



General Assembly

Substitute Bill No. 210

February Session, 2006

* SB00210JUD__040506__*

AN ACT ESTABLISHING A CODE OF CONDUCT BETWEEN NATURAL GAS DISTRIBUTION COMPANIES AND THEIR AFFILIATES.

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

1 Section 1. Subsection (a) of section 16-47 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2006*):

4 (a) As used in this section, and section 2 of this act, (1) "holding
5 company" means any corporation, association, partnership, trust or
6 similar organization, or person which, either alone or in conjunction
7 and pursuant to an arrangement or understanding with one or more
8 other corporations, associations, partnerships, trusts or similar
9 organizations, or persons, directly or indirectly, controls a gas, electric,
10 electric distribution, water, telephone or community antenna television
11 company, [As used in this section,] and (2) "control" means the
12 possession of the power to direct or cause the direction of the
13 management and policies of a gas, electric, electric distribution, water,
14 telephone or community antenna television company or a holding
15 company, whether through the ownership of its voting securities, the
16 ability to effect a change in the composition of its board of directors or
17 otherwise, provided, control shall not be deemed to arise solely from a
18 revocable proxy or consent given to a person in response to a public
19 proxy or consent solicitation made pursuant to and in accordance with

20 the applicable rules and regulations of the Securities Exchange Act of
21 1934 unless a participant in said solicitation has announced an
22 intention to effect a merger or consolidation with, reorganization, or
23 other business combination or extraordinary transaction involving the
24 gas, electric, electric distribution, water, telephone or community
25 antenna television company or the holding company. Control shall be
26 presumed to exist if a person directly or indirectly owns ten per cent or
27 more of the voting securities of a gas, electric, electric distribution,
28 water, telephone or community antenna television company or a
29 holding company, provided the department may determine, after
30 conducting a hearing, that said presumption of control has been
31 rebutted by a showing that such ownership does not in fact confer
32 control.

33 Sec. 2. (NEW) (*Effective October 1, 2006*) (a) As used in this section,
34 "affiliate" means a person, as defined in section 16-1 of the 2006
35 supplement to the general statutes, or class of persons that, with a gas
36 company, as defined in said section 16-1, is under the control of the
37 same holding company, or a person or class of persons that the
38 Department of Public Utility Control determines to stand in such
39 relation to a gas company that there is liable to be an absence of arm's
40 length bargaining in transactions between them as to make it necessary
41 to protect ratepayers.

42 (b) The Department of Public Utility Control shall establish a code
43 of conduct that sets minimum standards for gas company transactions
44 with affiliates to achieve, at a minimum, the following goals:

45 (1) Provide rules for purchases or sales of goods or services between
46 a gas company and its affiliates requiring appropriate types of
47 contracts, including, but not limited to, contracts at cost or contracts at
48 market price;

49 (2) Provide rules limiting or prohibiting a gas company from
50 sharing or giving access to certain types of customer identifying or
51 commercially sensitive information to affiliates;

52 (3) Provide for a system of records and reporting for transactions
53 between a gas company and its affiliates;

54 (4) Establish standards to ensure that any payment by a gas
55 company to any affiliate or from any affiliate to a gas company is
56 appropriate and reasonable;

57 (5) Provide a standard for avoidance of conflict of interest between a
58 gas company and affiliates;

59 (6) Ensure that any such transactions shall not have an improper
60 and adverse impact on the costs or revenues of the gas company, on
61 the rates and charges paid by gas company customers or on the quality
62 of service provided by the gas company;

63 (7) Ensure that gas company ratepayers do not subsidize affiliate
64 operations;

65 (8) Ensure fair, appropriate and equitable standards for purchases,
66 sales, leases, asset transfers, and cost or profit-sharing transactions, or
67 any type of financing or encumbrance involving a gas company and its
68 affiliates; and

69 (9) Ensure that gas supply and distribution services are provided by
70 a gas company in an appropriate manner to affiliates and nonaffiliates
71 alike.

72 (c) In addition to the powers granted to the department in section
73 16-8c of the general statutes, the department shall have the authority to
74 summon witnesses from an affiliate with which a gas company has
75 had direct or indirect transactions, examine the affiliate under oath and
76 order production, inspection and audit of its books, records or any
77 type of information concerning any transaction that the department
78 has reason to believe could impact the costs and revenues of the
79 affiliated gas company. The department may also order such affiliate
80 to be joined as a party with such gas company to an investigative
81 proceeding pursuant to subsection (f) of this section.

82 (d) Each gas company shall submit to the department records and
83 such information as the department may require, at intervals
84 determined by the department and in such form as the department
85 may order regarding affiliate transactions.

86 (e) An affiliate having relations, transactions or dealings with a gas
87 company shall file any information regarding such relations,
88 transactions or dealings in such form as determined by the
89 department.

90 (f) The department may, upon its own motion or upon petition by
91 an interested party, investigate a gas company's compliance with the
92 code of conduct, and any such investigation shall be a contested case,
93 as defined in section 4-166 of the general statutes.

94 (g) The department may make orders to enforce the code of
95 conduct, including, but not limited to, cease and desist orders and may
96 levy civil penalties pursuant to section 16-41 of the 2006 supplement to
97 the general statutes against entities subject to the code of conduct.

98 (h) The code of conduct shall not prohibit communications
99 necessary to restore gas company service or to prevent or respond to
100 emergency conditions.

101 (i) Not later than November 1, 2007, the department shall adopt
102 regulations, in accordance with the provisions of chapter 54 of the
103 general statutes, to establish the code of conduct in accordance with
104 subsection (b) of this section, related accounting and reporting
105 requirements and procedures for gas company and affiliate
106 compliance with this section.

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| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>October 1, 2006</i> | 16-47(a) |
| Sec. 2 | <i>October 1, 2006</i> | New section |

ET *Joint Favorable Subst.*

JUD *Joint Favorable*