

ability Act of 1967. It is even more vital, therefore, to have effective federal regulation of electric power transactions and electric utilities now than it was more than three decades ago when the Wheeler-Rayburn Act was enacted into law.

3. Chairman Lee C. White of the Federal Power Commission pointed out the basic wrong-way approach taken by these bills in his testimony earlier this year on similar legislation before the Senate. He said:

"I believe that the most regrettable aspect of the exemption criteria . . . is that it would create incentives for some electric utilities to do the wrong thing; To fragmentize instead of to integrate; to build generators whose construction could be avoided through unified planning with neighboring systems; to build short, low-voltage transmission lines instead of heavy interstate connections; to rely mainly upon load-shedding if major equipment outages occur; in short, to consider avoidance of FPC jurisdiction as a primary consideration to the detriment of improved reliability and lower power costs to consumers is to negate the very purposes of the Federal Power Act."

While this is part of the picture, it is our belief that Florida Power and Light Company and other private utilities seeking to escape proper regulation want to go further. They want to participate fully and profitably in the benefits obtained from modern power pooling and interchanges but they want this participation without regulation by the federal government.

4. The FPC's National Power Survey forecast that by 1980 average electric costs over the nation could be reduced by 27%, or \$11 billion a year, if the economics of scale embodied in giant power technology were fully achieved by the nation's electric power industry. Much of this saving could be passed on to consumers in the form of lower rates if both federal and state regulation are effective.

But state regulation alone is generally ineffective. A recently published study on state utility commissions published by the Senate Committee on Government Operations reveals large variations among state utility regulatory bodies as to jurisdiction over electric utilities.

For example, seven states do not regulate wholesale rates of private electric utilities, and two states do not regulate retail electric rates charged by private power companies. Of the 29 state commissions responding to the question regarding the level of the prescribed rate of return, the average for these commissions was 6.14% in contrast to the actual level of 7.39% for the 192 Class A utilities according to data compiled by the FPC for the year 1965.

Results of the Senate committee study also reveal that 29 state commissions stated that their staffs were inadequate to carry out their regulatory responsibilities and 37 states responded that their salary scales were inadequate.

The Federal Power Commission does not regulate retail electric rates. Nevertheless its regulation of wholesale rates of public utilities under the Federal Power Act sets standards for state commissions which do regulate rates to the ultimate retail consumer. On a number of occasions since 1961, the FPC has vigorously undertaken wholesale rate proceedings and other proceedings which have helped small publicly owned utilities which otherwise would be completely at the mercy of the large privately owned electric utilities which are their major source of bulk power supply. In some instances private electric utilities have been forced to serve municipally owned utilities under the clear authority provided by the Colton decision of the U.S. Supreme Court in 1963. It is obvious that H.R. 5438 and companion bills are designed to undermine this service to consumers and small publicly owned utilities. In the interests of both consumers and publicly owned utilities, this legislation should be rejected by this Subcommittee. Otherwise, it will be possible for the giant private power utilities increasingly to undermine and nullify the Commission's regulatory powers in the future.

5. As the AFL-CIO has pointed out many times, stronger federal and state regulation is necessary to protect the interest of the electric consumer, but regulation alone cannot do the job. The American consumer still needs the federal and public power yardstick. We still need the sharpening effect of competition for the consumer that we get from the federal yardstick and from pluralistic ownership of this nation's power systems. Such mixed ownership will give protection to the public and the consumer against the evils of unchecked monopoly.

H.R. 5348 will accomplish none of these aims. It would erode sound regulation. It would make it more difficult to achieve reasonable power rates to the consumer. It would provide a major roadblock to the achievement of a modern, efficient, reliable and non-discriminatory mixed ownership national power supply system.