

STATEMENT OF DONALD S. KENNEDY, CHAIRMAN OF THE BOARD AND CHIEF
EXECUTIVE OFFICER, OKLAHOMA GAS & ELECTRIC Co., JUNE 19, 1968

This statement is made in opposition to the proposed pumped storage electric generating projects known as Petit Jean and White Oak.

The proposed Petit Jean Project would be located on Petit Jean Mountain on the reservoir behind Lock and Dam No. 9, and the proposed White Oak Project would be located on Manitou Mountain on the reservoir behind Ozark Lock and Dam, both on the Arkansas River in Arkansas.

The projects as proposed would each contain 500,000 kilowatts or more of generating capacity and are pure power projects, in that they do not develop any natural resource and have no purpose other than the generation of electric power.

They are related to the Arkansas River Navigation Plan only because they would use water from reservoirs on the Arkansas for pumping into a reservoir at a higher elevation during off-peak periods and then use the same water for generation during on-peak periods as it flows back down into the main stream reservoirs. They would not bring into being any electric power and energy as a necessary or incidental part of the operation of the dams constructed to control floods, provide navigation and recreation, and would in no way further the fundamental purposes of the multipurpose projects on the Arkansas River.

We recognize that in some instances pumped storage projects can be justified, but we emphasize that the Petit Jean and White Oak projects are unnecessary and uneconomic. Furthermore, service reliability in the area would be adversely affected.

THE PROJECTS ARE UNNECESSARY

The projects are unnecessary because the investor-owned, taxpaying utility companies are willing and able to supply all the electric power needs of the area.

The obligation to provide adequate electric power generating capacity, as well as all of the transmission and distribution facilities required, in order to serve the utility loads in the Southwest area, rests upon the electric systems in the area.

The Corps of Engineers has no public utility obligation to provide sources of power for any consumers in the Southwest region of the country. The operations of the Southwestern Power Administration, as authorized under the Flood Control Act of 1944 and the delegations from the Secretary of the Interior, are limited to marketing the surplus output of Corps of Engineers projects in the area. Preference must be given to public bodies and cooperatives in the disposal of such power under the Flood Control Act, but there is no obligation to do anything other than to give preference. There is no obligation to construct generating capacity of any kind to serve any load.

THE PROJECTS ARE UNECONOMIC

The Petit Jean and White Oak projects are uneconomic because the power and energy which they would supply can be supplied at a lower cost by other sources in the area.

Pumped storage generation is inherently an inefficient process since it consumes about 3 kwh of off-peak energy to yield about 2 kwh of on-peak energy. Thus, the investment carrying charges and operating expenses of a pumped storage installation must be sufficiently lower than those of alternate methods to offset these unfavorable pumping energy costs. Pumped storage plants can generally be justified only if the total capital investment is less than the investment of alternative methods.

We have seen studies indicating that the capital investments per kilowatt of capacity as proposed for the Petit Jean and White Oaks projects are \$104.50 and \$134.00 per kilowatt respectively. The capital investment per kilowatt of equivalent capacity in the alternative source, steam electric generating stations, is approximately \$65-\$80 per kilowatt.

Previous studies used by the Corps of Engineers for the proposed projects have not provided for adequate transmission facilities to move the peaking power to the load centers, some of which are hundreds of miles distant. Additional cost of transmission must be given through consideration in evaluating any pumped storage projects.

Previous studies pertaining to these projects are predicated on an interest rate of 3.125%, which is the rate normally used for natural resource projects. Since