utility systems) and the various kinds of State "authorities" (such as the Grand River Dam Authority in Oklahoma, the Colorado River Commission of Nevada, the Power Authority of the State of New York, and the Arizona Power Authority).

The statutory and constitutional framework within which these public entities were created has tended to maintain their separate identities, and there is great diversity in the nature of their operations. Many municipalities and other local public agencies generate their own power requirements in varying degree, while others purchase power from Federal, investor-owned, cooperative, or other local public systems, and sometimes from a combination of such suppliers. A few are largely confined to the generating and transmission functions. An example is the Power Authority of the State of New York, which sells at wholesale the power it generates at its two big hydroelectric projects at Niagara Falls and the St. Lawrence Seaway.

The great bulk of the local public agency systems are municipally owned and serve only the areas of the municipalities themselves. In a relatively few instances (e.g., Cleveland, Ohio), a municipal system and an investor-owned system serve within the same municipality. However, territorial competition between municipal systems and others is usually confined to the expansion of municipal boundaries, which may bring competition to fringe areas previously served by cooperatives or investor-owned systems.

The local public agency systems generally obtain their capital investment funds from power revenues and by selling debt securities in the public market. In the past, such securities were often general credit obligations of the municipality, county or State. More recently, however, the emphasis has been on revenue bonds issued by the utility system itself, payable from revenues alone and not backed by the general credit of the local government or by a lien on physical properties.

Local public agencies are traditionally exempt from Federal income tax and generally not subject to State income tax. In most jurisdictions, they are also not subject to real property or other local taxes. However, by statute or ordinance in some jurisdictions and by agreement or practice in others, most local public agencies make substantial payments in lieu of taxes to their own local governments and often make large additional contributions to such governments. Many of them also make payments in lieu of tax payments to State and county governments. In addition, many municipal systems provide power free or at reduced rates to the city government for street lighting, water pumping, and other municipal uses.

Interest on the debt securities of such local agencies is exempt from Federal income tax and, in most jurisdictions, from State income tax, so that their debt securities command more favorable terms than debt securities issued by comparable investor-owned electric utility systems.

4. RURAL ELECTRIC COOPERATIVE SYSTEMS

The electric cooperative became a significant part of the electric industry beginning in the middle 1930's. Prior to that time, the investor-owned segment of the industry has extended electric service to only about 10 percent of the farms of the country.

The Rural Electrification Act of 1936 was designed to stimulate farm electrification through low cost loans by the Rural Electrification