



# Senate

General Assembly

**File No. 373**

January Session, 2023

Senate Bill No. 20

*Senate, April 3, 2023*

The Committee on Energy and Technology reported through SEN. NEEDLEMAN of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

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

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

1 Section 1. Section 16-47 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2023*):

3 (a) As used in this section and section 16-47a, (1) "holding company"  
4 means any corporation, association, partnership, trust or similar  
5 organization, or person which, either alone or in conjunction and  
6 pursuant to an arrangement or understanding with one or more other  
7 corporations, associations, partnerships, trusts or similar organizations,  
8 or persons, directly or indirectly, controls a gas company, electric  
9 distribution company, water company, telephone [or] company,  
10 community antenna television company, holder of a certificate of cable  
11 franchise authority pursuant to section 16-331p, certified  
12 telecommunications provider, certified competitive video service  
13 provider or broadband Internet access service provider, as defined in  
14 section 16-330a, and (2) "control" means the possession of the power to

15 direct or cause the direction of the management and policies of a gas  
16 company, electric distribution company, water company, telephone [or]  
17 company, community antenna television company, holder of a  
18 certificate of cable franchise authority pursuant to section 16-331p,  
19 certified telecommunications provider, certified competitive video  
20 service provider or broadband Internet access service provider, as  
21 defined in section 16-330a, or a holding company, whether through the  
22 ownership of its voting securities, the ability to effect a change in the  
23 composition of its board of directors or otherwise, provided, control  
24 shall not be deemed to arise solely from a revocable proxy or consent  
25 given to a person in response to a public proxy or consent solicitation  
26 made pursuant to and in accordance with the applicable rules and  
27 regulations of the Securities Exchange Act of 1934 unless a participant  
28 in said solicitation has announced an intention to effect a merger or  
29 consolidation with, reorganization, or other business combination or  
30 extraordinary transaction involving the gas company, electric  
31 distribution company, water company, telephone [or] company,  
32 community antenna television company, holder of a certificate of cable  
33 franchise authority pursuant to section 16-331p, certified  
34 telecommunications provider, certified competitive video service  
35 provider or broadband Internet access service provider, as defined in  
36 section 16-330a, or the holding company. Control shall be presumed to  
37 exist if a person directly or indirectly owns ten per cent or more of the  
38 voting securities of a gas company, electric distribution company, water  
39 company, telephone [or] company, community antenna television  
40 company, holder of a certificate of cable franchise authority pursuant to  
41 section 16-331p, certified telecommunications provider, certified  
42 competitive video service provider or broadband Internet access service  
43 provider, as defined in section 16-330a, or a holding company, provided  
44 the authority may determine, after conducting a hearing, that said  
45 presumption of control has been rebutted by a showing that such  
46 ownership does not in fact confer control.

47 (b) No gas company, electric distribution company, water company,  
48 telephone [or] company, community antenna television company,  
49 holder of a certificate of cable franchise authority pursuant to section 16-

50 331p, certified telecommunications provider, certified competitive  
51 video service provider or broadband Internet access service provider, as  
52 defined in section 16-330a, or holding company, or any official, board or  
53 commission purporting to act under any governmental authority other  
54 than that of this state or of its divisions, municipal corporations or  
55 courts, shall interfere or attempt to interfere with or, directly or  
56 indirectly, exercise or attempt to exercise authority or control over any  
57 gas company, electric distribution company, water company, telephone  
58 [or] company, community antenna television company, holder of a  
59 certificate of cable franchise authority pursuant to section 16-331p,  
60 certified telecommunications provider, certified competitive video  
61 service provider or broadband Internet access service provider, as  
62 defined in section 16-330a, engaged in the business of supplying service  
63 within this state, or with or over any holding company doing the  
64 principal part of its business within this state, without first making  
65 written application to and obtaining the approval of the Public Utilities  
66 Regulatory Authority, except as the United States may properly regulate  
67 actual transactions in interstate commerce.

