ACT LICENSING NATURAL GAS SUPPLIERS. This proposal which amends Section 16-258a of our statutes requires natural gas suppliers to be licensed. As of April of 1996, the Department allowed suppliers from other than the local distribution companies to serve Connecticut's natural gas and users directly.

Presently, there are about 65 registered natural gas suppliers marketers serving industrial, commercial, and multi-family apartment buildings. That is buildings with six or more units.

The total share of the natural gas that marketers are currently providing to firm commercial and industrial customers is approximately 39%. And that's of the commercial and industrial thru-put. The residential is about half of the commercial and industrial. And depending upon the local distribution company.

These percentages are growing and the potential for these suppliers to have negative effect on the integrity and reliability of the State's natural gas system is also growing.

The current statute allows any entity to register with the Department regardless of its financial, managerial, and technical capabilities. The Department cannot deny an application for registration for any reason.

If a supplier fails to cooperate with the regulated natural gas companies or municipal gas utilities or jeopardizes the safety and reliability of the

State's natural gas system, the Department cannot fine, suspend, or revoke the supplier's registration or prohibit it from accepting new customers.

The Department's inability to make suppliers subject to sanctions has a direct effect on whether there will continue to be an adequate, safe, and reliable supply of natural gas available in our State.

This proposal is closely modeled after the licensing procedures recently adopted by the Legislature in Public Act 98-28 for electric suppliers. The proposal defines natural gas suppliers, marketers and prohibits any person not licensed by the Department from providing natural gas service in the State.

The Department can grant or deny a license application after evaluating the applicant's financial, managerial and technical capabilities. The application also requires that the gas supplier test that they are subject to all applicable state tax jurisdictions.

The proposal specifies the application follow the requirements in the timeframe during which the Department must act. In some cases, the proposal requires that the Department promulgate regulations. In other instances, the promulgation of regulations is discretionary.

We have already had in the State slamming in the gas business by suppliers and marketers and we were basically unable to do anything about it.

The next bill which we support is raised HB5048 and this proposal would amend Section 16-19a of our statutes to provide the Department with the option of undertaking a periodic four year financial and operating review of gas and electric companies or conducting a rate case instead pursuant to Section 16-19 of the statutes.

Currently, the Department conducts a financial and operating review of gas and electric companies at

intervals of not more than four years from their last previous general rate case. That is, if they haven't had a rate case in the last four years, they must come in for a four year financial and operational review.

The Department's review is similar to a general rate case and includes a company audit, interrogatories, hearings, and a final report. The process could take upwards of 150 days.

The Department cannot take any action on its findings as this is a reviewed docket. To implement the findings, the Department must establish a new rate case docket pursuant to Section 16-19 and initially go through the entire review process again which could take another 180 days.

This process results in duplication in effort, discovery, and hearings by the Department and the parties. If one of the Department's findings in a 16-19a proceeding were that the company either over or under earned, rate payers would not realize a credit or a debit on their bills until the completion of both the four year review and the subsequent rate case which if you add those numbers together it comes up to almost a year.

Passage of this amendment would reduce work effort and allow the Department to have the option of either undertaking a four year review or a rate case. Basically what we're asking for is, as the statute requires, if there has not been a rate case in the last four years, the company will come in for a four year operational and financial review which results in findings and we have to proceed as we did with CL&P from that four year review into a rate case. So, 150 days and another 180 days.

We propose we have that option to make that a rate case instead of having a four year review if we think that's necessary.

The next proposal is raised HB5047, AN ACT CONCERNING REVISIONS TO AN OVER-EARNINGS REVIEW REQUIREMENT. This proposal would amend Section 16-

with respect to the original proposal by the Department and have left in that there still has to be a notice requirement even though you may not choose to have a hearing. If there's no response, then you don't have to have the hearing, but that you're still required to give notice.

Did you notice that?

CMRS. GLENN ARTHUR: I'm not sure I followed your question. Initially the docket is set up so that a public hearing was established by date.

SEN. PETERS: Right. And my understanding was the original proposal was that if there was no interest expressed, that you would not be holding the hearing. What we have said is we still want you to make the efforts to notify all interested and we put that into the language.

CMRS. GLENN ARTHUR: That's very acceptable.

SEN. PETERS: Okay. On raised SB24, you mentioned and I actually was interested, Commissioner, that you had some slamming problems already that left you unable to deal with it because you don't have the backup legislation. Could you go into that a little bit, please? It's interesting.

CMRS. GLENN ARTHUR: We became aware of it -- I'm not sure who reported it to us, but there was one company that was acting as a marketer. Actually was going to a commercial customers. I don't know if it was industrial customers and actually signing the people up without their knowing about it to the point of actually signing their signature. And it was -- I don't know how many. Does anyone know?

UNIDENTIFIED SPEAKER: Over twenty-five.

CMRS. GLENN ARTHUR: Over twenty-five. And as soon as the company found out the individual was doing it, he was fired, but it did happen.

SEN. PETERS: Thank you.

REP. GIANNAROS: Yes, Representative DelGobbo.

them to do it.

Does that answer your question?

REP. TERCYAK: So there is someone in place who is keeping track of the four years?

CMRS. GLENN ARTHUR: Yes, we know when gas and electric companies have gone four years without a rate case.

REP. TERCYAK: I can't get away with it then?

CMRS. GLENN ARTHUR: No, sir.

REP. TERCYAK: Thank you. Thank you, Mr. Chairman.

REP. GIANNAROS: Thank you. Further questions? Yes, Representative Miller.

REP. MILLER: Thank you, Mr. Chairman. Good afternoon, Glenn. How are you?

CMRS. GLENN ARTHUR: Fine, thank you.

REP. MILLER: Raised SB24, the first paragraph, the last sentence. (INAUDIBLE - MICROPHONE NOT ON) would that guarantee reliability? Are there any scape goat areas that we should be looking at to protect the reliability of the --

CMRS. GLENN ARTHUR: It does give us an opportunity to look at these marketers and suppliers just as we do for the tele-communications services and ensure that they have bonding and that if they fail to complete or comply with the contracts they have with the people in the State, then we have something to go after them with.

