

Effective immediately.

existing public institutions and shall take effect immediately.

Passed the Senate February 2, 1933.

Passed the House March 1, 1933.

Approved by the Governor March 18, 1933.

CHAPTER 151.

[S. B. 195.]

SUPERVISION AND REGULATION OF PUBLIC SERVICE COMPANIES.

AN ACT relating to public service companies, providing for the supervision, regulation, restriction and control of the issuance of securities thereby; providing penalties for the violation hereof and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

Definitions.
"Department."

SECTION 1. a. The term "department" when used in this act shall mean the department of public works of Washington or such body as may succeed to the powers and duties now exercised by the department of public works.

"Public service company."

b. The term "public service company" shall mean every person, firm, corporation or association, or their lessees, trustees or receivers, now or hereafter engaged in business in this state as a public utility and subject to regulation as to rates and service by the department of public works: *Provided*, That the term shall not include and this act shall not include common carrier railroad companies and other public utilities, the issuance of stocks and securities of which are subject to regulation by the interstate commerce commission.

SEC. 2. The power of public service companies to issue stocks and stock certificates or other evidence of interest or ownership, and bonds, notes and

other evidences of indebtedness and to create liens on their property situated within this state is a special privilege, the right of supervision, regulation, restriction, and control of which is and shall continue to be vested in the state, and such power shall be exercised as provided by law and under such rules and regulations as the department may prescribe.

Power to issue stocks, etc., limitation of.

SEC. 3. A public service company may issue stocks and stock certificates or other evidence of interest or ownership, and bonds, notes and other evidences of indebtedness payable at periods of more than twelve months after the date thereof, for the following purposes and no others; namely, for the acquisition of property, or for the construction, completion, extension or improvement of its facilities or for the improvement or maintenance of its service, or for the discharge or lawful refunding of its obligations, or for the reimbursement of moneys actually expended from income or from any other moneys in the treasury of the public service company not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership or bonds, notes or other evidences of indebtedness of such public service company for any of the aforesaid purposes except maintenance of service, in cases where the applicant shall have kept its accounts and vouchers for such expenditures in such manner as to enable the department to ascertain the amount of moneys so expended and the purposes for which such expenditure was made.

Purposes of issue.

SEC. 4. Application for authorization to issue such stocks and stock certificates or other evidence of interest or ownership, and bonds, notes or other evidences of indebtedness shall be made to the department stating the amount, character, terms and purpose of each proposed issue thereof, and stating such other pertinent details as the department may require.

Application for authority.

Investigation.

To enable it to determine whether it will issue such order, the department may hold a hearing and may make such additional inquiry or investigation, and examine such witnesses, books, papers, documents and contracts, and require the filing of such data as it may deem of assistance. The department may by its order grant permission for the issuance of such stocks or stock certificates or other evidence of interest or ownership, or bonds, notes or other evidences of indebtedness in the amount applied for, or in a lesser amount, or not at all, and may attach to the exercise of its permission such condition or conditions as it may deem reasonable and necessary.

Granting of permission.

Authority from another state.

If a commission or other agency or agencies is empowered by another state to regulate and control the amount and character of securities to be issued by any public service company within such other state, then the department shall have the power to agree with such commission or other agency or agencies of such other state on the issuance of stocks and stock certificates or other evidence of interest or ownership, and bonds, notes or other evidences of indebtedness by a public service company owning or operating a public utility both in such state and in this state, and shall have the power to approve such issue jointly with such commission or other agency or agencies and to issue a joint certificate of such approval: *Provided, however,* That no such joint approval shall be required in order to express the consent to and approval of such issue by the State of Washington if said issue is separately approved by the department.

Issue by state.

Court review.

The public service company making the application may have the decision or order of the department reviewed in the courts in the same manner and by the same procedure as any other order or decision of the department, when the public service company shall deem such decision or order to be in any

respect or manner improper, unjust or unreasonable.

