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84/6 WILLAMETTE RIVER BASIN, COUGAR, GREEN PETER,
AND WHITE BRIDGE DAMS, OREG.

GOVERNMENT
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[No. 84-6]



HEARING
BEFORE THE
COMMITTEE ON FLOOD CONTROL
OF THE
COMMITTEE ON PUBLIC WORKS
USE OF REPRESENTATIVES
EIGHTY-FOURTH CONGRESS

FIRST SESSION

ON

H. R. 4662

TO REDUCE THE COST TO THE UNITED STATES FOR THE DEVELOPMENT OF FLOOD CONTROL, NAVIGATION, AND IRRIGATION IN THE WILLAMETTE RIVER BASIN, OREG., BY PROVIDING FOR THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF POWER FACILITIES AND APPURTENANCES AT THE COUGAR DAM AND RESERVOIR ON THE SOUTH FORK OF THE MCKENZIE RIVER, OREG., AND THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF POWER FACILITIES AND APPURTENANCES AT THE GREEN PETER DAM AND RESERVOIR AND CONSTRUCTION, OPERATION, AND MAINTENANCE OF THE WHITE BRIDGE DAM AND REREGULATING RESERVOIR (INCLUDING POWER-GENERATING FACILITIES AND APPURTENANCES) ON THE MIDDLE SANTIAM RIVER, OREG., TO BE DONE WITH FUNDS ADVANCED BY LICENSEES; SAID FACILITIES, TO THE EXTENT OF LOCAL PARTICIPATION THEREIN, TO BE SUBJECT TO THE LICENSING PROVISIONS OF THE FEDERAL POWER ACT

MAY 2, 1955

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WILLAMETTE RIVER BASIN, COUGAR, GREEN PETER
AND WHITE BRIDGE DAMS, OREG.

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WILLAMETTE RIVER BASIN, COUGAR, GREEN PETER, AND WHITE BRIDGE DAMS, OREG.

MONDAY, MAY 2, 1955

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FLOOD CONTROL OF
THE COMMITTEE ON PUBLIC WORKS,
Washington, D. C.

The committee met, pursuant to call, at 10:10 a. m., in room 1302, New House Office Building, Hon. John J. Dempsey presiding.

Mr. DEMPSEY. The Subcommittee on Flood Control of the Public Works Committee is meeting this morning for the consideration of H. R. 4662, which involves a program for construction of dams in the Willamette River Basin in Oregon under a partnership arrangement.

I acknowledge Mr. Ellsworth, who is here. We are glad to have you here and always happy to see you, because your requests are always very modest.

STATEMENT OF HON. HARRIS ELLSWORTH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. ELLSWORTH. Thank you.

Mr. Chairman and members of the committee, I have a four-page statement I would like to read, and then some telegrams and other documents to ask you to put in the record.

Mr. DEMPSEY. Your statement and any documents you have there may be entered into the record, without objection.

Mr. ELLSWORTH. Thank you.

Mr. Chairman and members of the subcommittee, the purpose of the bill before you, H. R. 4662, introduced by me, is to relieve the Federal Government of the burden of advancing between \$40 million and \$47 million for the purpose of constructing power facilities, including the reregulating dams in connection with two previously authorized flood-control projects, in the Willamette River Basin of Oregon.

The projects referred to are the Green Peter flood control dam on the Santiam River and the Cougar Dam on the McKenzie River. The construction of these dams as integral parts of the Great Willamette Basin flood control system was authorized by Congress many years ago. Five other dams are already completed.

When the construction program of the Willamette Basin project reached these two dams, it was noted that the project should be authorized not for flood control alone but as multiple-purpose projects, since each of the dams has potential power production.

Accordingly, both projects were authorized as multiple-purpose projects, including power.

As will be explained in detail by other witnesses who live in the affected areas, there is great urgency for the construction of these two flood control dams. The annual flood loss is calculated to be in the neighborhood of \$2 million a year, but the danger of much heavier flood loss now exists because of the present unbalanced flood control situation. A dam known as the Detroit Dam has been constructed on the north fork of the Santiam River, effectively controlling that stream during high water. However, until the Green Peter Dam on the middle fork of the Santiam, mentioned in this bill, can be constructed, the danger to and the actual damage to the large fertile and productive farming area lying between the two rivers above their point of confluence is unusually serious.

It is obvious, I think, that when the north river is running low and controlled and the south river is flooding and uncontrolled, the danger of the current cutting across from the higher river to the lower makes great damage likely. The same identical situation exists with respect to the Willamette and McKenzie Rivers. The Willamette is controlled by the newly completed Lookout Point Dam but until Cougar Dam, mentioned in this bill, is built, the area above the point where the two streams merge is also in extreme danger.

Although the urgent and vital need for the construction of Green Peter and Cougar Dam is for flood control, each project will produce a substantial amount of power. Additional hydroelectric generating capacity is badly needed now in western Oregon. The need will increase as time goes on. Power from the streams here referred to is especially desirable because it will be available when needed most. The greatest flow of the Columbia River is in the summer months, whereas the heavy flow of the coastal streams is in midwinter.

The people of Oregon and the residents of the two valleys most directly concerned in this legislation would be glad to have these projects built as multiple-purpose projects by the Federal Government. They realize, however, that as large as the Federal construction program is, it is not going to be adequate to keep up with the power needs of the Northwest region. We are all aware of the fact that money from other sources than the Federal Treasury must be used if the urgently needed flood control and power projects are to be constructed rapidly enough. Only by bringing every possible resource to bear—private and Government, including municipal and other local units—can we expect to accomplish the job which must be done.

In this legislation, therefore, we are proposing that the Government enter into an agreement with local interest wherein local capital will pay for the power part of the two projects and the Government will be obligated only for its traditional role of providing flood control and other related benefits.

The financial side of the Northwest power development situation is interesting and is, I think, pertinent to this discussion. Economists for the Bonneville Administration estimate that to supply the power needs of the Pacific Northwest in the next 10 years will require an investment of at least \$3.5 billion for new dams and transmission facilities and for the completion of projects now underway. By simple mathematics it is easy to see that an investment of \$1 million per

day for that 10-year period would be needed. This \$3.5 billion compares with a total Federal expenditure of about \$2 billion in the past 20 years, including the large Columbia Basin irrigation project. Considering the huge expenditures on the projects now under construction, I believe we have been averaging less than \$500,000 per day. That, as you see, is only half of what is required to keep pace with the region's future needs.

So long as there is local money available to share in such projects as there is in the case of Green Peter and Cougar Dams, it is our feeling that we should not stand back and wait in the hope that Congress will appropriate \$1.5 billion more in the next 10 years than it has invested during the past 20 years for such development in our region. This is the reasoning which has prompted the introduction of this bill which calls for non-Federal participation and sharing in the power development.

The partnership arrangement contemplated in the bill now before you does not represent a new or revolutionary principle. The Federal Government has been entering into such arrangements for the production of power for the last 30 years. Mr. Chairman, I submit for the record and to be included as a part of my statement a statement of the history of a number of local Federal partnerships since 1923. The statement is as follows:

HISTORY OF PARTNERSHIP PROJECTS

I should like to make clear the fact that partnership is not a new development in our country. The simple facts are that local-Federal partnerships have been a matter of practice for more than 30 years.

The first instance of which I find record was in 1923, when Henry Ford & Son, Inc., were granted license by the Federal Government to install and operate the power facilities at a Federal navigation lock and dam at Troy, N. Y. The Federal investment was \$1,463,000 and the investment by the Ford Corp. was \$2,225,000. Again, in connection with a similar lock and dam at St. Paul-Minneapolis, Minn., the Ford Motor Co. was a partner, spending \$1,464,000 for power facilities and a Federal cost of \$5,600,000.

In the Coolidge administration in 1926 the Oklawaha Power Co., a subsidiary of the Florida Power Corp., installed power facilities costing \$139,000 at a lock and dam which cost the Federal Government \$161,000. In 1927, again under the Coolidge administration, the Louisville Gas & Electric Co. was a partner on a navigation project which cost the Federal Government \$13,167,000 and the power facilities were installed by the private utility at a cost of \$7,218,000.

The next instance of partnership was in 1928 when the Kentucky Utilities Co. was granted the right to develop the power facilities at a cost of \$532,000 at a navigation lock and dam on the Kentucky River which cost the Federal Government \$290,000.

The next partnership with a private power company was in the Roosevelt administration in 1935 when the Kanawha Valley Power Co. was a partner with the Federal Government and installed the power facilities at a cost of \$1,440,000, while the Federal expenditure was \$3,269,000 for navigation facilities on the Kanawha River.

Again in the same year under the Roosevelt administration the same private power company, the Kanawha Valley Power Co., was a partner installing the power facilities costing \$1,403,000 at the Marmet lock and dam on the Kanawha River, where the Federal cost was \$3,566,000. Again under the Roosevelt administration the same private utility was granted partnership power production license at the Winfield locks in West Virginia where the Federal cost was \$6,340,000 and the cost to the utility \$1,903,000.

The Roosevelt administration in 1941 approved a partnership at the Harry L. Englebright Reservoir project in California, where the Federal cost was \$4,033,000 and the cost to the partners for the installation of the power facilities was \$1,500,000. The partners were private hydraulic mining interests and private utilities, the Sacramento Valley Utility Co. and the Pacific Gas & Electric Co.

Under the Truman administration in July 1950, the Federal Government began replacement of a navigation lock and dam at St. Anthony Falls, Minn., which cost the Federal Government \$9,743,000. The partnership was entered into with the private utility, Northern States Power Co., which remodeled and installed power facilities at a cost of \$1,535,000.

It is interesting and I believe important to note the number of these partnerships during the New Deal and Fair Deal Administrations and to further note that without exception the partnerships were with privately owned utilities. It seems to me that the reasoning of the Eisenhower administration on this matter is very sound—the Eisenhower administration advocates partnership power development with the Federal Government as a matter of policy and encourages publicly owned utilities in States, municipalities, and other subdivisions to enter into partnership arrangements and does not hold this field open solely for privately owned utilities. The first partnership under the Eisenhower administration was in connection with the Waterbury Reservoir in Vermont, where a dam and reservoir was completed in 1938. In 1953 the State of Vermont and the Green Mountain Power Corp. became partners in installing power features at the reservoir at a cost of \$550,000. Pursuant to the announcement of partnership policy, the Congress has approved partnership for the Priest Rapids project, the Coosa River project in Alabama, and the Markham Ferry project in Oklahoma.

In the 83d Congress, three large partnership projects were approved. They are the Markham Ferry project in Oklahoma, the Coosa River development in Alabama, and the Priest Rapids project in Washington. The Markham Ferry project is a State-Federal partnership; the Coosa River development is a partnership between the Alabama Power Co. and the Government; and the Priest Rapids project is a public utility district and Federal Government partnership.

Last year this committee approved a partnership bill for the Cougar Dam project, which bill was identical, I believe, except in one respect, to the one now before you. The difference in the bill last year from the pending one is the inclusion in H. R. 4662 of the Green Peter Dam in addition to the Cougar project. The Cougar partnership bill was passed by the House of Representatives last year without a dissenting vote.

The people of Oregon, speaking through their legislature, by overwhelming majorities in both House and Senate this year memorialized Congress and urged the passage of partnership legislation for the construction of Green Peter and Cougar Dams.

The Bureau of the Budget has made a favorable report on this bill as has the Federal Power Commission and the Department of the Interior. The Army engineers will personally present their own favorable report.

The President and the Bureau of the Budget are so definitely in favor of this legislation that in the President's budget now before Congress, on page 656, money for the beginning of construction of Green Peter and Cougar Dams is definitely budgeted. The language of the budget statement is as follows:

"There is included in the budget for fiscal year 1956 a supplemental appropriation of \$10 million to provide for the Federal share in cooperation with States, local governments or private groups in the development of partnership water-resource projects. Of the total provided \$5 million is proposed for application, as follows: Cougar Reservoir, Oreg., \$2 million—Green Peter Reservoir, Oreg., including White Bridge Reservoir, \$1 million * * *"

In other words, Mr. Chairman and members of the committee, the President and all interested agencies of the Federal Government approve this bill. The Governor and the Legislature of Oregon approve it; the people of the areas concerned are appearing before you urging its passage, as will the local interests who will become the partners if the legislation is enacted. They are the representatives of the city of Eugene and responsible officials of the Pacific Power & Light Co. I hope this legislation will have your favorable report.

Thank you.

Mr. DEMPSEY. At this point in the record we will insert the bill, H. R. 4662. Also a favorable report from the Department of the Interior, a favorable report from the Department of the Army, a favorable report from the Bureau of the Budget, and a favorable report from the Federal Power Commission.

(H. R. 4662 is as follows:)

[H. R. 4662, 84th Cong., 1st sess.]

A BILL To reduce the cost to the United States for the development of flood control, navigation, and irrigation in the Willamette River Basin, Oregon, by providing for the construction, operation, and maintenance of power facilities and appurtenances at the Cougar Dam and Reservoir on the South Fork of the McKenzie River, Oregon, and the construction, operation, and maintenance of power facilities and appurtenances at the Green Peter Dam and Reservoir and construction, operation, and maintenance of the White Bridge Dam and reregulating reservoir (including power generating facilities and appurtenances) on the Middle Santiam River, Oregon, to be done with funds advanced by licensees; said facilities, to the extent of local participation therein to be subject to the licensing provisions of the Federal Power Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the comprehensive plan for the improvement of the Willamette River Basin, Oregon, as authorized by the Act of Congress, approved June 28, 1938 (52 Stat. 1215), as amended and supplemented by subsequent Acts of Congress, including the Act of Congress approved September 3, 1954 (68 Stat. 1265), is hereby modified to provide for the construction, operation, and maintenance of the power generating facilities and appurtenances at the Cougar Dam on the South Fork of the McKenzie River, Oregon, and for the construction, operation, and maintenance of the power generating facilities and appurtenances of the Green Peter Dam together with the construction, operation, and maintenance of the White Bridge Dam and reregulating reservoir (including power generating facilities and appurtenances) on the Middle Santiam River, Oregon, under licenses issued in accordance with the terms of the Federal Power Act and with this Act.

SEC. 2. The power generating facilities and appurtenances including White Bridge Dam and reregulating reservoir (as described in section 1 hereof) of the respective projects may be constructed by the respective licensees hereunder, or, in the alternative, such facilities may be constructed by the Corps of Engineers as agents for the respective licensees with funds advanced therefor by such licensees. Construction pursuant to this section shall be in accord with the provisions of licenses to be issued by the Federal Power Commission in accordance with the Federal Power Act and this Act. The respective licensees shall operate and maintain the power generating facilities and appurtenances including White Bridge Dam and reregulating reservoir at their own cost and expense subject to the provisions of this Act.

