



## TESTIMONY OF CONNECTICUT NATURAL GAS CORPORATION AND THE SOUTHERN CONNECTICUT GAS COMPANY

### RAISED BILL No. 6306, ACT ESTABLISHING A CODE OF CONDUCT FOR THE TRANSACTIONS BETWEEN NATURAL GAS DISTRIBUTION COMPANIES AND THEIR AFFILIATES

Good Afternoon, Senator Fonfara and Representative Nardello and Members of the Committee, my name is William Reis and I am Vice – President of Administrative Services for the Connecticut Natural Gas Corporation (CNG) and The Southern Connecticut Gas Company (SCG). Thank you for this opportunity to testify on raised bill No. 6306, An Act Establishing a Code of Conduct for the Transactions Between Natural Gas Distribution Companies and Their Affiliates.

We are not opposed to the review of affiliate transactions; in fact CNG and SCG already operate under significant codes of conduct, including comprehensive mandates of the Sarbanes – Oxley requirements. All of these requirements are substantial controls that govern transactions between affiliates and are subject to independent scrutiny.

Section 2(c) of proposed legislation grants the DPUC authority in a rate proceeding to summon witnesses or books and records from any "affiliate with which a gas company has had direct or indirect transactions." Because witnesses, books and records can reveal competitively sensitive business information, a preliminary showing of how the persons or records the DPUC seeks to obtain from an affiliate are related to the costs or revenues of an affiliated utility subject to DPUC jurisdiction should be required. Further, the legislative language recognizes that the commercial and financial information in these books and records is proprietary. Therefore, if the Department has the ability to collect this information, the information should be *deemed* confidential and therefore, protected by the Department without the need for the utility to file protective orders for each record produced.

Further, to make this concept workable CNG and SCG respectfully submit that the definition of affiliate should be limited to entities meeting the definition of being "under control of the same holding company" as the utility.

The language now in Section 2(a) of the legislation includes in the definition of affiliate any "person or class of persons that the Department of Public Utility Control determines to stand in such relation to a gas company that there is liable to be an absence of arm's length bargaining in transactions between them as to make it necessary to protect ratepayers." is ambiguous and rather than inviting compliance would have the effect of precipitating legal analysis and testing.

Under the current regulatory scheme, the DPUC has substantial authority over affiliate transactions of the companies it regulates. As such, the DPUC is able to review such transactions to insure they are in the best interest of the regulated companies' customers. CNG and SCG believe that if there are any concerns with affiliate transactions the companies should be afforded the opportunity to work with the DPUC to address these issues cooperatively.

I appreciate this opportunity to comment on the proposed legislation on behalf of CNG/SCG. We stand ready to work with this Committee and the DPUC to address the comments made in this testimony and answer any questions that you have.

Thank you.