



General Assembly

January Session, 2009

Raised Bill No. 6306

LCO No. 2615

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Referred to Committee on Energy and Technology

Introduced by:
(ET)

**AN ACT ESTABLISHING A CODE OF CONDUCT FOR THE
TRANSACTIONS 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2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

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 from passage*) (a) As used in this section,
34 "affiliate" means a person, as defined in section 16-1 of the general
35 statutes, or class of persons that, with a gas company, as defined in
36 said section 16-1, is under the control of the same holding company, or
37 a person or class of persons that the Department of Public Utility
38 Control determines to stand in such relation to a gas company that
39 there is liable to be an absence of arm's length bargaining in
40 transactions between them as to make it necessary to protect
41 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 when the purchases or sales of goods or
46 services between a gas company and an affiliate should be by written
47 contract based on such factors as the nature, value and term of the

48 purchase or sale;

49 (2) Provide rules with respect to sharing or giving access to certain
50 types of customer identifying or commercially sensitive information to
51 affiliates that may differ between regulated and unregulated 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, during a rate proceeding under 16-19 of
74 the general statutes, the department may summon witnesses from an
75 affiliate with which a gas company has had direct or indirect

76 transactions, examine the affiliate under oath and order production,
77 inspect and audit the books, records or other information relevant to
78 any transaction that the department has reason to believe has or will
79 have an adverse impact on the costs and revenues of the affiliated gas
80 company. Proprietary commercial and proprietary financial
81 information of an affiliate provided pursuant to this section shall be
82 confidential and protected by the department as the department deems
83 appropriate, subject to the provisions of section 1-210 of the general
84 statutes.

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

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

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

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

100 (h) On or before November 1, 2008, the department shall adopt
101 regulations, in accordance with the provisions of chapter 54 of the
102 general statutes, to establish the code of conduct in accordance with
103 subsection (b) of this section, related accounting and reporting
104 requirements and procedures for gas company and affiliate
105 compliance with this section.

106 (i) Any methodology for the allocation of costs between a gas
107 company and other companies under the control of the same holding
108 company currently approved by, or under current orders issued by,
109 the Securities and Exchange Commission under the Public Utility
110 Holding Company Act of 1935 or the Federal Energy Regulatory
111 Commission under the Public Utility Holding Company Act of 2005,
112 shall be entitled to a rebuttable presumption of reasonableness.
113 Charges rendered to a gas company by an affiliate that is a traditional
114 centralized service company shall be at cost and entitled to a rebuttable
115 presumption of reasonableness.

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

Statement of Purpose:

To require the Department of Public Utility Control to adopt a code of conduct to govern the manner in which transactions may occur between natural gas distribution companies and their affiliates.

[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.]