SEC. 3. The Cougar Dam and Reservoir and the Green Peter Dam and Reservoir shall remain the property of the United States and shall, except as specified in section 2 above, be operated and maintained by the Corps of Engineers. The respective licensees shall pay to the United States through the Department of the Army, such proportionate shares of the cost of construction, operation, and maintenance of the Cougar Dam and Reservoir, and the Green Peter Dam and Reservoir as may be appropriately allocated to power development by the Chief of Engineers under the direction of the Secretary of the Army in collaboration with the Federal Power Commission in conformity with the "separable-cost-remaining-benefits" method of cost allocation as recommended by the Federal Inter-Agency River Basin Subcommittee on Benefits and Costs in its report dated May 1950 or by such other method as may be mutually agreed upon by the licensees and the Secretary of the Army and approved by the Federal Power Commission.

SEC. 4. The Chief of Engineers, under the direction of the Secretary of the Army, is authorized to enter into agreements with the respective licensees for the operation of the dams and reservoirs insofar as such operation affects the production of power so as to secure the maximum multiple benefits from the operation of the dams and reservoirs as set out in the comprehensive plan of improvement for the Willamette River Basin, Oregon, referred to in section 1 hereof, and for the advancement of funds by the respective licensees, in accordance with the provisions of this Act, and for other matters incident to the construction, operation, and maintenance of said projects. Such agreements shall be for such periods as may be consistent with the terms of the licenses issued by the Federal Power Commission, and any renewals or extensions thereof, and may be amended from time to time by mutual agreement.

SEC. 5. (a) If no application for a license to construct the power facilities at the Cougar Dam and Reservoir is filed with the Federal Power Commission within two years from the date of approval of this Act, or if such application for a license is denied, or if construction is not commenced and carried out within

such reasonable period of time as may be fixed by the Federal Power Commission, the entire Cougar Dam and Reservoir including power facilities shall be constructed, operated, and maintained by the Department of the Army, as provided in the Act of Congress approved June 28, 1938 (52 Stat. 1215), as amended and supplemented by subsequent Acts of Congress, including the Act of Congress approved September 3, 1954 (68 Stat. 1265), as though this Act were not enacted.

(b) If no application for a license to construct the power facilities at Green Peter Dam and Reservoir and to construct the White Bridge Dam and reregulating reservoir is filed with the Federal Power Commission within two years from the date of the approval of this Act, or if such application for a license is denied, or if construction is not commenced and carried out within such reasonable period of time as may be fixed by the Federal Power Commission, the entire Green Peter Dam and Reservoir and the White Bridge Dam and reregulating reservoir, including power facilities at both sites shall be constructed, operated, and maintained by the Department of the Army, as provided in the Act of Congress approved June 28, 1938 (52 Stat. 1215), as amended and supplemented by subsequent Acts of Congress, including the Act of Congress approved September 3, 1954 (68 Stat. 1265), as though this Act were not enacted.

(The report of the Department of the Interior is as follows:)

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D. C. April 29, 1955.

Hon. CHARLES A. BUCKLEY,
*Chairman, Committee on Public Works,
House of Representatives, Washington, D. C.*

MY DEAR MR. BUCKLEY: You have requested a report from this Department on H. R. 4662, a bill to reduce the cost to the United States for the development of flood control, navigation, and irrigation in the Willamette River Basin, Oreg., by providing for the construction, operation, and maintenance of power facilities and appurtenances at the Cougar Dam and Reservoir on the South Fork of the McKenzie River, Oreg., and the construction, operation, and maintenance of power facilities and appurtenances at the Green Peter Dam and Reservoir and construction, operation, and maintenance of the White Bridge Dam and reregulating reservoir (including power-generating facilities and appurtenances) on the Middle Santiam River, Oreg., to be done with funds advanced by licensees; said facilities to the extent of local participation therein to be subject to the licensing provisions of the Federal Power Act.

Enactment of this bill would permit prospective licensees of the Federal Power Commission to construct the power facilities at Cougar and Green Peter Dams in the Willamette River Basin, Oreg. It would also authorize non-Federal construction of White Bridge Dam and its appurtenant facilities in the same basin. Cougar and Green Peter Dams would themselves be constructed by the Corps of Engineers, Department of the Army, and would remain the property of the United States, but the licensees would be required to pay to the Government appropriate shares of the costs of constructing, operating, and maintaining these structures. Authority for non-Federal construction of the facilities mentioned above would expire if an application for a license is not filed within 2 years after enactment of the bill, if the application is denied, or if construction is not carried out within a reasonable period to be fixed by the Federal Power Commission.

The reservoirs covered by the bill are three of a series of flood-control structures in the Willamette Basin planned by the Corps of Engineers. Several of the series have already been built. This Department's principal interest in the basin is in the future development of its irrigation potential. The report of the Secretary of the Army on a plan of development for the Columbia River and its tributaries (H. Doc. No. 531, 81st Cong.) makes clear (see, for example, vol. I, p. 244 f. and vol. V., p. 1848) that the storage of water in and its release from Cougar and Green Peter Reservoirs for irrigation will be one of their principal functions. A survey made several years ago indicates that there are potentially between 100,000 and 175,000 acres of land which might be served with waters released from these 2 reservoirs. We suggest, therefore, that your committee consider whether it would be desirable to amend section 4 of the bill to provide for consultation between the Department of the Army and this Department with respect to operation of the dams and reservoirs insofar as such operation may

affect the availability of water for irrigation. The addition of a sentence along the following lines at the end of section 4 would accomplish this purpose:

"Any such agreement shall also be consistent with the use of the dams and reservoirs for irrigation and shall be entered into only after consultation with the Secretary of the Interior concerning such use."

Apart from this, we have no suggestions to make with respect to changes in the content of the bill. Its enactment would, we believe, be an important step in implementing the fundamental policy of which the President spoke in his state of the Union message this year (H. Doc. No. 1, 84th Cong., p. 8)—the policy, that is, of treating "resource development as a partnership undertaking—a partnership in which the participation of private citizens and State and local governments is as necessary as is Federal participation."

While the particular urgency which requires the submission of this report to your committee at this time has precluded its advance clearance through the Bureau of the Budget, we have been advised, by receipt of a copy of that Bureau's report of April 12 on this bill to your committee, that enactment of H. R. 4662 is favored. We do not purport by this to indicate the views of the Bureau of the Budget with respect to the amendment suggested above.

Sincerely yours,

FRED G. AANDAHL,
Assistant Secretary of the Interior.

(The report of the Department of the Army is as follows:)

DEPARTMENT OF THE ARMY,
Washington, D. C., April 29, 1955.

HON. CHARLES A. BUCKLEY,
*Chairman, Committee on Public Works,
House of Representatives,*

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Department of the Army with respect to H. R. 4662, 84th Congress, a bill "To reduce the cost to the United States for the development of flood control, navigation, and irrigation in the Willamette River Basin, Oreg., by providing for the construction, operation, and maintenance of power facilities and appurtenances at the Cougar Dam and Reservoir on the South Fork of the McKenzie River, Oreg., and the construction, operation, and maintenance of power facilities and appurtenances at the Green Peter Dam and Reservoir and construction, operation, and maintenance of the White Bridge Dam and reregulating reservoir (including power-generating facilities and appurtenances) on the Middle Santiam River, Oreg., to be done with funds advanced by licensees; said facilities, to the extent of local participation therein to be subject to the licensing provisions of the Federal Power Act."

The Department of the Army has considered the above-mentioned bill. The purpose of the bill is to modify the comprehensive plan for the improvement of the Willamette River Basin as authorized by the act of Congress approved June 28, 1938 (52 Stat. 1215), as amended and supplemented by subsequent acts, including the act approved September 3, 1954 (68 Stat. 1256, 1265), to provide for the construction and operation of the power-generating facilities at the Cougar Dam and the Green Peter Dam together with the White Bridge Dam and reregulating reservoir under licenses issued in accordance with the terms of the Federal Power Act. The power-generating facilities would be authorized for construction by the licensees or by the Corps of Engineers as agent for and with funds provided by the licensees, the construction to be in accordance with provisions of the licenses to be issued by the Federal Power Commission. The bill also provides for operation and maintenance of the power facilities and appurtenances by the licensees at their own cost and expense, and for payment by the licensees of such shares of the cost of constructing, operating, and maintaining the Cougar and Green Peter Dams and Reservoirs as may be appropriately allocated to power development. Operation of the dams and reservoirs insofar as such operation affects the production of power, the advancement of funds by the licensees, and other matters of joint concern would be implemented by agreements between the licensees and the Chief of Engineers.

The site of the Cougar Dam is on the South Fork McKenzie River, Oreg., about 44 miles north and east of Eugene, Oreg. The site of the Green Peter Dam is on the Middle Santiam River, Oreg., about 57 river miles southeast of the confluence of the Santiam River with the Willamette River; White Bridge Dam would be located about 3 miles downstream from the Green Peter Dam. These dams and reservoirs are presently authorized units of the comprehensive

plan of improvements for the Willamette River Basin, Oreg., for flood control, navigation, irrigation, power, and other beneficial uses. These projects have a high degree of economic feasibility, and their immediate construction is well justified. Under this bill, the costs to the United States for construction of the projects would be reduced by the amount of the costs required to provide generating facilities, and, in addition, power would carry a share of the joint costs of the overall project and would reduce the costs necessary to provide for the other project uses.

The provisions of H. R. 4662 provide a satisfactory basis for cooperative development of the projects, and this Department offers no objection to enactment of the bill into law.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

ROBERT T. STEVENS,
Secretary of the Army.

(The report of the Bureau of the Budget is as follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., April 12, 1955.

Hon. CHARLES A. BUCKLEY,
*Chairman, Committee on Public Works,
House of Representatives, Washington 25, D. C.*

MY DEAR MR. CHAIRMAN: This is in reply to your letter of March 12, 1955, requesting the views of the Bureau of the Budget on H. R. 4662, a bill to reduce the cost to the United States for the development of flood control, navigation, and irrigation in the Willamette River Basin, Oreg., by providing for the construction, operation, and maintenance of power facilities and appurtenances at the Cougar Dam and Reservoir on the South Fork of the McKenzie River, Oreg., and the construction, operation, and maintenance of power facilities and appurtenances at the Green Peter Dam and Reservoir and construction, operation, and maintenance of the White Bridge Dam and reregulating reservoir (including power generating facilities and appurtenances) on the middle Santiam River, Oreg., to be done with funds advanced by licensees; said facilities, to the extent of local participation therein to be subject to the licensing provisions of the Federal Power Act.

This proposed legislation is in line with the administration's policy of encouraging partnership between Federal and non-Federal agencies in the development of water resources. It would permit local interests to participate in providing needed power-generating capacity in the Pacific Northwest in connection with multiple-purpose projects which may be constructed by the Federal Government for other purposes. The Bureau of the Budget favors enactment of H. R. 4662.

Section 3 of the bill includes provision for allocation of a share of the costs of the projects to power development in conformity with the separable-cost-remaining benefits method or by such other method as may be mutually agreed upon by the licensees and the Secretary of the Army and approved by the Federal Power Commission. The various methods used in making cost allocations on water resources projects are being reviewed by the Bureau of the Budget in an effort to develop a uniform approach on the part of the various Federal agencies to this problem. Therefore, while we have no objection to the reference to it in this particular legislation, this should not be construed as an endorsement of the separable-cost-remaining benefits method for uniform application to future water resource development projects.

Sincerely yours,

DONALD R. BELCHER,
Assistant Director.

(The report of the Federal Power Commission is as follows:)

FEDERAL POWER COMMISSION,
Washington 25, April 26, 1955.

HON. CHARLES A. BUCKLEY,
*Chairman, Committee on Public Works,
United States House of Representatives,
Washington 25, D. C.*

DEAR MR. CHAIRMAN: In response to your request of March 12, 1955, there are enclosed three copies of the report of the Federal Power Commission on the bill H. R. 4662, 84th Congress, "To reduce the cost to the United States for the development of flood control, navigation, and irrigation in the Willamette River Basin, Oreg., * * *" and for other purposes.

We have just been advised that there is no objection by the Bureau of the Budget to the presentation of this report to your committee.

Sincerely yours,

JEROME K. KUYKENDALL,
Chairman.

Enclosure No. 28681.

FEDERAL POWER COMMISSION, REPORT ON H. R. 4662, 84TH CONGRESS

A bill to reduce the cost to the United States for the development of flood control, navigation, and irrigation in the Willamette River Basin, Oreg., by providing for the construction, operation, and maintenance of power facilities and appurtenances at the Cougar Dam and Reservoir on the South Fork of the McKenzie River, Oreg., and the construction, operation, and maintenance of power facilities and appurtenances at the Green Peter Dam and Reservoir and construction, operation, and maintenance of the White Bridge Dam and reregulating reservoir (including power generating facilities and appurtenances) on the Middle Santiam River, Oreg., to be done with funds advanced by licensees; said facilities, to the extent of local participation therein to be subject to the licensing provisions of the Federal Power Act.

This bill, H. R. 4662, would modify the comprehensive plan for the improvement of the Willamette River Basin, Oreg., as authorized by the Flood Control Act of June 28, 1938 (52 Stat. 1215) as amended and supplemented by subsequent acts of Congress, including the Flood Control Act of September 3, 1954 (68 Stat. 1265) to provide for the construction, operation, and maintenance of the power generating facilities and appurtenances at the Cougar Dam on the South Fork of the McKenzie River, Oreg., and at the Green Peter Dam, together with the construction, operation, and maintenance of the White Bridge Dam and reregulating reservoir (including power generating facilities and appurtenances) on the Middle Santiam River, Oreg., under licenses issued in accordance with the terms of the Federal Power Act and with this bill.

Section 2 of the bill provides that the power generating facilities and appurtenances, including White Bridge Dam and reregulating reservoir, of the respective projects may be constructed by the respective licensees, or, as an alternative, by the Corps of Engineers acting as agents for the respective licensees with funds advanced therefor by the licensees. Such construction would be undertaken in accordance with the provisions of Commission licenses and of this bill, and all such power facilities and appurtenances, including the White Bridge Dam and reregulating reservoir, would be owned by the respective licensees and operated and maintained at their own expense.

Under the provisions of sections 3 and 4 of this bill, Cougar Dam and Reservoir and Green Peter Dam and Reservoir, except for power generating facilities should they be licensed under the above discussed section 2, would be constructed, operated, and maintained by the Corps of Engineers, and would remain the property of the United States. The respective licensees would enter into agreements with the Army for the operation of the dams and reservoirs insofar as the production of power would be affected and for the payment by the respective licensees to the Army of such proportionate shares of the cost of construction, operation, and maintenance of Cougar Dam and Reservoir and Green Peter Dam and Reservoir as may be allocated to power development by the Secretary of the Army in collaboration with the Federal Power Commission. It is also provided that any agreements thus entered into shall be for such periods as are consistent with the terms of the licenses issued, extended or renewed by the Commission.

