



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 652 (Substitute S-3 as reported by the Committee of the Whole)

Sponsor: Senator Mat J. Dunaskiss

Committee: Financial Services

CONTENT

The bill would create a new act to regulate the issuance of stocks, bonds, and other evidences of indebtedness by a generation and transmission electric cooperative engaged solely in the generation and transmission of wholesale power. The act would be repealed effective January 1, 2001. An electric cooperative subject to the bill could issue stocks, bonds, notes or other evidences of indebtedness, payable at a period of more than 12 months after the date of issuance, for the acquisition of property, the construction, completion, extension, or improvement of facilities, the improvement or maintenance of service, or the discharge or lawful refunding of obligations. An electric cooperative subject to the bill also could issue stock to represent accumulated earnings invested in capital assets and not previously capitalized. A cooperative subject to the bill could not issue the instruments, however, unless the Michigan Public Service Commission (PSC) issued an order authorizing the issuance and stated that the use of the capital or property to be acquired and secured was reasonably required for the cooperative's purpose, or that the issue of stock fairly represented accumulated and undistributed earnings invested in capital assets and not previously capitalized.

A cooperative subject to the bill would have to apply to the PSC for approval, and the PSC could investigate, hold hearings, and examine witnesses, books, papers, documents, or contracts as it considered necessary. If the PSC were satisfied that the bill's requirements were met, it would have to grant the authority to make the issue. In granting that authority, the PSC could impose as a condition reasonable terms and conditions it considered proper. Stocks, bonds, notes, or other evidences of indebtedness issued pursuant to a PSC order would be binding in accordance with their terms, regardless of whether the order was later vacated, modified, or otherwise held to be invalid.

A cooperative subject to the bill that neglected or failed to comply with, or violated the bill or failed to perform the conditions imposed by the PSC would be liable for a fine of not less than \$1,000 or more than \$5,000 for each offense.

Legislative Analyst: P. Affholter

FISCAL IMPACT

This bill would provide for continued oversight of the indebtedness and financial security of two of the 15 electric cooperatives that operate in Michigan. This bill would not require any additional regulatory activity by the PSC over cooperative utility financial practices.

Date Completed: 9-26-95

Fiscal Analyst: K. Lindquist

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.