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MINNESOTA



STATE REGULATION OF GAS AND ELECTRIC RATES

Minnesota.
LEGISLATIVE RESEARCH COMMITTEE

Publication No. 84

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RESEARCH DEPARTMENT

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The Legislative Research Committee is a joint committee of the legislature, meeting quarterly at the State Capitol and giving advance consideration to problems expected to confront the next legislature.

The Committee (1) acts as a clearing house for current legislative problems by receiving proposals for research studies; (2) determines and directs the study and research necessary for proper consideration of all proposals; (3) disseminates advance information on these problems to other legislators, the governor and the public by means of committee and research reports; and (4) reports to the legislature one month in advance of the regular session.

The Research Department of the Legislative Research Committee is organized to provide an unbiased, factual source of information with regard to problems which may be acted upon by the legislature. This department is engaged in objective fact finding under the general supervision of members of the Committee.

MINNESOTA
LEGISLATIVE RESEARCH COMMITTEE

STATE REGULATION OF GAS AND ELECTRIC RATES

Research Report issued pursuant to Proposal No. 110, House Resolution No. 5.

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE state of Minnesota that the Legislative Research Committee be requested to make a comprehensive and complete investigation and study of the rates and charges of the gas and public utilities companies and such related matters as the committee deems proper for full legislative understanding as to whether some action of the Legislature is deemed necessary in connection with such rates and charges by the gas and public utilities companies, which companies presently are not now under state regulation.

BE IT FURTHER RESOLVED, that the Legislative Research Committee be requested to make a report to the legislature not later than January 15, 1961, setting forth its findings as a result of such investigation and study, and to make such recommendations as it deems proper.

THE CONCLUSIONS OF THE SUBCOMMITTEE

LEGISLATIVE RESEARCH SUBCOMMITTEE STUDYING THE FEASIBILITY OF STATE REGULATION OF GAS AND ELECTRIC RATES IN MINNESOTA

The Subcommittee has held four meetings at which were heard representatives of the major utility companies, the Chief of the Rates and Research Department of the Public Service Commission of Wisconsin and private citizens.

It is the majority conclusion of the Subcommittee assigned to study the feasibility of state regulation of gas and electric rates based on the report submitted herewith that state-wide regulation of utility rates would be in the public interest to the people of Minnesota.

The Committee has also concluded that the regulation should exempt REA's and municipal utilities.

It is the further conclusion that if state regulation is adopted it should be administered only by a well-qualified staff of experts in these particular fields and the administration of the regulatory law, if adopted, should be initially financed by Legislative appropriation for the first year, but thereafter by assessment of the cost of regulation upon the regulated utilities operating in the state.

The findings of fact have been adopted by the Legislative Research Committee as submitted to them by a subcommittee of the Legislative Research Committee. The majority conclusion of the subcommittee based upon these facts was that state-wide regulation of utility rates would be in the public interest of the people of the State of Minnesota, and that such regulations should exempt REA's and municipal utilities.

However, the full Legislative Research Committee concluded that the cities of the first class might well be excluded from such regulation. They further determined, however, that if regulation was not passed by the Legislature, some state assistance should be given to areas outside of the cities of the first class in their problems of rate regulation.

STATE REGULATION OF PUBLIC UTILITIES

Each of the 50 states has created an agency empowered to regulate the activities of public utilities. Most of the agencies are generally identified as a public utility commission, public service commission, or commerce commission. These state regulatory bodies vary in the extent of their jurisdiction as well as in name and composition. The jurisdiction of agencies as embodied in the term "public utility" includes a wide range of services: common carrier railroads, bus lines, truck lines, airlines, pipelines, telephone and telegraph systems, electric and gas suppliers, and some central heating distributors.