Section 3 of the bill further provides that the costs allocated to power shall be in conformity with the "separable-cost-remaining benefits" method (the so-called Green Book method), or by such other method as may be mutually agreeable to the licensee and the Secretary of the Army and approved by the Federal Power Commission. Thus if this bill becomes law the Green Book method of cost allocation would be given legislative sanction. This method, which was recommended by the Federal Inter-Agency River Basin Subcommittee on Benefits and Costs in its May 1950 report, has been supported by the Commission in statements to the Bureau of the Budget and to Congress and is considered to be a desirable method of cost allocation. It was used by the Commission in its order determining the interim allocation of costs of the McNary project (Docket No. E-6383), issued December 4, 1953. In March 1954 the Commission reached an agreement with representatives of the Department of the Interior and the Department of the Army through the Corps of Engineers whereby the "separable cost-remaining benefits" method is considered generally to be the preferable method of cost allocation for multiple-purpose water-resource projects.

The bill provides that if no application to construct the power facilities at Cougar Dam and Reservoir is filed with the Federal Power Commission within 2 years from the date of enactment, or if application for license is denied, or if construction is not started and carried out within a reasonable period as fixed by the Commission, the entire Cougar Dam and Reservoir, including power facilities, shall be constructed, operated, and maintained by the Department of the Army as provided in the 1938 and 1954 Flood Control Acts, as amended or supplemented. A similar 2-year time limitation provision is likewise incorporated in the bill with respect to the entire Green Peter Dam and Reservoir and the White Bridge Dam and regulating reservoir, including power facilities at both sites. The Commission believes that these time limitations are reasonable and that the inclusion of such requirements in the bill is desirable.

The Commission recommends enactment of H. R. 4662 as an effective and desirable means of accomplishing joint Federal and non-Federal water-resource development consistently with the basic purpose of the Federal Power Act to provide for non-Federal development of such water resources wherever broad public benefits can be obtained in harmony with comprehensive water-development plans.

FEDERAL POWER COMMISSION,
By JEROME K. KUYKENDALL
Chairman.

Mr. ELLSWORTH. Mr. Chairman, I would like to have included in the record, not necessarily at this point, but as a part of the record on this bill, the statement in the budget message of the President from page m65, which mentions these projects.

Also I think it would be appropriate for the consideration of the committee and the record to have included in the record a statement issued by President Eisenhower on February 10, 1954, just prior to the consideration of the Cougar Dam partnership bill by the committee. I will offer those for the record.

Mr. DEMPSEY. Without objection, it is so ordered.
(The documents are as follows:)

BUDGET MESSAGE OF THE PRESIDENT (P. M65)

Land and water resources: My recommendations are intended to encourage States and local public and private groups to take the initiative in developing our valuable water resources with Federal cooperation where national interests are involved. This budget includes \$20 million under proposed legislation to enable the Bureau of Reclamation and the Corps of Engineers to participate, in 1956, in partnership water developments. Five million dollars of this amount is proposed for three multiple-purpose projects with power facilities in the Pacific Northwest. It is expected that local interests will install and operate the power facilities of the Cougar and Green-White Bridge projects in Oregon and that the Corps of Engineers will build the flood control and other facilities in which there is a national interest. Non-Federal interests are also expected to build the Rocky Reach project in Washington, and the Corps of Engineers will assist in financing the nonpower facilities having national benefits. Assistance will be given to

other partnership projects as specific proposals are developed. In addition, provision will be made for cooperation in authorized partnership projects, such as Priest Rapids in Washington and Markham Ferry in Oklahoma, when satisfactory arrangements have been completed.

STATEMENT OF PRESIDENT EISENHOWER, FEBRUARY 10, 1954

By joining with the Federal Government in the multiple-purpose development of the McKenzie River, the city of Eugene, Oreg., is pioneering in the new concept of power development in the Pacific Northwest.

I have had an opportunity to study the program which the Eugene Water and Electric Board and the Corps of Engineers have jointly developed. Under the plan, the Federal Government will undertake the construction of flood-control works on the McKenzie and the city will underwrite the cost of construction of power facilities and transmission lines.

This program, when carried to a successful conclusion gives the local people a responsibility in the important development work. It is true partnership and conforms to the power policy of this administration.

Mr. ELLSWORTH. Then, Mr. Chairman, there is an excellent statement by Ivan E. Oakes, who has for a long time been executive secretary of the Willamette River Basin Commission, a legal entity of the State of Oregon, and who is remaining with the commission as consultant. Mr. Oakes was unable to appear in person, but asked that his statement appear in the record.

Mr. DEMPSEY. Without objection, it may be included in the record at this point.

(The document referred to is as follows:)

WILLAMETTE RIVER BASIN COMMISSION,
Salem, Oreg., April 28, 1955.

Green Peter and Cougar Dams are very important to the success of the Willamette Basin project. First, because they provide protection on the South Santiam and McKenzie Rivers.

These two rivers are the largest tributaries of the Willamette River and have no protection.

There are deltas between the North and South Santiam and also between the McKenzie and Willamette.

Assessed valuation of each of the deltas is—between the Santiam Rivers about \$35 million and between the McKenzie and Willamette over \$40 million.

The lowering of flood crest in the Willamette and North Santiam creates a possible damage that would run into many millions.

The areas below both dams are fast-growing communities and need additional power that can be supplied by the power that will be created at the dams.

The partnership building of dams brings their completion much sooner and saves the Government appropriating additional funds.

It has been said that partnership will rob the northwest power pool. This is a very foolish argument because both of the partners are members of the pool, consequently these will just be an addition to the pool.

Also the argument that it would rob the Government of the revenue-producing part of the project is not valid, because the flood-control part is not reimbursable and on the power the Government gets back just what they spend as the Government has to pay interest on funds they borrow to make the appropriation.

It is also said partnership is bad because it may raise the rates of electricity to consumer. This is also a false premise because, first, competition will not let them do so, and, second, Government regulatory agencies must pass on any proposed raise.

Because of the urgent need for flood control, resolutions in support of these dams have been presented to the Willamette Basin Commission and are from granges and other organizations representing 2,426 people in Lane County and a comparable number in Linn.

As not all of the land bordering these streams can now be utilized because of the heavy erosion when these flood waters wash over the cultivated areas and hundreds of acres of the best land in the Willamette Basin are being washed

away each year, we urgently request that Congressman Ellsworth's bill, H. R. 4662, be passed as early as possible.

IVAN E. OAKES, *Consultant.*

Mr. ELLSWORTH. Here are some telegrams all endorsing this bill, one from the common council of the city of Eugene, by Robert A. Finlayson, city manager.

One from Louis S. Torgeson, chairman of the agriculture committee of the Eugene Chamber of Commerce.

A telegram from the chairman of the power committee of the Eugene Chamber of Commerce, Orlando John Hollis.

A telegram from Mr. R. E. Kerr, president of the Lane County Farm Bureau.

A telegram from the Lebanon Chamber of Commerce.

A telegram from H. J. Albrich, president of the Albany Chamber of Commerce.

A telegram from Bill C. Catlin, manager of the Benton County Chamber of Commerce.

A telegram from Mel Lester, president of the East Linn County Chamber of Commerce.

A telegram from Stephen Batori, chairman of the industry committee, Eugene Chamber of Commerce.

A letter from the Eugene Fruit Growers Association, endorsing the bill.

A telegram from Robert White, mayor of Salem, Oreg., which is the State capital, endorsing the bill.

We have some resolutions and letters from the local granges and a resolution from the city of Sweet Home will be presented by a man from Sweet Home.

I have just been handed some other telegrams that arrived this morning.

From the mayor of Junction City, Oreg.

From the McKenzie River Flood Control District No. 2 on the McKenzie River.

From the directors of the textile improvement district.

From the master of the Willakenzie Grange, Mr. George Bidwell.

From the Walterville Grange No. 416.

From Mr. Fred G. Knox, chairman of the McKenzie River Improvement District No. 1.

Then, Mr. Chairman, there are two official documents which should have prominence in the record. One is House Joint Memorial No. 3 of the Oregon Legislature, which is now in session. This memorial urges the passage of legislation in conformity with this bill before you.

Mr. DEMPSEY. Without objection, these documents will be received in the record.

(The documents referred to are as follows:)

HOUSE JOINT MEMORIAL NO. 3, 48TH LEGISLATIVE ASSEMBLY, REGULAR SESSION

Introduced by Representatives Cardwell, Cone, Hill, Johnson, Savage, Schrenk, and Stewart, and Senators Chase, Gill, and Husband, and read January 13, 1955

To the Honorable Senate and House of Representatives of the United States of America in Congress Assembled:

We, your memorialists, the 48th Legislative Assembly of the State of Oregon, in legislative session assembled, most respectfully represent and petition as follows:

Whereas the control of floods in the Willamette River Basin has long been recognized by the Congress to be necessary and desirable; and

Whereas certain river control projects have been built by the United States and are in service within the Willamette drainage area; and

Whereas the early construction of other flood-control facilities on certain tributary streams is urgently needed to balance operation of already existing facilities and thereby check recurring and aggravated damage to lands and property adjacent to the principal uncontrolled streams; and

Whereas the Green Peter flood-control project on the Middle Fork of the Santiam River and the Cougar project on the McKenzie River are among the most urgently needed to round out the Willamette Basin River control program; and

Whereas full utilization of the hydroelectric power potential of the Green Peter and Cougar sites would add 120,000 kilowatts of electric generating capacity at strategic points in an area where power requirements are rapidly increasing; and

Whereas local electric utilities, one municipal and one private, have shown willingness to finance and construct such electric facilities as an integral and coordinated part of the desired flood-control plan, thereby relieving the United States Government of that part of the costs: Now, therefore, be it

Resolved by the House of Representatives of the State of Oregon, the Senate jointly concurring therein: That the Congress of the United States be, and it hereby is, memorialized to make available funds to begin the planning and construction of the flood-control facilities needed at the Green Peter and Cougar projects and, at the same time, authorize the licensing by the Federal Power Commission of hydroelectric installations to be financed and constructed by local agencies in harmony with the overall Willamette River Basin development plan; be it further

Resolved, That the secretary of state of the State of Oregon be, and hereby is, directed to send a copy of this memorial to the President of the United States; to Douglas McKay, Secretary of the Interior of the United States; to the President and Chief Clerk of the United States Senate; to the Speaker and the Chief Clerk of the House of Representatives of the United States; and to each Member of the Congress.

EUGENE, OREG., April 30, 1955.

HON. HARRIS ELLSWORTH,
*Representative Fourth District,
House Office Building, Washington, D. C.*

Farming is the second source of income in Lane County. Much valuable soil is being wasted each year by reason of erosion from the uncontrolled McKenzie River. We strongly urge support by the House subcommittee of H. R. 4662, permitting early construction of Cougar and Green Peter Dams. H. R. 4662 appears to offer only feasible means of acquiring these much needed dams.

Oregon's soil that washes into the Pacific Ocean is an economic waste to the entire Nation. Please express this view as strongly as you can to the May 2 hearing.

Sincerely,

LOUIS S. TORGESON,
*Chairman, Agriculture Committee,
Eugene Chamber of Commerce.*

EUGENE, OREG., April 30, 1955.

HON. HARRIS ELLSWORTH,
*United States Representative,
United States House of Representatives, Washington, D. C.*

The common council in formal session authorized me to urge you and the other Oregon delegates in the Congress to actively support the passage of H. R. 4662. Passage of this bill will provide urgently needed flood control in the Willamette Valley and additional electrical power to meet increasing demand in the city of Eugene and surrounding area.

COMMON COUNCIL OF THE CITY OF EUGENE,
By ROBERT A. FINLAYSON, *City Manager.*

EUGENE, OREG., April 30, 1955.

HON. HARRIS ELLSWORTH,
*Representative, Fourth District,
 House Office Building, Washington, D. C.:*

Eugene Chamber of Commerce power committee has given careful consideration to H. R. 4662. We believe that the enactment of this legislation is of vital importance to flood control and to the supply of hydroelectric energy, both of which are so urgently needed in this area. We urge early and favorable consideration of H. R. 4662.

ORLANDO JOHN HOLLIS,
Chairman, Power Committee.

EUGENE, OREG., May 1, 1955.

United States Congressman ELLSWORTH,
House Office Building, Washington, D. C.:

Lane County Farm Bureau deeply interested in early congressional action to control flood waters of McKenzie and Santiam. Urge passage H. R. 4662 to accomplish that purpose.

R. E. KERR,
President, Lane County Farm Bureau.

LEBANON, OREG., April 16, 1955.

Representative HARRIS ELLSWORTH:

The board of directors of the Lebanon Chamber of Commerce voted unanimously to go on record favoring immediate construction of Green Peter and Cougar Dams as proposed in Ellsworth House bill 4662. Thanks for your past favors.

LEBANON CHAMBER OF COMMERCE.

ALBANY, OREG., April 29, 1955.

HON. HARRIS ELLSWORTH,
House of Representatives, Washington, D. C.:

Albany Chamber of Commerce strongly favors passage of H. R. 4662 for construction Green Peter and Cougar Dams. Early action necessary to stop serious annual flood damage. Consider partnership plan most practical.

H. J. ALBRICH,
President, Albany Chamber of Commerce.

CORVALLIS, OREG., April 29, 1955.

Representative HARRIS ELLSWORTH,
House Office Building, Washington, D. C.:

Benton County Chamber of Commerce lends its endorsement to partnership programs for Green Peter and Cougar Dams. Resultant increased flood control would be great boon to now exposed productive agricultural lands of Willamette Valley.

BILL C. CATLIN,
Manager, Benton County Chamber of Commerce.

SWEET HOME, OREG., April 29, 1955.

HARRIS ELLSWORTH,
House of Representatives, Washington, D. C.

DEAR HARRIS: We know you are doing your best on Green Peter and Cougar Dams. You have the East Linn County Chamber of Commerce full support. Keep up the good work.

MEL LESTER,
President, East Linn County Chamber of Commerce.

EUGENE, OREG., April 29, 1955.

HON. HARRIS ELLSWORTH,
House Office Building, Washington, D. C.:

The industry committee of the Eugene Chamber of Commerce, comprising over 1,000 total membership, strongly urges support by House subcommittee of Cougar and Green Peter Dams. The hydroelectric power that can quickly be supplied by these structures is sorely needed for industrial expansion and diversification of this timber resource based community. Flood-control benefits are important but industrial power need is nearly as great. Remind your fellow Congressman that building of these two dams will bring about stabilized payroll sources for revenue return to the Government in short order.

Sincerely,

STEPHEN BATORI,
Chairman, Industry Committee, Eugene Chamber of Commerce.

SALEM, OREG., April 28, 1955.

Representative HARRIS ELLSWORTH,
House Office Building, Washington, D. C.:

We assure you of our support of your House bill 4662 in the construction of the Green Peter and Cougar Dams.