Initially, we had trouble with marketers and suppliers who were coming into the State -- they weren't even paying state taxes. And this way we'll know who they are and if we have a problem with them, we'll have legislation that would enable us to call them before us and investigate the problem. In the slamming case, we didn't have anything to go after them with. But that's not the real reason. If we want to have reputable people

coming in to supply, especially if, in fact, we go into residential, the industrial/commercial are bigger boys and maybe can play that game, but some of them got taken by this one slamming individual.

REP. MILLER: I understand there have been some disasters in the industry, electrical industry where (inaudible) were purchased and the supplier never supplied it.

CMRS. GLENN ARTHUR: That's absolutely true.

REP. MILLER: There were a lot of monies that were lost. And in gas, as well.

CMRS. GLENN ARTHUR: In a situation such as we had recently with (inaudible) where our LDCs are required to have supply on hand or contracts that would supply gas in the worse case in the last 30 years and as we move away from perhaps that requirement for the LDCs to provide that, i.e. turn capacity over to suppliers, which may be part of a future proceeding. If they fall by the wayside, the gas pressure could go to zero and everybody is without gas and it's a long time to get back on line.

REP. MILLER: Thank you very much.

REP. GIANNAROS: Senator Herlihy.

SEN. HERLIHY: Thank you, Chairman. Commissioner Arthur, thank you for being here today.

My question relates to raised SB24, the licensing of the natural gas suppliers. You know, in an effort to minimize any barriers to the free market system, and in an effort to cultivate competition and everything else, we're constantly trying to reduce bureaucracy and the Governor, in his State of the State, used a woman from Bridgeport who was opening a cleaning company and some of the impediments that she faced as she started a fresh new business and he has been, and many people, I think, in this circle and here in the building, have been advocates for reducing bureaucracy, making things more efficient. And I believe there's

a new one stop shopping approach to licensing that is available and when we spoke with Chairman Downes, he was very open to the idea of parlaying what you're attempting to do which I think has great merit to this one stop shopping approach for those that are trying to get started on that process of doing business here in the State of Connecticut.

So I also see a lot of value added here and I just want to make sure that you're aware of this and would be very open to the idea of utilizing that type of approach.

CMRS. GLENN ARTHUR: I certainly am.

SEN. HERLIHY: Thank you.

CMRS. GLENN ARTHUR: The tele-communications business, the CPCNs are almost to that point now where it's done records, gotten interrogatories, per-thought testimony and in lots of cases there's no real need to have that public hearing and we're trying to streamline those procedures in all the industries to make it more user friendly.

SEN. HERLIHY: Sure. And I think that that's one aspect of this particular bill that we need to trumpet because I do see a lot of value added from that standpoint.

SB24

Thank you.

REP. GIANNAROS: Yes, Representative DelGobbo.

REP. DELGOBBO: Another question occurred to me. SB23, I notice you didn't offer any testimony to that bill. Is somebody else from the Department going to be testifying on that bill?

CMRS. GLENN ARTHUR: It's not our intention to testify on the bill. I'll try to answer questions.

REP. DELGOBBO: My recollection was that was a Department request.

CMRS. GLENN ARTHUR: I did not come prepared to testify

REP. ALTOBELLO: On the de-commissioning?

CMRS. GLENN ARTHUR: That's this particular one. Yes.

REP. ALTOBELLO: Thank you.

REP. GIANNAROS: Thank you. Further questions? If I may, Commissioner, and I'm not going to call you (inaudible) at least. Referring to the mispronunciation of your name.

I guess on this last issue that has been discussed, the best thing for all of us is to have the Department of Public Utilities figure out what are the boundaries that we can place around this concept so that you don't have the freedom to hire implicitly outside lawyers for anything and everything and take everybody to court, federal or otherwise --

CMRS. GLENN ARTHUR: We'd be happy to do that.

REP. GIANNAROS: I'm not saying you, but meaning future commissioners or those who simply maybe a little too --

CMRS. GLENN ARTHUR: The Department would be happy to work with the committee to do that.

REP. GIANNAROS: On the question relating to licensing of natural gas suppliers, I have somewhat of a problem with the broadness of the licensing and the regulations that maybe implemented to license - approve licensing of natural gas companies. For that matter, any companies that are under our regulations here. SB 24

If I understood you correctly, you would have the right to evaluate the managerial capacities before you can license them?

CMRS. GLENN ARTHUR: We currently have that both in the tele-communications and as of the re-structuring bill, for electric suppliers and (inaudible). That's part of that licensing requirement.

REP. GIANNAROS: But we are -- our intention is to

develop a competitive so-called free market in natural gas supplies, but the government will have the right to determine whether a company has qualified, presidents or vice-presidents or chief executive officers or not --

CMRS. GLENN ARTHUR: What the Department is looking for is a way to determine that we don't have a supplier or a marketer come into the State and do something. We don't even know they're there and interrupt and perhaps reduce the reliability of our system by selling a lot of gas to customers and then not providing it. And we don't even know who they are.

We're looking just to see that they are reputable companies just like the tele-communication providers that have -- they just haven't -- it's not a start-up group or they don't have financial backing, they have some technical people, and they have some operational experience and that's basically what it does.

REP. GIANNAROS: Is that not discouraging the new companies from coming about to provide supply of -- to supply natural gas? In other words, if I'm a start up company, I'm going to have a hell of a time proving to you that I can actually enter the market and become a competitor.

CMRS. GLENN ARTHUR: Well, we're doing that right now with electric suppliers. We're not sure who they are or what they're doing and we put the gas people suppliers in the same ball park and the same with tele-communications providers. It's not -- anything is an obstacle, but we don't intend it to be an obstacle of such preponderance that it prohibits people from coming in and applying. That is not, in any way, the Department's desire.

REP. GIANNAROS: I guess the problem that I has it that it has the potential if the regulations are very restrictive -- any one of these industries has the potential of actually decreasing competition, raising prices indirectly, and having the kinds of situations that we've had recently where it was an insufficient supply of natural gas and oil.

