

per mile. There will be one ranch along their line per mile of line. This means that the cost of wholesale power is of extreme importance to them.

The minimum percentage of the total operating expenses of co-operatives, and also the municipalities, in our area, which represents the wholesale cost of power, is roughly 44 percent. That is, of our total operating expenses, 44 percent goes for the purchase of power. For the smaller systems, that increases. We have two or three municipalities in our area which are paying 65 percent of their total operating expenses for the power which they must purchase.

Our experience has been that we can get relief in this matter from the Federal Power Commission. We have been able to in the past few years. Generally, this is brought about by an informal conference on the part of the staff of the Commission with the company and the wholesale customer of the company.

I came here this morning from a settlement conference we were holding with the staff of the FPC. I have a complaint against the staff. They started the conference at 8:30 in the morning. I think you ought to pass some law to outlaw that. But we did start at 8:30. As a result of the informal complaint filed by the cooperative, the Commission staff investigated and made a tentative cost study. They found that the company was earning 8.6 percent on its money with a considerable overcharge. That is, the amount in excess of a fair rate of return was considerable.

After meeting all day yesterday, we resumed at 8:30 this morning, and the company offered a settlement reducing that overcharge by half; in other words, to reduce the rate to cut the overcharge in half. That was the result of 1 day's conference. You can see how it works. We refused to accept that. This illustrates how important this bill is to cooperatives and to the smaller municipalities.

The reason the cooperative complained to the Commission in the first place was that a new industry is considering locating there. It is also considering three other locations. It prefers to locate within this cooperative's area, which is in a very isolated part of Nevada, I might say, where any industry is of the greatest importance to them. The economy is really stagnant in this particular area. The industry said, "We will locate here if you can offer us power at a certain rate." That rate was several mills less than the cooperative could offer in view of its wholesale cost resulting from this overcharge. We told the Commission staff today that we would accept any offer which would enable us to offer a rate that would attract that industry.

The reason for accepting less than the complete elimination of the overcharge is to save the expense of a rate case. However, in order to obtain that industry, we will go ahead with the rate case before the Federal Power Commission to get that down. We feel certain that the staff has done an excellent job and that the minimum reduction we will get is the full amount of overcharge showed by the staff, because it was very conservative in its approach so the company would not be in a position to have its study knocked out either before the Commission or in the courts.

This is of the greatest importance. In the last fiscal year the staff of the Commission accepted rate filings which brought about reductions of \$6.5 million, and to small purchasers that is a very substantial amount.