SEC. 5. No public service company shall, without the consent of the department, apply the issue of any stock or stock certificate or other evidence of interest or ownership, or bond, note or other evidence of indebtedness, or any part thereof, or any proceeds thereof, to any purpose not specified in the department's order, or to any purpose specified in the department's order in excess of the amount authorized for such purpose, or issue or dispose of the same on any terms less favorable than those specified in such order, or a modification thereof.

Issue: Application and disposition of.

SEC. 6. A public service company may issue notes, for proper purposes and not in violation of any provision of this act, or any other act, payable at periods of not more than twelve months after the date of issuance of the same, without the consent of the department, but no such note shall, in whole or in part, be refunded by any issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidence of indebtedness, without the consent of the department.

Without consent of department.

SEC. 7. The department shall have no power to authorize the capitalization of the right to be a corporation, or to authorize the capitalization of any franchise or permit whatsoever or the right to own, operate or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the state or to a political subdivision thereof as the consideration for the grant of such franchise, permit or right; nor shall any contract for consolidation or lease be capitalized, nor shall any public service company hereafter issue any bonds; notes or other evidences of indebtedness against or as a lien upon any contract for consolidation or merger.

Limitations of powers of department.

Contract for consolidation.

Disposition
of proceeds.

SEC. 8. The department shall have the power to require public service companies to account for the disposition of the proceeds of all sales of stocks and stock certificates or other evidence of interest or ownership, and bonds, notes and other evidences of indebtedness, in such form and detail as it may deem advisable, and to establish such rules and regulations as it may deem reasonable and necessary to insure the disposition of such proceeds for the purpose or purposes specified in its order.

Issues:
Without
authority of
department.

SEC. 9. All stock and every stock certificate or other evidence of interest or ownership, and every bond, note or other evidence of indebtedness, of a public service company, issued without an order of the department authorizing the same then in effect shall be void, and likewise all stock and every stock certificate or other evidence of interest or ownership, and every bond, note or other evidence of indebtedness, of a public service company, issued with the authorization of the department, but not conforming in substance in its provisions to the provisions, if any, which it is required by the order of authorization of the department to contain, shall be void; but no failure in any other respect to comply with the terms or conditions of the order of authorization of the department and no defect in, or in connection with the application for or issuance of, such order shall render void any stock or stock certificate or other evidence of interest or ownership, or any bond, note or other evidence of indebtedness, except as to a corporation or person taking the same otherwise than in good faith and for value and without actual notice.

Failing to
conform to
authori-
zation.

SEC. 10. All stocks and stock certificates or other evidence of interest or ownership, and bonds, notes and other evidences of indebtedness issued by any public service company after this act takes effect, upon the authority of any articles of incorporation

or amendments thereto or vote of the stockholders or directors filed, taken or had, or other proceedings taken or had, previous to the taking effect of this act, shall be void, unless an order of the department authorizing the issuance of such stock or stock certificates or other evidence of interest or ownership, or bonds, notes or other evidences of indebtedness shall have been obtained from the department prior to such issue; but no failure in any other respect to comply with the terms or conditions of the order of authorization of the department and no defect in, or in connection with the application for or issuance of, such order shall render void any stock or stock certificate or other evidence of interest or ownership, or any bond, note or other evidence of indebtedness, except as to a corporation or person taking the same otherwise than in good faith and for value and without actual notice. The department may by its order impose such condition or conditions as it may deem reasonable and necessary.

Issues upon
prior
authority.

SEC. 11. a. Every public service company which, directly or indirectly, issues or causes to be issued, any stock or stock certificate or other evidence of interest or ownership, or bond, note or other evidence of indebtedness, in non-conformity with the order of the department authorizing the same, or contrary to the provisions of this act, or which applies the proceeds from the sale thereof, or any part thereof, to any purpose other than the purpose or purposes specified in the department's order, as herein provided or to any purpose specified in the department's order in excess of the amount in said order authorized for such purpose shall be subject to a penalty of not more than one thousand dollars for each offense. Every violation of any such order, rules, direction, demand or requirement of the department, or of any provision of this act, shall be a separate and distinct offense and in case of a con-

Violation of
company.

Penalty.

tinuing violation every day's continuance thereof shall be deemed to be a separate and distinct offense.