CMRS. GLENN ARTHUR: I guess I can only answer that by saying I think there's over 400 CPCNs which is about what we're talking about for tele-communication service providers. And it's gotten to the point once we get procedures written -- we're not attempting to limit anybody or prohibit anybody from coming into the State and marketing or supplying gas. And we'll work very hard to prevent that. Our idea is there has to be some control in knowing who they are and having some reason to call them before us if, in fact, they fail to follow the proper procedures or don't work closely with our local distribution companies and as I said before, they could threaten the reliability of our gas supply if they get to be big enough and it's sort of what happened in the electric industry a couple of years ago where somebody thought they had supplies ready. They weren't and the price went \$7,000, \$8,000 a kilowatt. That's a for instance.

REP. GIANNAROS: Any other questions? Okay, thank you, Commissioner. Nice to see you.

CMRS. GLENN ARTHUR: Thank you.

REP. GIANNAROS: Welcome.

GUY MAZZA: Good afternoon, everybody. Senator Peters, Representative Giannaros, esteemed members of the Energy and Technology Committee, it's a pleasure for me to be here and meet once again.

SB 23  
SB 24  
HB 5047

(inaudible) the legislation before us as the job was amply done by Commissioner Glenn Arthur in his previous testimony.

With respect to SB22, AN ACT CONCERNING CERTIFICATION OF TELE-COMMUNICATIONS PROVIDERS, the Office of Consumer Council supports that legislation. We believe it's important to facilitate the granting of CPCNs in that it furthers tele-communications competition in the State and the subject legislation gives the Department the opportunity to grant a CPCN if there is an adequate record and at the same time, it gives the OCC the opportunity, and other parties, the opportunity to request a hearing and pursue the

proper discovery of participation, if that is necessary.

We also support SB23, AN ACT CONCERNING THE PARTICIPATION OF THE DEPARTMENT OF PUBLIC UTILITY CONTROL BEFORE FEDERAL AGENCIES and I guess there may well be some more discussion on that. And we think it's important that the Office of Consumer Council be included, as well, within its provisions.

This is because in particular with the onset of competition, but irrespective of that, in the electric tele-communications and cable industries, much of what occurs in the State effects the consumers of utility services in the State does emanate from the federal level and this would provide the resources necessary, should it become necessary, to retain specialized assistance in those matters and from our perspective it's something which we would anticipate being used seldom, if at all. We are participating in the same proceeding that Commissioner Arthur just described and we're doing that with one of our own attorneys which is fine and that is how we expected to continue to do most of our representation, absent this legislation. But in places where there is specialized representation necessary, and I emphasize in those sparing circumstances, that is where this maybe necessary.

With respect SB24, AN ACT LICENSING NATURAL GAS SUPPLIERS, we also support the licensing of gas suppliers in the State. This is required in electricity, in tele-communications and in view of the importance of the service provided, and the necessity that at least minimal requirements be met, we think it's important.

We do think, though, that it should be expanded to explicitly encourage competition and address, for example, the competitive effects of granting a license to a perspective supplier. Things like that should be taken into account, we believe.

With respect to HB5047, AN ACT CONCERNING REVISIONS TO OVER-EARNINGS REVIEW REQUIREMENTS, and HB5048,

AN ACT CONCERNING REVISIONS TO PERIODIC FINANCIAL AND OPERATING REVIEW REQUIREMENTS OF ELECTRIC AND GAS UTILITIES, we support both of these pieces of legislation because we believe this provides the tools to the DPUC to more effectively undertake their responsibilities.

And we do believe that this will enable the benefits which should (inaudible) to consumers -- to be delivered to the consumers sooner. The case that Commissioner Arthur referred to is very noteworthy in that there was over earnings found in a particular company and a long passage of time came - elapsed before it was finally ultimately determined to be passed onto consumers and ultimately it resulted in a slight rate increase rather than the expected rate decrease.

So this would, hopefully, alleviate things of that sort.

I'll answer any questions the committee may have.

REP. GIANNAROS: Senator Peters.

SEN. PETERS: Thank you, Mr. Chairman. Hi, Guy. First of all, let me take the last statement you made first with respect to (HB5487). I'm looking at your written testimony and it says that OCC has believed all along that DPUC had the authority to do this without legislative or statutory permit. And you're supporting the language or the proposal because, obviously, DPUC feels they need the language and this at least gets it done.

(HB 5047)

GUY MAZZA: Yes, that's correct. We have been of the view that the DPUC has been authorized or within its powers to do this for your review, but this would --

SEN. PETERS: So instead of splitting hairs anymore, they're going to -- okay, I understand. Thanks.

SB24 - it should be included, as well, the intent to encourage competition and the competitive effects of granting a license. Can you elaborate on that, please?

GUY MAZZA: In the electric re-structuring bill, for example, and also in tele-communications, there is very explicit language that competition be encouraged and that various considerations must be considered before -- in the context of encouraging competition and therefore, benefitting consumers in the State.

There is nothing like that currently within the gas legislation. So by specifying that decisions should be made with the intention of encouraging competition, and also at the same time scrutinizing the competitive effects of granting a particular applicant a license, which would also go to benefitting competition rather than enabling a particular company to have market power, undue market power. That would encourage competition and I think that's where we're striving to go in this state for the benefit of consumers. So that's what I mean by that.

SEN. PETERS: You might have recognized the language --

GUY MAZZA: Yes, it would be --

SEN. PETERS: -- in the licensing bill it's language that we all agreed to when we worked on it for de-reg.

GUY MAZZA: And electric de-reg.

SEN. PETERS: Yes.

GUY MAZZA: Yes, that's correct. In electric de-reg there are other provisions which address what I'm trying to do.

SEN. PETERS: Okay. So I would submit that you pull those sections and we have a conversation about it when you join us. If you could do it for tomorrow's meeting, that would be great. We're meeting tomorrow, aren't we?

GUY MAZZA: Yes.

