

rate of return is only slightly above 6 percent. Yet, in 1965, the actual rate of return of the 192 principal I O U's—investor-owned utilities—according to the companies' own reports to the FPC, was 7.39 percent.

A difference of only 1 percentage point in the rate of return makes a tremendous difference in the amount of the annual electric bill. After all, 1 percent of a billion-dollar rate base is \$10 million. And there are a number of utilities in that billion-dollar category, including Florida Power & Light.

Mr. Chairman, even without this S. 1365 loophole in the law, the regulation of electric utilities has deteriorated to a point where in many States it is meaningless and in fact misleading, because there is the appearance of regulation. I will use the example of my own State, a majority of whose public service commissioners are members of my own party.

The chairman of the State commission and the president of the leading power company in Montana will both, with a straight face, tell the press that as they figure it the company's rate of return is only 5.33 percent, the lowest in the country. But the company's own reports show, and the FPC statistics verify, that the company—Montana Power—has had a rate of return in excess of 10 percent annually every year since 1962, and that it has climbed steadily each year, to 11.37 percent in 1965.

There's enough padding in Montana Power's rate base to make Twiggy look like Santa Claus.

I'll make on other point about the rate base of electric utilities. One of Florida Power & Light's lawyers and others have claimed that it would cost the company hundreds of thousands of dollars to keep their accounts in the manner prescribed by the FPC.

The preceding witness made that statement in his testimony.

I note that all five members of the FPC, including the two who supported the company in the recent case, discounted that exaggerated statement. I suspect that the real reason for Florida Power & Light's dislike for Federal accounting requirements stems from the examination of that company's rate base by the Securities and Exchange Commission some years ago. SEC pulled \$30 million worth of padding out of Florida Power & Light's rate base at a time when its total property was worth only \$129 million.

If there's one thing a utility will guard even more closely than its list of retainers, or its stock option beneficiaries, it is the composition of the rate base.

I respectfully suggest to this committee that it encourage the Federal Power Commission to enforce laws and regulations now on the books and give it stronger laws, rather than to diminish the Commission's authority in an area where regulation is needed.

I believe in the concept of regulation by information. I believe that Congress was wise in deciding to reveal periodically who its employees are, and what their salaries are. I think it equally meritorious to require public service companies to put on the public record their retainers, their real owners, their donations, their stock optionees.

Some of the reasonable regulations issued recently by the Federal Power Commission are repeatedly disregarded, but nothing is done about it. I recall that in the 1964 campaign, just a few days before the election, that old power company ad about the 10 little workers—how the Socialists will get you if you don't watch out—appeared in dozens of papers in different parts of the country, under sponsorship of various utilities.

One of them was Montana Dakota Utilities. The FPC had previously issued regulations that had been modified to meet utility objections, but which required that political ads be accounted for as nonoperating expenses, that is, to be borne by stockholders rather than customers.

After those ads appeared in the 1964 campaign, I asked FPC to check on whether MDU had properly assigned the cost of those ads to the stockholders. FPC checked, and found out that they had been charged to the customers. So the Commission told the utility to put the cost over in the nonoperating expense, as MDU knew it should have done in the first place.

Last fall, again just before the election, MDU again ran some political ads. Some were placed in papers outside its territory. I asked FPC to investigate and found that, again, the utility had charged its political ads to the customers.

I think there ought to be strong sanctions in a case such as that. The same holds true regarding utilities' disregard of the Commission's reasonable request for itemization of donations. Utilities frequently make large donations, often to worthy causes, for which they get the credit, though the customer gets the