



General Assembly

Substitute Bill No. 5688

February Session, 2006

* HB05688ET_FIN031406 *

AN ACT CONCERNING ELECTRIC DEREGULATION AND THE GROSS RECEIPTS TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-264 of the 2006 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective July 1, 2006*):

4 (a) Each (1) Connecticut municipality or department or agency
5 thereof, or Connecticut district, manufacturing, selling or distributing
6 gas [or electricity] to be used for light, heat or power, [in this chapter
7 and in chapter 212a called a "municipal utility",] (2) company the
8 principal business of which is manufacturing, selling or distributing
9 gas or steam to be used for light, heat or power, including each foreign
10 municipal electric utility, as defined in section 12-59, and given
11 authority to engage in business in this state pursuant to the provisions
12 of section 16-246c*, and (3) company required to register pursuant to
13 section 16-258a shall pay a quarterly tax upon gross earnings from
14 such operations in this state. Gross earnings from such operations
15 under subdivisions (1) and (2) of this subsection shall include (A) all
16 income classified as operating revenues by the Department of Public
17 Utility Control in the uniform systems of accounts prescribed by said
18 department for operations within the taxable quarter and, with respect
19 to each such company, (B) all income classified in said uniform

20 systems of accounts as income from merchandising, jobbing and
21 contract work, (C) income from nonutility operations, (D) revenues
22 from lease of physical property not devoted to utility operation, and
23 (E) receipts from the sale of residuals and other by-products obtained
24 in connection with the production of gas, electricity or steam. Gross
25 earnings from such operations under subdivision (3) of this subsection
26 shall be gross income from the sales of natural gas, provided gross
27 income shall not include income from the sale of natural gas to an
28 existing combined cycle facility comprised of three gas turbines
29 providing electric generation services, as defined in section 16-1, as
30 amended, with a total capacity of seven hundred seventy-five
31 megawatts, for use in the production of electricity. Gross earnings of a
32 gas company, as defined in section 16-1, as amended, shall not include
33 income earned in a taxable quarter commencing prior to June 30, 2008,
34 from the sale of natural gas or propane as a fuel for a motor vehicle.
35 No deductions shall be allowed from such gross earnings for any
36 commission, rebate or other payment, except a refund resulting from
37 an error or overcharge and those specifically mentioned in section 12-
38 265. Gross earnings of a company as described in subdivision (2) of
39 this subsection shall not include income earned in any taxable quarter
40 commencing on or after July 1, 2000, from the sale of steam.

41 (b) (1) Each such company and municipal utility described in
42 subsection (a) of this section shall, on or before the last day of January,
43 April, July and October of each year, render to the Commissioner of
44 Revenue Services a return on forms prescribed or furnished by the
45 commissioner and signed by its treasurer or the person performing the
46 duties of treasurer, or by an authorized agent or officer, specifying (A)
47 the name and location of such company or municipal utility, (B) the
48 amount of gross earnings from operations for the quarter ending with
49 the last day of the preceding month, (C) the gross earnings from the
50 sale or rental of appliances using water, steam, gas or electricity and
51 the cost of such appliances sold, cost to be interpreted as net invoice
52 price plus transportation costs of such appliances, (D) the gross
53 earnings from all sales for resale of water, steam, gas and electricity,

54 whether or not the purchasers are public service corporations,
55 municipal utilities, located in the state or subject to the tax imposed by
56 this chapter, (E) the number of miles of water or steam pipes, gas
57 mains or electric wires operated by such company or municipal utility
58 within this state on the first day and on the last day of the calendar
59 year immediately preceding, and (F) the number of miles of water or
60 steam pipes, gas mains or electric wires wherever operated by such
61 company or municipal utility on said dates. Gas pipeline and gas
62 transmission companies which do not manufacture or buy gas in this
63 state for resale in this state shall be subject to the provisions of chapter
64 208 and shall not be subject to the provisions of this chapter and
65 chapter 212a.

66 (2) No person, firm, corporation or municipality that is chartered or
67 authorized by this state to transmit or sell gas within a franchise area
68 shall transmit gas for any person that sells gas to be used for light, heat
69 or power to an end user or users located in this state, unless such seller
70 has registered with the Department of Revenue Services for purposes
71 of the tax imposed under this chapter. The provisions of this
72 subdivision shall not apply to the transmission of gas for any seller
73 that is a gas company, as defined in section 16-1, as amended,
74 municipal gas utility established under chapter 101 or any other gas
75 utility owned, leased, maintained, operated, managed or controlled by
76 any unit of local government under any general statute or any public
77 or special act, or a gas pipeline or gas transmission company subject to
78 the provisions of chapter 208.

79 (3) The Commissioner of Revenue Services may make public the
80 names and addresses of each person that sells gas to be used for light,
81 heat or power to an end user or users located in this state and has
82 registered with the Department of Revenue Services for purposes of
83 the tax imposed under this chapter, and that is not a gas company, as
84 defined in section 16-1, as amended, a municipal gas utility established
85 under chapter 101 or any other gas utility owned, leased, maintained,
86 operated, managed or controlled by any unit of local government

87 under any general statute or any public or special act, or a gas pipeline
88 or gas transmission company subject to the provisions of chapter 208.

