non-Federal financing, taxes, insurance, and an increment of costs due to capital risk.

We have estimated the results of obtaining pumping power for the central Arizona project if we entered into such an agreement with the non-Federal utilities planning to construct a thermal electric powerplant at Page, Ariz. If the Page plant were financed entirely by non-Federal, publicly owned utilities, the average cost of energy to the central Arizona project would be increased about 30 percent over the cost under the prepayment plan. If such arrangements were made for a plant entirely financed by private utilities, the average cost would be increased about 60 percent over the cost under prepayment.

LOWER COLORADO RIVER BASIN DEVELOPMENT FUND

In our current proposal for the central Arizona project, involving the prepaid power arrangements I have just discussed, repayment of project costs is predicated on the use of project revenues only. As we reported last year, payout assistance from a development fund would not be necessary under our proposal. This is still our position. Should the Congress desire to establish a Lower Colorado River Basin development fund to provide financial assistance for future water projects, the administration offers no objections. Appropriate sources of revenue for such a development fund would include the following:

Source	*Average annual contribution*
Hoover-Parker-Davis power revenues after payout	$14,500,000
Revenues from the Arizona-Nevada portion of the Pacific Northwest-Southwest Intertie after payout	5,200,000
Central Arizona project revenues after payout ($56 M. & I. water)	18,300,000
Total average annual contributions	$38,000,000

Based on these contributions, surplus revenues that would accumulate in a development fund by the year 2029 are estimated as $597 million and by the year 2050 as $1,384 million.

ESTIMATE OF WATER SUPPLY

Estimates of future water supply available to the lower basin are influenced by three basic assumptions, each a matter of judgment. The first relates to the magnitude of virgin runoff that will occur in the future. The second concerns the rate of increase and the ultimate magnitude of Upper Basin depletions. The third involves the magnitude of future net losses along the Lower Colorado River.

Let us discuss all three of these items.

The traditional method of forecasting future runoff is to base the estimate on past records. The question posed in the Colorado Basin is what period of past runoff should be taken as most representative of the future. The following three periods represent typical variations involved:

[In thousands of acre-feet]

Period	Characteristic	Average virgin runoff at Lee Ferry
1931 to 1967	Critical period	12,990
1922 to 1967	Actual record at Lee Ferry	13,750
1906 to 1957	Longest reliable period of record on Colorado River	14,960