power to preference customers whose fixed charges for financing are far lower than those for private financing. It follows, therefore, that the value of this particular pumped storage power and energy should be based upon Federal financing and no taxes.

(*b*) As to cost of operation, the Corps of Engineers assumed that thermal pumping energy could be purchased from investor-owned companies and others who have thermal energy in the area at a cost of between 2.1 and 2.4 mills per killowatt-hour. This is an unrealistic figure because not only is it generally below the cost of fuel alone but it also fails to give any consideration to the investment of others who are apparently expected to supply this thermal pumping energy and who may or may not be given access to any of the benefits which would derive therefrom.

In calculating the annual fixed-costs associated with pumped storage projects, a cost-of-money figure of 3⅛ percent has been used, which is entirely unrealistic in view of the fact that the true cost of money to the Federal Government is now far higher than that figure. We also have serious questions as to the estimated total cost of the projects. Inflation in the intervening years is a fact of life which must be taken into consideration and can only result in much higher total costs than those which were estimated in 1963.

It is significant that no market survey has been made to establish the need for and the value of this pumped storage peaking energy; and the companies who, presumably, would be expected to supply the pumping energy have never been contacted as to whether they would be willing to supply it and at what cost. Benefit-cost ratios predicated on such self-serving assumptions certainly cannot be considered valid.

5. This particular region of the United States now has in existence over 1.4 million kilowatts in conventional hydroelectric power generation with some 700,000 kilowatts more under construction. This is low load factor hydro which has its greatest value for peaking purposes and constitutes a major reason why pumped storage capacity is less desirable in this area than in other regions of the country which do not have an abundance of such conventional hydroelectric power.

6. The companies in this southwest region have entered into a diversity exchange agreement with the Tennessee Valley Authority and now have in place 500,000-volt transmission facilities which make available to the region 1.5 million kilowatts of peaking capacity available to TVA in the wintertime, when it is needed there.

7. The Grand River Dam Authority in Oklahoma now has under construction a 520 megawatts pumped storage facility, which would further reduce the peaking power needs of this area by that amount.

8. These proposed Federal pumped storage projects would pay no taxes for the support of government at the Federal, State, or local level. Since the investor-owned companies in the area have discharged the responsibility to meet the peaking power needs of the area in the past and are willing and able to do so in the future, this would then result in a loss of tax revenue at all levels of government which would otherwise accrue from the construction of facilities by the investor-owned companies to meet the peaking power requirements of their respective areas.