The Theory of Government Regulation of Utilities

The regulation of public utilities is based on the principle that they are businesses "affected with the public interest" and are no longer strictly private in nature. Property becomes cloaked with the public interest when it is used in a manner which makes it of public consequence and affects the community at large. When a business devotes the use of its property to an activity in which the public has an interest it, in effect, grants the public an interest in that use and must submit to control by the public for the common good.¹ Businesses which are affected with the public interest have certain characteristics in common: 1) they use the public ways exclusively as a place of doing business 2) they exist largely as monopolies 3) they have the right to take property by exercising the right of eminent domain, and 4) they are generally considered to be necessities in the conduct of the general affairs of the community.

The extent of regulation of public utilities varies from one type of business to another as well as from one jurisdiction to another. The granting of operating rights to public utilities, other than common carriers in the transportation field, usually takes the form of an exclusive monopoly, and the regulation

1. Minn. v. Ill. 94 US 113; 24 L Ed 77 (1876).

extends beyond control over rates and standards of service. To safeguard the public it is necessary to regulate the issuance of securities, depreciation policy, sale or purchase of facilities and other business activities which affect capital invested in the utility. The aspect which is of the most immediate concern to the general public, however, is the control of the rates and the standards of service.

All regulation, even to its broadest extent, is predicated on the police power of the state to protect the public from excessive charges for services and to insure against possible ruinous competition between utilities performing similar services in the same area.

Like other utilities gas and electric utilities are monopolies within a given area. In return for its exclusive right to operate, the business is expected to provide adequate services at reasonable rates.--- a public expectation which is guaranteed through the regulation of its standards of service by a regulatory body or agency. To meet the standards of service required, the earning of the utility must be commensurate with its needs for the maintainance of property and return on investment. The courts uphold the right of a utility to a fair return on a fair value of investment.

Problems of Rate Making

When a regulatory body is confronted with the problem of establishing or reviewing the schedule of rates being charged by a public utility, the basic question with which it must concern itself is the "rate base." This is the fair value of capital invested upon which a fair rate of return to the utility is calculated.

This question of what constitutes a fair value of any utility has resulted in much controversy. The United States Supreme Court in 1918 in its opinion

regarding a railroad rate controversy held that the "apparent value of the property and the franchises used by the corporation, as represented by its stocks, bonds and obligations, is not alone to be considered when determining the rates that may be reasonably charged."¹ The court went on to say that to calculate a fair return on such a valuation might introduce errors of excessive bonded indebtedness or overvalued stock investments. The court stated that "what the company is entitled to ask for is a fair return upon the value of that which it employs for the public convenience." On the other hand, "what the public is entitled to demand is that no more is extracted from it for the use of public highways than the services rendered by it are reasonably worth."

In the case of *Smyth v. Ames* (1898) the court decided the standard for determining utility rates during the next four and one-half decades as a fair return on the fair value of a company's property. Fair value was defined to be reproduction cost new, less observed depreciation. The cost of reproduction theory, however, gradually gave way to a new standard. The *Hope Natural Gas Co. Case* in 1944 illustrated the general trend toward the "original cost" theory in rate base making.² In the *Hope Case* the court reviewed and approved a formula adopted by the Federal Power Commission: original cost, less depreciation reserve, plus working capital. Most state regulatory bodies have substantially adopted this method of computing fair value for the purpose of rate making, some giving consideration to other factors such as prudent investment, cost of reproduction, etc.

Once a fair value of the utility has been ascertained at any one time and a just rate of return on that investment has been decided upon, the problem is to adjust the rate schedule in a manner which will produce the determined

1. *Smyth v. Ames* 169 US 466: 42 L Ed 819 1898.

2. *Federal Power Commission v. Hope Natural Gas Company* 324 US 595 1944 -- The court in this case stated that the results reached and not the methods used were controlling.

rate of return. What constitutes a fair rate of return is a question which has had varying answers from state to state. Some commissions have authorized as little as 4% and others as high as 8%, but the usual rate has been somewhere between $5\frac{1}{2}\%$ and $6\frac{1}{2}\%$. The rate of return on investments for gas and electric utilities in Minnesota is not known, but the accepted rate for telephone companies is set by the Railroad and Warehouse Commission at about 6% with the maximum at present being 6.26% figured on original cost less depreciation.

