

003365968

HOUSE BILL NO. 797**AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the House Committee on Corporations, Insurance and Banking
on February 3, 2000)

(Patron Prior to Substitute—Delegate Wagner)

A BILL to amend and reenact §§ 56-231.15, 56-231.16, 56-231.30, 56-231.38, and 56-231.39 of the Code of Virginia, relating to utility consumer services cooperatives and utility aggregation cooperatives.

Be it enacted by the General Assembly of Virginia:

1. That §§ 56-231.15, 56-231.16, 56-231.30, 56-231.38, and 56-231.39 of the Code of Virginia are amended and reenacted as follows:

§ 56-231.15. Definitions.

The following terms, whenever used or referred to in this article, shall have the following meanings, unless a different meaning clearly appears from the context:

"Acquire" means and includes construct, or acquire by purchase, lease, devise, gift or the exercise of the power of eminent domain, or by other mode of acquisition.

"Affiliate" means a separate affiliated or subsidiary corporation or other separate legal entity.

"Board" means the board of directors of a cooperative formed under or subject to this article.

"Commission" means the State Corporation Commission of Virginia.

"Cooperative" means a utility consumer services cooperative formed under or subject to this article or a distribution cooperative formed under the former Distribution Cooperatives Act (§ 56-209 et seq.).

"Energy" means and includes any and all forms of energy no matter how or where generated or produced.

"Federal agency" means and includes the United States of America, the President of the United States of America, the Tennessee Valley Authority, the Federal Administrator of the Rural Utility Service, the Southeastern Power Administration, the Federal Energy Regulatory Commission, the Securities and Exchange Commission, the Federal Communications Commission and any and all other authorities, agencies, and instrumentalities of the United States of America, heretofore or hereafter created.

"HVACR" means heating, ventilation, air conditioning and refrigeration.

"Improve" means and includes construct, reconstruct, replace, extend, enlarge, alter, better or repair.

"Law" means any act or statute, general, special or local, of this Commonwealth.

"Member" means and includes each natural person signing the articles of incorporation of a cooperative and each person admitted to membership therein pursuant to law or its bylaws.

"Municipality" means any city or incorporated town of the Commonwealth.

"Obligations" means and includes bonds, interim certificates or receipts, notes, debentures, and all other evidences of indebtedness either issued by, or the payment of which is assumed or contractually undertaken by, a cooperative.

"Patronage capital" includes all amounts received by a distribution cooperative from sale of electric power to members in excess of the distribution cooperative's cost of furnishing electric power to members.

"Person" means and includes natural persons, firms, associations, cooperatives, corporations, limited liability companies, business trusts, partnerships, limited liability partnerships and bodies politic.

"Propane or fuel oil equipment" means equipment and related systems to store or use propane or fuel oil products.

"Regulated utility services" means utility services that are subject to regulation as to rates or service by the Commission.

"System" means and includes any plant, works, system, facilities, equipment or properties, or any part or parts thereof, together with all appurtenances thereto, used or useful in connection with the generation, production, transmission or distribution of energy or in connection with other utility services.

"Traditional cooperative activity" means any business, service or activity in which cooperatives in Virginia have traditionally engaged and that is incidental to and substantially related to the electric utility business conducted by a cooperative on or before July 1, 1999, provided that traditional cooperative activity does not include any program (i) to buy or maintain an inventory of HVACR equipment or household appliances; (ii) to install or service any such equipment or household appliances for customers, unless such service is not provided by the cooperative but by a third party individual, firm or corporation licensed to perform such service; (iii) to sell HVACR equipment or household appliances to customers metered and billed on residential rates; (iv) to sell HVACR equipment to customers other than those metered and billed on residential rates except where such sale

60 *is an incidental part of providing other energy services or providing other traditional cooperative*
61 *activities; (v) to sell or distribute propane or fuel oil; sell, install or service propane or fuel oil*
62 *equipment; or maintain or buy an inventory of propane or fuel oil equipment for resale; or (vi) to serve*
63 *as a coordinator of nonelectric energy services or provide engineering consulting services except when*
64 *such energy or engineering services are an incidental part of a marketing effort to provide other energy*
65 *or engineering services or as a part of providing services that are other traditional cooperative*
66 *activities.*

67 "Utility services" means any products, services and equipment related to energy, telecommunications,
68 water and sewerage.

69 § 56-231.16. Organization; purpose.

70 A. Any number of natural persons not less than five may, by executing, filing and recording articles
71 of incorporation as hereinafter set forth, form a cooperative, either with or without capital stock, not
72 organized for pecuniary profit, for the principal purpose of making energy, energy services, and other
73 utility services available at the lowest cost consistent with sound economy and prudent management of
74 the business of such cooperative and such other purposes as its membership shall approve: (i) provided,
75 however, that within its certificated service territory, no such cooperative shall, prior to July 1, 2000,
76 undertake or initiate any new program (a) to buy or maintain an inventory of HVACR equipment or
77 household appliances, (b) to install or service any such equipment or household appliances for
78 customers, unless such service is not provided by the cooperative but by a third party individual, firm or
79 corporation licensed to perform such service, (c) to sell HVACR equipment or household appliances to
80 customers metered and billed on residential rates, (d) to sell HVACR equipment to customers other than
81 those metered and billed on residential rates except where such sale is an incidental part of providing
82 other energy services or providing traditional cooperative activities, (e) to sell or distribute propane or
83 fuel oil; sell, install or service propane or fuel oil equipment; or maintain or buy an inventory of
84 propane or fuel oil equipment for resale, or (f) to serve as a coordinator of nonelectric energy services
85 or provide engineering consulting services except when such energy or engineering services are an
86 incidental part of a marketing effort to provide other energy or engineering services or as a part of
87 providing services that are traditional cooperative activities; (ii) provided further, that notwithstanding
88 clause (i), such cooperative may engage within its certificated service territory in any of the activities
89 enumerated in clause (i) that (a) have received State Corporation Commission approval prior to February
90 1, 1998, (b) such cooperative is ordered or required to undertake by any jurisdictional court or
91 regulatory authority, (c) were lawfully undertaken prior to February 1, 1998, (d) are specifically
92 permitted by statute, or (e) are undertaken by any other regulated public service company or its
93 unregulated affiliate within such cooperative's certificated service territory; and (iii) also provided that
94 such cooperative or its affiliate may not undertake such activities as are prohibited by clause (i) within
95 the certificated service territory of another public service company unless such activities are undertaken
96 by such public service company or its unregulated affiliate within such cooperative's certificated service
97 territory. In addition, such cooperative may establish one or more subsidiaries to engage in any other
98 business activities not prohibited by law; notwithstanding the foregoing, no such subsidiary may engage
99 in any business activities that the cooperatives are prohibited from engaging in under this section. *For*
100 *purposes of determining whether a cooperative is formed not for pecuniary profit, the establishment of*
101 *one or more affiliates thereof on a for-profit basis shall not disqualify such entity from being formed as*
102 *a cooperative pursuant to this article.*

103 B. *Nothing in this article shall be construed to authorize a cooperative formed pursuant to this*
104 *article, or any affiliate thereof, to engage, on a not-for-profit basis, within either the cooperative's*
105 *certificated service territory or in the certificated service territory of another public service company, in*
106 *the sale of products, the provision of services, or other business activity, except for regulated electric*
107 *utility services, unregulated sales of electric power to its members within its certificated service*
108 *territory, and traditional cooperative activities. However, if such products or services are not currently*
109 *provided by any person other than a cooperative formed under or subject to this chapter or its affiliate*
110 *and the Commission determines that no such other person is likely, within a reasonable time, to*
111 *effectively provide such products and services in such territory, an affiliate of a cooperative may provide*
112 *such products or services on a not-for-profit basis. The Commission shall also permit an affiliate of a*
113 *cooperative formed under or subject to this chapter to provide such products or services on a*
114 *not-for-profit basis upon a finding that the cooperative or its affiliate will not receive the benefit of*
115 *either (i) any federal income tax exemption that is not available to persons other than cooperatives or*
116 *(ii) any federally guaranteed or subsidized financing that is not available to persons other than*
117 *cooperatives; and provided further that nothing in this subsection B shall prohibit the continued*
118 *operation of any business activities of any not-for-profit cooperative or affiliate formed, operating, and*
119 *actively providing products or services to customers on or before July 1, 1999.*

120 § 56-231.30. Rights and liabilities of members.

121 A cooperative shall issue to its members certificates of membership and each member shall be

entitled to only one vote at the meetings of the members of the cooperative. The liability of each member shall be limited to the unpaid portion of his membership fee or subscription to capital stock; and any unpaid bills for utility services or other services, commodities or merchandise purchased from the cooperative. The equity of members of a nonstock cooperative shall be set by the board and be in proportion to the revenue or patronage capital paid to the cooperative. A cooperative shall be operated on a not-for-profit basis, *with the exception of for-profit affiliates*, for the mutual benefit of the members. The bylaws of a cooperative or its contract with the members shall contain such provisions relative to the disposition of revenues and receipts as may be necessary and appropriate to establish and maintain its nonprofit and cooperative character.

§ 56-231.38. Definitions.

As used in this article:

"Affiliate" means a separate affiliated or subsidiary corporation or other separate legal entity.

"Board" means any board of directors of a cooperative formed under or which becomes subject to this article.

"Commission" means the State Corporation Commission of Virginia.

"Cooperative" means a power supply cooperative formed under the former Power Supply Cooperatives Act (§ 56-231.1 et seq.) or a utility aggregation cooperative formed under this article or which becomes subject to this article.

"Energy" means and includes all energy, regardless of how or where it is generated or produced.

"HVACR" means heating, ventilation, air conditioning and refrigeration.

"Member" means any person that holds any class of membership in a cooperative.

"Obligations" means all evidences of indebtedness issued by or the payment of which is assumed by a cooperative.

"Patronage capital" includes all amounts received by a cooperative from the sale of electric power to members in excess of the cooperative's cost of furnishing electric power to members.

"Person" means and includes natural persons, firms, associations, cooperatives, corporations, limited liability companies, business trusts, partnerships, limited liability partnerships and bodies politic.

"Propane or fuel oil equipment" means equipment and related systems to store or use propane or fuel oil products.

"Regulated utility services" means utility services that are subject to regulation as to rates or service by the Commission.

"System" means any plant, works, facility, or property used or useful in connection with the purchase, generation, sale or transmission of energy, utility products and services, or both.

"Traditional cooperative activity" means any business, service or activity in which cooperatives in Virginia have traditionally engaged and that is incidental to and substantially related to the electric utility business conducted by a cooperative as of July 1, 1999; provided, however, that traditional cooperative activity does not include any program (i) to buy or maintain an inventory of HVACR equipment or household appliances; (ii) to install or service any such equipment or household appliances for customers, unless such service is not provided by the cooperative but by a third party individual, firm or corporation licensed to perform such service; (iii) to sell HVACR equipment or household appliances to customers metered and billed on residential rates; (iv) to sell HVACR equipment to customers other than those metered and billed on residential rates except where such sale is an incidental part of providing other energy services or providing other traditional cooperative activities; (v) to sell or distribute propane or fuel oil; sell, install or service propane or fuel oil equipment; or maintain or buy an inventory of propane or fuel oil equipment for resale; or (vi) to serve as a coordinator of nonelectric energy services or provide engineering consulting services except when such energy or engineering services are an incidental part of a marketing effort to provide other energy or engineering services or as a part of providing services that are other traditional cooperative activities.

"Utility services" means any products, services, and equipment related to energy, telecommunications, water and sewerage.

§ 56-231.39. Organization and purpose.