SEN. PETERS: And one final question. On SB23, and I

maybe - I may misunderstand this, but isn't it -- and the bill says, "through the Attorney General's office". The Attorney General, in fact, representing the State and the consumers in the State with respect to whatever issues he would be representing the state, that's his job and would be doing that anyway. It's not including the Office of Consumer Counsel and I, quite frankly Guy, I would love to have you anywhere, but isn't that a duplication of what it is that the State already does through the Attorney General's Office?

SB 23

GUY MAZZA: I don't think so because specifically within the enabling statute of the Office of Consumer Counsel, is the authority and, indeed, the responsibility of representing or advocating the interest that maybe or are involved. And because of that, it's a very (inaudible) responsibility and a very important responsibility and it's designated to the Office of Consumer Counsel and that is why it would appear to me that this would provide additional enabling for us to do that.

SEN. PETERS: I would ask then tomorrow if you could bring specifics in terms of where there is not the representation, where the difference is between your office and the Attorney General's Office with respect to federal representation. It maybe helpful.

Thank you.

GUY MAZZA: Sure.

SEN. PETERS: Thank you, Mr. Chairman.

REP. GIANNAROS: Guy, just for the purpose of clarification, from your point of view with reference to SB24, which is licensing of natural gas suppliers, you are recommending that we insert language that will require that the goal of the competitive market is a primary goal in reviewing the applicants?

GUY MAZZA: Yes.

REP. GIANNAROS: And that the licensing would have a

purpose in that case to protect consumers from an unexpected disruption by suppliers that may have not had the -- either the financial backing to deliver their product or maybe unscrupulous in one way or the other?

GUY MAZZA: That is my perception of the importance of the entire legislation, not necessarily solely the phrase we just discussed. Yes.

REP. GIANNAROS: And, of course, safety is of primary concern when it comes to these types of products or services?

GUY MAZZA: Yes.

REP. GIANNAROS: And you think the language that we have in the -- is it 98-28 relating to electric deregulation? If that is introduced in this particular bill, that it will accomplish that goal of promoting competition of natural gas?

SB24

GUY MAZZA: Most likely. I would have to look at the explicit language to see how it related to gas, but it's amply covered in that legislation. And if we could incorporate some of that into --

REP. GIANNAROS: My concerns, of course, were restriction of supply, elimination of competition, or decreasing competition. That's why I raised that issue. But also I have concern with government really interfering that much in managing enterprises and how do you feel with regards to the comment that I made, we scrutinize a corporation's ability to select their executives, in a sense, indirectly, by evaluating their managerial capacities.

GUY MAZZA: In general, I agree 100% Competition is among industries used to be encouraged. Without undue oversight -- without undue state oversight. However, in a situation such as the five regulated utilities and to whatever extent they remain regulated, in view of the necessity of gas, for example as we're discussing right now, I believe it's important that there is at least the minimum degree of compliance with managerial technological

and financial resources to ensure that there is protections that will be granted to consumers and will continue to be provided to consumers as they, perhaps, utilize other competitive gas suppliers.

REP. GIANNAROS: If I understand your comment earlier correctly, this would be subject to having as a priority promotion of a competitive market?

GUY MAZZA: Yes, just as an example. If there was a supplier which covered one state, two states, three states and might eliminate other competition, it would appear that that would not be in the best interest of the consumers of the state and that's something that should be considered in the granting of a license to a supplier.

REP. GIANNAROS: Okay. Thank you so much. Any further questions or comments? Thank you, Commissioner.

SEN. PETERS: Thank you, Guy.

REP. GIANNAROS: The next person that has signed up is Tom McKeon.

Welcome, Tom. Nice to see you.

TOM MCKEON: Senator Peters, Representative Giannaros, good to see you. Members of the committee.

I will just make a few brief comments on SB23, AN ACT CONCERNING THE PARTICIPATION OF THE DEPARTMENT OF PUBLIC UTILITY CONTROL BEFORE FEDERAL AGENCIES.

There's been some discussion earlier with the Commissioner which has clarified the intent of the bill, but we were very concerned when we saw this bill and the way it's currently drafted and I think you probably recognize the way it's drafted now it broadens it to any federal proceeding and the cost of outside counsel would then be passed onto the public service company.

SB23

And the way our statutes are written, the only tele-communications company that would end up being billed for these services would be SNET because we are still considered a public service company and

current mission? And I don't know the direct answer to that. I would think that they could, but I'm not an expert in that area, so I can't give you an answer not without some research. We'd be happy to have people work on it.

SEN. PETERS: That's alright. (INAUDIBLE - MICROPHONE NOT ON)

TOM MCKEON: I know you do.

REP. GIANNAROS: Any other questions or comments? Thank you, Tom.

TOM MCKEON: Thank you.

REP. GIANNAROS: The next person signed up is Santa Mendoza. Welcome.

SANTA MENDOZA: Yes. Mr. Chairman, Madam Chairman, members of the committee, my name is Santa Mendoza. I'm Assistant Counsel for Regulatory Affairs for the Connecticut Business and Industry Association.

The Connecticut Business and Industry Association represents close to 10,000 companies across Connecticut. Our membership includes firms of all sizes and types. The vast majority of which are small business firms with less than 100 employees.

With respect to energy policy, we have a very simple message. Connecticut businesses need affordable, reliable energy in order to be competitive. We look to the opening of competitive markets in natural gas and electricity as the only real means to achieving lower energy costs and other consumer benefits.

I'm here to offer comments specific to SB24, AN ACT LICENSING NATURAL GAS SUPPLIERS. Since the 1996 un-bundling of regulated natural gas service to commercial industrial customers, CBIA has actively studied the need of the various segments of our membership and our staff has worked with numerous facilities managers who are interested in buying gas from third party suppliers.

In 1999 our for profit subsidiary corporation created an on-line purchasing product to assist our members in navigating the new natural gas market place. As a result of all of this activity and research, we at CBIA have been learning of the significant barriers that remain which effectively block the emergence of a truly competitive natural gas market place.