ROBERT WHITE, Mayor of Salem.

EUGENE FRUIT GROWERS ASSOCIATION,
Eugene, Oreg., April 27, 1955.

HON. HARRIS ELLSWORTH,
House Office Building, Washington, D. C.

DEAR MR. ELLSWORTH: Our farmers living in the floodland areas of the McKenzie River are annually experiencing heavy crop and land losses from the flooding of the McKenzie River, which has become more severe since the construction of floodwater dams on the Willamette River.

We are pleased that you have introduced House bill 4662 to authorize the construction of Cougar Dam on the south fork of the McKenzie River, and feel that in addition to the benefits from the electric energy these two dams will supply, the partnership feature will encourage an earlier authorization of these projects than if they were solely dependent on Federal financing.

Sincerely,

EDWARD I. PITKIN, Secretary.

JUNCTION CITY, OREG., May 2, 1955.

HON. HARRIS ELLSWORTH,
New House Office Building, Washington, D. C.

Junction City, Oreg., bears the brunt of every flood of the McKenzie River. Favorable action on H. R. 4662 is of supreme importance to the public health and economic welfare of our city and the thickly populated surrounding area. The saving of the soil and its fertility to our rich farmlands could well repay the Federal Government's outlay for the flood-control feature of these dams.

CAREY L. STROME, Mayor of Junction City.

EUGENE, OREG., May 2, 1955.

HON. HARRIS ELLSWORTH,
Representative, Washington, D. C.:

We favor passage of House bill 4662 or any measure that will give adequate flood control on McKenzie River. This is urgently needed and has already been delayed much too long.

MCKENZIE RIVER FLOOD CONTROL DISTRICT No. 2,
By C. V. CONNLEY.

EUGENE, OREG., May 1, 1955.

Representative HARRIS ELLSWORTH,
House of Representatives, Washington, D. C.:

Flood control on lower McKenzie River very urgent. We ask you to do all in your power to pass H. R. 4662.

W. CHRISTENSEN,
 JOHN HURD,
 ISOM COX,
 RICHARD MALPASS,
 GERALD DETERING,

Directors, Textile Improvement District.

EUGENE, OREG., May 1, 1955.

Representative HARRIS ELLSWORTH,
House of Representatives, Washington, D. C.:

Willakenzie Grange reaffirms need of flood control on McKenzie River and urge favorable passage of H. R. 4662.

GEORGE BIDWELL, *Master.*

SPRINGFIELD, OREG., May 1, 1955.

HARRIS ELLSWORTH,
House of Representatives, Washington, D. C.:

We urge immediate passage of H. R. 4662. Flood control is imperative.

WALTERVILLE GRANGE No. 416.

EUGENE, OREG., May 1, 1955.

Representative HARRIS ELLSWORTH,
House of Representatives, Washington, D. C.:

Mackenzie River Improvement District No. 1 does urge favorable passage of H. R. 4662 re Cougar and Green Peter Dams. Flood control urgently needed.

FRED G. KNOX, *Chairman.*

Mr. ELLSWORTH. Mr. Chairman, this morning I received from the Governor of Oregon, Mr. Paul Patterson, a telegram which I should like to read into the record. This is from Governor Patterson:

CLIFFORD DAVIS,

*Chairman, Subcommittee on Flood Control of
 House Committee on Public Works, Washington, D. C.:*

Regret adjournment of Oregon Legislature prevents my personal appearance. Wish to strongly endorse passage of H. R. 4662 by Congressman Ellsworth. Completion of Lookout Point has lowered floodwaters in Willamette so that bank erosion on McKenzie and South Santiam extremely serious. Cougar and Peter are remedial dams for this situation. Both have excellent flood-control capacities. Power generated very important to the area and firms up blocks of Columbia River power in seasons of low water on the Columbia far beyond the generation capacity of these two dams. If desired, will furnish more extended statement.

PAUL PATTERSON,
Governor of Oregon.

Mr. Chairman, there are three other documents which I would like to have included in the record. One is entitled "Progress of the Partnership Program in the Pacific Northwest," by the Branch of Budget and Management, Bonneville Power Administration, March 9, 1955, which includes considerable data and a map.

Then there is a document entitled "Power Outlook: Planning, Budget, and Construction," by Byron L. Price, Assistant Administrator of the Bonneville Power Administration, which gives a summary of the power situation in the Northwest.

I also have a statement of the Pacific Northwest Utilities Conference Committee, made at Tacoma on April 26, 1955, and it is addressed to the Appropriations Committee, I believe.

Mr. DEMPSEY. They will be received for the record, without objection.

(The documents referred to are as follows:)

PROGRESS OF THE PARTNERSHIP PROGRAM IN THE PACIFIC NORTHWEST

The partnership policy has stimulated the interest of non-Federal groups of the Pacific Northwest in participation with the Government in water-resource development for power production purposes. At the present time many groups are actively planning to add additional generation. This is not a partisan movement. Public and private power groups are actively engaged in plans for new dams. The President has endorsed the Libby project for construction by the Federal Government, and the interested agencies of the United States and Canadian Governments are working to resolve rapidly the attendant problems.

In the Puget Sound area, five public and private utilities—the cities of Seattle and Tacoma, the Chelan and Snohomish Public Utility Districts, and the Puget Sound Power & Light Co.—have formed the Puget Sound Utilities Council, in a movement to provide the power needed for the load growth in its service area.

The Grant County Public Utility District (Washington) is moving rapidly on the necessary preconstruction studies for the Priest Rapids project, for which partnership legislation has been enacted.

The table and map New Projects Under Active Consideration, show the proposed plants in the area of the west group of the Northwest power pool which are now being studied. In the aggregate, these plants represent some 7.6 million kilowatts of additional installed capacity.

Thirty-nine new projects are under active consideration, including Libby and Canadian storage projects. Federal Power Commission licenses have been granted for 6 of the projects, and licenses have been requested for 2 additional projects. Preliminary permits have been granted for 15 projects, and have been requested for another 9 projects. It is obvious that not all of these projects will be constructed immediately. One or two of the larger projects, or a combination of smaller projects, would be sufficient to carry regional load increases for several years beyond 1960, when the last of the presently scheduled new Federal generation capacity will come into operation.

Three storage projects in Canada—at Kootenay Lake, Arrow Lakes, and Mica Creek—are actively under consideration. The capability of existing and proposed plants on the Columbia River would be materially increased by storage from reservoirs at these sites. Arrow Lakes would provide 3 to 4 million acre-feet of active storage capacity, increasing generation at downstream Federal plants existing and under construction by roughly 300,000 kilowatts in a critical storage release season. Incomplete engineering studies at the Mica Creek site contemplate storage of about 10 million acre-feet, which would increase downstream generation by about 1 million kilowatts.

In spite of the real progress to date of the partnership program, the problems involved are very complex and will take time to solve. It is highly important, therefore, that the Federal Government keep on schedule the generating plants now under construction and the accompanying transmission. Bonneville Power Administration is conducting joint studies with public and private utilities planning new projects in order to insure integration and maximum regional benefits.

(Branch of Budget and Management, Bonneville Power Administration, March 9, 1955.)

Proposed hydroelectric projects under active consideration, area of Northwest Power Pool

Project	Status	Agency or utility	Stream	Installed capacity, 1,000 kilowatts
Libby	Authorized	Corps of Engineers	Kootenai	600
Priest Rapids	Authorization removed and preliminary permit granted.	Federal partnership with Grant County public utility district and other public agencies	Columbia	1,219
John Day	Authorized	Corps of Engineers or proposed partnership	do	1,105
Cougar	Authorized and preliminary permit requested.	Corps of Engineers or proposed partnership with city of Eugene	South Fork, McKenzie	39
Green Peter	Authorized	Corps of Engineers or proposed partnership	Middle Santiam	81
White Bridge	do	do	do	15
Rocky Reach	Preliminary permit granted	Chelan County public utility district with proposed partnership	Columbia	685
Merwin (units 3 and 4)	Licensed	Pacific Power & Light Co.	Lewis	90
Yale (units 3 and 4)	do	do	do	108
Pelton 1	do	Portland General Electric Co.	Deschutes	108
Oxbow	License requested	Idaho Power Co.	Snake	151
Hells Canyon	do	do	do	272
Brownlee	do	do	do	360
Beaver Marsh	do	City of Eugene	McKenzie	30
Noxon Rapids	do	Washington Water Power Co.	Clark Fork	828
Round Butte	Preliminary permit granted	Portland General Electric Co.	Deschutes	225
Swift	do	Pacific Power & Light Co.	Lewis	50
Muddy	do	do	do	35
Priest River Nos. 3 and 4	do	Northern Lights, Inc.	Priest	6
Boundary	do	City of Seattle	Peni Oreille	570
Burces Eddy	do	Pacific Northwest Power Co.	North Fork Clearwater	240
Wells	do	Douglas County public utility district	Columbia	392
Upper Baker	do	Puget Sound Power & Light Co.	Baker	80
Chiwawa	do	Chelan County public utility district	Chiwawa	10
Leavenworth	do	do	Wenatchee	135
Upper Sultan	do	Snohomish County public utility district	Sultan	65
Lower Sultan	do	do	do	60
Silverton	do	Ronald D. Taft	South Fork, Stillaguamish	23
Tyree	do	do	do	15
Robe	do	do	do	30
Granite Falls	do	do	do	18
Buffalo No. 2	do	do	do	18
Flathead No. 4	do	Montana Power Co.	Flathead	120
Cushman No. 3	do	do	do	120
Bald Mountain	do	City of Tacoma	do	(?)
Pleasant Valley ³	do	Coos-Curry Electric Co.-P., Inc.	South Fork, Skokomish	140
Mountain Sheep ³	do	Pacific Northwest Power Co.	Illinois	600
	do	do	Snake	250
Total				8,275

¹ License is involved in court action and is inactive.

² Storage.

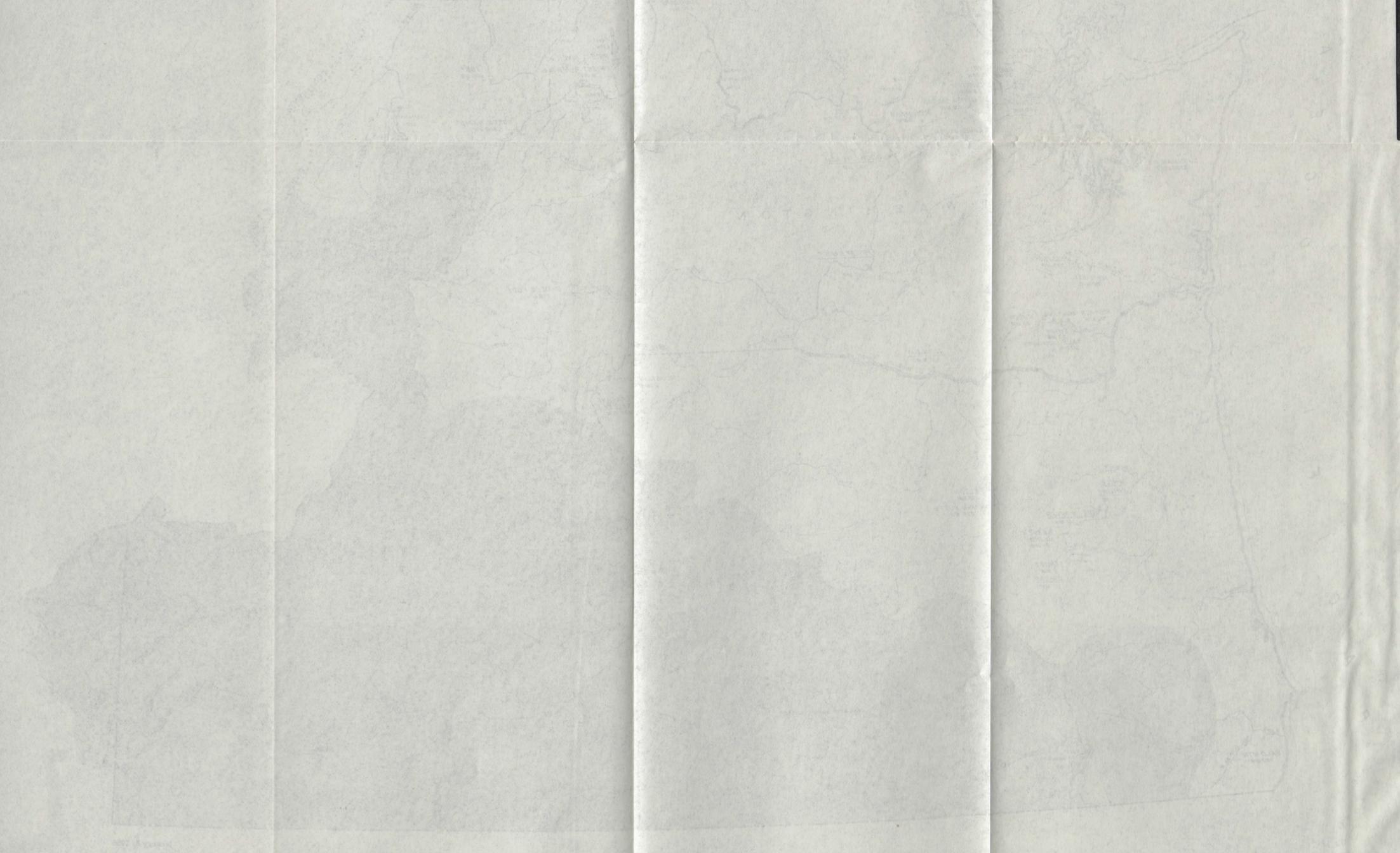
³ Since preparation of this table preliminary permits have been granted for the Pleasant Valley and Mountain Sheep projects.

Sources: BPA—Branch of System Operations and Power Resources, Feb. 25, 1955.

New Projects under Active Consideration West Group Area of Northwest Power Pool

Legend

- Federal Project
- Project with license granted or requested
- Project with preliminary permit granted or requested or project under consideration
- Undertaking subject to project for which preliminary legislation has been enacted or proposed



POWER OUTLOOK: PLANNING, BUDGET AND CONSTRUCTION

Address by Byron L. Price, Assistant Administrator, Bonneville Power Administration before the Northwest Public Power Association, Eugene, Oreg., April 22, 1955

Dr. Pearl sincerely regrets that he finds it impossible to appear here today and address this meeting of the Northwest Public Power Association. Dr. Pearl is in Washington, D. C., presenting our fiscal year 1956 budget to the House Subcommittee on Appropriations; and this, as you know, is a most vital and important function to the Bonneville Power Administration and its customers alike.

Last year I had the pleasure of attending your Tacoma Convention as a representative of the Eugene Water and Electric Board—today I find myself back in Eugene, but this time I have the honor of addressing the Association, and today I will attempt to bring you up to date on the Bonneville Power Administration's current activities and future plans.