Act of
officer or
agent.

b. The act, omission or failure of any officer, agent or employee of any public service company acting within the scope of his official duties or employment, shall in every case be deemed to be the act, omission or failure of such public service company.

Violation
of officer,
agent or
employer.

SEC. 12. Every officer, agent or employee of a public service company, and every other person who knowingly authorizes, directs, aids in, issues or executes, or causes to be issued or executed, any stock or stock certificate or other evidence of interest or ownership, or bond, note or other evidence of indebtedness, in non-conformity with the order of the department authorizing the same, or contrary to the provisions of this act, or who, in any proceedings before the department, knowingly makes any false statement or representation or with knowledge of its falsity files or causes to be filed with the department any false statement or representation which said statement or representation so made, filed or caused to be filed may tend in any way to influence the department to make an order authorizing the issuance of any stock or stock certificate or other evidence of interest or ownership, or any bond, note or other evidence of indebtedness, or which results in procuring from the department the making of any such order, or who, with knowledge that any false statement or representation was made to the department in any proceedings tending in any way to influence the department to make such order, issues or executes or negotiates, or causes to be issued, executed or negotiated any such stock or stock certificate or other evidence of interest or ownership, or bond, note or other evidence of indebtedness, or who, directly or indirectly, knowingly applies, or causes or assists to be applied the proceeds or any part thereof, from

Fraudulent
misrepresent-
ation.

the sale of any stock or stock certificate or other evidence of interest or ownership, or bond, note or other evidence of indebtedness, to any purpose not specified in the department's order, or to any purpose specified in the department's order in excess of the amount authorized for such purpose, or who, with knowledge that any stock or stock certificate or other evidence of interest or ownership, or bond, note or other evidence of indebtedness, has been issued or executed in violation of any of the provisions of this act, negotiates, or causes the same to be negotiated, shall be guilty of a gross misdemeanor.

Gross misdemeanor.

SEC. 13. No public service company shall henceforth assume any obligation or liability as guarantor, indorser, surety or otherwise in respect to the securities of any other person, firm or corporation, when such securities are payable at periods of more than twelve months after the date thereof, without having first secured from the department an order authorizing it so to do. Every such assumption made other than in accordance with the order of the department authorizing the same shall be void.

Assumption of obligation of others.

SEC. 14. No provision of this act, and no deed or act done or performed under or in connection therewith, shall be held or construed to obligate the State of Washington to pay or guarantee, in any manner whatsoever, any stock or stock certificate or other evidence of interest or ownership, or bond, note or other evidence of indebtedness, authorized, issued or executed under the provisions of this act.

State: No liability.

SEC. 15. If any section or provision of this act shall be adjudged to be invalid or unconstitutional, such adjudication shall not affect the validity of the act as a whole or any section, provision or part thereof not adjudged to be invalid or unconstitutional.

Partial invalidity.

Effective
immediately.

SEC. 16. This act is necessary for the immediate preservation of the public peace, health and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the Senate February 25, 1933.

Passed the House March 6, 1933.

Approved by the Governor March 18, 1933.

CHAPTER 152.

[S. B. 196.]

SUPERVISION AND REGULATION OF PUBLIC SERVICE COMPANIES.

AN ACT relating to public service companies, providing for additional supervision and regulation of their relations and practices with affiliated interests, and declaring an emergency.

*Be it enacted by the Legislature of the State of
Washington:*

Definitions.
"Depart-
ment."

SECTION 1. The term "department" when used in this act shall mean the department of public works of Washington or such other body as may exercise the powers and duties now vested in the department of public works.

"Public
service
company."

The term "public service company" shall include every corporation engaged in business as a public utility and subject to regulation as to rates and service by the department of public works.

"Affiliated
interest."

The term "affiliated interest" when used in this act shall mean and include the following:

5% of voting
securities.

a. Every corporation and person owning or holding directly or indirectly five per centum or more of the voting securities of any public service company engaged in any intrastate business in this state.

b. Every corporation and person, other than those specified in paragraph (a) hereof, in any chain