GAS AND ELECTRIC UTILITY REGULATION IN THE UNITED STATES

In conjunction with the study of the feasibility of state regulation of gas and electric rates, a questionnaire was sent to all states inquiring as to their policy of regulation. From the information returned it is apparent that regulation is an accepted fact in the vast majority of states. Of the 49 states surveyed, 44 of them reported they regulated gas and electric rates. Most of the states having regulation exempt REA Co-ops and some also exempt municipal utilities. The regulation of other utilities has been left to the local units of government. In the states of Iowa, Minnesota, Nebraska, South Dakota and Texas the commissions have not been granted regulatory authority over natural gas and electric utilities. The State of Vermont has no authority of regulation over the distribution of natural gas.

The results of this questionnaire are set forth in Appendix I of this report.

UTILITY REGULATION IN MINNESOTA

The regulation of utilities in Minnesota is vested in the Railroad and Warehouse Commission. The Commission is a statutory body established by the legislature as an elective three member commission for the first time in 1900, having been first set up as an office of Railroad Commissioner in 1871.

While the jurisdiction of the Commission is very extensive, it does not have authority to regulate gas and electric utilities in the state.

Regulation of Gas and Electric Utilities in Minnesota

In the absence of state regulation of the gas and electric utilities, the cities and villages of the state exercise whatever regulation exists through their contracts with utility companies. These contracts contain a general grant of operating rights, subject to the normal governmental regulation of the municipality. A clause is usually inserted to absolve the municipality from liability for all acts of regulation on the part of the company. Some of the franchises include a schedule of the rates to be charged, but the common practice is for the control of the rates to be vested in the municipality under a clause stating that rates are subject to revision by the council from time to time.

The franchises grant non-exclusive operating rights for a period of years, usually 20 to 25 years, but in some instances the rights are limited to 15 years.¹ Some contain stipulations concerning methods and units of measurements of service, while others seemingly leave such standards to the rate establishing ordinances for which the ordinance franchise provides. The franchise granted the Minneapolis Gas Company by the City of Minneapolis contains a provision for calculating the fair return upon which to establish the yearly rate schedule. The usual franchise provision, however, is that the rates adopted from time to time are to be just, reasonable and compensatory. Some contain merely the provision that the rights and authority in the franchise are to be subject to the power and authority of the municipality to regulate rates.

Opponents and Proponents of Regulation

A statement of the Minneapolis Gas Company was presented to the Committee

1. MINN STAT 1953, Sec. 410.09 limits duration of exclusive franchise to a period of 25 years and provides that no exclusive franchise may be granted without it first being approved by a majority of the voters of the municipality voting on the issue.

opposing state-wide regulation of gas utilities. In essence the statement made reference to the point that the regulatory problem insofar as the Minneapolis Gas Company is concerned is local rather than state-wide and for that reason regulation should be handled on the local level rather than by a state-wide regulatory body. It is their feeling that there is presently better local regulation than the state would be able to provide.

A resolution was also presented to the Committee by the Minneapolis City Council stating their desire to be excluded from any proposed state regulation of gas and electric rates. Minneapolis has a franchise ordinance for the regulation of gas rates and a limited franchise through ordinance with the electric utilities. The City of Minneapolis subsequently qualified its previous resolution. In a letter to the Committee it was stated that the city would oppose state regulation within the city, but that it favored regulation of some type for the suburban area.

The St. Paul City Council submitted a resolution registering its opposition to any pending or prospective proposals for any state legislation comparable to that embodied in HF 403 or HF 95 which were presented to the 1959 session of the Legislature. The council stated that there is no reason for the placement of such control and regulation in any state agency and that St. Paul through its charter and ordinances enacted pursuant to state law now regulates and for many years has regulated most effectively in furtherance of the public interest and the protection of the rate-payers, such public utilities, services and rates within the City of St. Paul.

