

missioners, was section 204(f). It permits States to regulate security issues, in States which have the authority and in which the utility in question operates. So what has happened? The loophole is bigger than the law. Most of the States have jurisdiction over security issues, but they don't have any security analysts.

The people who do know about securities are in the FPC and SEC. But they don't have jurisdiction over utility security issues, except in a few cases. FPC has a commendable policy against electric utility option schemes—and no place to apply the policy.

The insiders in utilities such as Tampa Electric—one of the companies which would get out from under FPC altogether under this bill—or Montana Power Co. in my own State, or some other company quietly institute one of these stock option deals for top executives. The board chairman and president of Tampa Electric have picked up about \$400,000 in windfall profits under their option deals, as I figure it. The figuring isn't easy—this is one area where utility officials don't issue press releases.

They did not do as well as the president of Montana Power has done, but not bad for fellows operating a risk-free, Government-subsidized monopoly, which all power companies are.

I understand that Tampa Electric is here today. Perhaps Board Chairman William C. MacInnes or President Fischer S. Black will tell the committee about the options on 19,000 and 16,000 shares, respectively, which they obtained at the bargain price of \$17.81 per share.

Most of the State commissions have no research staff. Some do not even know the value of the companies which they supposedly regulate. I frankly don't know how a commission can establish a rate base without that basic information. It is pertinent to recall here that in 1964 the Florida State Commission could not find a rate base for Florida Power & Light Co., which is the principal proponent of S. 1365.

This bill has a new gimmick. It would exempt from FPC jurisdiction utilities which transmit or receive electricity "for temporary purposes." What are "temporary purposes?" Nobody knows. And until the chairman interrogated the previous witness, the proponents haven't said.

Huge blocks of power can be transferred over long distances interstate for "temporary purposes." Long after we are gone the utility lobby will still be around with ambiguous, meaningless phrases like that designated to frustrate the regulatory process and keep the utilities' illustrious legal counsel occupied.

Or take the matter which was in the newspapers here in Washington last month. The Washington Post revealed that Potomac Edison was quietly planning to string a 150-mile, 500,000-kilovolt transmission line alongside Antietam battlefield.

Potomac Edison and other power companies have a State right of eminent domain. Therefore, Potomac Edison did not have to go to anyone, at the local, State or Federal level, to obtain approval of its line.

The Federal Power Act needs to be updated, in my opinion, by assigning the Federal Power Commission authority to regulate long-distance high-voltage transmission lines, to see that they provide for reliability of service, high standards of safety, safeguarding of esthetic and historic values, and to see to it that all power distributors have access to these vital arteries. Monday's blackout underscores the urgency of two bills now before the committee, S. 1834 and S. 1835. I urge prompt hearings on them.

Opening yet another loophole in the Federal Power Act, S. 1365 would undoubtedly lead to greater expense to the taxpayers. That is because the largest electric consumer in the United States is the U.S. Government, which pays an annual electric bill of about half a billion dollars. Last month I testified before Senator Proxmire's Subcommittee on Economy in Government, and talked about Houston Lighting & Power, another one of the utilities here today asking this committee's permission to escape what little regulation the FPC may seek to assert. There is no State regulatory commission in Texas to maintain the fiction of State regulation.

Houston Lighting & Power has a big NASA load—the space center there—and Uncle Sam is a big customer. In 1965, the latest year for which figures are available, Houston Lighting & Power had a rate of return of 11.32 percent. Its return on equity was 16.48 percent. Those figures are from reports from the Federal Power Commission.

The company had an operating income of more than \$48 million. Had its rate of return been a reasonable 6 percent, it would have made between \$25 and \$26