



Mr. Co-op Member:- We Will Wheel Kerr Dam Power!

L. V. SUTTON, President
Carolina Power & Light Company

**STATEMENTS TO THE CONTRARY
ARE INCORRECT AND MISLEADING**

Carolina Power & Light Company is ready and willing to "wheel" Kerr Dam power to rural co-ops at the same wheeling fees as in the Virginia contract, and to firm it up for the co-ops at the same rates charged by VEPCO.

Then, why no agreement?

The answer is simple. CP&L's efforts have been blocked by public power advocates who, I am convinced, are more interested in extending government further into the power business than they are concerned about co-ops getting Kerr Dam power.

The main point of disagreement and delay is one we believe you will readily understand. That is our unwillingness to put a Federal agency in the power brokerage business by selling it our power for resale to our customers in competition with us.

Public power advocates have insisted that we not only wheel but that we supply large amounts of additional power to the government for resale.

We have submitted three proposals. The first would take all the power allocated to our area at the dam and distribute it at prevailing rates. This would save the government about \$180,000 a year in wheeling fees, or twice what is claimed the co-ops would gain under the Virginia-type contract. Second, we proposed to wheel to the co-ops that portion of the power that would be allocated to them under the Virginia-type contract—and at identical rates. Our third proposal would in effect, provide for the allocation of practically all the energy from the project available to co-ops in our area in an average year and would save the government the wheeling fees on the steam power we supplied to the co-ops. In dry years, this saving in wheeling fees could amount to half the total wheeling costs. This proposal also would result in a higher payment to the government and more taxes to the State of North Carolina than the Virginia plan.

We offered to firm up Kerr Dam power, that is, supplement the government power during times of low water and periods of deficiency so that it is commercially usable, and sell such additional power requirements directly to the co-ops, at the same rates to the co-ops as under the Virginia contract but without any wheeling charge. The end result of our proposal would be as good as or better for the co-ops than the Virginia contract.

Our offers displease the public power advocates. I refer specifically to Mr. William T. Crisp, attorney and spokesman for the Tarheel Electric Membership Association. I also refer to the Association's key negotiator and Mr. Crisp's advisor, Mr. T. Foley Treadway, whose firm, the Southern Engineering Company of Atlanta, Ga., has engineered and supervised the building of millions of dollars of co-op transmission lines and stands to profit further if the transmission lines Mr. Crisp now advocates are built. I also refer to Mr. Crisp's incorrect and misleading statements May 19 before the subcommittee on public works of the House Appropriations Committee.

Mr. Crisp is simply not telling the truth when he says our Company will not wheel Kerr Dam power to the North Carolina co-ops served by our company.

In statements before the Congressional committees and in letters and proposals to the Interior Department, I have said that our Company will wheel, transmit or carry that power at the same wheeling rate per KWH that is paid under the Virginia contract. This offer still holds.

Mr. Crisp is rather careless in his statements. He claims that the 17 co-ops served by VEPCO have saved over \$350,000 since the arrangements began in 1952; however, his own supporting

statement shows that these co-ops purchased during that period 473,457,120 KWH at an average cost of 6.84 mills per KWH for a total cost of \$3,237,695. According to his statement, the co-ops would have paid 7.5 mills if they had been buying electricity from VEPCO. On that basis he claims a saving to the co-ops of \$340,292, but simple arithmetic proves the figure should have been \$313,234. What he fails to say is that for whatever savings the co-ops made under the Virginia contract, the Federal government paid approximately \$650,000 in wheeling charges. In other words, in order to obtain the rate of 6.84 mills instead of a rate of 7.5 mills, a saving of only two-thirds of a mill per KWH, the government paid an average of 1.4 mills per KWH for wheeling. Therefore, for each dollar the co-ops saved, the taxpayer paid more than \$2.

Mr. Crisp's own figures indicate the five co-ops served by VEPCO in Carolina (which are more comparable to those we serve) paid an average of 7.08 mills, or a saving of only \$23,293 since they began purchasing Kerr Dam power August 1, 1953. Compared with CP&L's present 7 1/2-mill rate, the saving would be less than one half of a mill per KWH. In this case, every \$1 the co-ops save would cost the taxpayer approximately \$3.

His statement of the amount of money the co-ops have lost is greatly exaggerated. We have records of the demands and the consumptions of these co-ops and comparing the 90c per KW demand charge plus 4 1/2 mills per KWH with our 7 1/2 mills per KWH and no demand charge, we are convinced that the savings could not exceed \$2,000 per month. This is only one fourth of what he claims.

Mr. Crisp also fails to state that, though handling all the Kerr Dam output including the share allocated to CP&L, VEPCO had to furnish from its steam plant for resale by the government 46 per cent of the 473,457,120 KWH delivered to the co-ops during this period. This means that the Kerr Dam hydro power met only 54 per cent of the needs. Had VEPCO handled only two-thirds of the output VEPCO would have to supply steam power for much more than 50 per cent of the co-ops needs.

Statements that the co-ops do not wish to buy from the power companies because the power companies would then go to the State Utilities Commission and get the rate raised are absurd. Such a contract would be an interstate contract with the Federal government for sale of power at wholesale for resale and would not be under the jurisdiction of the state utility commission but would be under the Federal Power Commission, the same commission which regulates the rates on all power sold by government agencies.

The Tarheel Electric Membership Association advocates "self-liquidating" transmission lines or funds for their study under the Virginia contract. Interior Department now pays an average of 1.4 mills per kilowatt hour wheeling fee for transmission. The wheeling fees in the Virginia contract are about the lowest wheeling fees in effect throughout the country and are greatly lower than the cost of building, maintaining and operating transmission lines.

Public power advocates prefer the transmission lines, however, as part of their ambitious design. Once built, costly transmission lines would be argued as justifying government steam plants; then the additional generating capacity would be argued as justifying more lines.

Carolina Power & Light Company shares a common interest with the co-ops in developing the area they serve. We want to help every individual operating co-op to derive any benefits that are available to it from Kerr Dam power. But we resist the public power bloc which is seeking to erect a political power empire at the expense of the taxpayers of North Carolina and the nation and to the detriment of our company.

Excerpts from a statement made by the Assistant Secretary of the Interior, Fred G. Aandahl, before the Senate Subcommittee on Appropriations for Public Works for fiscal year 1956.—Presenting budget estimates of new cash requirements—May 31, 1955

SOUTHEASTERN POWER ADMINISTRATION

"The estimate of \$1,160,000 for the Southeastern Power Administration covers operating expenses for the sale and transmission of power in the area. . . . The greater part of the estimate is to cover the purchase of firming energy and cost of wheeling charges under a contract with the Virginia Electric and Power Company."

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