Mr. BLACK. That is correct, but the Federal Power Commission doesn't permit you to retain these funds. They make you flow them through to the customer in rate reductions.

Mr. BROWN of Ohio. But you are talking about a business decision here when you are talking about the increase in cost because the depreciation is reduced. This is a decision of the individual utility and if the utility doesn't make that decision then its customers pay for it in higher rates or it pays for it in reduced profits?

Mr. BLACK. Well, in our case of course we add equipment basically to supply the needs of a customer. In other words, we have to put in a generator because the load demands it, the service demands it. So we are going to put this generator in most likely anyway.

So if you view it from this perspective that this equipment is going in anyway, then the difference in the accounting treatment is the vital factor. We don't have the opportunity to say whether we put the generator in or not. We have to put it in in order to serve our customers.

Mr. BROWN of Ohio. But that generator has a depreciable life of—you said, 3 percent, so I presume the depreciable life is—33 years or something in that nature.

Mr. BLACK. Right.

Mr. BROWN of Ohio. If it has a depreciable life of 33 years from an accounting standpoint and actually lasts 50 years, the fact that you keep it on the line for 50 years is a decision——

Mr. BLACK. Is a management decision

Mr. BROWN of Ohio (continuing). A management decision, yes, and the accounting procedure and the depreciation allowed is to encourage you to replace that sooner and presumably the customer would benefit also if you replaced it sooner, isn't that the case, or isn't there that much change in technology?

Mr. BLACK. At the end of its life——

Mr. BROWN of Ohio. Accounting of life or real life?

Mr. BLACK. Accountingwise there isn't any difference after 33 years, because taxwise you got some of it earlier in the period. In the latter period you got less depreciation taxwise. So far as books are concerned you have the same depreciation each year.

Mr. BROWN of Ohio. Yes, but it is the tax business that you started out talking about just a few minutes ago and that is what I am trying to get at.

Mr. BLACK. I am sorry I don't seem to make it clear.

Mr. MACDONALD. I think maybe this should go before the Ways and Means Committee.

Mr. BLACK. I will be glad to try to clarify it and drop you a note.

Mr. MACDONALD. May I ask a question?

Mr. BROWN of Ohio. Please do.

Mr. MACDONALD. One last question. What is the rate of return on investment for utilities in Florida?

Mr. BLACK. Well, it is different for each utility. The rate of return allowed to the Tampa Electric Co., is slightly under 7 percent.

Mr. MACDONALD. Well, I am sure you know what the other companies are. How does it vary?

Mr. BLACK. They are in this range.

Mr. MACDONALD. From 6 to 7 percent and from 7 percent up.

Mr. BLACK. From about six and three-quarters, six and a half to seven and a half, in that range.