The council stated that it is imperative in the public interest and that of rate-payers that said city's regulation and control of such public utilities companies, services and rates be reserved to said city together with attendant permit fees made payable by the public utilities companies to the city, representative of 5% of the utilities gross earnings within the City of St. Paul.

The Minnesota Electric Co-operative Association made known to the Committee its objection to any form of state regulation of utilities. The organization objects to regulation even if co-operatives were to be exempt from regulation under any proposed legislation.

Three major power companies in the state indicated that they are not opposed to good state regulation. These companies are Northern States Power Company, Minnesota Power and Light Company and Otter Tail Power Company. They emphasized the point that the regulation must be good regulation and that the agency assigned this responsibility must be adequately financed and staffed with the necessary competent personnel. They further stated that they would not object to being taxed to pay for such regulation.

The City of Hastings went on record in favor of regulation and adopted a resolution which was presented to the Committee. The resolution in essence sets forth the importance of regulation as follows: The special interim commission of the State of Minnesota should recommend to the legislature that a state regulation commission be established as the municipalities do not have the facilities, finance or experience needed to effectively regulate.

A representative of the Municipal Utilities Association stated that their organization was opposed to state regulation of gas and electric rates.

The Minnesota League of Municipalities at its recent annual meeting held in Winona passed by a unanimous vote a resolution suggesting further study and investigation into the feasibility of state-wide rate regulation of gas and electric utilities.

A few individuals testified before the Committee that in their opinion legislation should be enacted for state-wide regulation of gas and electric utilities.

CONSTITUTIONAL PROBLEMS PRESENTED BY EXEMPTIONS

Cooperatives

A proposal for a state-wide regulatory body of limited jurisdiction raises a number of questions regarding the exemption of some types of utilities. In the past efforts to exclude REA co-operatives from the regulatory power of utility commissions were confronted with the problem of constitutionality, and in some cases decisions were rendered which held such exemptions as discriminatory and contrary to the due process clause of the constitution. A more liberal approach has been taken in recent decisions where, under certain circumstances, REA co-operatives may be constitutionally excluded from the jurisdiction of public utility service commissions. Not all situations, however, will meet such approval either because of precedent set by state supreme court decisions or the peculiar aspects of a co-operative's organization and service. The following brief discussion of court decisions is intended to shed some light on the questions which may be involved in the establishment of a state-wide utility commission without jurisdiction over the rates and service of REA co-operatives.

In general a number of courts have concluded that it is reasonable and valid to make distinctions for the purpose of regulation as between private utility corporations and co-operatives.¹ It has been held that where a co-operative is authorized to solicit and serve the general public within a certain area but actually only serves members of the co-operative without receiving a profit, such a co-operative may be constitutionally excluded from the jurisdiction of a utility commission.² The courts have reasoned that because the ownership of a co-operative is vested in the members themselves and any profit derived from its

1. 43 Am Jur #11.

2. Ala Power and Light vs. Cullman County Elec Membership Corporation (1937)
234 Ala. 396, 174 So 866, 19 PUR (NS) 464.

operation is returned to the members, there is no need for regulatory protection as long as the co-operative is operated properly and confines its service to that described in the certificate of incorporation.¹

Generic classification of a business as a co-operative does not in itself preclude the courts from deciding otherwise. The major test used to determine if a co-operative is a public utility is the segment of the population served. If only members are served, it is ordinarily not considered a public utility.² But if the co-operative serves the public without the qualification of membership, then it is considered a public utility.³ Another case has held that although the entire area has been solicited for membership, such solicitation does not transform the co-operative into a public utility as long as the services are limited to members only and the right to select members is reserved by the co-operative.⁴ The extent of each co-operative's activity, therefore, would have to be considered before the general exclusion of co-operative as such would obtain the result intended.

