

6. Although the feasibility study of these projects was based on 1963 costs, it is our understanding that the Corps of Engineers has updated its study on the basis of current costs, and even with the rise in costs which has been experienced since 1963 the benefit-cost ratio of these projects continues to be favorable.

7. It is true that Federal power projects pay no taxes. It would be pointless for the Federal Government to pay taxes to itself. Private power companies, however, pay no taxes but add taxes to the consumers' rates, thus acting as tax collectors rather than taxpayers. On the other hand, Federal power projects are tax-generating because they are income producing. Investment in power is returned to the Federal Treasury, with interest, over the project payout period. In addition, all power revenues after the traditional 50-year payout period are paid to the Federal Treasury.

The Petit Jean and White Oak projects have a benefit-cost ratio of 2.1 to 1. They will supply peaking power needed in the area, and they are part of the plan for multipurpose development of the Arkansas River. The American Public Power Association therefore urges the subcommittee to approve authorization of these projects.

APPA SUPPORTS SALEM CHURCH DAM

The proposed Salem Church Dam is located on the Rappahannock River, above Fredricksburg, Va. Associated with this dam would be Fredricksburg Dam, a reregulating reservoir, located 2.8 miles downstream from the Salem Church site.

Preliminary investigations by the Corps of Engineers considered 17 separate proposals for development of this project, embodying three basic concepts:

1. A single Salem Church Dam without power.
2. Both Salem Church and Fredericksburg Dams with conventional hydroelectric power.
3. Both Salem Church and Fredericksburg Dams with pumped-storage generating facilities.

The present proposal is for Salem Church and Fredericksburg Dams with an 89,000-kilowatt conventional hydroelectric installation at Salem Church. Feasibility of inclusion of pumped storage facilities, which would result in a maximum capacity of 200,000 kilowatts would be determined during or after preconstruction planning. Benefits from the project include hydroelectric power, water quality control, water supply, and recreation. The benefit-cost ratio of the project is 2.1 to 1.

Power from this project would be marketed to preference customers in the Federal Power Commission power supply area 18, including central and eastern Virginia, a small part of West Virginia and a part of North Carolina. Federal Power Commission projections indicate that the demand for electricity in this area will be more than double in the next 10 years, an increase of over 3 million kilowatts. Power from Salem Church would be marketed by the Southeastern Power Administration, which has indicated that it could market power produced at Salem Church and obtain sufficient revenue to repay the Federal investment allocated to power. Municipal customers will be able to obtain this power at rates 3 to 4 mills below present wholesale rates for power purchased from private power companies in the area.