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## **OLR Bill Analysis**

### **SB 20**

#### ***AN ACT CONCERNING ACQUISITIONS AND MERGERS OF CABLE AND TELECOMMUNICATIONS PROVIDERS.***

#### **SUMMARY**

This bill requires the Public Utilities Regulatory Authority (PURA) to approve changes in control (e.g., mergers) of certain cable, telecommunications, and internet companies.

Under current law, anyone seeking a change in control over a PURA-regulated utility (e.g., electric, gas, and water utilities) must first apply to PURA for approval. This applies to mergers and actions that create a holding company or change control of an existing holding company. The bill extends these requirements to the following types of companies:

1. video service providers (i.e., cable companies) with a certificate of cable franchise authority (CCFA) or a certificate of video franchise authority (CVFA);
2. certified telecommunications providers; and
3. broadband internet access service (BIAS) providers.

Under the bill, these requirements apply to companies that supply services within the state or any holding company doing the principal part of its business in the state. Under current law, PURA generally has limited existing oversight over cable companies and telecommunications providers and does not regulate BIAS providers.

The bill also extends to these companies (and holding companies with control over them) a provision prohibiting PURA from approving an application unless the percentage of Connecticut-based members on the holding company's board of directors equals the percentage of the

holding company's total service area that is in Connecticut (e.g., if 30% of the company's service area is in Connecticut, then 30% of its directors must be Connecticut-based).

Under the bill, holding companies with control over cable companies, certified telecommunications providers, and BIAS providers must annually file with PURA a copy of their annual report to stockholders or a comprehensive audit and report of its accounts and operations.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2023

## **APPLICABILITY**

### ***Actions Subject to PURA's Approval***

Current law requires PURA's approval for certain actions related to a holding company, which is any person or corporate entity that, alone or with other entities, controls a PURA-regulated utility. Under current law, any of these entities must receive PURA's approval before (1) taking action to become a holding company; (2) acquiring control over a holding company; or (3) taking any action that would, if successful, cause it to become or to acquire control over a holding company. The bill extends this requirement to holding companies that control cable companies, certified telecommunications providers, and BIAS providers.

As under current law, companies subject to this requirement under the bill must pay PURA's reasonable expenses to carry out its duties by depositing a \$50,000 surety bond with PURA to indemnify the authority for its expenses.

Similarly, current law requires companies (gas, water, telephone, and electric); holding companies; and officials, boards, or commissioners acting under certain governmental authorities other than the state, to apply for PURA's approval when:

1. interfering with PURA-regulated utilities or their holding companies, or attempting to do so; or

2. exercising control over PURA-regulated utilities or their holding companies, or attempting to do so.

The bill extends this requirement to holding companies that control cable companies, certified telecommunications providers, and BIAS providers. The law, unchanged by the bill, includes an exception for federally regulated interstate commerce.

By law and unchanged by the bill, “control” means possessing power to direct a company’s management and policies (e.g., through owning voting securities or being able to change the composition of the company’s board of directors). The law presumes control exists if a person owns at least 10% of a company’s voting securities, but this may be rebutted in a hearing. Certain actions (a revocable proxy, consent given in response to a public proxy, or consent solicitations under federal securities laws) do not necessarily constitute control unless a participant announces intent to effect a merger, consolidation, reorganization, business combination, or extraordinary transaction.

### ***Cable Companies, Certified Telecommunications Providers, and BIAS Providers***

Under existing law, cable companies may operate under a CCFA that applies to a specific geographic area or a CVFA that applies statewide. In practice, all cable companies operating in the state hold CVFAs, and most hold both certificates.

Under existing law, a “certified telecommunications provider” is an entity PURA approves to provide intrastate telecommunications services.

A “BIAS service provider” is any entity that provides these services through facilities occupying public highways or streets authorized by PURA, including through a certificate of public convenience and necessity, a CVFA, a CCFA, or as a certified telecommunications provider (CGS § 16-330a).

### **PURA APPLICATION REVIEW AND PROCESS**

The bill subjects cable companies, telecommunication services

providers, and BIAS providers to the same application and review processes required under current law for PURA-regulated utilities.

Once someone files an application, PURA must provide notice of a public hearing to the applicant within 30 business days, hold the public hearing within 60 business days, and make its determination within 200 days, unless the applicant agrees to an extension. If PURA fails to take these actions within this timeframe, the application is assumed to be approved.

PURA must investigate applications and may approve or disapprove any application or any part of one under terms and conditions the authority deems necessary or appropriate. As part of its investigation, PURA may (1) request companies or holding companies subject to a proposed acquisition for their views on the proposed acquisition, (2) allow the company or holding company to participate in the hearing, and (3) order parties to refrain from communicating with their shareholders.

In making its determination, PURA must consider (1) the applicant's financial, technological, and managerial suitability and responsibility and (2) the ability of the company or holding company that is subject to the application to provide safe, adequate, and reliable service through the company's plant, equipment, and operational procedures if PURA approves the application.

### ***Violations***

As under current law, PURA may void any action that does not comply with application requirements. In response to violations of these provisions or PURA's orders related to them, the law allows PURA, companies, or holding companies to apply to the Superior Court to enforce compliance or enjoin any entity from taking actions that are violations. To enforce compliance, the court may reinstate control of the company to the entities that controlled the company before the violation took place.

### ***Reporting Requirement***

Under current law, a holding company for PURA-regulated utilities must file with PURA either (1) a copy of its annual report to stockholders for the fiscal year or (2) a comprehensive audit and report of its accounts and operations prepared by a PURA-approved, independent public accounting firm. The bill extends this reporting requirement to holding companies of cable companies, certified telecommunications providers, and BIAS providers. As under current law, the report is due within three months of the close of the company's fiscal year, and a holding company that is a person is exempt from this reporting requirement.

**COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable

Yea 14 Nay 6 (03/14/2023)