

# **HOUSE BILL ANALYSIS**

## **SSB 5628**

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**Title:** *An act relating to the regulation of securities issuances by electrical and natural gas companies.*

**Brief Description:** *Authorizing the utilities and transportation commission to exempt electrical and natural gas companies from securities regulation.*

**Sponsors:** *Senate Committee on Energy & Utilities (originally sponsored by Senators Hochstatter, Deccio, Brown and Strannigan).*

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### **HOUSE COMMITTEE ON ENERGY & UTILITIES**

**Meeting Date:** *March 25, 1997.*

**Bill Analysis Prepared by:** *Margaret Allen (786-7110).*

**Background:** A public service company— is a natural gas, electricity, telecommunications, or water company whose rates and services are regulated by the Washington Utilities and Transportation Commission (WUTC).

The state has the authority to regulate security issuances by public service companies, and public service companies are to issue securities only in accordance with applicable laws and in accordance with regulations prescribed by the WUTC. The Federal Energy Regulatory Commission will regulate security issuances by a public utility only if those issues are not regulated by the public utility commission of the state in which the utility is organized and operating.

Prior to 1987, the law expressly required a public service company to apply to the WUTC for authorization prior to issuing securities other than short-term notes, and required WUTC approval of the final terms of the issuance before giving the authorization. If the company conducted business in another state as well as in Washington, the WUTC could approve issuances jointly with the appropriate agency or agencies of the other state.

In 1987, the Legislature authorized the WUTC to permit a public service company to issue securities based on reasonable estimates of the final terms, and allowed the company to complete the transaction if the final terms were within a range of conditions established by the WUTC.

In 1994, at the WUTC's request, the Legislature repealed the explicit requirement a public service company apply to the WUTC for approval prior to issuing securities, repealed the language authorizing the WUTC to jointly approve issuances with other states, and repealed a variety of related provisions. But, the Legislature required a public service company to file a notice with the WUTC prior to issuing securities. The notice must: (1) describe the purpose of the issuance; (2) describe the issuance itself, including the terms of financing; and (3) state why the transaction is in the public interest. A company fulfilling these prerequisites can require the WUTC to enter a written order stating the company has provided the necessary information and statements.

In 1995, the WUTC adopted a rule requiring public service companies, within 30 days of issuing securities, to file with the WUTC a letter setting forth the final terms and conditions of the issuance.

***Summary of Substitute Bill:*** The WUTC is authorized to exempt from statutory requirements regarding WUTC oversight or regulation of security issuances: (1) any security or class of securities for which a filing to the WUTC is required by law; or (2) any electrical or natural gas company, or class of electrical or natural gas company.

Before granting the exemption, the WUTC must find the public interest does not require compliance with the statutory requirements.

The WUTC may create the exemption by order or rule, and may impose terms and conditions on the exemption.

***Appropriation:*** None.

***Fiscal Note:*** Not requested.

***Effective Date of Substitute Bill:*** Ninety days after adjournment of session in which bill is passed.