

**REGULATIONS OF CONNECTICUT STATE AGENCIES**

**Department of Energy and Environmental Protection**

Public Utilities Regulatory Authority

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**Approval by the Department of Public Utility Control for the  
Disposition of Certain Assets of Public Service Companies**

**Petitions and Applications, Sec. 16-43, Gen. Stat.**

**Sec. 16-43-1. General rule**

These rules apply to all proceedings for the approval by the commissioners of any proposal of a public service company directly or indirectly to merge or consolidate with any other company, to sell, lease, assign, mortgage, or otherwise dispose of any essential part of its franchise, plant equipment or other property necessary or useful in the performance of its duty to the public; or to issue any notes, bonds or other evidence of indebtedness or securities of any nature for a longer period than one year; or to lend or borrow any moneys for a longer period than one year for any purpose other than paying the expenses of conducting its business or for the payment of dividends.

(Effective December 21, 1971; transferred from § 16-1-60, August 23, 2000)

**Sec. 16-43-2. Requirement of approval**

(a) No public service company shall, directly or indirectly, sell, lease, assign, or otherwise dispose of or cease to own any interest in land, buildings, real estate fixtures or any other interest in real estate unless it shall first have applied for and received the approval of the commission in the manner provided by the Rules of Practice of the commission.

(b) For the purpose of determining whether or not the proposed transaction is subject to its approval, as aforesaid, the commission shall consider and make a finding of fact as to whether or not the subject real property is an essential part of the franchise of the public service company or is necessary or useful in the performance of the duty of the public service company to the public. For the purposes of this section, plant under construction shall be presumed to be necessary in the performance of the public service company's duty to the public and applications must be presented to the commission regarding disposition of said plant or its output either directly or indirectly.

(c) The commission shall consider and make a finding of fact as to whether such interest in real property consists of a parcel of unimproved real property containing three (3) acres or more or is in any way subject to acquisition by any municipality or the state for any purpose authorized by law.

(d) In deciding whether or not to grant such approval the commission shall make a finding as to whether or not such interest in land, buildings, real estate fixtures or other interest in real estate is to be sold, leased, assigned or otherwise disposed of for a consideration that is equal in amount to the fair market value thereof. In the event the commission finds that consideration equals an amount less than such fair market value, then the commission shall further consider whether the acceptance of that consideration by the public service company adversely affects the interests of the stockholders and owners or of the customers of the public service company.

(Effective March 24, 1982; transferred from § 16-43-1, January 6, 2003)

**Sec. 16-43-3. Special components**

In addition to the requirements stated in Part 1 of this article, each application for the approval of the department of public utility control under section 16-43 of the General Statutes shall contain the following data, either in the statement of application or as exhibits annexed thereto and accompanying the application:

(a) **Mergers, consolidations, security issues.**

(1) A statement of financial condition of the applicant. If the applicant is to be merged with another company, a statement of financial condition of any company with which the applicant is to be merged. Such statement will reflect the financial condition of the surviving company before and after the transaction for which approval is sought.

(2) A copy of any agreement to merge, consolidate, sell, lease, assign or mortgage.

(3) General description of applicant's property and field of operation, the original cost of its property and equipment (individually or by class), the cost thereof to applicant, the depreciation and amortization reserves applicable to such property and equipment (individually or by class).

(4) The amount of bonds, notes or other evidence of indebtedness the applicant desires to issue, with terms, rate of interest, and whether and how secured; the amount and description of any indebtedness the applicant desires to assume; the amount and kind of stock or other evidence of interest or ownership the applicant desires to issue and, if such stock is preferred, the nature and extent of the preference.

(5) A copy of any deed of trust, security agreement, mortgage, conditional sales contract, note or other instrument defining the terms of the proposed security, any plan or offer or agreement for the reorganization or readjustment of indebtedness or capitalization, and any plan for the retirement or exchange of securities.

(6) A statement of the purpose for which the securities are to be issued, including but not limited to the following facts:

(A) If for property acquisition, a detailed description thereof, the consideration to be paid therefor, and the method of arriving at the amount.

(B) If for construction, completion, extension or improvement of facilities, a description thereof in reasonable detail, the cost or estimated cost thereof, and the reason or necessity for the expenditures.

(C) If for improvement of service, a statement of the character of the improvements proposed, or if for maintenance of service, a statement of the reasons why service should be maintained from capital.

(D) If for discharge or refunding of obligations, a full description of the obligations to be discharged or refunded, including the character, principal amount, discount or premium applicable thereto, date on which incurred, date of maturity, rate of interest, and other material facts concerning such obligations, together with a statement showing the purpose for which such obligations had been incurred or the proceeds expended, and any decision of the department authorizing that such obligations be incurred.

(E) If for the reorganization or readjustment of indebtedness or capitalization, or for retirement or exchange of securities, a full description of the indebtedness or capitalization to be readjusted or exchanged; complete terms and conditions of the merger, consolidation, exchange or other reorganization; a pro forma balance sheet (where applicable) giving effect to such reorganization, readjustment or exchange; and a statement of the reason or necessity for the transaction.

