



STATEMENT OF AT&T CONNECTICUT

**Regarding Raised Senate Bill No. 416
AN ACT CONCERNING THE MERGERS AND ACQUISITIONS OF THE
HOLDING COMPANIES OF CERTAIN PUBLIC UTILITY COMPANIES
Before the Committee on Energy and Technology
March 15, 2012**

Proposal:

Raised Senate Bill No. 416 would expand the instances when a holding company needs PURA (Public Utilities Regulatory Authority) authority to change control and restrict the ability of holding companies to manage their operations.

Comments:

AT&T respectfully opposes Raised Senate Bill No. 416 because we believe the language is overly broad; would interfere in the operations of companies; and would have a chilling effect on merger and acquisition activity which could be in the interest of consumers and the state.

The ten percent threshold in lines 52-55 could negatively impact the ability of a company to sell shares in order to raise cash for operations or other investments and could impose a regulatory hurdle on a company that wants to purchase ten percent of existing shares from an existing shareholder having the net effect of making an investor captive to their investment.

Lines 111 of the proposed bill could be read to preclude any employee terminations whatsoever – even those involving senior level executives or eliminating duplicative administrative functions. Requiring companies, particularly companies that are rate-of-return regulated, to keep unnecessary and redundant staffing merely because they are located in Connecticut will have the practical effect of increasing costs and thereby rates for such companies.

The language starting in line 112 is overly broad and would prohibit rate increases even where they make sense and are necessary to enable a transaction to occur; this could potentially prohibit even transactions which might on the whole be in the public interest. In addition, such a requirement fails to take into consideration that some of the entities covered by this language, notably community antenna television and telephone companies, are no longer monopoly providers and are not rate-of-return regulated.

Rather than the overly prescriptive and defined requirements of this legislation, Connecticut would be better served using a more general “public interest standard” when approving transactions. A more general standard allows regulators to evaluate a proposed transaction in its totality. In fact, the current Connecticut General Statute Section 16-47(d) affords PURA the ability to consider more general factors in approving or denying a proposed merger, including the applicant’s financial, technological and managerial suitability and

responsibility, and its continued ability to provide safe, adequate, and reliable service to the public if the application were to be approved.

Finally, broadly speaking, this legislation would create a chilling effect on merger and acquisition activity involving holding companies doing business in the state of Connecticut; even if such activity might be in the interest of the state and its citizens. For any number of reasons, a holding company subject to this bill's provisions may seek new ownership. For example, a holding company may need new sources of capital that it is unable to raise without a new owner or it may need to increase its scale and scope in order to gain efficiencies so it can bring new products and services to market at a cost it otherwise could not manage without a new owner. In fact, new ownership could be in the strong interest of Connecticut and its consumers. The overly broad and restrictive requirements found in this legislation could scare away any potential partners, robbing a company of the suitor it needs and denying consumers the benefits which would accrue as a result of the merger.

Conclusion:

AT&T opposes Raised Senate Bill No. 416 and urges the Committee to reject the measure.