68 (c) No corporation, association, partnership, trust or similar  
69 organization, or person shall take any action that causes it to become a  
70 holding company with control over a gas company, electric distribution  
71 company, water company, telephone [or] company, community  
72 antenna television company, holder of a certificate of cable franchise  
73 authority pursuant to section 16-331p, certified telecommunications  
74 provider, certified competitive video service provider or broadband  
75 Internet access service provider, as defined in section 16-330a, engaged  
76 in the business of supplying service within this state, or acquire, directly  
77 or indirectly, control over such a holding company, or take any action  
78 that would if successful cause it to become or to acquire control over  
79 such a holding company, without first making written application to  
80 and obtaining the approval of the authority. Any such corporation,  
81 association, partnership, trust or similar organization, or person  
82 applying to the authority for such approval shall pay the reasonable  
83 expenses incurred by the authority in carrying out its duties under this  
84 subsection, and accordingly, shall deposit with the authority a bond,

85 executed by a surety company authorized to do business in this state, in  
86 the amount of fifty thousand dollars, conditioned to indemnify the  
87 authority for such expenses.

88 (d) The Public Utilities Regulatory Authority shall investigate and  
89 hold a public hearing on the question of granting its approval with  
90 respect to any application made under subsection (b) or (c) of this  
91 section and thereafter may approve or disapprove any such application  
92 in whole or in part and upon such terms and conditions as it deems  
93 necessary or appropriate. In connection with its investigation, the  
94 authority may request the views of the gas company, electric  
95 distribution company, water company, telephone [or] company,  
96 community antenna television company, holder of a certificate of cable  
97 franchise authority pursuant to section 16-331p, certified  
98 telecommunications provider, certified competitive video service  
99 provider or broadband Internet access service provider, as defined in  
100 section 16-330a, or holding company which is the subject of the  
101 application with respect to the proposed acquisition. After the filing of  
102 an application satisfying the requirements of such regulations as the  
103 authority may adopt in accordance with the provisions of chapter 54,  
104 but not later than thirty business days after the filing of such application,  
105 the authority shall give prompt notice of the public hearing to the person  
106 required to file the application and to the subject company, certificate  
107 holder, provider, or holding company. Such hearing shall be  
108 commenced as promptly as practicable after the filing of the application,  
109 but not later than sixty business days after the filing. [, and the] The  
110 authority shall make its determination as soon as practicable, but not  
111 later than two hundred days after the filing of the application, [provided  
112 it may] unless the person required to file the application agrees to an  
113 extension of time or the authority extends the time as provided in this  
114 subsection. The authority may extend the time period for making its  
115 determination by not more than thirty days if, before the end of such  
116 time period, [and upon notifying] the authority notifies all parties and  
117 intervenors to the proceedings [, extend the period by thirty days, or  
118 unless the person required to file the application agrees to an extension  
119 of time] of such extension. The authority may, in its discretion, grant the

120 subject company, certificate holder, provider or holding company the  
121 opportunity to participate in the hearing by presenting evidence and  
122 oral and written argument. If the authority fails to give notice of its  
123 determination to hold a hearing, commence the hearing, or render its  
124 determination after the hearing within the time limits specified in this  
125 subdivision, the proposed acquisition shall be deemed approved. In  
126 each proceeding on a written application submitted under said  
127 subsection (b) or (c), the authority shall, in a manner which treats all  
128 parties to the proceeding on an equal basis, take into consideration (1)  
129 the financial, technological and managerial suitability and  
130 responsibility of the applicant, (2) the ability of the gas company, electric  
131 distribution company, water company, telephone [or] company,  
132 community antenna television company, holder of a certificate of cable  
133 franchise authority pursuant to section 16-331p, certified  
134 telecommunications provider, certified competitive video service  
135 provider or broadband Internet access service provider, as defined in  
136 section 16-330a, or holding company which is the subject of the  
137 application to provide safe, adequate and reliable service to the public  
138 through the company's, certificate holder's or provider's plant,  
139 equipment and manner of operation if the application were to be  
140 approved, and (3) for an application concerning a telephone company,  
141 the effect of approval on the location and accessibility of management  
142 and operations and on the proportion and number of state resident  
143 employees. The authority shall only grant its approval of an application  
144 filed on or after January 1, 2021, made under subsection (c) of this  
145 section, if the holding company effects a change in the composition of  
146 the board of directors to include a proportional percentage of  
147 Connecticut-based directors equivalent to the percentage that  
148 Connecticut service areas represent of the total service areas covered by  
149 the holding company.