Municipal Operations

The classification of public utilities for the purpose of exemption upon the basis of ownership or operation by municipal governments in contrast to private persons or corporations has frequently been upheld as constitutional against objections that it is a denial of equal protection of the laws. The municipally owned or operated public utility in recent decisions has been exempt from regulation on broad distinctions based on the objects to be accomplished,

1. Springfield Gas and Elec. vs. Springfield (1920) 292 Ill. 236, 126 NE 739, 18 ALR 929, affirmed in (1921) 257 US 66, 66 L Ed 131, S ct 24.
2. So W. States Tele. Co. vs. Oklahoma Intre County Elec. Co-op (1938) 27 PUR (NS) 321.
3. Alabama Power Co. vs. Cullman County Elec. Membership Corp. (1937) 234 Ala. 396, 174 So 866, 19 PUR (NS) 464.
4. Garkane Power Co. vs. Publ. Serv. Comm. (Utah) 98 Utah 466 100 P (2nd) 571.

the manner of operation and the ultimate protection of the public right in regards to particular functions performed or commodity furnished.¹ Some decisions have upheld the exemption where the activity is classified as a governmental function, but those courts which consider municipal utilities as proprietary in nature have found exemption from regulation unconstitutional.²

In Other Decisions

The operation of a municipal utility within the boundary of the municipality has been held not to fall within the control of the regulatory body, but the operation outside the boundaries has been held sufficient to bring it under control.³

Gas and Electric Companies in Minnesota

The American Gas Association in a report Gas Rates For State of Minnesota issued February 15, 1959 states that there are twenty-one gas companies in Minnesota serving a total of 117 communities. Of this number, seven are municipal plants serving seven municipalities. The vast majority of these communities are provided with natural gas. There are only a few communities in which manufactured butane or propane gas is distributed.

The Federal Power Commission issued a report Typical Residential Electric Bills which covers electric rates for Minnesota's 100 municipalities with populations of 2,500 or more. Of these cities, 46 are served by municipal power plants. The other 54 cities are served by six private power utilities.

As of January 1, 1958 using the Federal Power Commission's reported cost of electricity for residential use from municipal power utilities for 100 kilowatt hours the average cost was \$4.26. The average rate for 54 communities served by

1. Springfield Gas and Elec. vs. Springfield (1920) 292 Ill. 236, 126 NE 739, 18 AIR 929, affirmed in (1921) 257 US 66, 66 L Ed 131, S ct 24.
2. Re Louisville Light & Water Co. (1920) PUR 1921 c 160.
3. Hunter vs Colfax Consol. Coal Co. 175 Iowa 245, LRA 1917 D 15, 154 NW 1037.

private utilities for the same amount of electricity was \$4.25 for a differential between municipal and private utilities of 1 cent for 100 kilowatt hours.

The costs shown for municipal power and for private power are averages, and obviously there are certain municipalities in both categories having higher and lower rates than the average shown.

Wisconsin Experience in Rate Regulation

In the course of this study, the committee requested the Public Service Commission of Wisconsin, which has been in existence for 52 years, to send a representative to discuss utility regulation with the committee. Mr. Henry J. O'Leary, Chief of the Rates and Research Department of the Commission appeared. A summary of the pertinent points advanced by Mr. O'Leary follow:

The supervision of the Commission in Wisconsin is as rigid as you will find anywhere in the nation.

The Public Service Commission of Wisconsin is composed of three Commissioners serving staggered terms and appointed every two years. The commissioners are appointed by the Governor with the approval of the Senate. Their salaries are set at \$13,000 per year with a slightly higher figure for the chairman.

The functional organization of the Commission is divided into five departments as follows:

1. Rates and Research Department
2. The Transportation Department
3. The Legal Department
4. The Engineering Department
5. The Accounting and Finance Department

The Rate Department controls the rates used by all the utilities in the state and all rates are filed and approved by the Commission before they are

effective. The Transportation Department, which is not of concern to this study, controls operation rates and services of motor carriers. The Legal Department advises the Commission on legal problems. The Engineering Department controls the services and the certificates of authority of the utilities, which are issued by the Commission upon request of the utility for building and construction or expanding facilities within the state. The Accounting and Finance Department has the responsibility of auditing all the accounts of all utilities regulated in the state and approves all financial programs of the various public utilities as well as the issues of securities by the utilities.