Since I joined the Administration last July, we have completed our reorganization and have made considerable progress in stabilizing its working force. The plan is to level out our staff requirements by contracting more of the fluctuating workload of surveys, design and construction and at the same time meet the normal growth in workload by increasing the staff. We have had our problems in this changeover, but I am pleased to report that, as usual, the Bonneville Power Administration personnel have accepted the challenge and the success of the plan is assured.

Basically, we streamlined the organization with some consolidation of branches and sections and elimination of duplicating functions and personnel. The reorganization, we believe, will bring about improved efficiency in serving our customers and giving them increasingly reliable service. We are also taking a prominent place in the coordination of the planning necessary to meet future generation and transmission requirements in the Pacific Northwest.

I would like to talk to you this morning about our plans for the next year. Dr. Pearl and other Administration top staff are presently in Washington, D. C. presenting our fiscal year 1956 budget. We are requesting an appropriation of \$16,456,000 in new funds for construction of transmission facilities and \$6,650,000 for operation and maintenance, a total of \$23,106,000. These appropriations, which were previously approved by the Bureau of the Budget, will be supplemented by \$10,013,000 of carryover funds available from previous years and \$168,000 from reimbursements. This adds up to a total program for the year of \$33,287,000.

This will provide \$26,637,000 to be used for construction and \$6,650,000 for operation and maintenance of the transmission system in fiscal year 1956.

The construction program represents the amount of investment needed to carry to load centers the power from new Federal generation. As you know, the completion of Chief Joseph, the Dalles, McNary and other projects now under construction will almost double the Federal generating capacity in the next 6 years. We are enlarging the basic transmission network and adding the necessary customer service facilities to accommodate this rapidly growing amount of generation.

Our main job is to plan and construct the necessary expansion of the transmission network to carry the power from new dams to load centers and integrate all our facilities in order to best serve our customers.

You may be interested in some highlights of the construction program sponsored for fiscal year 1956: (1) We will start a 108-mile, 345-kilovolt line from Big Eddy to Bethany to transmit power from the Dalles Dam to the Portland area. (2) We will construct a 69-mile, 230-kilovolt line from Alvey to Reston. This will substantially strengthen the facilities supplying the southern Oregon coastal area. (3) We will build a second 115-kilovolt line between Olympia and Aberdeen, 46 miles long, to provide reliable service for the rapidly growing loads in that area. (4) We are requesting funds to install a second 150,000-kilovolt-ampere transformer bank at Snohomish substation which supplies Snohomish public utility district and Puget Sound Power & Light Co. (5) We propose to build a substation at Pelican Horn, south of Moses Lake, for service to Grant County public utility district. (6) We will build a second 115-kilovolt line from Bethany to Forest Grove—to reinforce service to McMinnville, Tillamook public utility district, and other publicly and privately owned utilities in the northern Oregon coastal region.

The program being presented to Congress was worked out with you people and represents a unified regional request. I am sure you fully agree that the

projects recommended for appropriation by Congress are not only needed, but needed on the schedules you and the Bonneville Power Administration have set. I believe our plans adhere to sound utility and Government management.

Our operation and maintenance program for fiscal year 1956 totals \$3,650,000. This is an increase of \$500,000 over our operation and maintenance appropriation for the current fiscal year. The operation and maintenance request is based on the principle rendering quality service to you and providing for adequate maintenance of the steadily growing Federal transmission network.

We are deeply disturbed by such outages as the one recently experienced in the Tillamook area. This 22-hour outage was caused by a transformed bushing failure, and the Bonneville staff is reviewing the standards of service reliability and will make recommendations on what steps can be taken to be better prepared to handle outages in a minimum time.

The operation and maintenance request is the minimum needed to manage our system efficiently and conduct the Government's business and yet permit us to have an adequate staff of power economists, rate experts, and engineers associated with the important job of planning the growing Federal network. We are working closely with other utilities and Government agencies to implement the partnership plan of dam construction, particularly as it affects the regional transmission grid.

A major event of the past year was the signing of the 20-year exchange agreement with the Idaho Power Co., providing for a high-voltage intertie with the Bonneville system, to be completed by May 1956.

This has long been sought by the Bonneville Power Administration and the Federal Power Commission in order to integrate more fully the Utah-Montana-Idaho power systems with the west group utilities of the Northwest power pool with the resultant regional benefits.

Bonneville will now be able to utilize more of its dump or surplus power from the Federal system and at the same time supply much needed power to the Idaho Power Co. during the summer when Columbia River flows are high. Snake River flows are low, and irrigation loads in Idaho are heavy. In turn, Bonneville or utilities in the west group of the pool will be able to get power from Idaho in winter when flows are low on the Columbia. Bonneville will sell dump power to Idaho. Under median water conditions the Administration has over a million kilowatts of dump power available during the high runoff period in the summer, and this is in addition to our present commitments for dump power.

The Idaho Power Co. is to build a substation at Baker and a 50-mile 230,000-volt line from Baker to connect with the Bonneville line at La Grande. This will require a \$3 million investment by the company. To effect the interconnection, Bonneville will have to install a circuit breaker and metering equipment at our La Grande substation and add circuit breakers to our new Roundup substation. The Idaho intertie will work to the advantage of all members of the power pool as well as the Bonneville Power Administration.

Two advisory bodies are, or soon will be, functioning for Bonneville. The Bonneville Advisory Board, which is mandatory under the Bonneville Project Act, has now been appointed by the various Secretaries and is functioning.

We are now in the process of reconstituting the Bonneville Regional Advisory Council. Two significant changes, both of which we believe will strengthen the Council and enhance its value, are being put into effect. Under the first, organizations representing the broad cross-sections of Pacific Northwest interests and activities are being asked to appoint members to the Council. It is our belief that this will go far to insure an objective approach to the problems of the region and an independence of viewpoint which it would be difficult to attain were the appointments to be made by the Bonneville Administrator.

The second major change is to set up a limit on terms of office which will enable the sponsoring organizations to remove ineffective representatives or to rotate members as they see fit. This term of office will be for 2 years—subject to reappointment at the pleasure of the sponsoring agent, of course. We do not feel that a shorter term would enable the members to become fully cognizant of our problems or be of the most value to the Administrator.

Meetings will be held on an area basis at intervals of 6 months as in the past. We hope to be able to hold the first Council meeting in the near future.

It should be understood that this is not an effort to exclude members of the old regional advisory council. It is probable and we sincerely hope that many of these former members will be chosen by various organizations as their representatives on the new Council.

I would like to bring you up to date now on the long-range power outlook for the Pacific Northwest. We recently made an analysis of loads and resources for the 10-year period, 1955-64. We included only resources now existing, under construction, and those licensed and definitely planned, such as Tacoma's Cowlitz development. This projection, therefore, presents a minimum picture so far as resources are concerned, and, in our estimation, a minimum picture so far as loads are concerned. At this point I want to reemphasize the important part you, as Bonneville distributors, play in the mysterious art of load forecasting. All of us must do our very best, be realistic, in making our load studies and forecasts. Our past performance has been very satisfactory, and I am confident that we can all maintain that standard. You are the best judge of your future requirements. Bonneville must rely on your forecasts in planning our operations and construction.

Looking ahead 10 years, we think that residential and farm use will increase by 130 percent—largely as a result of population growth and continued expansion of household consumption. Today residential consumers in our region are using an average of 6,400 kilowatt-hours per year, or $2\frac{1}{2}$ times the national average. In 1956 the average is forecast to be close to 10,000 kilowatt-hours per year.

Growth of commercial and small industrial loads is expected to increase about 100 percent in the next decade. This increase will be due mainly to greater mechanization and technical improvements in manufacturing industries.

Large industrial loads will rise at about the same rate as in the past decade—70 percent. This will be due largely to the expansion of pulp and paper plants, the addition of a new aluminum mill (at Columbia Falls, Mont.), and some increase in other electrometallurgical plants.

We have excluded any new large electroprocess industries and minimized load growth resulting from unusual promotion of electric use, such as house heating.

Under these assumptions, all loads in the Bonneville service area will be served under minimum water conditions through 1960-61. Should we encounter periods of unusually low flows—as in recent months—interruptible customers might be faced with buying higher-cost steam power to keep in full operation. After 1960-61, an increasingly serious power shortage would be encountered under minimum water conditions.

Under median hydro conditions—which is the more usual picture—we expect to be able to serve all firm and interruptible loads with hydro alone until 1959-60. By 1960-62 all firm loads could be served but not the interruptible. The real change would come in 1962-63, when loads could not be fully served even by using all the steam now available. This forecast points up the need for new starts—soon.

As the requirements of preferred customers continue to mount, year by year, they will absorb a larger percentage of Federal power. This means that the residue of power available for the privately owned utilities will diminish rapidly, even though their requirements also continue to increase.

BPA will be able to meet all the requirements of the distributors through 1961-62. Deficiencies encountered by the privately owned utilities (who, as I have said, obtain their power from the residual supply) will rise rapidly after that, approximately 300,000 kilowatts per year, unless new generation is constructed by them. After 1961-62, we will be unable to serve any interruptible loads.

The picture I have sketched does not, of course, include new generation not yet definitely scheduled. Planning activities of the last 2 years, however, indicate that a considerable amount of new generation will probably be added to our supply. As of now, nearly 40 projects are under active consideration by non-Federal utilities and the Federal Government, with a total capacity of over 8 million kilowatts. Several are proposed for partnership construction, with the Federal Government responsible for the nonpower features and the other partners—public and privately owned utilities—financing the powerplants. I am very pleased to note that half of the projects under study are being considered by public agencies.

I wish to point out that each and every kilowatt of generation developed by a preference agency will result in that much less drain on Federal power upon which many of you are depending to meet your future requirements. It is clearly in our mutual interest for everyone of us to urge and cooperate with those agencies who have feasible projects and financing ability to develop generation in their system.

I would like to have you consider the financial side of our power problem. Bonneville economists estimate that to supply the power needs of the Pacific Northwest in the next 10 years will require an investment of at least \$3.5 billion for new dams and transmission facilities and for completion of projects now underway. By simple arithmetic we see a requirement of about \$1 million per day for the 10-year period. This \$3.5 billion compares with a total Federal expenditure of about \$2 billion in the past 20 years, including the large Columbia Basin irrigation project. Considering the huge expenditures on the projects now under construction, I find we have been averaging less than \$500,000 per day. That is only half of the requirement necessary to keep pace with the region's demands.

Large Federal expenditures in the past two decades were made mostly in response to a major depression and two wars. During that time we saw the national debt rise from \$30 billion to \$275 billion. Can we expect Congress to appropriate \$1.5 billion more in the next 10 years than it appropriated during the last 20 years for river development in the Pacific Northwest? This is the basic reasoning which has prompted partnership or non-Federal participation and sharing in power development.

As to the workings of the partnership, it can be summarized essentially as an approach in which full cooperation of every interest concerned is enlisted—private citizens, publicly owned and privately owned utilities, local government, and the Federal Government. In short, the partnership proposes a cooperative effort on the part of public, private, municipal, and Federal agencies to finance our skyrocketing power needs.

Over the past 10 years there has been, in effect, a partnership in meeting the rapidly growing power needs of our region. Since the end of World War II non-Federal utilities, both public and private, added over 1 million kilowatts of capacity in the Pacific Northwest. During the same period of time, the Federal system added 1,800,000 kilowatts. In other words, over one-third of the new power installed came from non-Federal sources. Clearly our loads and resources would not now be in balance if we had depended on only one source—the Federal Government—for our power supply.

It is the desire of this administration to become partners in multiple-purpose projects in making funds available for such nonreimbursable purposes as flood control, navigation, and irrigation with local groups, public or private, raising the necessary capital for power features. In those instances where local enterprise is unable to develop a power project because of its size or complexity, then the Federal Government should step in and develop the power for the benefit of the people of the region. The common good for all of us is more power for use of the people.

The partnership program will soon materialize in going projects. Three big partnership projects were approved in the 83d Congress:

The Markham Ferry project in Oklahoma, a State-Federal partnership sponsored by Senator Kerr.

The Coosa River development in Alabama, a partnership between the Alabama Power Co. and the Federal Government; this legislation was supported by Senators Hill and Sparkman of Alabama.

The Priest Rapids project in Washington, a PUD-Federal partnership in the development of one of the largest of the remaining hydroelectric projects in the Columbia River Basin. You are all familiar with the congressional and regional support for this project.

Grant County PUD tells us that the first of two dams in the Priest Rapids project, authorized by Congress for partnership construction, will get underway in time to generate electricity by 1960. The second dam is planned to produce energy in 1962. The combined production will be 1,200,000 kilowatts, and will be a major help in alleviating the threatened regional power deficit.

Congress now has under consideration partnership proposals for the Cougar and Green Peter projects right here in the Willamette River Basin. H. R. 4662, 84th Congress, would provide for construction of these dams by the Corps of Engineers, with non-Federal licensees paying the costs of construction allocated to power and sharing in the joint costs of the entire project. There is no question of the need for the flood-control and other benefits that would be provided by the proposed reservoirs. Flood-control benefits alone amount to about \$1 million per year on each project.

It has been said that the Government surrenders its revenue-producing feature. The Federal Government has always borne the cost of flood control and navigation—outstanding examples of this can be found in the levee and lock system

on the Ohio and Mississippi Rivers. The lower Columbia River is no exception in this regard. The Government will not assume any more costs than it would in the case of complete Federal development. The power user has never been required to pay for flood control or navigation features.

Prospective licensees are the city of Eugene for Cougar and Pacific Power & Light Co. for Green Peter. Power output would be fully absorbed in their respective local systems. Since the city of Eugene and the Pacific Power & Light Co. are interconnected with the Bonneville network and with the Northwest power pool, the proposed projects would also help alleviate the regional power shortage. It is hoped they will materialize relatively soon.

I have been advised that additional partnership legislation will be sought during the 84th Congress.

In closing, I would like to leave the thought with you that it is only by pulling together all interests whose economic well-being is involved with a plentiful and low-cost power supply that the problem will be solved. Of this, I am firmly convinced.

I appreciate very much the opportunity you have given me to express these thoughts.

Thank you.

STATEMENT OF PACIFIC NORTHWEST UTILITIES CONFERENCE COMMITTEE, TACOMA,
APRIL 26, 1955, ADDRESSED TO APPROPRIATIONS COMMITTEES

This is the ninth consecutive year that the members of the Pacific Northwest Utilities Conference Committee have appeared before Appropriations Committees of the Congress to testify regarding the needs and problems of our regional power situation.

The power needs of our region continue to grow rapidly. A conservative estimate by the engineering committee of the Pacific Northwest Governors' Power Policy Committee is that the requirements of the region as a whole will increase by a minimum of 6,400,000 kilowatts between now and 1964. This estimated increase will very nearly double the present load, and to meet such growth an investment of between 2 and 3 billion dollars must be made in power production, transmission, and distribution facilities.

