



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

NOV 03 1986

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill S. 2000 - An Exemption from Application  
of the Public Utility Holding Company Act of 1935  
Sponsors - Sen. Rockefeller (D) West Virginia and  
Sen. Byrd (D) West Virginia

Last Day for Action

November 11, 1986 - Tuesday

Purpose

To exempt the restructuring of a natural gas utility company, in West Virginia, from the Public Utility Holding Company Act of 1935.

Agency Recommendations

Office of Management and Budget

Approval

Department of Energy  
Securities and Exchange Commission  
Department of Justice

No objection (informally)  
No objection (informally)  
Defers (informally)

Discussion

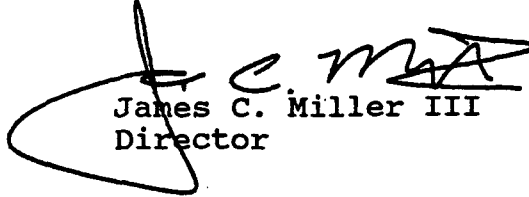
The Congress, which passed S. 2000 by voice vote in both Houses, did not request Executive agency views on the bill prior to its enrollment.

S. 2000 would, in effect, exempt the Cabot Corporation, a multinational corporation, from most of the provisions of the Public Utility Holding Company Act of 1935 (the Act) to enable it to restructure its West Virginia natural gas utility company into a wholly owned subsidiary without having to divest its other business holdings.

The Cabot Corporation, a large diversified manufacturer of chemicals and related products, sells natural gas in West Virginia, subject to regulation by the State's public service commission. The natural gas sales generate just over one percent of the corporation's revenues. According to the House colloquy on the enrolled bill, the Cabot Corporation and the West Virginia Public Service Commission have entered into a joint stipulation

and settlement agreement which requires the restructuring of the corporation's natural gas utility into a wholly owned subsidiary. The creation of the subsidiary would, however, make the Cabot Corporation a public utility holding company (defined by the Act as any company owning 10 percent or more of the outstanding voting securities of an electric or gas distribution utility) and subject to the Act's divestiture requirements. S. 2000 would exempt the corporation from these requirements. Otherwise, as stated in the House colloquy on S. 2000, the corporation would be required "to divest itself of approximately 99 percent of its businesses in order to accommodate a law applicable to the remaining 1 percent."

The House colloquy on S. 2000 further states that the enrolled bill does not compromise the Act's objective of investor and rate payer protection, but would benefit both the Cabot Corporation and the consumers of West Virginia.



James C. Miller III  
Director

Enclosures