~~Any~~ A. Subject to § 56-231.50:1, any utility consumer service cooperative or utility aggregation cooperative may form a cooperative in accordance with this article, either stock or nonstock, not for pecuniary profit, *with the exception of for-profit affiliates*, for the purpose of purchasing, generating or transmitting energy products and services for sale or resale, operating or participating in an independent system operator, regional transmission entity, regional power exchange, or both, and any other lawful purpose, consistent with sound business principles and prudent management practices; (i) provided, however, that within the certificated service territory of any member distribution cooperative that existed as of January 1, 1999, no such cooperative shall, prior to July 1, 2000, undertake or initiate any new program (a) to buy or maintain an inventory of HVACR equipment or household appliances, (b) to

183 install or service any such equipment or household appliances for customers, unless such service is not
184 provided by the cooperative but by a third party individual, firm or corporation licensed to perform such
185 service, (c) to sell HVACR equipment or household appliances to customers who are metered and billed
186 on residential rates, (d) to sell HVACR equipment to customers other than those metered and billed on
187 residential rates except where such sale is an incidental part of providing other energy services or
188 providing traditional cooperative activities, (e) to sell or distribute propane or fuel oil; sell, install or
189 service propane or fuel oil equipment; or maintain or buy an inventory of propane or fuel oil equipment
190 for resale, or (f) to serve as a coordinator of nonelectric energy services or provide engineering
191 consulting services except when such energy or engineering services are an incidental part of a
192 marketing effort to provide other energy or engineering services or as a part of providing services that
193 are traditional cooperative activities; (ii) provided further, that notwithstanding clause (i), such
194 cooperative may, within the certificated service territory of a specific distribution cooperative that
195 existed as of January 1, 1999, and then only to the extent that such specific distribution cooperative
196 could lawfully do so, engage in any of the activities enumerated in clause (i) that (a) have received State
197 Corporation Commission approval prior to February 1, 1998, (b) such cooperative is ordered or required
198 to undertake by any jurisdictional court or regulatory authority, (c) were lawfully undertaken prior to
199 February 1, 1998, (d) are specifically permitted by statute, or (e) are undertaken by any other regulated
200 public service company or its unregulated affiliate within such distribution cooperative's certificated
201 service territory; and (iii) also provided that such cooperative or its affiliate may not undertake such
202 activities as are prohibited by clause (i) within the certificated service territory of another public service
203 company unless such activities are undertaken by such public service company or its unregulated
204 affiliate within the certificated service territory of a specific distribution cooperative existing as of
205 January 1, 1999, and the certificated service territories of the public service company and the specific
206 distribution cooperative overlap. In addition, such cooperative may establish one or more subsidiaries to
207 engage in any other business activities not prohibited by law. Notwithstanding the foregoing, no such
208 subsidiary may engage in any business activities that the cooperatives are prohibited from engaging in
209 under this section. *For purposes of determining whether a cooperative is formed not for pecuniary*
210 *profit, the establishment of one or more affiliates thereof on a for-profit basis shall not disqualify such*
211 *entity from being formed as a cooperative pursuant to this article.*

212 *B. Nothing in this article shall be construed to authorize a cooperative formed pursuant to this*
213 *article, or any affiliate thereof, to engage, within any political subdivision of the Commonwealth on a*
214 *not-for-profit basis, in the sale of products, the provision of services, or other business activity, except*
215 *for electric power services and traditional cooperative activities. However, if such business activities are*
216 *not currently provided by any person other than a cooperative formed under or subject to this chapter*
217 *or its affiliate and the Commission determines that no such other person is likely, within a reasonable*
218 *time, to effectively provide such products and services in such political subdivision, an affiliate of a*
219 *cooperative may provide such products or services on a not-for-profit basis. The Commission shall also*
220 *permit an affiliate of a cooperative formed under or subject to this chapter to provide such products or*
221 *services on a not-for-profit basis upon a finding that the cooperative or its affiliate will not receive the*
222 *benefit of either (i) any federal income tax exemption that is not available to persons other than*
223 *cooperatives or (ii) any federally guaranteed or subsidized financing that is not available to persons*
224 *other than cooperatives; and provided further that nothing in this subsection B shall prohibit the*
225 *continued operation of any business activities of any not-for-profit cooperative or affiliate formed,*
226 *operating, and actively providing products or services to customers on or before July 1, 1999.*