In the west group area of the Northwest power pool, in which the utilities represented here operate, the powerload growth estimates are in proportion to that for the overall region. We face the responsibility of meeting a tremendous increase in the needs of more than 1 million customers, and the welfare and progress of the people of the Pacific Northwest demand that this responsibility be met.

The non-Federal utilities of our area clearly recognize that they have a large share of development responsibility on their own shoulders. In the past 5 years, they have expended \$527 million on the construction of new facilities to strengthen and expand service to the public. In the next 5 years, they are prepared to spend an estimated \$1,637 million on electric service facilities of all kinds.

It is an inescapable fact, however, that our region must rely upon, to a large extent, the Government power generating projects under construction to supply growth requirements between now and 1960. The time needed to plan and build large hydroelectric projects is such that no alternative program can be considered to meet our immediate problem.

This means that work on the multiple-purpose projects under construction by the Corps of Engineers at the Dalles, McNary, and Chief Joseph must go forward on schedule, or a power shortage will be imminent. The schedule requires \$63,500,000 for the Dalles, \$18 million for Chief Joseph, \$11 million for McNary, \$500,000 for initial planning for the John Day project, together with relatively small amounts for planning on other projects.

We urge, therefore, that the full appropriation needs for these projects be allowed by the Congress. It also should be pointed out that once construction has started it is to the economic advantage of the Government that they be completed and put to work returning revenues to the Treasury as soon as possible.

Likewise, we urge the most favorable consideration of the budget requests for construction and for operation and maintenance funds for the Bonneville Power Administration. It is obvious that the development of the Government's transmission grid must proceed in step with the development of new generating capacity, and with the increase in loads at points of delivery.

The construction budget of Bonneville Power Administration has been reviewed carefully by the operating utilities in our group, and we feel that it represents a solid, practical, and necessary program of construction. We recommend its approval.

Also we recommend favorable consideration of the budget requests for operating and maintenance funds for Bonneville. It is apparent that a system which performs such a vital role in the Pacific Northwest power picture must be so operated and maintained as to give the greatest possible assurance of uninterrupted service. Any serious outage on the Bonneville system can affect the whole area, and cause widespread service difficulties.

Because of the closely knit nature of the Northwest power pool operation, and because a certain degree of flexibility is highly desirable in Bonneville's operations, we wish to suggest that the Congress take this into consideration in its appropriation language and make it possible for actual operating conditions to be handled on an efficient basis.

Almost as urgent to our region as the maintenance of schedule on present construction is the need for prompt decisions on the start of new projects. We have no time to lose if we are to avoid a hiatus in our development when projects now building have been completed and their power output absorbed, as it will be almost as quickly as the generators start turning.

Much more needs to be done in the field of power development than we of the Pacific Northwest can reasonably expect the Congress to provide through appropriations. That has been well demonstrated in the past, and we would be less than realistic if we did not recognize that it will continue to be true in the future.

What we wish to emphasize to the Congress is that there is need for every Federal dollar we can get to support our river development program, and need for every dollar that can be provided from other sources.

Between \$250 million and \$300 million a year is needed in the Pacific Northwest for power facility construction. The local utilities of the area, as we have indicated, are ready, able, and willing to provide a very substantial part of the overall capital requirement.

Large though our development task may be, it is one which can be accomplished if we work together.

It is clear from the record of the past, and from the forecasts for the future, that new major projects should be started at the earliest possible date. How this is to be accomplished, and by whom, is not a decision that we alone can make. It is a question which, to a large degree, must be decided by the Congress.

All we can do is urge most strongly that prompt decisions are needed, so that each responsible party can go forward with his part of the necessary power development program, and essential flood-control and navigation benefits can be achieved. The Pacific Northwest cannot afford to have its growth stifled by a power shortage, nor can the Nation afford to permit this to happen.

Many possible developments are being advanced by local utilities of the area, public and private, and it is important to understand that each of these is being studied by its sponsors in the light of how the particular project fits into the overall program. We have learned from long and successful experience with the Northwest power pool that the integration of our power resources brings benefits to all parties, and it is against the background of such experience that all of our planning is being done today.

We have already attained a high degree of coordination in our regional power operations and in our approach to the problems of the future.

Our request to you of the Congress is that each of these problems that comes before you for action be studied in the same spirit, and that you make it possible for our development program to be continued without delay.

Mr. ELLSWORTH. I believe your agenda calls for the report of the Army engineers.

Mr. DEMPSEY. Are there any questions of Mr. Ellsworth?

Mr. MACK. Yes.

Mr. DEMPSEY. Mr. Mack.

Mr. MACK. Mr. Ellsworth, I recall this committee last year held a morning and an afternoon session on a Cougar bill. At that time the opinion of witness was just as unanimously favorable as you express it today. It seems almost unnecessary to ask you any questions due to the thorough and comprehensive statement which you made.

I would like to ask you, however, what is the population of the city of Eugene?

Mr. ELLSWORTH. Some officials of Eugene are here. I understand it is 35,000 within the city limits, and within a radius of 5 miles we have about 65,000 population altogether.

Mr. MACK. The utility which is asking for the right to build this dam, the Eugene Water & Electric Co., is the only utility, either private or public, in that entire area?

Mr. ELLSWORTH. That is correct. I am informed, however, that it is the only one in Eugene, but a neighboring city is served by a public power company.

Mr. MACK. Both the city officials and the people are in favor of the private development by the city of Eugene?

Mr. ELLSWORTH. That is correct. May I add that the same situation prevails with reference to the Green Peter Dam. The only utility that could possibly use the power from the Green Peter Dam is the Pacific Power & Light Co., which is the company which proposes to enter into the partnership agreement.

Mr. MACK. As I recall the testimony of the Army engineers last year, it was to the effect that the amount of flood-control damage done on the McKenzie and Willamette Rivers amounted to about \$1,800,000 a year, and that this project, the Cougar, as a flood-control project, was very meritorious. The cost-benefit ratio is 1.8, and therefore is extremely high. If the city of Eugene or the utility there builds this powerdam it is my recollection that Eugene utility will pay the entire cost of the power installation, plus about \$500,000 toward the construction of the flood-control features.

Mr. ELLSWORTH. I would add that the city of Eugene would agree to pay 15 percent of the operating cost of the dam itself for the period of their license over 50 years.

Mr. MACK. In other words, the Federal Government, by permitting the Eugene utility to build the power phase of this dam, would save \$500,000 approximately on the construction cost of the dam, plus something on the maintenance cost?

Mr. ELLSWORTH. Approximately \$1 million over the 50-year period in addition to the \$500,000 given in the beginning.

Mr. MACK. It is my understanding further that the utility proposes to build below this dam a reregulating dam which will increase the productivity of power from this region from 25,000 to 35,000 kilovolts. In other words, you are going to get, if the utility builds the project, 10,000 more kilovolts of electricity than if the dam is built by the Federal Government?

Mr. ELLSWORTH. That is correct. There will be no obligation on the part of the Federal Government at all on the reregulating because it is not a flood-control dam and the city will build the entire thing. The same thing is true with reference to the White Bridge Dam on the Santiam.

Mr. MACK. If the Federal Government is going to build the power installation it will be necessary for the Federal Government to build powerlines from the point of generation to the point of consumption. Is that correct?

Mr. ELLSWORTH. That is correct.

Mr. MACK. Whereas the utility at Eugene is ready to provide all of these power distribution facilities without cost to the Federal Government?

Mr. ELLSWORTH. The transmission line of the city of Eugene runs quite near the Cougar Dam site and only amounts to a very small extension of their existing transmission line; whereas if the Federal Government built either or both of the dams, the Government would also be obligated for rather large expenditures for transmission lines, which incidentally would parallel existing lines.

Mr. MACK. On the basis of existing testimony last year and the testimony today, it seems to me that the Federal Government stands to save a good deal of money and get more power by allowing the Eugene utility to build the particular power installation. As a result of that conviction this committee unanimously approved Cougar Dam bill last year. That bill was unanimously passed by the House of Representatives, but was delayed in the Senate.

Mr. ELLSWORTH. That is correct. It is the only way I know of that the Government can actually benefit from such a project for this reason: As this committee knows, when the Government advances the money for the construction of power facilities in this or any other dam, the only money received by the Federal Treasury is the repayment over the 50-year period of the amount expended on the construction. In this case the Government is not to be obligated for the advancement of that money which, of course, saves adding that amount of money to the national debt.

Mr. MACK. One other point. If this bill is enacted, the Eugene utility must go before the Federal Power Commission and prove to the Commission that it has the financial responsibility to undertake the project and, furthermore, that it will fully develop the entire electrical potential of the site.

Mr. ELLSWORTH. That is correct. That is correct with reference to both of the dams. With respect to the Green Peter Dam, the privately owned utility does not have quite the advantageous situation at the end of its license period that the publicly owned Eugene system does. At the end of the licensing period the power company, as this committee knows, the license ends and the Government at that point can do any one of a number of things, including retiring the company's undepreciated equity and license it to someone else, or else operate it on its own.

So the Government is completely protected in every possible way as a result of this arrangement. But I believe, and I think the committee will find from the testimony, that this is a good deal for the Government—a good money deal.

Mr. MACK. I have no further questions, Mr. Chairman.

Mr. DEMPSEY. Mr. Jones.

Mr. JONES. Mr. Ellsworth, where in the bill do you designate or name the licensee?

Mr. ELLSWORTH. We do not. It could be done because there are only the two we know of. The city of Eugene in the one case and the Pacific Power & Light in the other.

Mr. JONES. You say you are going to make a proof of it before the Federal Power Commission. This bill proposes to deauthorize an authorized project. Do you not think that the members of the com-

mittee should be satisfied in their own minds that there is going to be financial responsibility to carry out the purpose of the bill?

Mr. ELLSWORTH. Yes; I agree with that. I think that assurance will be given, and I am sure it will be given in this testimony today. Actually, I suppose you could say the bill does deauthorize, but in the last two sections of the bill you will find that the projects are again authorized. I mean, nothing happens to the existing authorization if no partnership arrangement is made.

Mr. JONES. In other words, what you had in mind is to suspend the authorization until such time that the licensee could comply with the terms and conditions of the bill.

Mr. ELLSWORTH. That is substantially it. What it amounts to is, we are saying in effect that the dams can be built quicker and with a saving to the Government and satisfaction to all concerned if this arrangement is authorized by Congress.

Mr. JONES. You spoke of the Coosa project. You recall we wrote a time limitation into that bill for the power company to carry out the project. There is no time limitation here.

Mr. ELLSWORTH. Two years is the time limit within which the applicant must file.

Mr. JONES. I understand that.

Mr. ELLSWORTH. But it is provided that the time limit for actual construction would be set by the Federal Power Commission. I am sure that that Commission would have to take into consideration the—

Mr. JONES. You know, we authorize so many projects and they are not constructed. Do you have any objection to putting some time limitation on the licensee to commence? Because you know, when it gets down to the Federal Power Commission they are so congested down there in their dockets that it is hard to get a case heard.

Mr. ELLSWORTH. I certainly have no objection to anything that the committee thinks in its judgment ought to be in the bill for the protection of the Government.

Mr. JONES. Are you satisfied there would not be any violation of the Preference Act in the distribution and sale of power under the terms and conditions of this bill?

Mr. ELLSWORTH. That is a technical question which I think will have to be answered by one of the other witnesses. Perhaps the man representing the Pacific Power & Light Co. can answer that.

Mr. JONES. Eugene, as I understand it, has the preference, so that question answers itself.

Mr. ELLSWORTH. Eugene has the preference.

Mr. JONES. As coming within the preferential category of users. You say you have some witnesses who are going to testify on that?

Mr. ELLSWORTH. Yes, sir.

Mr. JONES. Do you have any objection from any of the municipal distribution systems or cooperatives that would be within the service area of the generating facility of Green Peter?

Mr. ELLSWORTH. I have heard of no objection, and this bill has been pending for about 2 years. I have heard of no objection of any kind.

Mr. JONES. What was the name of the company that will get the electricity from Green Peter?

Mr. ELLSWORTH. I believe it is the Pacific Power & Light Co. To go back to your first question, the reason why the partners are not designated was just on the outside chance, and I think it is an outside chance, that there would or could develop in the interim another possible applicant for this power. We assume that it will be the Pacific Power & Light Co. The people of Linn County, who are suffering from floods, initiated the idea with the Pacific Power & Light Co. and went to them.

I think it is an interesting thing that the committee ought to know. The idea of this partnership did not originate with the company, but with the people there, who were suffering from floods, who said, "Can't we get this done faster if the company will help in the construction of it." As I understand it, the company agreed they would look into it, and they did look into it and did agree they would become a partner if that were made possible.

Mr. JONES. Does the Pacific Power & Light Co. now supply the rural cooperatives or the municipal distribution systems as a wholesaler in the area?

Mr. ELLSWORTH. I cannot answer that specifically, but the gentleman from the Pacific Power & Light Co. can. They would if there is any necessity for it.

Mr. JONES. Thank you very much.

Mr. DEMPSEY. Mr. Scudder.

Mr. SCUDDER. I remember the testimony last year on this project and it seems to be to be a very practical and feasible project. Personally I am very much interested in seeing the local communities take an interest and assist in developing local projects. I believe these cooperative programs are right and proper, and I commend you, my colleague, for bringing in such a bill. I hope other bills of this type are presented to Congress.

Mr. ELLSWORTH. Thank you very much.

Mr. DEMPSEY. Are there any other questions?

(No response.)

Mr. DEMPSEY. Thank you very much, Mr. Ellsworth. I think you presented a very meritorious case.

We would like to hear now from the Corps of Engineers, Colonel Whipple, after which I will ask you to introduce the people you have here today.

Mr. ELLSWORTH. Thank you.

I wonder, since Congressman Coon is in the room, if we may interrupt the regular agenda and let him make a brief statement at this time?

Mr. DEMPSEY. We are always glad to hear him. Congressman, we are very happy to hear you.

STATEMENT OF HON. SAM COON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. COON. Thank you, Mr. Chairman and members of the committee, for permitting me to appear before you. I am Congressman Sam Coon, Second District of Oregon.

Mr. Chairman, I would like to make a short statement to this committee in support of Mr. Ellsworth's bill, H. R. 4662. These two projects which are included in the bill are not in my district, but they

are so important to the welfare of the people in the areas where they are located that they deserve the support of everyone from the State of Oregon.

I would like to confine my remarks to strong support of principle which is involved in this bill.

There is probably no committee of this Congress which realizes more than this one the need for a new approach to the problem of providing money for public works projects. There are literally thousands of public works proposals which are sound and which are of critical importance to the areas in which they are located. But many of these cannot be built, because there simply is not enough money to go around. No one is more aware of that than is this committee.