150 (e) During any proceeding under subsection (b) or (c) of this section,  
151 the authority may order any party to such proceeding and the officers,  
152 directors, employees and agents of such party to refrain for a specific  
153 time period from communicating, directly or indirectly, with the record  
154 and beneficial owners of securities of the gas company, electric

155 distribution company, water company, telephone [or] company,  
156 community antenna television company, holder of a certificate of cable  
157 franchise authority pursuant to section 16-331p, certified  
158 telecommunications provider, certified competitive video service  
159 provider or broadband Internet access service provider, as defined in  
160 section 16-330a, or holding company which is the subject of such  
161 proceedings, in regard to the matters submitted to the authority for its  
162 approval under said subsection (b) or (c). If the authority issues such an  
163 order, it shall also order all other parties to the proceeding and the  
164 officers, directors, employees and agents of such parties to refrain for  
165 the same time period from communicating, directly or indirectly, with  
166 such record and beneficial owners of such securities, in regard to such  
167 matters. No order issued pursuant to this subsection shall prohibit any  
168 party from complying with disclosure and reporting obligations under  
169 any other provision of the general statutes or under federal law.

170 (f) Each holding company shall, not later than three months after the  
171 close of its fiscal year, annually, file with the authority a copy of its  
172 annual report to stockholders for such fiscal year. If the holding  
173 company does not print such an annual report, it shall file instead, not  
174 later than the same date, a comprehensive audit and report of its  
175 accounts and operations prepared by an independent public accounting  
176 firm approved by the authority. The provisions of this subsection shall  
177 not apply to any holding company in the form of a person.

178 (g) Any action contrary to the provisions of [subsections] subsection  
179 (b) or (c) of this section shall be voidable on order of the authority.

180 (h) Whenever any corporation, association, partnership, trust or  
181 similar organization, or person takes or engages in any action which  
182 may or would violate subsection (b) or (c) of this section or any order  
183 adopted pursuant to said subsection (b) or (c), the Superior Court, upon  
184 application of the authority or any holding company or gas company,  
185 electric distribution company, water company, telephone [or] company,  
186 community antenna television company, holder of a certificate of cable  
187 franchise authority pursuant to section 16-331p, certified

188 telecommunications provider, certified competitive video service  
 189 provider or broadband Internet access service provider, as defined in  
 190 section 16-330a, affected by such action, may enjoy any such  
 191 corporation, association, partnership, trust or similar organization, or  
 192 person from continuing or doing any act in violation of said subsection  
 193 (b) or (c) or may otherwise enforce compliance with said subsection (b)  
 194 or (c), including, but not limited to, the reinstatement of authority or  
 195 control over the [holding company or] gas company, electric  
 196 distribution company, water company, telephone [or] company,  
 197 community antenna television company, holder of a certificate of cable  
 198 franchise authority pursuant to section 16-331p, certified  
 199 telecommunications provider, certified competitive video service  
 200 provider or broadband Internet access service provider, as defined in  
 201 section 16-330a, or holding company to those persons who exercised  
 202 authority or control over such company, certificate holder or provider  
 203 before such action.

204 (i) The provisions of this section shall not be construed to require any  
 205 person to make written application to or obtain the approval of the  
 206 authority with respect to any telephone company or holding company  
 207 of a telephone company over which such person exercises authority or  
 208 control or operates as a holding company on June 30, 1987.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2023	16-47

**ET**            *Joint Favorable*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

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**OFA Fiscal Note****State Impact:** None**Municipal Impact:** None**Explanation**

The bill has no fiscal impact. The bill alters some regulatory oversight responsibilities of the Public Utilities Regulatory Authority (PURA), without obligating the state to further action. There may be additional hearings and filings within PURA as a result of the bill but this can be carried out within existing resources.

**The Out Years****State Impact:** None**Municipal Impact:** None



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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)