

Mr. TALLY. Yes, sir.

Mr. BROTZMAN. FPC controlling the wholesale rates.

What is the relationship between these two in this particular industry? This is what I never quite understood.

Mr. TALLY. As to the Florida Power & Light Co., they have certain wholesale customers that are REA's. They do not have any municipal wholesale customers. Your question can be answered this way: If the Florida Power & Light Co. is selling at wholesale in interstate commerce as the FPC has decided in that case, and if the court sustained them in that, then the FPC will be able to set the fair rate for wholesale sales to these REA's.

If upon examining the books of the Florida Power & Light Co. they find that the rate base of that company attributable to its wholesale business, not retail, house by house but in blocks of power to these cooperatives, if they find that that rate base attributable to that part of their business is in any way improper or inflated, then they will have the power, the jurisdictional authority, to reduce the allowable rate that Florida Power & Light Co. can charge these REA's for those wholesale blocks of power.

If they are so reduced then the REA's would have the opportunity and then have the moral responsibility to pass on that reduction in the retail rates that their customers, consumer-owner members, have to pay. That way you get down to the man that we are all supposed to be working for, the consumer. That was the case that I mentioned about my own city of Fayetteville and the Carolina Power & Light Co. when we were able to demonstrate before the Federal Power Commission, and were able in the settlement even before coming to hearing on it, that Carolina Power & Light Co.'s rate base to its wholesale customers, the cities that it was serving, was inflated, not justified by the law. Then they had to make substantial reductions in our wholesale rates that we then were able to pass on penny for penny in totality to our customers.

Mr. BROTZMAN. Thank you very much.

Mr. MACDONALD. Thank you very much, sir.

Mr. TALLY. Thank you, sir.

Mr. MACDONALD. The next witness is Mr. James E. Baker, of Shrewsbury, Mass.

Mr. TALLY. Mr. Chairman, Mr. Baker asked me to say to you that he had to leave town to get back to Massachusetts and he filed his written statement with the clerk.

(Mr. Baker's prepared statement follows:)

STATEMENT OF JAMES E. BAKER, MUNICIPAL ELECTRIC ASSOCIATION OF MASSACHUSETTS AND THE SHELLESBURY MUNICIPAL ELECTRIC PLANT

My name is James E. Baker. I am Manager of the Municipal Electric Plant of the Town of Shrewsbury, Massachusetts and Chairman of the Power Planning Committee of the Municipal Electric Association of Massachusetts.

I appear here to express the opposition of this Association and of Shrewsbury to H.R. 5348 and related bills because they would remove the necessary protection which many municipal electric distributors in Massachusetts are receiving from the Federal Power Commission under the Federal Power Act in their wholesale purchases of power from public utilities. The Massachusetts Department of Public Utilities cannot effectively regulate wholesale interstate energy transactions. To pass such a bill would leave our member plants unprotected in their dealings with large and powerful public utilities.

The Municipal Electric Association of Massachusetts is an organization of the officials of 39 of the 40 municipal electric plants which distribute and sell