Various issues have cropped up. Various issues such as the level and methodology of utility penalties, tele-metering and daily balancing requirements, and the inconsistent and widely different transportation rate structures in Connecticut. All of these things have resulted in many third party suppliers opting out of or curtailing their involvement in the Connecticut market place.

The DPUC has studied this trend and the situation and is currently involved in a couple of very important dockets that hopefully will begin to unravel the root causes of these barriers. And we at CBIA hope that the DPUC's efforts will bear some fruit.

But as we stand today, Connecticut does not have a healthy competitive market for natural gas. Each of the areas cited has effected the appetite for third party suppliers to compete in Connecticut. Many are reluctant to seek new business here or even renew their existing customers. Some have ceased doing business in Connecticut all together.

Of the 61 natural gas marketers who are registered as active, pursuant to Connecticut General Statutes Section 16-258 to do business in Connecticut, very few are actually pursuing new business here.

So with respect to SB24, it seems a bit untimely under these circumstances and in the absence of any evidence of widespread consumer fraud or complaint, to propose additional gas supplier licensing requirements particular to the State of Connecticut which will be in addition to the licensing requirements already required by the federal Energy Regulatory Commission.

The bill itself calls for licensing applicants to go into a contested docket conducted by the DPUC. And the bill also calls for a licensing fee commensurate with the level of investigation and the resulting administrative costs associated with this process.

SB 24

In these and all other respects, the licensing requirements in the bill mirror the language of the licensing requirements called for in the electric re-structuring act.

CBIA urges the members of this committee to consider a review of the language of the bill and consider clarifications in the following areas:

SB 24

Number one. The requirement of a contested docket. This requirement automatically lengthens the approval process timeframe for a licensing requirement to a minimum of three months with a possible maximum of six to seven months for approval. A contested docket is a full fledged quasi-judicial adversarial proceeding.

CBIA urges the committee to consider the non-contested docket, a more informal process for this type of licensing procedure.

As an aside, I have just represented CBIA service corporation in a contested docket in another licensing matter. And these dockets are very time consuming, lengthy and very difficult to get through.

Number two. The status of the already registered suppliers. The language of the bill suggests that all suppliers, including those who are currently operating in the State, must be licensed by April 1, 2001 with no provision for grandfathering.

SB 24

This provision may actually nudge those suppliers who are contemplating abandoning Connecticut right out the door.

In addition, this April 1 deadline is only four months after the DPUC is to adopt regulations regarding specific licensing procedures. The

deadlines just seem to very, very tight and with respect to suppliers that are currently operating in the market, they are going to have to face the possibility of operating without a license unless they can get through these licensing dockets by April 1, 2000.

So I'm urging the committee to reconsider the deadlines, especially with respect to the already registered suppliers who are already doing business in Connecticut.

Number three. The technical, managerial, and financial capability standard. While CBIA is well aware that this regulatory standard has been used in our law for a long time, the practice in reality is very subjective. If the General Assembly has specific concerns with respect to protecting the safety and reliability of gas supply, or if local distribution companies have specific needs and requirements that must be met by third party suppliers, let this information form a basis of specific objective criteria or requirements that an applicant must demonstrate or provide assurances of. The use of the purely subjective managerial and technical and financial capability just presents too subjective of a standard and in the context of a contested docket, opens up a very lengthy licensing approval process.

Lastly, we would urge the committee to clarify the status of gas marketers, aggregators, and purchasing agents. That was the first thing that was a concern to me when reading the bill.

SB24

Any interpretation that would suggest that these categories of active players be added to the list of those who must be licensed, will really add an unnecessary administrative burden to the DPUC, not to mention clogging up the application process for the actual natural gas suppliers.

And with all due respect to Commissioner Arthur and the DPUC and I'd just like to say as an aside, the DPUC is one of the most efficient agencies in the State of Connecticut. What they have accomplished in the implementation of the restructuring act has

just been short of unbelievable, the amount of work they have done in such a short time.

But that being said, the committee is no doubt well aware that electric suppliers are hardly flocking to Connecticut markets. While there are many very complex primary reasons for this, the licensing and the portfolio requirements and stated by the State of Connecticut are also perceived as burdensome.

CBIA urges the committee to adopt a less burdensome approach to the gas market place.

Thanks very much. I will give copies of this testimony.

REP. GIANNAROS: Thank you. That was going to be my request anyway. I appreciate it.

Senator Peters.

SEN. PETERS: You had me until the end and then you started saying something about burdensome. And portfolio standards being burdensome. And I'd like you to be a little more specific because we spent a lot of time, as you know, discussing this when we originally did the language. There was no opposition to anyone that was contemplating and there was certainly contemplation of doing business in Connecticut during those discussions. No one came forward and said this is not something that we can handle.

So, I'd like you to be a little more specific because this is like wild news to me.

SANTA MENDOZA: Well, in the context of my comments I was trying to say that notwithstanding all the support for the very intricate electric restructuring act, we're looking as consumers, as business consumers at the status of the market today. And trying to understand why there's so little interest in our market. And with respect to the topic of today's testimony, we're very concerned because it now has been three years since the natural gas un-bundling in the CNR market place and we're very concerned and wondering where - why

is there so little interest in the Connecticut market place. And you know, I don't mean to criticize the portfolio requirements because I understand the public policy behind them and I appreciate and applaud, but with respect -- we're just looking -- we're wondering, we're seeking reasons.

SEN. PETERS: Just to follow-up on that. And I really do think that that's appropriate and I'm glad because I'm sure that there are other people, but the restructured electric market is barely even off and running and your comments were applied to the language that was in the electric bill, not the gas application because we didn't have anything to do with that.

So, when you talk about it, and if I seem a little bit sensitive about this, --

SANTA MENDOZA: No, I understand.

SEN. PETERS: -- it's because we are very cautious and concerned about the implementation of competition in the electric field. And any comparisons you make sends shock waves. So, be very careful about what you say. And so I'm going to understand that with respect to your comments on the portfolio, that that application was more due to what?

