

(The documents referred to follow:)

(Excerpt from hearings held by the Senate Commerce Committee on S. 1365, 90th Cong.)

STATEMENT OF HON. LEE METCALF, U.S. SENATOR FROM THE STATE OF MONTANA;
ACCOMPANIED BY VICTOR REINEMER

Senator METCALF. Thank you very much, Mr. Chairman.

I have with me my legislative assistant, Mr. Victor Reinemer, who I will ask to participate in this presentation.

Mr. Chairman, as all of us have to do, I was engaged in presiding over the Senate from 10 to 11 this morning. I want to say that the author of this bill, Senator Holland of Florida, relieved me in order that I could come over here and make this presentation, knowing full well that I was going to make a presentation in opposition to the bill.

I certainly appreciate the courtesy that he has demonstrated and shown.

Mr. Chairman, I want to begin by commending this committee for taking testimony regarding the Federal Power Act. This act has been on the books for a good many years—more than 30. The electric power industry—the Nation's largest—which is subject to regulation under the act has become six times larger during that one-third of a century. Changes to strengthen and improve the act are needed. Congress should not whittle down what little authority the Federal Power Commission now has.

The bill under consideration today, S. 1365, is almost as unnecessary, undesirable, and contrary to the public interest as the similar bill in the 89th Congress, S. 218, which this committee considered but wisely declined to approve.

The purpose of S. 1365 is to permit a number of major electric utilities to escape from the little FPC regulation to which they are now subject. The rationale is that the utilities would then supposedly be regulated by the States.

One of the biggest myths abroad in the land, constantly repeated by the utilities, is that they are effectively regulated. They are not.

I note the concluding statement of the previous witness is, "What is there for the Federal Power Commission to regulate in our company that is not already adequately covered?" And he said, "I can't find anything."

I hope he is still in the room and will listen to my testimony because as I go on I will enumerate several things that are not adequately covered by the regulation of the State commissions, and especially by the Florida commission, and if he will go back and search, he will be able to find them.

In State after State, the commissions do not have the staff, the funds, or in some cases the desire to regulate the hundreds or even thousands of companies they are charged by law with regulating. In a few States there is no power company regulation at all.

A number of State commissions lack the authority to regulate wholesale rates, to suspend rate changes, initiate rate investigations, prescribe temporary rates, establish sliding scale rates or to prescribe fair rates of return. Weak and toothless laws permit the public to be overcharged hundreds of millions of dollars every year.

A majority of the State commissions do not control issuance of dividends. Some commissions never or seldom audit utility books. Many commissions do not have the power to require interconnections that are needed to assure reliability of service, or to decide territorial disputes. California's and Wisconsin's commissions are the only ones that have made significant use of automatic data processing in electric utility regulation. In too many States commissions regulate customers rather than the utilities. The hand of the commission is guided by the voice of the dominant utility.

The lack of effective power renders regulation of many electric utilities completely ineffective and makes a mockery of the need to protect consumer interests.

To transfer greater authority to these State commissions, as S. 1365 attempts, would hardly serve to promote thorough and effective regulation. Retail rate regulation is principally a State matter. The Federal Power Commission already has sharply limited jurisdiction. FPC needs to be maintained as a strong, if minor, regulator in order to assist State commissions.

Take, as an example of the limited nature of Federal jurisdiction, the regulation of security issues. One of the loopholes which slipped into the Federal Power Act, at the suggestion of the National Association of Railroad & Utilities Com-