

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.

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## 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

of successive ownership of five per centum or more of voting securities, the chain beginning with the holder or holders of the voting securities of such public service company.

Chain of successive ownership.

c. Every corporation five per centum or more of whose voting securities are owned by any person or corporation owning five per centum or more of the voting securities of such public service company or by any person or corporation in any such chain of successive ownership of five per centum or more of voting securities.

Corporation.

d. Every corporation or person with which the public service company has a management or service contract.

Management contract.

e. Every person who is an officer or director of such public service company or of any corporation in any chain of successive ownership of five per centum or more of voting securities.

Officer or director.

SEC. 2. No contract or arrangement providing for the furnishing of management, supervisory construction, engineering, accounting, legal, financial or similar services, and no contract or arrangement for the purchase, sale, lease or exchange of any property, right, or thing, or for the furnishing of any service, property, right, or thing, other than those above enumerated, hereafter made or entered into between a public service company and any affiliated interest as defined in this act, shall be valid or effective unless and until such contract or arrangement shall have received the approval of the department. It shall be the duty of every public service company to file with the department, a verified copy or a verified summary of any such unwritten contract or arrangement, and also of all such contracts and arrangements, whether written or unwritten, entered into prior to the effective date of this act and in force and effect at that time. The department shall approve such contract or arrangement

Contracts.

Approval of department.

hereafter made or entered into only if it shall clearly appear and be established upon investigation that it is reasonable and consistent with the public interest; otherwise the contract or arrangement shall not be approved. The department shall not be required to approve any such contract or arrangement unless satisfactory proof is submitted to the department of the cost to the affiliated interest of rendering the services or of furnishing the property or service described herein.

Payments to  
affiliated  
interest.

SEC. 3. In any proceeding, whether upon the department's own motion or upon complaint, involving the rates or practices of any public service company, the department may exclude from the accounts of such public service company any payment or compensation to an affiliated interest for any services rendered or property or service furnished, as above described, under existing contracts or arrangements with such affiliated interest unless such public service company shall establish the reasonableness of such payment or compensation. In such proceeding the department shall disallow such payment or compensation, in whole or in part, in the absence of satisfactory proof that it is reasonable in amount. In such proceeding any payment or compensation may be disapproved or disallowed by the department, in whole or in part, unless satisfactory proof is submitted to the department of the cost to the affiliated interest of rendering the service or furnishing the property or service above described.

Proof.

SEC. 4. No proof shall be satisfactory, within the meaning of the foregoing sections, unless it includes the original (or verified copies) of the relevant cost records and other relevant accounts of the affiliated interest, or such abstract thereof or summary taken therefrom, as the department may deem adequate, properly identified and duly authenticated: *Provided, however,* That the depart-

ment may, where reasonable, approve or disapprove such contracts or arrangements without the submission of such cost records or accounts.

SEC. 5. The department shall have continuing supervisory control over the terms and conditions of such contracts and arrangements as are herein described so far as necessary to protect and promote the public interest. The department shall have the same jurisdiction over the modifications or amendment of contracts or arrangements as are herein described as it has over such original contracts or arrangements. The fact that the department shall have approved entry into such contracts or arrangements as described herein shall not preclude disallowance or disapproval of payments made pursuant thereto, if upon actual experience under such contract or arrangement, it appears that the payments provided for or made were or are unreasonable. Every order of the department approving any such contract or arrangement shall be expressly conditioned upon the reserved power of the department to revise and amend the terms and conditions thereof, if, when and as necessary to protect and promote the public interest.

Control over contracts.

SEC. 6. Whenever the department shall find upon investigation that any public service company is giving effect to any such contract or arrangement without such contract or arrangement having received the department's approval as required by this section, the department may issue a summary order prohibiting the public service company from treating any payments made under the terms of such contract or arrangement as operating expenses or as capital expenditures for rate or valuation purposes, unless and until such payments shall have received the approval of the department.

Contract without approval of department.

SEC. 7. Whenever the department shall find upon investigation that any public service company

Payments  
without  
approval.

is making payments to an affiliated interest, although such payments have been disallowed and disapproved by the department in a proceeding involving the public service company's rates or practices, the department shall issue a summary order directing the public service company from treating such payments as operating expenses or capital expenditures for rate or valuation purposes, unless and until such payments shall have received the approval of the department.

Enforce-  
ment:  
Thurston  
county.

SEC. 8. The superior court of Thurston county is authorized to enforce such orders to cease and desist by appropriate process, including the issuance of a preliminary injunction, upon the suit of the department.

Court  
review.

SEC. 9. Any public service company or affiliated interest deeming any decision or order of the department to be in any respect or manner improper, unjust or unreasonable may have the same reviewed in the courts in the same manner and by the same procedure as is now provided by law for review of any other order or decision of the department.

Partial  
invalidity.

SEC. 10. If any part of this act is held to be unconstitutional or void, such decision shall not affect the validity of the remaining parts of this act.

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SEC. 11. This act is necessary for the immediate preservation of the public peace, health and safety, and the support of the state government and its existing institutions, and shall take effect immediately.

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