It seems to me then that when local people are willing to put up part of the funds for a project in their own area, we in the Congress should encourage them to do so. That is what is proposed in this bill. Local interests, in this case a publicly owned and a privately owned power company, will pay the total cost of the power features of these multiple-purpose projects and in addition will pay part of the cost of the nonreimbursable features. If this bill is approved and the local interests are allowed to put up the money they have offered, it will mean that the total cost of the projects to the Government will be reduced from \$84 million to \$47 million.

This proposal would mean no loss of revenue to the Federal Treasury since the law provides that power from multiple-purpose projects can be sold at a rate designed to cover only the costs incurred in producing the power. In this case, where the Federal Government would provide none of the money for the power features, it would, of course, have nothing to recover.

Approval of this bill will do two things. It will provide two critically needed flood control and power projects to my State, and it will reduce by more than 50 percent the amount of money the Federal Government must spend to get the projects completed.

The principle contained in this proposal has the support of many of the people in my State. It certainly warrants the wholehearted support of this committee.

Mr. MACK. Mr. Coon, all of the communities in Washington and Oregon belong to the Bonneville power pool. If Eugene obtains more power through a partnership arrangement, that means other power will be released for the use of all the other communities in Oregon and Washington. Is that correct?

Mr. COON. That is correct. It will work just that way.

Mr. SMITH. Mr. Coon, I was interested in your comments about saving the Federal Government money. Does the Federal Government owe any money for these projects now?

Mr. COON. I did not understand you.

Mr. SMITH. The Federal Government is not paying out any money for these projects now, are they?

Mr. COON. No, they are not. I am assuming if they are built that they will make that saving.

Mr. SMITH. If this bill is passed and you get ready to build the projects, the Eugene Water and Electric Board, or the power company there got ready to build this power part of the project, then

there will certainly be a considerable demand for the Federal Government to pay for the flood control part of it.

Mr. COON. That is right.

Mr. SMITH. In other words, this will bring about an increase in the demand for Federal expenditure, will it not?

Mr. COON. If you are taking the position there is not going to be any dam there.

Mr. SMITH. As I understand it, that is the position all you people take now. It is that it will not be built. Is that right?

Mr. COON. I am taking the position they are going to be built. We do not know just when, but now we are providing this additional money from the local interests so that they can be built now.

Mr. SMITH. I am not attempting to pass on the value of the project, but I think it is ridiculous to come in here and say that you are saving the Federal Government money when actually what we will have is a situation where it will bring about an immediate increase in the demands for Federal expenditure. I am not saying that would be wrong, but I think this position of claiming to save the Federal Government money is wrong. You, as a former member of the Appropriations Committee, know that if you go back on the Appropriations Committee you will have a vast increase in pressure to get appropriations on this project.

Mr. COON. Probably I should have qualified it by saying, assuming this project is to be built.

Mr. SMITH. Assuming it is authorized. I think it is completely misleading to come in here and say that you are saving the Federal Government money.

Mr. ELLSWORTH. Will the gentleman yield?

Mr. SMITH. Yes.

Mr. ELLSWORTH. These projects are authorized as multiple-purpose projects now.

Mr. SMITH. Right. I did not ask you any questions, Mr. Ellsworth, because I was not fortunate enough to be here for your testimony. However, I have heard Mr. Coon testify, and I have heard similar positions stated. Certainly part of the argument is that you will save the Federal Government money. I do not see how we will do that by activating a project which is more or less in a dead category and bringing it up.

Mr. ELLSWORTH. May I make an answer? Mr. Smith, our argument is simply this: These two dams are a part of this flood-control system which has been or is being constructed by the Government at a fairly rapid rate. It is going along very well. We feel certain that these two dams will be built in the long run by the Government. We do not know how fast, but they are authorized and some money has already been expended on them—about \$300,000, I believe, on planning. Our position is this: By this partnership plan the Federal Government is relieved of about \$40 million to \$47 million that it would otherwise advance for the project.

Mr. SMITH. Of course, they are also relieved from receiving revenue from the dams.

Mr. ELLSWORTH. The Government cannot receive any revenue out of this project because there is no provision in law that will allow it.

Mr. SMITH. I understand. At least since I have been on this committee we have increased the authorization for the Columbia Valley

power projects some several hundred millions of dollars. Each time we have done it the representatives in your area assured us that the Government will be repaid for everything.

Mr. ELLSWORTH. That is right, but there is no profit involved. The Government is repaid, but all we are saying is, let other money go into this.

Mr. SMITH. I cannot see, according to your estimate, how the Government is being saved any money. You contend that these appropriations for specific projects are all paid back from the power aspect of it. As I understand it, the record shows you are paying them back fully on schedule. Yet you are saying that if we are interested in conserving Federal expenditures we should authorize this. It would seem to me that it would be to our best interests not to authorize this particular plan, which would lead to agitation for a quicker building of it, if we are primarily interested in reducing expenditures.

I do not say that it is the position I take. I think we are going to slow up the building of all these things all over the country, but what we are doing here would certainly have the effect of bringing about an earlier demand for an increased Federal appropriation, and it would also accelerate the demand for another increase on the part of this committee for the overall authorization for the Pacific Northwest projects, because the flood-control items under this, for these two dams, would come under the Pacific Northwest projects, would it not?

Mr. ELLSWORTH. Yes. I can say to your statement, which is essentially accurate, that the demand for these two flood-control dams will be as insistent as it can possibly be, whether this bill is enacted or not. Those people are in a desperate situation due to the facts I have outlined, so it is a request that is up to the Congress to grant.

Mr. SMITH. They have not been made so far.

Mr. ELLSWORTH. Yes; they have.

Mr. SMITH. I mean, for these specific items.

Mr. ELLSWORTH. They were just authorized last year. I will naturally appear before the Appropriations Committee hoping for the inclusion of money in the appropriation bill this year for these dams, quite apart from whether this bill is enacted or not. So there will be that demand. That is true.

Mr. DEMPSEY. Mr. Rogers.

Mr. ROGERS. I think the point you were making was that your local interests are not asking the Federal Government to assume the burden of the full cost of construction which normally many local interests do. You are trying to point out, are you not, sir, that those people are willing to assume some of the burden and cost of this thing?

Mr. COON. That is right. And put up the original investment for that portion of it.

Mr. DEMPSEY. Are there any other questions?

(No response.)

Mr. DEMPSEY. Mr. Ellsworth, the testimony about a year ago, as I recall it, was that the damages are running about \$1,800,000 a year from floods. Is that right?

Mr. ELLSWORTH. That was the estimate then. I believe it might be raised a little bit because we have had a season or two with other dams complete and showing the imbalance with 1 river high and 1 river low, so it would run easily \$2 million a year.

Mr. DEMPSEY. Thank you, Mr. Coon.

Mr. COON. Thank you, Mr. Chairman and members of the committee.

Mr. DEMPSEY. Now, Colonel Whipple, would you please tell us something about this project?

**STATEMENT OF COL. WILLIAM WHIPPLE, CORPS OF ENGINEERS,
DEPARTMENT OF THE ARMY**

Colonel WHIPPLE. I know the committee is reasonably familiar with the basin plan. I think it would be well to emphasize, though, for the members who did not hear this last year, that this is a part of the comprehensive plan of development for the Willamette Basin, which was first authorized in 1938 with a system of seven multiple-purpose reservoirs. It is one of the first multiple-purpose reservoir systems that was authorized to be undertaken as a whole by the Federal Government, and it has been very successful.

Five of these reservoirs are now complete, with the largest one, Lookout Point being due for dedication within the next few months. The 2 projects we have before us today will be two of the more important ones and better needed, remaining to be constructed. I think the primary need of the basin, and the one which initiated the consideration of planning, is undoubtedly flood control.

The Willamette Basin is in a trough between two sets of mountain ranges. The shape of the basin was not entirely decided by erosion, because there are still falls at the extreme lower end near Portland, but the rapid tributaries on both sides of the basin, particularly from the Cascades on the east, come down during the winter with heavy snow, which melts due to warm winds and rains, and causes very disastrous floods throughout that entire valley.

The flood plain is spread out with its maximum width about 15 miles wide in an area which is extremely well developed for agriculture, and where industry and commercial populations are growing continually.

The floods of the past have occurred in practically every year. In fact, in most years there is more than one flood in the Willamette Basin. The greatest flood of record was in 1861 and the second greatest was probably 1890. But when we come to more recent years the floods of 1943, 1945, and 1948 would each under present conditions, if we did not have any reservoirs in the basin, do damage of between \$23 and \$27 million for each 1 of those 3 floods.

I personally flew over a portion of the valley during the time of the flood of 1948. The flooded area was many miles wide. I was astounded at the area covered by the water, with the number of houses and barns sticking up through it which obviously were very severely damaged. It was a very, very serious flood, although in the sequence of floods that occurred in the Willamette Basin it was by no means outstanding.

I think the flood picture has to be considered as a whole, because although there are damages in the McKenzie River and to a considerably greater extent in the Santiam River, and in each case there are localized damages which are quite severe at the junction points between those two rivers and the Willamette River—

Mr. SMITH. Mr. Chairman, pardon me for interrupting at this point, but Colonel, while you are talking about the extent of flood

damage, as I understand it, the flood control has already been authorized for this area, has it not?

Colonel WHIPPLE. That is correct.

Mr. SMITH. Then it is not a question for the committee as to whether this committee is going to authorize something which would limit the damage which you described.

Colonel WHIPPLE. No, sir; that is correct.

Mr. SMITH. The point at issue here is whether we will make some change in the law to authorize this private and public local group to participate in the power development, is it not?

Colonel WHIPPLE. Yes, sir; that is correct.

Mr. SMITH. I fail to see the necessity of going into all of this activity about flood control then. We have already recognized that damage and authorized the program to correct it.

Mr. SCHWENDEL. Mr. Chairman, will the gentleman yield?

Mr. SMITH. Yes.

Mr. SCHWENDEL. I would like to say that as a new member I am very interested in this background, because I think its relationship is important.

Mr. SMITH. If it is purely for the benefit of the new members, I apologize, but I had inferred that that was not the purpose of the colonel's testimony.

Mr. DEMPSEY. As I understand it, these dams have been authorized for construction by the Federal Government. Is that true?

Colonel WHIPPLE. That is correct.

Mr. DEMPSEY. And now the Federal Government is not going to construct them at Federal expense, but they will be constructed by private companies at private expense?

Colonel WHIPPLE. Yes, sir; and I will be glad to confine my remarks to the terms of the bill directly, if that will be more satisfactory.

Mr. DEMPSEY. The necessity for that will exist either way. It does not make any difference. If private capital is constructing these dams it will not affect the flood control situation because that will be affected by the Federal Government. Is that right?

Colonel WHIPPLE. Under the bill the dams as a whole will be constructed—

Mr. DEMPSEY. We are not authorizing anything new in construction. It is simply a change from the Federal Government constructing the power end of it to a private company doing it. Is that right?

Colonel WHIPPLE. Yes, sir.

Mr. MACK. Will the gentleman yield?

Mr. DEMPSEY. Yes.

Mr. MACK. The Federal Government has no intention at the present moment of going ahead with the power phases of the dam. Is that correct?

Colonel WHIPPLE. Sir, neither one of these two projects is planned for immediate construction. However, the Cougar project does have planning funds, and it is entirely up to the Congress as to whether these projects are built by the Federal Government or not. However, they are authorized for construction as multiple-purpose projects, and if this bill is not passed, presumably they will be constructed by the Federal Government, including the power facilities.

Mr. MACK. What the local interests are requesting is an opportunity to go in and build the power phases of these installations, and

pay enough for the right to build them so that the Federal Government will save about \$500,000 in construction costs, and will save a little bit on maintenance each year, and, in addition, will not be required to build the distribution lines to the consuming centers. Is that correct?

Colonel WHIPPLE. Yes, sir; that is correct.

Mr. SMITH. On that point, I want to ask the colonel about the power situation. I do not see why this is involving flood control. Is this a good point to ask him about it?

Mr. DEMPSEY. This change is strictly on power.

Mr. SMITH. Right. That is why I interrupted his testimony—because he was talking about flood control.

Mr. SCUDDER. Mr. Chairman, I believe all the hearings we have held this year have gone quite thoroughly into the entire background of pending bills, because seated at this table are five new members of this committee. They have no information on this subject. There are only four of us who served on the committee last year. I believe it is very essential that they know the background of this project, so that they are properly advised and can vote intelligently upon the issue. I think the colonel should be permitted to proceed with his testimony.

Mr. DEMPSEY. I think if you can return to the Cougar Dam and go on down, it will be simpler, Colonel.

Colonel WHIPPLE. Yes.

Mr. DEMPSEY. I think it would be more informative to do it with the map than without seeing the map.

Mr. SCHWENGEL. I am not insisting as a new member on too many prerogatives, but if the colonel could give us a reference to the other testimony—and there is evidently other testimony which brings out the need for flood control—we could make further studies on that phase of it.

Mr. DEMPSEY. We desire every new member to have all of the information it is possible to get. We have the Colonel here to give us information, but I believe he can simplify it for us even more if we see the map. Whichever way you want to handle it, Colonel, is all right. We have the reports and hearing on the Congar Dam which was conducted last year.

Mr. SCHWENGEL. Yes.

Mr. CRAMER. Is it not true this local participation from a power standpoint will actually not come into effect until the Federal Government approves money for the construction of the dams anyway, and this is one means whereby the Federal Government will have to put up less money to produce both flood control and power? Is that not correct?

Colonel WHIPPLE. Both parts of that are correct. Certainly there will be appropriations required on the part of the Federal Government in either event. There will be a lesser appropriation required if the dam is to be constructed under the partnership arrangement than if the Federal Government is to pay for the entire project.

Mr. DEMPSEY. You may proceed.

Colonel WHIPPLE. The Cougar project was authorized originally as a flood-control project, but it is now authorized for power as well. The area served is a small drainage area which has an extremely high runoff, particularly during the winter, and which covers a portion

which contributes very materially to these floods on the main stem of the Willamette River itself. The floods downstream on the McKenzie are relatively unimportant, and the very large flood control benefits of the Cougar project are those contributing to the general reservoir control of the main stem of the Willamette.

The flood-control benefits of this project are approximately \$1,870,000 annually, as its pro rata share of contributing to these extremely damaging floods on the main stem of the Willamette.

The dam will have a total flood-control storage of approximately 155,000 acre-feet, and a power storage of 47,000 acre-feet. But there is an unusual combination in this project which I think is directly concerned with the feasibility of the partnership arrangement. That is the point that in this particular area—and it is not generally true throughout the United States—it is possible to combine the interests of flood control and power development to an unusual extent. The floods occur uniformly during the winter, at a time when there is heavy snow melt in the mountains. The plan which is worked out and is essentially understood and agreed to by the cooperating agency, is to initiate flood storage by holding 125,000 acre-feet of flood-control storage during the winter. An additional 30,000 acre-feet can be evacuated whenever snow conditions grow heavy, so that at such times the entire 155,000 acre-feet can be available. This is possible because we will not have the maximum floods unless in addition to rainfall there is a heavy snow already on the mountains which this area drains. This storage reservoir will be decreased to about 93,000 by March 1, and during the summer when there are no heavy floods on the area at all the storage reservoir for flood control can be reduced to 14,000 acre-feet, which is only a small proportion of the total against the possibility of summer rainfall floods.

