members be protected from management. *On the contrary it appears that there is no need for regulation of true cooperatives.* The theory of public utility regulation is based on a regulation that most public utilities are monopolistic; that their services are necessary or convenient to the residents of the area, and that because of the conflicting interests between the utility and its customers or consumers there is likely to arise situations where rates are so high as to deny service to many, or so low as to deny a fair return on its investment to the utility and its stockholders which in turn would tend to result in adequate service. Therefore, regulation is desirable to harmonize and balance these interests. * * * [Again referring to cooperatives] *There is no conflict of consumer and producer interests—they are one and the same.* If rates are too high the surplus collected is returned to the consumers pro rata. If rates are too low the consumers must accept curtailed service or provide financial contribution to the Corporation. If service is not satisfactory the consumer members have it in their power to elect other directors and demand certain changes. Resort to equity, as in the case of all mutuals, may be had if one group of members seek to overreach the others. *The function of the Commission in approving rates, capital structure, etc., is unneeded by GarKane, its members, or the communities which it will serve.*" (Italic supplied.)

The enactment of H.R. 5348 is not necessary to insure that FPC not attempt to exercise jurisdiction over cooperatives because FCP has itself held in the *Dairyland* case after a formal hearing that it had not been given such jurisdiction by Congress.

In case of profit-making utilities, regulation is essential if the public interest is to be protected because, by its very nature, the business is a monopolistic one. The customer who requires electric service has no alternative source, unless it happens to be a very large industrial customer which might possibly go to self-generation. Absent regulation, the customer must pay the price demanded by the seller. In other commercial transactions under our capitalistic system, if a potential customer is not satisfied with the price quoted by the seller, he will shop around and buy from someone else. The competition of the marketplace regulates the price charged and keeps it reasonable. It is the absence of this competition which requires regulation to resolve the conflicting interest of the seller who wishes to make a profit and of the customer who wishes to pay only a fair price for the electricity he consumes. Stating this fact is in no sense intended as a criticism of the electric utility industry, but is merely pointing out an inescapable situation which results from its necessarily monopolistic characteristic. This fact does mean that there must be effective regulation if the public interest is to be protected.

The legislative history of the Federal Power Act and the exhaustive studies leading up thereto, made by the Federal Trade Commission and the House Commerce Committee in the 1930's, establish conclusively that regulation of wholesale rates to be effective must take place at the national level. State regulation had failed miserably to prevent the abuses which developed during the 1920's and 1930's. If state regulation were ineffective then, one need not be a student of the regulatory processes to realize how much more ineffective it necessarily must be today, with the gigantic pooling-arrangements and intertie-arrangements which are so widely in effect now. The technology of the modern electric generating and transmission industry is such that as a physical fact it simply cannot recognize state lines. An attempt at the local level, to regulate this truly national activity, with a goodly part of the industry interconnected today and with the great probability that almost the entire industry in the nation will be interconnected within the next decade, simply cannot work. It is for this reason that Mid-West so strongly opposes the emasculation of Federal regulation by H.R. 5348.

It has been the experience of Mid-West's members that State regulation not only fails to achieve power cost reductions in wholesale contracts, but is also most ineffective in bringing about low level rates for ultimate consumers. This is due often to the small staffs and low operating budgets of the State Commissions. It should also be noted that of our States, neither Minnesota nor South Dakota has a State Commission exercising jurisdiction over electric utilities. Insofar as companies tied into interstate pools, it is simply impossible for the State Commission effectively to regulate the rate of such companies.

FPC's "Statistics Of Electric Utilities In The United States, 1965—Privately Owned" reveals these shocking figures in respect of 192 electric utilities, selected at random: