



General Assembly

February Session, 2006

Raised Bill No. 5688

LCO No. 2697

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Referred to Committee on Energy and Technology

Introduced by:
(ET)

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2 statutes is repealed and the following is substituted in lieu thereof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 as described in this subsection shall, on or before the
119 last day of January, April, July and October of each year, render to the
120 Commissioner of Revenue Services a return on forms prescribed or
121 furnished by the commissioner and signed by its treasurer, or the
122 person performing the duties of treasurer, or of an authorized agent or
123 officer, with such other information as the Commissioner of Revenue
124 Services deems necessary.

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

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

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 Section 12-265 of the general statutes is repealed and the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

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

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

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

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

182 company required to register pursuant to section 16-258a, such portion
183 of the amount of gross earnings from operations determined under the
184 provisions of section 12-264, as amended by this act, as is represented
185 by the ratio of the sales in this state to end users during such quarter to
186 the total sales everywhere to end users during such quarter.

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

214 (2) For purposes of this subsection, the sale, furnishing or

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

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

236 Sec. 3. Subsection (b) of section 16-245n of the 2006 supplement to
237 the general statutes is repealed and the following is substituted in lieu
238 thereof (*Effective July 1, 2006*):

239 (b) On and after July 1, [2004] 2006, the Department of Public Utility
240 Control shall assess or cause to be assessed a charge of not less than
241 one mill per kilowatt hour charged to each end use customer of electric
242 services in this state, except that, on or after July 1, 2006, such charge
243 shall be one-half of one mill per kilowatt hours charged to each end
244 use customer of a municipal electric utility and on or after July 1, 2007,
245 such charge shall be one mill per kilowatt hour charged to each end
246 use customer of a municipal electric company, which shall be

247 deposited into the Renewable Energy Investment Fund established
248 under subsection (c) of this section. Notwithstanding the provisions of
249 this section, receipts from such charges shall be disbursed to the
250 resources of the General Fund during the period from July 1, 2003, to
251 June 30, 2005, unless the department shall, on or before October 30,
252 2003, issue a financing order for each affected distribution company in
253 accordance with sections 16-245e to 16-245k, inclusive, to sustain
254 funding of renewable energy investment programs by substituting an
255 equivalent amount, as determined by the department in such financing
256 order, of proceeds of rate reduction bonds for disbursement to the
257 resources of the General Fund during the period from July 1, 2003, to
258 June 30, 2005. The department may authorize in such financing order
259 the issuance of rate reduction bonds that substitute for disbursement to
260 the General Fund for receipts of both charges under this subsection
261 and subsection (a) of section 16-245m, as amended, and also may in its
262 discretion authorize the issuance of rate reduction bonds under this
263 subsection and subsection (a) of section 16-245m, as amended, that
264 relate to more than one electric distribution company. The department
265 shall, in such financing order or other appropriate order, offset any
266 increase in the competitive transition assessment necessary to pay
267 principal, premium, if any, interest and expenses of the issuance of
268 such rate reduction bonds by making an equivalent reduction to the
269 charges imposed under this subsection, provided any failure to offset
270 all or any portion of such increase in the competitive transition
271 assessment shall not affect the need to implement the full amount of
272 such increase as required by this subsection and sections 16-245e to 16-
273 245k, inclusive. Such financing order shall also provide if the rate
274 reduction bonds are not issued, any unrecovered funds expended and
275 committed by the electric distribution companies for renewable
276 resource investment through deposits into the Renewable Energy
277 Investment Fund, provided such expenditures were approved by the
278 department following August 20, 2003, and prior to the date of
279 determination that the rate reduction bonds cannot be issued, shall be
280 recovered by the companies from their respective competitive

281 transition assessment or systems benefits charge except that such
282 expenditures shall not exceed one million dollars per month. All
283 receipts from the remaining charges imposed under this subsection,
284 after reduction of such charges to offset the increase in the competitive
285 transition assessment as provided in this subsection, shall be disbursed
286 to the Renewable Energy Investment Fund commencing as of July 1,
287 2003. Any increase in the competitive transition assessment or decrease
288 in the renewable energy investment component of an electric
289 distribution company's rates resulting from the issuance of or
290 obligations under rate reduction bonds shall be included as rate
291 adjustments on customer bills.

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>	16-245n(b)

Statement of Purpose:

To tax the gross earnings of municipal electric companies at the same rate as electric distribution companies and to include municipal electric companies in the Renewable Energy Investment Fund provisions.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]