89 (c) (1) Each electric distribution company, as defined in section 16-1,
90 as amended, or Connecticut municipality or department or agency
91 thereof or Connecticut district, manufacturing, selling or distributing
92 electricity to be used for light, heat or power, providing electric
93 transmission services, as defined in said section 16-1, as amended, or
94 electric distribution services, as defined in said section 16-1, as
95 amended, shall pay a quarterly tax upon its gross earnings in each
96 calendar quarter at the rate of (A) eight and one-half per cent of its
97 gross earnings from providing electric transmission services or electric
98 distribution services allocable to other than residential service and (B)
99 six and eight-tenths per cent of such gross earnings from providing
100 electric transmission services or electric distribution services allocable
101 to residential service.

102 (2) For purposes of this subsection, gross earnings from providing
103 electric transmission services or electric distribution services shall
104 include (A) all income classified as income from providing electric
105 transmission services or electric distribution services by the
106 Department of Public Utility Control in the uniform system of accounts
107 prescribed by said department and (B) the competitive transition
108 assessment collected pursuant to section 16-245g, other than any
109 component of such assessment that constitutes transition property as
110 to which an electric distribution company has no right, title or interest
111 pursuant to subsection (a) of section 16-245h, the systems benefits
112 charge collected pursuant to section 16-245l, as amended, and the
113 assessments charged under sections 16-245m, as amended, and 16-
114 245n, as amended. Such gross earnings shall not include income from
115 providing electric transmission services or electric distribution services
116 to a company described in subsection (c) of section 12-265.

117 (3) Each electric distribution company and Connecticut municipality
118 or department or agency thereof, or Connecticut district, as described
119 in this subsection shall, on or before the last day of January, April, July

120 and October of each year, render to the Commissioner of Revenue
121 Services a return on forms prescribed or furnished by the
122 commissioner and signed by its treasurer, or the person performing
123 the duties of treasurer, or of an authorized agent or officer, with such
124 other information as the Commissioner of Revenue Services deems
125 necessary.

126 (d) The tax imposed by this chapter is due and payable to the
127 Commissioner of Revenue Services quarterly on or before the last day
128 of the month next succeeding each calendar quarter.

129 (e) Each Connecticut municipality or department or agency thereof,
130 or Connecticut district, manufacturing, selling or distributing gas or
131 electricity to be used for light, heat or power, for purposes of this
132 chapter and in chapter 212a, shall be called a "municipal utility", except
133 as described in subsections (a) and (c) of this section.

134 Sec. 2. Section 12-265 of the general statutes is repealed and the
135 following is substituted in lieu thereof (*Effective July 1, 2007*):

136 (a) As used in this section (1) with regard to electric power, "sales
137 for resale" include (A) sales of electric power capacity, (B) power
138 output from such capacity, and (C) all transmission charges in
139 conjunction with such sales on or after May 17, 1982, and (2) "net
140 invoice price" means invoice price less trade discounts.

141 (b) (1) Each company and municipal utility included in section 12-
142 264, as amended, other than an electric distribution company, as
143 defined in section 16-1, as amended, included in subsection (c) of
144 section 12-264, as amended by this act, or other than a municipal utility
145 as described in subsection (c) of section 12-264, as amended by this act,
146 shall be taxed at the rate of five per cent upon the amount of gross
147 earnings in each taxable quarter from operations, except as set forth in
148 subsection (c) or (d) of this section and except that each company and
149 municipal utility manufacturing, selling or distributing gas or
150 electricity to be used for light, heat or power shall be taxed at the rate

151 of four per cent upon the amount of gross earnings in each taxable
152 quarter allocable to residential service, but deduction shall be made of
153 gross earnings (A) from all sales for resale of water, steam, gas and
154 electricity to public service corporations and municipal utilities,
155 whether or not such purchasers are Connecticut public service
156 corporations or Connecticut municipal utilities, and whether or not
157 they are subject to the tax imposed by this chapter, (B) from any
158 federal BTU energy tax included in adjustment clause and base-rate
159 revenues, (C) from sales of appliances using water, steam, gas or
160 electricity by each such company of the net invoice price plus
161 transportation costs of such appliances, (D) of electric and gas
162 companies, as defined in section 16-1, as amended, from energy
163 conservation loan programs, (E) from all sales for resale of gas to
164 companies registered pursuant to section 16-258a, and (F) from all
165 sales of natural gas to a user or entity located outside the state.