The Wisconsin Commission controls all utilities with the exception of REA electric co-ops which are exempt by statute. The jurisdiction of the Commission is as broad in the field of municipal utilities as it is over private utilities. Few attempts have been made to exempt municipal utilities from regulation.

The key to good regulation is the commission which administers the law. A good statutory law will not result in good regulation unless there is an adequate staff to do the necessary work and the commissioners who have integrity, intelligence, and intestinal fortitude. In other words, the keystone to proper administration is the personnel to enforce the regulation. The staff should have tenure and subject to removal only for improper performance of duty. Salaries should be high enough to attract successful men.

Mr. O'Leary stated in his experience the states which appoint commissioners rather than elect them have better regulation for the obvious reasons that politics are limited insofar as rate regulation is concerned. Mr. O'Leary stated in his opinion the commissioners should be appointed with the approval of the Senate. This method, he said, prevents purely political manipulation in appointments.

The Commission's regulatory function is financed by a direct tax on the utilities themselves. This insures adequate funds for proper regulation and eliminates the necessity of going to the Legislature every two years for appropriation.

To properly regulate utilities, the regulation must be state-wide. Partial regulation, which is not all-inclusive (exempting certain areas of the state) would be very complicated and presents many legal problems. In the case of utilities serving an area which would be regulated and unregulated, there would be the terrific problem of allocation of costs upon which rates are based.

The key to effective regulation in Wisconsin is the indeterminative permit. Under this permit the utility after obtaining the permit can continue to serve unless the municipality takes legal action which results in proving that the utility was derelict in its duties. In other words, as long as the municipality and the commission are satisfied, there is tenure. Tenure is important. It is necessary to obtain financing, as no one would buy securities of a utility company unless he knew that the utility would continue in operation. In respect to operations, the utility is not subject to unreasonable restrictions which results in better operation efficiency.

Wisconsin statutes are unique in the nation in respect to depreciation. They require the Commission to certify the depreciation rate to be used. Depreciation is not uniform throughout the state because some risks are higher, for instance, sleet belts. There are no differences in similar situations. The Commission certifies the rate of depreciation which must be used.

In determining depreciation, obsolescence is an important factor. The Wisconsin Commission attempts to keep abreast of the times and adjust depreciation rates due to obsolescence from improved technical advances in the equipment, and other factors. The Commission uses a cost basis rather than a fair

value method in determining rates of depreciation. Similar rates now prevail in Wisconsin unless services performed are by different companies. Rates are determined company-wise for the utility performing the services.

An effort is made to keep rates uniform but cost is the important factor. Cost is the over-all expense of producing, transmitting, distribution, accounting, billing, meter reading, sales promotion, installation, depreciation, taxes, and rate of return for profits.

Most of the rural areas in respect to electricity are zoned, but there is a tendency to eliminate zones and cut down differentials.

The Wisconsin Statute requires that the rate set by the Commission be just and reasonable. Through previous court decisions the Commission has been able to establish the base for valuation of prudent investment and the courts have sustained its use. The same standards are used for all companies.

Gas rates in Wisconsin have been increasing due to factors not under the control of the Commission. Pipeline rates are regulated by the Federal Power Commission and when they are increased they, in part at least, must be passed on to the consumer. The percentage increase is not always the same as the federal pipeline increase as there are other elements which affect rates exclusive of the price of gas, such as the building up of the load factor which off-set pipeline increases.

