

ELECTRIC UTILITY RETURNS

Chairman PROXMIRE. Frankly, I am most startled by your presentation here showing in your table on electric utility companies, showing the enormous increase in return. It was my understanding that the State which allowed the largest return in recent years at least, was Ohio. I think as a matter of policy they allowed something like 9 percent. Most States permit 6 and 7 percent. We of Wisconsin have been very proud of our public service commission. We have always had distinguished and able members on it.

I am shocked, if I do not misunderstand you, that the average return of class A and B utilities throughout the country was a return of 12.3 percent for common equity in 1965.

Senator METCALF. That is correct.

Chairman PROXMIRE. Am I misunderstanding this?

Senator METCALF. No. That figure is correct. I want to concur that Wisconsin has one of the finest, most efficient operating public service commissions, or whatever you call them—a regulatory commission—in the United States.

California has also a fine one, until the other day when Governor Reagan came out and failed to reappoint a couple of men who had refused a rate increase to one of the large utilities down there and I feel that California's commission now will not measure up to the fine standard of your own Wisconsin commission.

STATE COMMISSION UNDERSTAFFED

But most commissions in the country do not have the personnel, the counsel, accountants, that can wrestle with even a small power company. In this matter, the statement of the General Services Administration that rates have gone along about the same is a statement that begs the question. As the chairman knows, we have had tremendous improvements in the development of power in both thermal and hydroelectric power, and in nuclear power. We are learning to transmit it over direct-current lines, high-tension lines. We are learning to produce it at much less cost.

Chairman PROXMIRE. It is also true that volume has increased enormously.

Senator METCALF. Tremendously.

Chairman PROXMIRE. As long as your fixed costs, your overhead remains fairly stable this enables you to get a far greater return, especially with the leverage factor when you borrow.

COSTS HAVE DECREASED

Senator METCALF. But the overhead has gone down and the fixed costs have gone down. And the efficiency of the modern plants has increased. The cost of producing a kilowatt of power has constantly decreased in modern times and yet the rate charged the consumer has remained about the same. And so when the General Services Administration comes in and says, "Well, the rate is about the same as it was before," or when you read the newspaper that inflation has hit new heights, everything else, but power rates have remained the same,