SANTA MENDOZA: Perception by -- from our point of view which is consumers who are anxiously looking for competitive market place wondering why we don't have the interest and again, just a brief comment about the electric side. It has only just begun and I've been getting reassurances from the DPUC that we will have more suppliers interested in the market place.

But with respect to now three years into the gas market place, what is it about our current circumstances that is so distasteful to these suppliers? What is it and what can we do to correct it, to create a competitive market place?

SEN. PETERS: Now, am I to understand it because we didn't do the gas.

SANTA MENDOZA: No. We're searching for answers.

SEN. PETERS: Competition.

SANTA MENDOZA: We were wondering.

SEN. PETERS: Is it my understanding that the portfolio was applied in the market --

SANTA MENDOZA: Only to electric.

SEN. PETERS: Only to electric. Okay.

REP. GIANNAROS: Senator Herlihy.

SEN. HERLIHY: Thank you, Chairman. Hi, Santa. Thank you for being here.

At the risk of having my CBIA ranking plummet, I'm just going to --

SEN. PETERS: I didn't have a risk.

SEN. HERLIHY: No, I'm teasing. I'm as free market, I think, as they come. I own a business myself. So I'm certainly very - I certainly recognize and appreciate the concerns in terms of any barriers to the cultivation of competition here in Connecticut.

But I think part of the thought with this committee is that we're not dealing with the free market widgeits. You know, these aren't cheeseburgers or golf balls or pencils or anything like that. This is a regulated utility and as a result, I think the onus on Connecticut is just a little bit greater in that there's a perception when you've got a regulated utility, there's a perception that well the person whose on the phone or the person whose just mailed you something, the person who is trying to supply gas here in your state has some level of credibility.

So, I think what we're simply trying to do is find the balance between companies that are very unprofessional that have no financial capacity, that really don't have the management or the

expertise or the ability to succeed here in Connecticut, the fly-by-nights, those that are capable of slamming or would even consider slamming at any point.

I think what we're trying to do is just raise the bar enough to try to eliminate that very small percentage of the potential business market place and based on the conversation that I heard between Commissioner Arthur and members of this board, I think there is certainly a lot of area for kind of a middle ground where we are going to make sure that no impediments take place.

I think CBIA more than other group in the State of Connecticut has pushed Governor Rowland, his administration and members of this General Assembly to be open to the idea of this one stop shopping, let's reduce bureaucracy and I think there's going to be an effort to make sure that these licensing requirements are done in a way that's compatible with that thought.

So I guess I just wanted to make the comment that I think that we can have the bar raised to the level that it needs to be and at the same time, not interfere with competition here in the State because that certainly isn't our goal.

SANTA MENDOZA: Well, if I could just respond, Senator. The committee can also keep in mind that all of these applicants will continue to be subject to the CUTPA, the Connecticut Unfair Trade Practices Act, continue to be subject to FIRK, the licensing requirements, and if the General Assembly feels that they have to license suppliers further, we're just urging that some consideration be given to having a non-contested docket to the already registered suppliers and how they're going to function with these type of deadlines.

And the subjective standards need to be made more objective. So, in your wisdom, you feel that you must raise the bar or institute some protections, to the extent that you can make the specific requirements more objective, that will tend to lessen the burden of this type of --

SEN. HERLIHY: I think your feedback has been valuable. Thank you.

REP. GIANNAROS: Thank you. Representative DelGobbo.

REP. DELGOBBO: Thank you, Mr. Chairman. A couple of follow-ups to Senator Herlihy.

As an example, on your issue that the time line is perhaps a little bit too constraining. First of all, I guess a question. You're not suggesting that there should be a grandfathering provision that does not require -- it sounds like you're opposed to this process all together. However, if it were to go forward, you're not suggesting that the current suppliers not have to go through this registration process, that they simply be grandfathered?

SANTA MENDOZA: No, I'm not suggesting that, but if you have that deadline coupled with the requirement of the contested docket and with the regulations not even coming out until January 1, it will be totally impossible to see these suppliers be licensed by April 1 and so according to the bill, you have them as unlicensed and in violation of the law as of April 1.

So if you can give some consideration to those already doing business to be suddenly thrown into -- with existing contracts with existing customers, to be suddenly thrown into the position of now I'm unlawfully selling gas in the State of Connecticut. That's a problem.

REP. DELGOBBO: And I think your points are well taken there as well as -- and I'm sure we'll have some discussion on the contested versus uncontested docket, what exactly that would mean, but your testimony seems pretty compelling as far as the process and making it as least burdensome type of process while still fulfilling some standards of -- there's got to be some basis for which they go through licensing procedure. If that's an uncontested docket - if that has all the technical ability to gather the kind of information that's

necessary, I think your testimony is well taken.

I would challenge you, I guess, because I'm certainly not an expert. I would challenge you to perhaps offer us a little follow on to - you're saying that the -- what has been the accepted terminology, the technical, managerial and financial capability standard that that's simply too subjective.

I would perhaps suggest that you might want to offer to us some way around that because as you, yourself, recognize that is apparently the generic form of language used in statutes of this type, it has, I would imagine, some case law basis in terms of how it's been interpreted, when there have been cases and if you feel it is too subjective, then maybe you might want to offer us some ways around that.

SANTA MENDOZA: In answer to your question, this model, the technical, managerial and financial capability, it comes from the old regulatory models. So we're trying to continue the old regulatory model on a competitive market place. So that's the first question.

The second question is if there are specific protections that you have in mind -- for instance, Senator Herlihy mentioned slamming. If there's particular protections that the General Assembly has in mind, then have them form a basis for the objective licensing criteria.

For example, if you want all gas suppliers to have a particular insurance liability, then require. We require you to have \$5 million of liability insurance. If they have a particular relationship with a supplier, require the supplier requirements instead of a subjective managerial capability standard.

And I sense that the local distribution companies, since they interface with the third party suppliers, are the ones that are the most concerned about the third party suppliers and they have specific needs that need to be met, let that be the

basis of the licensing requirement rather than a broad, general standard.