(F) If for reimbursement of monies actually expended from income, or from any other monies in the treasury, a general description of the expenditures for which reimbursement is sought, the source of such expenditures, the periods during which such expenditures were made, and the reason for necessity for such reimbursement.

(7) A complete description of any obligation or liability to be assumed by the applicant as guarantor, indorser, surety or otherwise the consideration to be received by applicant, and the reason or necessity for such action.

(8) A copy of the latest proxy statement sent to the stockholders and the last annual report to stockholders by the applicant or by its parent company, where applicable.

(9) A copy of all statements, reports, applications and exhibits filed with the Securities and Exchange Commission (S.E.C.) or any other regulatory agency in connection with the issuance of said securities by the applicant, its parent company, or any other company affiliated therewith, whose capital stock is registered with the S.E.C. pursuant to the provisions of the Securities Exchange Act of 1934. The materials annexed pursuant to this subsection shall further include a copy of the latest proxy statement sent to stockholders by the applicant, its parent company or any other company in connection with the issuance of said securities in compliance with the rules of the S.E.C.

(10) A description of the property involved in the transaction, including any franchises, permits, or operative rights; and, if the transaction is a sale, lease, assignment, merger or consolidation, a statement of the book cost and the original cost, if known, of the property involved.

(11) A certified copy of the Board of Directors' Resolutions approving the initiation of the proposed transaction. Additionally, when available, but prior to final action by the Department, the applicant shall submit a certified copy of the Board of Directors' Resolutions approving the transaction.

**(b) Real property transactions**

(1) A statement indicating the reason why the real property is being sold, leased, assigned or mortgaged.

(2) The form in which disposition of interest is to take place and the written agreement including all terms or conditions, e.g.; sale or conveyance of the fee; lease for a term of years; easement for a term of years or permanent; exchange of properties or a transfer or some form not listed above.

(3) A description of the location of the real property in the city, town or other municipal form, giving any available street address. For land transactions, enclose a map clearly identifying location. If a map is not available, location will be made by specifying adjacent streets, roads, highways, or other obvious landmarks.

(4) Description of the physical characteristics of the real property. State present and prior use of the property. For land or building transactions, the total square feet or acreage shall be included.

(5) Name of proposed transferee, including what relation, if any, that the transferee has to the company. Also, state the name of any public agency which has expressed an interest in the real property.

(6) Description of the proposed monetary consideration. If the financial consideration or fair market value of any real property transfer is fifty thousand dollars (\$50,000) or more, not less than two (2) appraisals shall be submitted. The department may require other substantiating evidence verifying the fair market value. For real property transfers of less than fifty thousand dollars (\$50,000), the department may require that an appraisal be submitted. All applications shall include a statement of the locally assessed valuation for property tax purposes, including the date of the last evaluation. Also, there shall be included a statement of the source of determining said consideration of the current fair market value. In cases where one real property is being exchanged for another, the company shall submit substantiating evidence of the fair market value for both properties.

(7) The company shall not sell, lease or assign real property directly or indirectly to any director, officer, or their immediate families. Additionally, it shall not sell, lease or assign real property directly or indirectly to any non-officer employee, nor

to any company affiliated with it except at public auction or other public sale procedure. Where good cause appears, the department may permit deviation from this rule except where precluded by statute.

(8) If real property is offered at an auction or other public sale procedure, the company shall submit evidence that the said procedure was widely noticed.

(9) In the event that the proposed transferee and/or the financial consideration is not known, the department will act on the application subject to the following condition: The company will submit for approval the name of the transferee, the financial consideration, and the other terms of the transfer agreement when they are known.

(10) A statement indicating the original cost of the real property as defined in the uniform system of accounts prescribed by the department and all accounts under which the property has been recorded.

(11) The proposed journal entry(s) to record the transaction.

(12) Description of the steps followed by the company in compliance with the provisions of sections 16-50c and 16-50e of the General Statutes or a statement explaining why these sections are not applicable.

(13) For the disposition of water company lands, state the class or classes under which the real property is classified, as described in section 25-37c of the General Statutes.

**(c) Sale of public service companies**

(1) A copy of the sale agreement, including the sale price and all terms and conditions. Also, if not included in the sale agreement, a statement as to whether the sale price is to be adjusted for any taxes, customer deposits, accounts receivable or accounts payable.

(2) Description of the company and all property and equipment included in the sale.

(3) A map of the system showing the company plant.

(4) A statement indicating the original cost of the property as defined in the uniform system of accounts prescribed by the department.

(5) The proposed journal entry(s) to record the transaction of both the seller and the purchaser.

(6) Name of proposed purchaser.

(7) The seller shall include a statement from the proposed purchaser containing the following information.

(A) A statement of the purchaser's financial condition.

(B) A statement of the purchaser's experience in utility operations.

(C) A statement giving the name(s) of persons who will be responsible for operating and maintaining the system, customer relations, billing and maintaining the accounting records.

(Effective February 24, 1982; transferred from § 16-1-61, August 23, 2000; transferred from § 16-43-2, January 6, 2003)