

way of the lower cost Federal power from Salem Church. During fiscal 1967 these six systems in North Carolina saved some \$30,000 through the availability to them of wholesale Federal power from the Kerr and Philpott projects.

Marketing of hydroelectric power from Salem Church could well follow the pattern established and agreed to by the Government, the power company and the cooperatives for John H. Kerr and for Philpott.

Federal power from Salem Church would help immensely. The quota of Kerr and Philpott power available to rural electricians in Virginia and North Carolina is limited and this limit has long since been reached. Thus, as the use of electricity by the cooperatives increase, they must purchase an ever increasingly larger percentage of their wholesale power requirements at the higher company rate of 7.3 mills per kilowatt-hour and an ever smaller percentage at the lower Federal rate of 6.6 mills.

We estimate that the Salem Church project would provide wholesale power cost savings on the order of \$75,000 per year to rural electric systems in Virginia and North Carolina.

The report of the Chief of Engineers indicates very clearly that Salem Church is an economically sound undertaking. The overall benefit-cost ratio for the project is 2.1. The benefit-cost ratio for the 89,000-kilowatt conventional hydro installation, recommended by the corps, is 1.5, according to the letter, dated November 10, 1966, from FPC Chairman, Lee C. White, to the Chief of Engineers which appears at page XXIV of Senate Document 37. The same letter also points out that the benefit-cost ratio for a 200,000-kilowatt pumped storage hydro facility would be 1.6. As to the feasibility of marketing the electricity to be produced at Salem Church, the Southeastern Power Administration, in a letter to the district engineer dated January 6, 1966 (see p. 96 of S. Doc. 37), expresses its ability to recover from power sales, revenues sufficient to meet all expenses and repay capital cost allocated to power within a 50-year period.

As I understand it, Mr. Chairman, the benefit-to-cost ratio calculated for Salem Church by the district engineer is based on 1965 construction costs, interest at $3\frac{1}{8}$ percent and 100-year amortization. However, we have recalculated the project using 4 percent interest, 50-year amortization, and 1968 prices. We arrived at our 1968 prices by adding 20 percent to the capital investment and the O. & M. and replacement charges calculated by the district engineer. This 20 percent is the approximate increase shown between 1965 and 1968 by the Engineer News Record's construction cost index. Even with all of these upward adjustments in annual charges against the project, it still shows a benefit-to-cost ratio in excess of unity. It is a good project.

We respectfully suggest, therefore, that legislation reauthorizing the Salem Church Reservoir substantially according to Senate Document 37, 90th Congress, first session, be favorably reported at the earliest possible time; including authority for the 200,000-kilowatt pumped storage hydro plant should the Chief of Engineers find same feasible after further detailed study.

We also respectfully urge authorization of the Petit Jean and White Oak pumped storage projects as part of the multiple-purpose development of the Arkansas River.