APPENDIX I

State	Regl.- Natural Gas	Exemptions	Regl.- Electricity	Exemptions
Alabama	Yes	Municipal & Public Corp.	Yes	Municipal, Public Corp. and REA Co-op.
Alaska	Yes ^a	None	Yes ^a	None
Arizona	Yes	Municipal	Yes	Municipal & REA Co-op.
Arkansas	Yes	Municipal	Yes	Municipal & REA Co-op.
California	Yes	Municipal	Yes	Municipal
Colorado	Yes	Municipal ^b	Yes	Municipal ^b
Connecticut	Yes ^c	Municipal	Yes ^c	Municipal and REA Co-op.
Delaware	Yes	Municipal	Yes	Municipal
Florida	Yes	Municipal	Yes	Municipal and REA Co-op.
Georgia	Yes	Municipal	Yes	Municipal and REA Co-op.
Hawaii	Yes	None	Yes	None
Idaho	Yes	Municipal	Yes	Municipal and REA Co-op.
Illinois	Yes	Municipal	Yes	Municipal and REA Co-op.
Indiana	Yes	None	Yes	None
Iowa	No	---	No	---
Kansas	Yes	Municipal ^d	Yes	Municipal
Kentucky	Yes ^a	Municipal	Yes ^a	Municipal
Louisiana	Yes ^e	Municipal, city and parish	Yes ^e	Municipal, city and parish
Maine	--- ^f	---	Yes	REA Co-op.
Maryland	Yes	None	Yes	None
Massachusetts	Yes ^c	None	Yes ^c	None
Michigan	Yes	Municipal	Yes	Municipal and REA Co-op.
Minnesota	No	---	No	---
Mississippi	Yes	Municipal	Yes	Municipal and REA Co-op.
Missouri	Yes	Municipal	Yes	Municipal
Montana	Yes ^c	Co-operatives	Yes ^c & g	Co-operatives
Nebraska	No	---	No	---
Nevada	Yes	Municipal	Yes	Municipal and REA Co-op.
New Hampshire	Yes	Municipal ^b	Yes	Municipal ^b
New Jersey	Yes	None	Yes	Municipal
New Mexico	Yes ^c	Municipal	Yes ^c	Municipal and REA Co-op.
New York	Yes	None	Yes	N.Y. Power Auth. and REA
North Carolina	Yes	Municipal	Yes	Municipal and REA Co-op.
North Dakota	Yes	Municipal and Non-profit Oper.	Yes	Municipal, REA Co-op. and Non-profit Oper.
Ohio	Yes	Municipal	Yes	Municipal and REA Co-op.
Oklahoma	Yes	Municipal and "Other Bodies Politic"	Yes	Municipal, REA, Auth. Created by Law and "Other Bodies Politic"
Oregon	Yes	None	Yes	Municipal, REA and other co-ops.
Pennsylvania	Yes	Municipal ^b	Yes	Municipal ^b
Rhode Island	Yes	None	Yes	None
South Carolina	Yes	Municipal and Gas Auth. (county)	Yes	Municipal, REA and Area auth. created by legislation
South Dakota	No	---	No	---
Tennessee	Yes	Utility Dist.	Yes	None
Texas	No ^h	---	No ^h	---
Utah	Yes ^c	Municipal	Yes ^c	Municipal and REA Co-op.
Vermont	No	---	Yes	None
Virginia	Yes	Municipal	Yes	Municipal
Washington	Yes	Municipal	Yes	Municipal and Public Utility Dist.
West Virginia	Yes	None	Yes	None
Wisconsin	Yes	None	Yes	REA Co-op.
Wyoming	Yes	None	Yes	None

a. States having the power to regulate, but do not exercise it at present.

b. The exemption is limited to sales within the municipal boundary.

c. The rates are set by the companies, subject to review and approval of the state.

d. The interstate pipelines under the Federal Power Comm. are exempt.

e. The municipality, city and parish are exempt unless they surrender this power to the state.

f. At present natural gas does not exist in the state.

g. The electricity from the Blackfeet Indian Res. is sold to the City of Polsum and is not regulated.

h. The rates within the unincorporated municipalities are set by the city council.