

number of wholesale customers dependent on them for power supply, and whether or not they were otherwise subject to wholesale rate regulation, uniform accounting, or other corporate supervisions.

In 10 States no regulatory agency would regulate the wholesales, proposed to be exempted by H.R. 5348—these are wholesales—by privately owned utilities to municipal or cooperative systems.

In any event, the engineering and financial ramifications of wholesale power transactions often extend into other States, where lack of jurisdiction and division of responsibility may make the State regulator's task impossible. It is far easier for the specialized electric rate section of the FPC to deal with the particular problem involved in wholesale rates such as firm service, emergency service, supplementary and deficiency energy, spinning reserve, reserve capacity, standby reserve, wheeling service, seasonal interchange, and economy energy.

Other differences between wholesale and retail sales concern the relationship of the parties. To a large electric utility, even a major industrial establishment is simply a retail customer. Customers who purchase power for resale, however, are often competitors, actual or potential, in the area where the two systems are contiguous, as well as for the commercial and industrial customers.

Wholesale rate regulation raises peculiar problems which are difficult to meet in the absence of an adequate staff, expert in special wholesale rate problems.

It has sometimes been urged that compliance with the Commission's accounting requirements would be unduly burdensome and would duplicate State commission regulation. As I shall explain, we believe these arguments are based on misinformation; the experience of those utilities which now comply with FPC regulations does not support this claim.

We agree with the proponents of this legislation that "public utilities" within the meaning of the Federal Power Act are subject to accounting regulation by both the FPC and the State utility commissions.

In this respect the accounting situation differs from rate jurisdiction, where the States regulate retail sales and the FPC regulates wholesales. But as Speaker Rayburn recognized when, as chairman of this committee, he sponsored the present system in 1935, dual accounting jurisdiction strengthens both Federal and State regulation; it has generated Federal-State cooperation rather than wasteful duplication.

The system of accounts and financial reporting in general use in the State is virtually identical with that of the FPC. It is the product of joint study by State and Federal regulatory accounts. Formal interpretations of the accounting systems are closely coordinated through a joint State-Federal committee of NARUC.

Audits of individual companies' books are also coordinated. The effectiveness of our auditing program has materially helped the State commissions.

Whenever possible, joint teams of Federal and State accountants conduct audits. We also provide for State agency review of all our audits before they are made final. I have yet to see a State commission dissatisfied with the cooperative auditing arrangements we share.

Thus, although the phrase "dual accounting jurisdiction" may at first raise questions, the practice, which is long standing now, is widely