2. FEDERAL SYSTEMS

Federal power agencies are important contributors to the Nation's electric power supply. Federal power is produced at approximately 125 hydroelectric projects which are part of Federal multipurpose water resource developments, and at steam plants of the Tennessee Valley Authority (TVA).

Nearly all Federal power is marketed by TVA and four Department of the Interior agencies—Bureau of Reclamation, Bonneville Power Administration, Southwestern Power Administration, and Southeastern Power Administration. As of January 1, 1964, the Interior Department was the marketing agency for the power developed at 95 projects having an installed capacity of 13,900 megawatts.

With the exception of TVA, capital funds for Federal systems are supplied entirely by congressional appropriations. Since 1959, TVA has been empowered to obtain funds in the private capital markets by the issuance of revenue bonds. The Government's investment in TVA is junior to the revenue bonds sold to the public. Since the 1959 self-financing act, TVA has been required to pay the U.S. Treasury a "return" or "dividend" on the Government's investment equivalent to the average rate of interest paid by the Treasury on its outstanding marketable debt. TVA is also required to repay $1 billion of the appropriated investment of $1.2 billion within the next half century.

Federal systems are not subject to Federal and State income taxes or to local property taxes. TVA, however, makes substantial payments in lieu of taxes to State and county governmental units.

There is not complete uniformity in the repayment requirements for Federal projects or in earnings standards for power sold from these projects. Normally, payments are required for the equivalent of an interest assessment and for amortization of the project investment allocated to power. Interest on new projects is currently computed at 3⅛ percent per annum, the average of the interest rate on all outstanding long-term securities of the United States. This figure has gradually risen as the interest rate paid by the Government on new issues—now over 4 percent—has increased.

3. STATE AND LOCAL PUBLIC AGENCIES

Local public ownership began early in the industry's development, when numerous municipal systems were organized to provide electricity to previously unserved areas. There were more than 700 public systems in 1900 and over 3,000 by the early 1920's, compared with approximately 2,100 today.

Many types of public agencies own electric generation, transmission, or distribution facilities, or combinations thereof. They vary greatly in size, ranging from small towns to the city of Los Angeles. Although it is not a common occurence, a few counties, such as Crisp County, Ga., and three counties in the TVA area, maintain their own systems. However, the most common forms of public power entities, other than municipal systems, are special utility districts (exemplified by the numerous public utility districts of Nebraska, Oregon, and Washington), municipal utility districts (such as the Sacramento Municipal Utility District in California), irrigation districts (some of which, such as the Imperial Irrigation District in California, also maintain electric