

Senate Document No. 97 would not have been met and power could not have been included as a project purpose.

The estimated incremental cost of providing 89,000 kilowatts of power at Salem Church is \$17,608,000, according to the Corps report. Of this, only 81,300 kilowatts would be dependable initially, and this would decrease with time. By contrast, an 89,000 kilowatt combustion turbine installation we have under construction will cost only \$7,500,000, and the full 89,000 kilowatts will be dependable initially and throughout the life of the facility.

While investment cost is a large factor in determining the proper economic alternative, annual operation, maintenance and fuel costs also have an influence. Peaking facilities on a large system such as the Virginia Electric and Power Company are required for load carrying purposes a relatively small number of hours each year, thus minimizing the fuel cost advantage which peaking hydro would have over combustion turbines. With all factors considered, a combustion turbine installation on our system would be a much better economic choice than peaking hydro power similar to that contemplated at Salem Church.

The use of a 100 year amortization for Salem Church power is not reasonable. In the past, 50 years has been considered by the Federal Power Commission to be a reasonable life for hydroelectric generating facilities. Technological developments are on the power generating horizon today which are showing the potential for obsoleting many of the power generating means now employed. Had the Corps used the normal 50 year amortization period, the annual costs of the project would increase and the benefit-to-cost ratio would decrease.

In the Salem Church Report the Corps has accepted the Federal Power Commission evaluation of the power which would be produced with construction of the recommended plan. In this evaluation, capacity has been valued at \$18.50 per kilowatt per year and energy at 2.6 mills per kilowatthour. These unit values applied to Salem Church produce an annual power value of \$1,706,000. On this basis, the unit value of energy is found to be 11.19 mills per kilowatthour. This is a gross overstatement of the value of Salem Church power. Our larger industrial customers and municipalities served at wholesale enjoy rates of 7.1 to 9.0 mills per kilowatthour with an average of 8.1 mills per kilowatthour for the largest twenty customers, which includes five municipalities. Our present rate to all R.E.A. Cooperatives is 7.5 mills per kilowatthour. These rates include all costs of generation, transmission and terminal facilities, including property, gross receipts and federal income taxes and they are considerably below the 11.19 mill per kilowatthour value of power used in the Corps report. The Corps states that the annual cost of power would be \$1,028,800 for an average annual output of 152,500,000 kilowatthours over the 100 year life of the project. This will amount to a unit rate of 6.75 mills per kilowatthour, but if present long term interest rates of 5.0 percent paid by the Federal Government were used instead of the unrealistic $3\frac{1}{8}$ percent used in the Corps' report and a 50 year project life had been used rather than the 100 year life the cost of power would be at least 10 mills per kilowatthour, without consideration of the tax losses to the federal, state and local governments.

Even the Corps' report recognizes that the greatest return per dollar of investment is obtained without power for the high level reservoir (See plans 7 and 10). The Corps' report also recognizes that the addition of power to the high level reservoir reduces the overall benefit to cost ratio from 2.2 to 1 to 2.1 to 1. For the low level reservoir, without power (Plan No. 6) the report shows a calculated benefit-to-cost ratio of 2.2 to 1, the same as the high level reservoir, without power, (Plan No. 7), (See Table F-1, Alternative Plans of Development-Project and Economic Data). The low level reservoir produces the same annual flood control benefits, the same water supply benefits, the same water quality control benefits, the same salinity control benefits and costs \$12,746,000 less than the high level reservoir. Only recreation benefits are reduced by construction of the low level reservoir. But recreation benefits attributed to the low level reservoir are still substantial, amounting to \$1,950,000 per year.

Thus it seems to us that the public interest would best be served by authorizing construction of the low level reservoir (Plan No. 6) which provides those essential public benefits that can be provided by no other means at the least cost and with the minimum amount of land removed from other beneficial usage.

Mr. Chairman, I thank you for the opportunity to state our position regarding the proposed Salem Church Project.