

I wonder if it might be advantageous to insert the letter of the Federal Power Commission to the Corps of Engineers into the record at this point.

Mr. HARSHA. I have no objection.

Mr. JONES. Without objection, it is so ordered.

(The letter of FPC to the Corps of Engineers follows:)

FEDERAL POWER COMMISSION,
Washington, D.C., November 10, 1966.

Reference: ENG CW-PD

Lt. Gen. WILLIAM F. CASSIDY,
Chief of Engineers, Department of the Army, Washington, D.C.

DEAR GENERAL CASSIDY: This is in response to your letter of September 26, 1966, inviting comments by the Commission relative to your proposed report and to the reports of the Board of Engineers for Rivers and Harbors and of the District and Division Engineers on the Salem Church Reservoir, Rappahannock River, Virginia.

The cited reports recommend that the authorized Salem Church project be modified to provide for construction of the reservoir with the maximum conservation pool raised 20 feet to elevation 240, and to include a downstream dam and reservoir for reregulation of flow releases, for the purposes of flood control, water quality control, water supply, hydroelectric power production, and recreation, at an estimated construction cost of \$79,500,000. The report plans include a conventional power installation of 89,000 kilowatts, but the reports recommend the installation of pumped storage facilities within the discretionary authority of the Chief of Engineers if found economically feasible at the time of preconstruction planning or later.

The Commission staff, which has cooperated with your Department over a period of years in investigations of the Salem Church project, has made studies of the feasibility of power development at the project. The studies show that the value of power with the 89,000-kilowatt conventional installation would exceed the cost of the power development, the estimated benefit-cost ratio being 1.5 to 1.0. This analysis made use of power values of \$16.50 per kilowatt-year for capacity and 2.5 mills per kilowatt-hour for energy, based on the cost of power from alternative steam-electric units of the size being planned and constructed in the area. Market studies show that the project output could readily be absorbed in the area power loads.

The staff also compared the annual revenues that could be obtained by marketing the project power at the approved Federal power rates in the area with the annual power costs, including amortization over a 50-year period of the project investment allocated to power. These studies indicate that the conventional power development would be financially feasible.

Staff studies indicate that an installation of 200,000 kilowatts or more could be made at the Salem Church project by the use of reversible units. The proposed reregulating reservoir could be enlarged to serve as the afterbay. Under pumped storage operation, the drawdown of the Salem Church reservoir could be reduced with resulting enhancement of the recreation values. The staff estimates the benefit-cost ratio of a pumped storage installation of 200,000 kilowatts to be about 1.6 to 1.0.

The proposed reregulating reservoir at the Fredericksburg site would inundate the existing Embrey dam which diverts water to the 3,150-kilowatt plant of the Virginia Electric and Power Company. This plant was constructed initially in 1910. An application for license for this development, Project No. 2461, is now pending before the Commission.

Based on its consideration of the reports of your Department and the studies of its own staff, the Commission concludes that power development is an economically feasible and desirable feature of the proposed Salem Church project. The Commission believes that the authorization of the project should be sufficiently broad to permit the optimum power installation, including pumped storage facilities if found to be desirable.

Sincerely,

LEE C. WHITE, *Chairman.*

Mr. HARSHA. Since by law, this power must be sold at a rate to recover the cost, where can I find an analysis to indicate what the power can be sold for?