166 (2) Gross earnings for any taxable quarter, for the purposes of
167 assessment and taxation, shall be as follows: (A) In the case of a
168 company or municipal utility, other than a municipal utility as
169 described in subsection (c) of section 12-264, as amended by this act,
170 carrying on business or operating entirely within this state, the amount
171 of gross earnings from operations; (B) in the case of a company or
172 municipal utility, other than a municipal utility as described in
173 subsection (c) of section 12-264, as amended by this act, carrying on
174 business or operations a part of which is outside of this state, (i) such
175 portion of the amount of gross earnings from operations determined
176 under the provisions of section 12-264, as amended by this act, as is
177 represented by the ratio of the number of miles of water or steam
178 pipes, gas mains or electric wires operated by such company or
179 municipal utility within this state on the first day and on the last day
180 of the calendar year immediately preceding to the total number of
181 miles of water or steam pipes, gas mains or electric wires operated by
182 such company or municipal utility on said dates; or (ii) in the case of a
183 company required to register pursuant to section 16-258a, such portion
184 of the amount of gross earnings from operations determined under the

185 provisions of section 12-264, as amended by this act, as is represented
186 by the ratio of the sales in this state to end users during such quarter to
187 the total sales everywhere to end users during such quarter.

188 (c) (1) The rate of tax on the sale, furnishing or distribution of
189 electricity or natural gas for use directly by a company engaged in a
190 manufacturing production process, in accordance with the Standard
191 Industrial Classification Manual, United States Office of Management
192 and Budget, 1987 edition, classifications 2000 to 3999, inclusive, or
193 Sector 31, 32 or 33 in the North American Industrial Classification
194 System United States Manual, United States Office of Management and
195 Budget, 1997 edition, shall be four per cent with respect to calendar
196 quarters commencing on or after January 1, 1994, and prior to January
197 1, 1995, three per cent with respect to calendar quarters commencing
198 on or after January 1, 1995, and prior to January 1, 1996, and two per
199 cent with respect to calendar quarters commencing on or after January
200 1, 1996, and prior to January 1, 1997. The sale, furnishing or
201 distribution of electricity or natural gas for use by a company as
202 provided in this subsection shall not be subject to the provisions of this
203 chapter with respect to calendar quarters commencing on or after
204 January 1, 1997. Not later than thirty days after May 19, 1993, and
205 thirty days after the effective date of each rate decrease provided for in
206 this section, each electric and gas public service company, as defined in
207 section 16-1, as amended, which does not have a proposed rate
208 amendment under section 16-19 pending before the Department of
209 Public Utility Control at such time, shall request the department to
210 reopen the proceeding under section 16-19 on the company's most
211 recent rate amendment, solely for the purpose of decreasing the
212 company's rates to reflect the decreases required under this section.
213 The department shall immediately reopen such proceedings, solely for
214 such purpose.

215 (2) For purposes of this subsection, the sale, furnishing or
216 distribution of natural gas for use as fuel in the operation of a
217 cogeneration facility providing electricity or steam to a company

218 engaged in a manufacturing production process described in
219 subdivision (1) of this subsection shall be deemed to be a sale,
220 furnishing or distribution of natural gas for use directly by such
221 company in such process where such cogeneration facility is located
222 entirely on the premises owned or controlled by such company,
223 whether or not the cogeneration facility is owned or operated by such
224 company.

225 (d) The rate of tax on the sale, furnishing or distribution of steam for
226 use by a company, as described in subdivision (2) of subsection (a) of
227 section 12-264, as amended by this act, shall be: (1) Four per cent with
228 respect to calendar quarters commencing on or after July 1, 1996, and
229 prior to July 1, 1997; (2) three per cent with respect to calendar quarters
230 commencing on or after July 1, 1997, and prior to July 1, 1998; (3) two
231 per cent with respect to calendar quarters commencing on or after July
232 1, 1998, and prior to July 1, 1999; and (4) one per cent with respect to
233 calendar quarters commencing on or after July 1, 1999, and prior to
234 July 1, 2000. The sale, furnishing or distribution of steam as provided
235 in this subsection shall not be subject to the provisions of this chapter
236 with respect to calendar quarters commencing on or after July 1, 2000.

237 Sec. 3. (NEW) (*Effective July 1, 2006*) (a) A municipal electric energy
238 cooperative, created pursuant to chapter 101a of the general statutes,
239 shall submit a comprehensive report on the activities of the municipal
240 electric utilities with regard to promotion of renewable energy
241 resources. Such report shall identify the standards and activities of
242 municipal electric utilities in the promotion, encouragement and
243 expansion of the deployment and use of renewable energy sources
244 within the service areas of the municipal electric utilities for the prior
245 calendar year. The cooperative shall submit the report to the
246 Renewable Energy Investment Advisory Committee established
247 pursuant to section 16-245n of the 2006 supplement to the general
248 statutes not later than ninety days after the end of each calendar year
249 that describes the activities undertaken pursuant to this subsection
250 during the previous calendar year for the promotion and development

251 of renewable energy sources for all electric customer classes.

252 (b) Such cooperative shall develop standards for the promotion of
253 renewable resources that apply to each municipal electric utility. On or
254 before January 1, 2007, and annually thereafter, such cooperative shall
255 submit such standards to the Renewable Energy Investment Advisory
256 Committee.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2006</i>	12-264
Sec. 2	<i>July 1, 2007</i>	12-265
Sec. 3	<i>July 1, 2006</i>	New section

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Joint Favorable Subst. C/R

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