

electricity within Massachusetts to approximately a quarter of a million customers. The object of the Association is to assist its members in providing electric service at the lowest rates consistent with sound business principles.

All but two of these systems are more than 50 years old, and many were founded prior to the turn of the century. Most of these plants were constructed to bring electric energy into their communities for the first time. Thirty-four of the 40 municipal electric systems purchase all of the power they sell from private power companies, while three of the systems purchase part of their power requirements and generate the balance. Only three plants generate their total requirements.

The Town of Shrewsbury has a population of 18,000, and is located in the center of the State. Its municipal electric plant was founded in 1908 and now sells to some 6100 customers.

New England retail electric rates are the highest in the country, and the rates in Massachusetts are among the highest in New England.

The matter of wholesale electric rates in Massachusetts, however, is even more serious. For example today the Municipal Electric Systems pay an average of 12 to 13 mills per KWH for wholesale power while the National average is slightly less than 5 mills per KWH. As bad as our present situation with respect to rates appears, it is vastly improved over our experience before Federal Power Commission jurisdiction became effective over the wholesale power contracts between wholesale power suppliers in the municipal systems. Prior to F.P.C. jurisdiction in 1963 for example the average wholesale price for power paid to the power companies by Massachusetts municipal electric plants ranged from 13.1 to 17.1 mills per KWH with a total average of approximately 14.1 mills.

In general the wholesale rates still range from 50 to 100% higher than comparable wholesale power costs paid by municipal distributors in other sections of the country. While high fuel costs in New England are often cited as the cause of high rates, it is noteworthy that Connecticut Light and Power Company sells power to Connecticut municipal systems for 0.89 mills per KWH.

High wholesale rates have always been a source of concern to the municipal distributors, and a serious economic detriment to their electric systems and communities. We are now bringing our problems to the Federal Power Commission, and see a realistic prospect of improving our situation as a result of the Commission's regulatory activity.

As a result of both formal and informal cases settled with the aid of the F.P.C. during the past two years, savings in wholesale power costs of Massachusetts municipals are now running well over \$2,200,000 annually. Further reductions are in the offing at this time.

Currently, the Commission is reviewing the obsolescence of generating equipment in the New England Power Company System. A recent study by the Association engineers shows that the obsolescence of four steam generators alone result in excess power costs of over \$15,500,000 a year. One plant, for example, has fixed charge costs of \$80 per kw per year, while modern equipment can be built for a total cost of \$118.81, according to the *Electrical World* issue of October 16, 1967. I have a copy of our letter of October 5, 1967 (attachment A) to the Federal Power Commission which contains a summary of the results of these studies, and request that this be copied into the record.

[ATTACHMENT A]

WASHINGTON, D.C., October 5, 1967.

Re: New England Power Company—Rate R-3, September 1, 1967, Filing.

FEDERAL POWER COMMISSION,
Washington, D.C.

GENTLEMEN: This is a letter of comment on the submission of New England Power Company, ("NEPCO") of September 1, 1967, which tenders for filing revised contracts incorporating new terms and a lower schedule of rates with NEPCO affiliates. These affiliates are Narragansett Electric Company, of Rhode Island; Massachusetts Electric Company, of Massachusetts; and Granit State Electric Company, of New Hampshire. There is also tendered a revised contract with Green Mountain Power Corporation, a non-affiliate resale customer, for a small purchase of some 400 kw.

This letter is submitted on behalf of the undersigned Massachusetts Municipal customers of NEPCO who purchased over 600,000,000 kwh in 1966. These