

Mr. Chairman, I appreciate this opportunity to present the views of the AFL-CIO in opposition to H.R. 5348 and related bills. We urge you to reject this legislation. Thank you.

CITY OF OCALA,
Ocala, Fla., October 31, 1967.

HON. TORBERT MACDONALD,
Chairman, Subcommittee on Communications and Power, House Committee on Interstate and Foreign Commerce, Washington, D.C.

DEAR MR. CHAIRMAN: I regret that other business commitments prevent my personal appearance and submission of testimony at the hearings on H.R. 5348 to be held November 1 and 2, 1967.

The City Council of the City of Ocala, Florida, unanimously adopted a resolution opposing S. 1365 introduced by Senators Spessard Holland and George Smathers and identical to H.R. 5348. I had the privilege of appearing before the Senate Commerce Committee hearings on June 27, 1967, in opposition to S. 1365.

Ocala is a community of approximately 25,000 people within its corporate limits. The City owns its electric distribution system, purchasing power at wholesale rates from Florida Power Corporation. The distribution lines of the City extend outside the limits to an area serving approximately 10,000 additional inhabitants. The sale of electricity adds to the general revenue funds of the City over One Million Dollars annually in profits, thus greatly reducing the millage upon real property required to finance local government. It is because of this support that our electric distribution gives to the economy of our city that we are interested in the immediate and probable effects of H.R. 5348.

Several years ago we received notice through a copy of a letter written by the Federal Power Commission to Florida Power Corporation that the F.P.C. staff felt a reduction should be made by Florida Power Corporation in its wholesale electric rates to municipalities. This was brought about in part by the reduction of federal income taxes against corporations. As a result of the preliminary notice, Florida Power Corporation filed a revised rate schedule which eliminated the commodity index clauses of its contracts with municipalities and conformed fuel adjustment clauses to acceptable standards of the Federal Power Commission. The effect of this reduction was ultimately passed on to the consumer through revised rates enacted by the City of Ocala.

Florida Power Corporation, unlike Florida Power & Light Company, has approximately twelve municipalities to which sales of electricity are made at wholesale rates. These sales constitute less than 10% of the revenue of the company. Following the filing of its revised rates with the Federal Power Commission, ten of the municipalities joined together in a complaint to protest the revised rates; we were not satisfied with the reductions that had been made by Florida Power Corporation. That case is still pending before the Commission, but as a result of fine efforts on the part of the Federal Power Commission staff to effect an equitable settlement, a negotiated rate reduction of some \$225,000 per year has been agreed upon among the cities. Nevertheless, one aspect of the case is of particular interest and bears upon the legislation before this committee.

Ocala—like other municipalities served by Florida Power Corporation—extends its lines outside of its municipal boundaries. Within the past year we entered into a territorial agreement with Florida Power Corporation whereby customers in a designated area would be served by one utility or the other. The elimination of the unnecessary competition and duplication of facilities has proved economical to both parties. However, to the north of Ocala we compete with Clay Electric Cooperative and to the south with Sumter Electric Cooperative, both of whom purchase power at wholesale rates from Florida Power Corporation. They respect no territorial agreement except the corporate limits of the City. Our municipal rates are competitive with both of these companies as well as those charged by Florida Power Corporation outside of the territory for residential and commercial customers.

It was our contention that municipal wholesale rates charged by Florida Power Corporation should be more equal to those charged by the company to rural electric cooperatives. We recognize recent rulings of the Federal Power Commission that have not granted municipalities equal status with cooperatives, but we look forward to the time when our distribution system can receive the same low wholesale rates so that we can provide cheaper power to our customers.

The City of Ocala has no complaint with the objectives of Florida Power & Light Company to sever the jurisdiction of the Federal Power Commission