REP. DELGOBBO: Thank you. Thank you, Mr. Chairman.

REP. GIANNAROS: Thank you. Let me just, if I can pose a few questions to clarify this issue. As you can tell from my previous comments, I'm still concerned as to what we're doing with regards to raising prices in natural gas and perhaps eliminating competition through this type of licensing process.

Now, this is not a registration process. The way you understand it -- registration would be different than licensing process?

SANTA MENDOZA: Yes. Well, there is a statute that calls for registration and right now the registration process is very simple. There's a form required by the DPUC and the gas supplier fills out the form which presumably is a sketch of the required information.

The licensing requirements that are proposed by SB24 require a contested docket. And contested dockets of the DPUC are quasi-judicial adversarial proceedings where you have the Attorney General's Office, the Office of Consumer Counsel, and staff of the DPUC cross examining the applicant on all aspects of their business affairs and having to respond with their own legal support, with briefs, required briefs, hearings, continued hearings. That's the procedure of a contested docket.

REP. GIANNAROS: Ms. Mendoza, let me take you through an example which relates to the most recent events.

Tell me what, based on your understanding of markets and economics and business, what would have happened. We recently had a shortage in both natural gas and heating oil, an unexpected event caused by a variety of circumstances.

And the interruptable service was cut off so that businesses that were depending on natural gas through the interruptable process were told you're not going to get your delivery and obviously, the

natural gas company had the right to do that. But nevertheless, the businesses suddenly are without natural gas to provide the necessary energy to produce goods and services, whatever they're doing and they had to switch to oil. Now when they switched to oil, that means there's less oil now available for you and me for our home, our businesses and everything else. So now you have a shortage in both energy related products.

And I come to you, meaning to your business and I say, I am from Japan, I'm from Ohio, I'm from whatever and I have plenty of gas to offer you. Would I be able to do it under the licensing procedure?

SANTA MENDOZA: You have to wait several months before you --

REP. GIANNAROS: I have to wait several months. That's the problem, isn't it?

SANTA MENDOZA: And as you understand, the demand is in the cold weather months. And you will not be allowed, legally, to sell gas --

REP. GIANNAROS: So what would happen to the shortage in that particular case? And how will it effect the price for businesses, cost of production, the price for the consumer whose already facing \$2 per gallon of heating oil? How will that effect that under that circumstance that I just presented to you?

SANTA MENDOZA: Well, I would suggest overall that this type of administrative burden has a very consequential result in higher prices. And that's -- I think it's a natural suggestion.

REP. GIANNAROS: It will exacerbate, basically, the problem if you have to have every single enterprise go through a licensing process when they are ready to supply, but simply that because of the contested cases you referred to before, they would have to wait anywhere from three to six months to be approved?

SANTA MENDOZA: Yes.

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ENERGY & TECHNOLOGIES

February 15, 2000

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REP. GIANNAROS: I think that answers my questions.  
Thank you.

Because I would have to defend that position on the  
floor of the House and I'm not sure if I can.

Any further questions by my colleagues here?

SANTA MENDOZA: Thank you very much.

REP. GIANNAROS: Thank you. I appreciate it. Anyone  
else who is here to speak to us? If not, a motion  
to adjourn.

(Whereupon, the public hearing was adjourned.)

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TESTIMONY OF CBIA BEFORE THE ENERGY AND TECHNOLOGY  
COMMITTEE  
FEBRUARY 15, 2000

The Connecticut Business & Industry Association (CBIA) represents close to 10,000 companies across Connecticut. Our membership includes firms of all sizes and types, the vast majority of which are small business firms with fewer than 100 employees.

With respect to energy policy, we have a simple message. Connecticut businesses need affordable, reliable energy in order to be competitive. We look to the opening of competitive markets in natural gas and electricity as the only real means to achieving lower energy costs and other consumer benefits.

I am here to offer comments specific to Senate Bill No. 24: An Act Licensing Natural Gas Suppliers.

Since the 1996 unbundling of regulated natural gas service to commercial and industrial customers, CBIA has actively studied the needs of the various segments of our membership, and our staff has worked with numerous facilities managers who are interested in buying gas from third-party suppliers. In 1999, our for-profit subsidiary corporation created an on-line purchasing product to assist our members in navigating the marketplace. As a result of all of this activity and research, we have been learning of the significant barriers that remain which effectively block the emergence of a truly competitive natural gas marketplace.

Various issues such as the level and methodology of utility penalties, telemetering and daily balancing requirements, and the inconsistent and widely differing transportation rate structures in Connecticut have resulted in many third party suppliers opting out of or curtailing their involvement in the Connecticut marketplace. The DPUC has studied the situation and is currently involved in an important docket that hopefully will begin to unravel the root causes of these barriers. We hope these efforts will bear some fruit.

But, as we stand today, in February 2000, Connecticut does not have a healthy competitive market for natural gas. Each of the areas cited has affected the appetite for third party suppliers to compete in Connecticut. Many are reluctant to seek new business here or even to renew their existing customers. Some have ceased doing business in Connecticut. Of the 61 natural gas marketers who are registered as "active" under C.G.S. Section 16-258 to do business in Connecticut, very few are actually pursuing new business.

So, with respect to Senate Bill 24, it seems a bit untimely, under these circumstances, and in the absence of any evidence of widespread consumer fraud or complaint, to propose additional gas supplier licensing requirements particular to the

State of Connecticut, which will be in addition to the licensing requirements already required by the Federal Energy Regulatory Commission (FERC).

The bill calls for each licensing applicant's case to be examined via a contested docket conducted by the DPUC, and calls for the a licensing fee commensurate with the level of investigation and the resulting administrative costs associated with this process. In these and all other respects the licensing requirements mirror the language of the licensing requirements called for in the Electric Restructuring Public Act 98-28.

CBIA urges the members of the committee to consider a review of the language of the bill, and consider clarifications in the following areas:

1. The requirement of a contested docket. This requirement automatically lengthens the approval process time -frame to a minimum of three months, with a possible maximum of six to seven months for approval. A contested docket is a full-fledged adversarial proceeding. CBIA urges the committee to consider a non-contested, more informal process.
2. The status of already registered suppliers. The language of the bill suggests that all suppliers, including those currently operating in the state, must be licensed by April 1, 2001, with no provision for "grandfathering." This provision may nudge those suppliers who are contemplating abandoning the Connecticut market, right out the door. In addition, this deadline is only four months after the DPUC is to adopt regulations regarding specific licensing procedures.
3. The "technical, managerial, and financial capability" standard. While CBIA is well aware that this standard has been used in our law for a long time, in practice, it is very subjective. If the General Assembly has specific concerns with respect to protecting the safety and reliability of gas supply, or if local gas distribution companies have specific needs and requirements that must be met by third party suppliers, let this information form a basis of specific objective criteria or requirements that an applicant must demonstrate or provide assurances of.
4. Clarification of the status of marketers, aggregators, and purchasing agents. Any interpretation that would add these categories to the list of those who must be licensed, will really add an unnecessary administrative burden to the DPUC.

The Committee is no doubt well aware that electric suppliers are hardly flocking to Connecticut markets. While there are many, very complex primary reasons for this, the licensing and portfolio requirements instated by the State of Connecticut are also perceived as burdensome. CBIA urges the Committee to adopt a less burdensome approach to the gas marketplace.

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ENERGY AND TECHNOLOGY COMMITTEE  
FEBRUARY 15, 2000 HEARING

*TESTIMONY OF THE  
OFFICE OF CONSUMER COUNSEL*

SB00024, An Act Licensing Natural Gas Suppliers

The Office of Consumer Counsel (OCC) supports the concept of the subject legislation.

As a participant in the supply of natural gas to Connecticut consumers, gas suppliers should be licensed by the Department of Public Utility Control (DPUC), as are electric suppliers and other participants in the provision of utility services.

To do otherwise would not provide consumers with the degree of security in the provision of these utility services that they should receive.

There should be included as well, the intent to encourage competition and that the competitive effects of granting a license to a prospective applicant be examined.

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**STATE OF CONNECTICUT**  
*DEPARTMENT OF PUBLIC UTILITY CONTROL*

Testimony of the Department of Public Utility Control

**Raised Bill 24**

**AN ACT LICENSING NATURAL GAS SUPPLIERS**

February 15, 2000

The Department of Public Utility Control supports this bill, which amends Section 16-258a of the General Statutes of Connecticut to license natural gas suppliers. As of April 1996, the Department allowed suppliers other than the local distribution companies to serve Connecticut's natural gas end users directly. Presently, there are about 65 registered natural gas suppliers/marketers serving industrial, commercial and multifamily apartment buildings (six or more units) operating in the state. The total share of natural gas that marketers are currently providing to firm commercial and industrial customers is approximately 39% (24% in Connecticut Natural Gas Corporation's franchise area; 34% in The Southern Connecticut Gas Company's area; and 60% in Yankee Gas Services Company franchise) and these percentages are growing. The potential for these suppliers to have a negative effect on the integrity and reliability of the state's natural gas system is also growing.

The current statute allows any entity to register with the Department regardless of its financial, managerial and technical capabilities. The Department cannot deny an application for registration for any reason. If a supplier fails to cooperate with the regulated natural gas companies or municipal gas utilities or jeopardizes the safety and reliability of the state's natural gas system, the Department cannot fine, suspend, or revoke the supplier's registration or prohibit it from accepting new customers. The Department's inability to make suppliers subject to sanctions has a direct affect on whether there is an adequate, safe and reliable supply of natural gas available in Connecticut.

This proposal is closely modeled after the licensing procedures recently adopted by the legislature in Public Act 98-28 for electric suppliers. The proposal defines natural gas suppliers/marketers and prohibits any person not licensed by the Department from providing natural gas service in the state. The Department can grant or deny a license application after evaluating the applicant's financial, managerial and technical capabilities. The application also requires that the gas supplier attest that they are subject to all applicable state tax jurisdictions. The proposal specifies the application filing requirements and the time frame during which the Department must act. In some instances, the proposal requires that the Department promulgate regulations; in other instances, the promulgation of regulations is discretionary.

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CONNECTICUT NATURAL GAS CORPORATION 100 Columbus Boulevard • P.O. Box 1500  
Hartford, CT 06144-1500 (860) 727-3000

February 15, 2000

Honorable Melodie Peters  
Honorable Demetrios Giannaros  
Members of the Energy & Technology Committee  
Connecticut General Assembly

Re: February 15, 2000 Public Hearing  
CNG Testimony on Raised Committee Bills:

<u>SB 24</u>	AAC Licensing Natural Gas Suppliers
<u>HB 5047</u>	AAC Overearnings Review Requirements
<u>HB 5048</u>	AAC Revisions to Periodic Financial and Operating Review Requirements of Electric and Gas Utilities

Dear Senator Peters, Representative Giannaros, and Members of the Committee:

Please accept the following testimony on behalf of Connecticut Natural Gas Corporation ("CNG") with regard to the referenced proposals, each of which form a part of the 2000 legislative recommendations of the Department of Public Utility Control.

SB 24 AAC Licensing Natural Gas Suppliers - CNG Supports

We support this bill, which is designed to increase the level of oversight the DPUC will have over entrants to the natural gas market. The DPUC is following a methodical process to achieve the full unbundling of natural gas. This proposal will move the State one step closer to full natural gas competition.

Because it is an essential service, the sale of natural gas as a heating fuel to New England customers requires a high level of accountability and responsibility. This bill is designed to ensure that all of the market players meet the same high standards. If enacted, the bill will protect consumers from the risk of non-delivery by less reputable marketers. CNG's concern is twofold: first, it is in our interest to maintain the natural gas industry's impeccable reputation for reliability; and second, in the event natural gas marketers make sales and fail to deliver product during the coldest days of the winter, CNG will be left to find and deliver back-up supply. As this new, competitive market evolves, we urge the Committee to support the DPUC in ensuring adequate consumer protection.