



Senate

General Assembly

File No. 25

February Session, 2004

Senate Bill No. 147

Senate, March 4, 2004

The Committee on Energy and Technology reported through SEN. PETERS of the 20th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING RATE TREATMENT OF CERTAIN PROPERTY TAX ADJUSTMENTS.

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

1 Section 1. Section 16-19e of the general statutes is amended by
2 adding subsection (h) as follows (*Effective from passage*):

3 (NEW) (h) The department shall, upon application or upon its own
4 motion, modify a rate plan for any gas or electric public service
5 company that (1) has, as part of its existing rate plan, an earnings
6 sharing mechanism, and (2) has personal property, the value of which
7 has increased or decreased due to a change in the valuation
8 methodology used by a municipality for the purpose of assessment of
9 municipal property taxes. Such modification shall increase or decrease
10 revenue requirements in an amount necessary to reflect the amount of
11 increase or decrease in property taxes and, in the case of an increase, to
12 reflect no more than the amount of increase that is the result of
13 valuation of said property at its net book value. Where the valuation of

14 the property for tax purposes exceeds net book value, the department
15 may only increase revenue requirements necessary to reflect the
16 amount of taxes that results from the higher than net book valuation
17 after a final judgment from a Superior Court that determines the
18 market value of such property or upon the approval by the department
19 of a settlement of a company's tax liability that the department
20 determines is in the interest of the company and its customers.

This act shall take effect as follows:	
Section 1	<i>from passage</i>

ET *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Various State Agencies	Various - Net Impact	Minimal	Minimal

Municipal Impact:

Municipalities	Effect	FY 05 \$	FY 06 \$
All Municipalities	Net Impact	Minimal	Minimal

Explanation

The bill allows the Department of Public Utility Control to modify the rate plan of any gas or electric public service company that has an earnings sharing mechanism and has had an increase or decrease of personal property valuation due to a municipality’s change in the valuation methodology. Depending on an increase or decrease in property valuation, ratepayers will experience an increase or decrease in rate plans, respectively. In the event of a change in revenue requirements, the effect will be spread across all ratepayers. Thus, municipalities and the state will experience a minimal cost or savings.

OLR Bill Analysis

SB 147

AN ACT CONCERNING RATE TREATMENT OF CERTAIN PROPERTY TAX ADJUSTMENTS**SUMMARY:**

This bill requires the Department of Public Utility Control (DPUC) to modify electric and gas utility rates under certain circumstances when the utility is affected by the way a municipality taxes the utility's personal property.

EFFECTIVE DATE: Upon passage

PROPERTY TAXES AND RATES

Historically, both a utility's rates and its property taxes reflected the net book value of its property, i.e., its original price less depreciation. Recently, some municipalities have used other methods allowed by law to value utility property.

The bill requires DPUC to modify rates on its own motion or at the utility's request if the utility (1) has an "earnings sharing mechanism" and (2) has personal property whose value has changed due to a change in the municipality's valuation method. The mechanism shares the money the utility earns above its DPUC-authorized rate of return between ratepayers and shareholders. The modification must increase or decrease the utility's revenue requirements (a key variable in determining its rates) in the amount needed to reflect the change in the utility's property taxes. If there is an increase in taxes, the rate increase can reflect only the proportion of the increase due to the change in valuation methodology. If the property is valued above its net book value, DPUC can increase revenue requirements to reflect only the higher value (1) after a final judgment from the Superior Court that determines the property's market value or (2) upon DPUC's approval of a settlement of the utility's tax liability that DPUC determines is in the best interests of the utility and its customers.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Report

Yea 13 Nay 3