The important thing is during the summer and during the season of low flows it makes it possible to use practically all of the storage in the dam for power without sacrificing flood-control benefits. Otherwise it would be much more difficult to work out the combination between flood control and power, which is a prerequisite to this type of arrangement.

I think it is important to note that the maximum benefit, and in fact, 63 percent of the total benefits, are in flood control. This is primarily a flood-control project. The power benefit is the next most important. Annual benefits are evaluated at \$663,000 annually. There are lesser benefits to irrigation and water supply, and to pollution control and downstream water supply and downstream power, there being small downstream power projects privately owned which will benefit by these flows.

The revised benefit-cost ratio of this project is 1.67, on account of a difference in computing power benefits which is applicable to all of our projects this year, and putting them on a somewhat more conservative basis. That makes it still a very highly justified project.

I believe Mr. Ellsworth has already given you enough on the point of the need for power, and that will be covered later also.

This project is one that we consider of quite a high priority. Planning funds have been available. Last year there was an appropriation of \$150,000 in planning funds for this project. There is \$100,000 more in the budget for 1956. Those funds are available.

Mr. JONES. Have you expended the \$150,000 made available to you?
Colonel WHIPPLE. As of the first 9 months we expended approximately \$100,000 of it. We obligated approximately \$100,000.

Mr. JONES. Will there be any reimbursement for that planning money?

Colonel WHIPPLE. If the partnership bill goes through there will be reimbursement, because that will become a part of the capital costs of the project which will be allocated to power and flood control, and a portion of that will be reimbursed. The project will be a rock-filled high dam, with an unusually high head. The height of the dam will be 430 feet above stream bed and, on account of the topography downstream, and a cut for the power tailrace, you will be able actually to develop a head of 442 feet.

This is an artist's conception of the dam.

Mr. JONES. That is about the same height as Detroit Dam.

Colonel WHIPPLE. Yes, sir. Very nearly. The head produced will be considerably higher than that of the Grand Coulee Dam. It will be one of the highest head power projects in the country.

It is a very cheap dam to build. The area is one that is very largely undeveloped and so we do not have extensive real-estate and relocation problems. There are 3,800 acres of land required for the reservoir, all in the custody of the Forest Service, so there is no complication in that regard. The estimated cost is \$37,400,000, so it is a very cheap dam for its height.

The tentative cost allocations, which were made last year and have not been restudied, and are probably good, are \$10,500,000 to the power investment, which, as has already been mentioned, is about a half million dollars more than the incremental cost of adding power to the previous flood-control project.

Is that satisfactory on that project, sir?

Mr. DEMPSEY. Are there any questions?

Mr. MACK. I would like to ask you one question. That is: If the Federal Government were to build the power installation, would the Federal Government build the reregulating dam down below?

Colonel WHIPPLE. Under the bill they could do it.

Mr. MACK. Is it the present intention of the Army engineers to build a reregulating dam? Is that a flood-control dam?

Colonel WHIPPLE. No, sir.

Mr. MACK. Could you build it?

Colonel WHIPPLE. We could not build it under the existing authorization.

Mr. MACK. In other words, the reregulating dam has nothing to do with flood control in the area?

Colonel WHIPPLE. Sir, it actually does have something to do with it, but as a power feature. It might be it would be required as a part of the multiple-purpose project for power.

Mr. MACK. The reregulating dam would not be justified purely as a flood-control measure?

Colonel WHIPPLE. It would have no use whatsoever as a flood-control measure.

Mr. MACK. Then if the Eugene utility builds the reregulating dam, the Eugene utility will secure 35,000 kilowatts of electricity from the site, compared to the anticipated 25,000 that the Federal Government will obtain from the development?

Colonel WHIPPLE. That is correct. Our preliminary studies indicated that 25,000 was the maximum that could be developed on a high load factor without the reregulating dam. When I stated that we could not build it under existing authorizations, I am not sure that that is a correct answer. If during the design studies we found that a somewhat different installed capacity was required, or even a reregulating dam, we have on occasions come back and cleared that matter with this committee and the Appropriations Committee if we found it necessary, without getting a changed authorization. But it had not been our original intention to put in a reregulating dam.

Mr. MACK. Am I correct in assuming that if the local utility rather than the Federal Government builds the power installation, that there will be obtained an additional 10,000 kilowatts of electricity over and above what a Federal Government project would develop?

Colonel WHIPPLE. There is a probability there, but that is correct; yes, sir.

Mr. MACK. That is all, Mr. Chairman.

Mr. SMITH. Colonel, if that additional electricity would be available through this reregulating dam, why did not the Corps of Engineers recommend its construction?

Colonel WHIPPLE. My personal viewpoint is that it should be put in, provided that our final design studies, which have not yet been completed, indicate or confirm the findings of the Eugene board. The plan did not contemplate it originally. Without a reregulating dam you should not go above about 25,000 kilowatts.

When you ask why, the only thing is that we have not yet completed the final design studies, and we cannot say definitely what the project consists of until it is completed.

Mr. SMITH. The type of power that will be put in by the Eugene power installation and will be put in under this bill that we have before us—will that conform to the specifications of the Corps of Engineers?

Colonel WHIPPLE. Oh, yes, sir. In any sort of arrangement of this sort we regard it as our obligation to see that the potentialities of the site are fully developed. Their plan, as we see it, does fully develop the potentialities of the site.

Mr. SMITH. It is hard for me to comprehend how there would be that much difference in your plans. It is hard to understand that the Eugene board would have a new installation that would have such a big effect on the capacity of the dam and you do not have that in your plans. It appears what they have in mind is different from what you have in mind.

Colonel WHIPPLE. It is hard to understand because there is no logical basis for it. If it is in the interests of the Eugene Water and Electric Board to build a reregulating dam and the increased installation as a partnership project, then it should be in the interests of the Federal Government to build the same as a multiple-purpose Federal project. We have put in reregulating dams in other cases.

For example, there is one below the Detroit Dam, and also below the Lookout Point Dam. In principle it should be in fact be profitable for the Federal Government to look further ahead and to develop potentialities to a greater extent than the Eugene Water Board. But we have not yet completed our design studies, and the installed capacity of the project is something that is determined finally during the

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Colonel WHIPPLE. Sir, it actually does have something to do with it, but as a power feature. It might be it would be required as a part of the multiple-purpose project for power.

Mr. MACK. The reregulating dam would not be justified purely as a flood-control measure?

Colonel WHIPPLE. It would have no use whatsoever as a flood-control measure.

Mr. MACK. Then if the Eugene utility builds the reregulating dam, the Eugene utility will secure 35,000 kilowatts of electricity from the site, compared to the anticipated 25,000 that the Federal Government will obtain from the development?

Colonel WHIPPLE. That is correct. Our preliminary studies indicated that 25,000 was the maximum that could be developed on a high load factor without the reregulating dam. When I stated that we could not build it under existing authorizations, I am not sure that that is a correct answer. If during the design studies we found that a somewhat different installed capacity was required, or even a reregulating dam, we have on occasions come back and cleared that matter with this committee and the Appropriations Committee if we found it necessary, without getting a changed authorization. But it had not been our original intention to put in a reregulating dam.

Mr. MACK. Am I correct in assuming that if the local utility rather than the Federal Government builds the power installation, that there will be obtained an additional 10,000 kilowatts of electricity over and above what a Federal Government project would develop?

Colonel WHIPPLE. There is a probability there, but that is correct; yes, sir.

Mr. MACK. That is all, Mr. Chairman.

Mr. SMITH. Colonel, if that additional electricity would be available through this reregulating dam, why did not the Corps of Engineers recommend its construction?

Colonel WHIPPLE. My personal viewpoint is that it should be put in, provided that our final design studies, which have not yet been completed, indicate or confirm the findings of the Eugene board. The plan did not contemplate it originally. Without a reregulating dam you should not go above about 25,000 kilowatts.

When you ask why, the only thing is that we have not yet completed the final design studies, and we cannot say definitely what the project consists of until it is completed.

Mr. SMITH. The type of power that will be put in by the Eugene power installation and will be put in under this bill that we have before us—will that conform to the specifications of the Corps of Engineers?

Colonel WHIPPLE. Oh, yes, sir. In any sort of arrangement of this sort we regard it as our obligation to see that the potentialities of the site are fully developed. Their plan, as we see it, does fully develop the potentialities of the site.

Mr. SMITH. It is hard for me to comprehend how there would be that much difference in your plans. It is hard to understand that the Eugene board would have a new installation that would have such a big effect on the capacity of the dam and you do not have that in your plans. It appears what they have in mind is different from what you have in mind.

Colonel WHIPPLE. It is hard to understand because there is no logical basis for it. If it is in the interests of the Eugene Water and Electric Board to build a reregulating dam and the increased installation as a partnership project, then it should be in the interests of the Federal Government to build the same as a multiple-purpose Federal project. We have put in reregulating dams in other cases.

For example, there is one below the Detroit Dam, and also below the Lookout Point Dam. In principle it should be in fact be profitable for the Federal Government to look further ahead and to develop potentialities to a greater extent than the Eugene Water Board. But we have not yet completed our design studies, and the installed capacity of the project is something that is determined finally during the

design studies. So that the figures we have on both sides I think are tentative.

Mr. SMITH. Are you doing your own studies on this, or are you accepting the Eugene board's studies on it?

Colonel WHIPPLE. No, sir. We are conducting our own studies. These power studies will be advanced during the next fiscal year with planning funds that have been requested, and those overall studies will be made during that, and also the year following.

Mr. MACK. Will the gentleman yield?

Mr. SMITH. Yes.

Mr. MACK. The primary purpose of the Cougar Dam is flood control, and that is the responsibility of the Army engineers. The primary purpose of the reregulating dam is not flood control, but it is power, so that the engineers naturally are more interested in the Cougar Dam because it is flood control, whereas the reregulating dam is for power.

Mr. SMITH. My understanding is that the Corps of Engineers did not know that aspect when it was authorized. Is that true?

Colonel WHIPPLE. That is certainly true.

Mr. SMITH. Is Mr. Mack's statement true that the engineers are really disinterested in power, but primarily in flood control?

Colonel WHIPPLE. If I may define it without disagreeing with either of the members of the committee, the primary interest of the Corps of Engineers in this project is flood control, and flood control is the major interest and the more immediate interest, because power can be obtained elsewhere, whereas flood control really requires this particular project. On the other hand, during the planning stage, and also at the present time we do have a legal responsibility to review the concept of the project as a whole, including the development for power as well as flood-control purpose.

Under this planning at the present time we have not been put in any embarrassing situation, because the planning has not been advanced to such a stage, but the project so far has been authorized as a Federal project and we will get additional planning funds for next year. If this situation will continue much longer we will have to go into detailed planning on the power aspects. However, at the present time we are making advance planning covering the development of the project for power as well as flood control, but only in the more general studies. There is no detailed power study being conducted now.

Mr. SMITH. If there were no flood-control project, or if the Federal Government were contemplating no flood-control activity in this area, and the Eugene Board was merely attempting to build a dam to get some electricity, then the cost to the Eugene Board would be considerably greater than what is contemplated under this act, would it not?

Colonel WHIPPLE. Oh, yes, sir; it certainly would.

Mr. SMITH. In other words, this local concern, even though they are paying what you contend is a fair share of the breakdown of costs on the multiple-purpose dam in this bill, are getting, thanks to the Federal Government's flood-control program, a considerable bargain in the way they are getting their power generated there.

Colonel WHIPPLE. Sir, a dam for power only at this site would not be profitable for them to undertake, and they would not undertake it.

Mr. SMITH. That is the best answer to that. It is a fact they are

getting a bargain in that sense, is it not? The dam would not be worthwhile to build for power purposes alone?

Colonel WHIPPLE. That is right. They would go to other sources of power entirely, although this power is not as cheap as the power from some of the other larger projects which are more remote from this area. It is not one of the cheapest projects in terms of power produced in the Columbia Basin. It is one of the higher cost projects, as a matter of fact, as far as power is concerned.

Mr. SMITH. Does the Government think it is proper in our consideration of the payment that the local interests should make, that all of this flood-control activity on the part of the Government should be made available, or that the use of it should be made available to the local power concern with no cost involved?

Colonel WHIPPLE. We have considered that that was a reasonable proposal because they will be fully paying the allocated cost to power in full. Also it will not reduce the operation of the project for flood control or in any way hamper the effectiveness of the project for flood control.

Mr. SMITH. If it is fair for the Eugene Board to take advantage of this under this plan, would it not be just as fair to let Seattle, or Portland, or Spokane, or some other board out there, or some other like company, to go in and pay the Government the fair share of the cost that they paid for Bonneville or some of these other dams that have already been constructed out there, and get that power?

Colonel WHIPPLE. Sir, I do not believe I would consider that the same thing, because those projects have already been built. There is no advantage in selling them, and in fact it would be a great disadvantage in selling at high prices something that was built at lower prices. I certainly would not recommend any such proposal or consider it comparable to this one. No, sir.

Mr. SMITH. I cannot see the difference between the Government now giving these people the power and not making available to the same people, or to like groups, either private or public, but local groups rather than the Federal Government, the opportunity to buy the power facilities already existing out there at their current value.

Colonel WHIPPLE. Sir, that is a policy question for the Congress to determine; but if it is to be done we believe this is a reasonable way to do it.

Mr. SMITH. In other words, if it is going to be done you think a breakdown along this line would be the way to do it.

Colonel WHIPPLE. Yes, sir. Also I think when taken from the point of view of engineering and operations, this is not an objectionable or a difficult arrangement such as these matters can be under other circumstances.

Mr. SMITH. In other words, if the Government sold the power interests in Bonneville and Grand Coulee and the other existing dams in that area, it would not present any new questions about the operation?

Colonel WHIPPLE. Oh, sir, I certainly did not say that it would not complicate matters. In those projects we have not made any definite analysis. Generally speaking, we see no advantages whatsoever in passing over to non-Federal interests the power portion of projects which have already been completed. The only advantage

that has been advocated in this proposal is that it may succeed in getting something built sooner than would otherwise be the case. But if the project is already completed, you certainly cannot obtain that advantage. It becomes merely a financial matter.

Mr. SMITH. If that is the only argument, if the Government really wants to build the power dam then it is just a decision for the Government, for the Congress and the Appropriations Committee. We can appropriate the money for power and flood control just as well as we can appropriate it for flood control alone, could we not?

Colonel WHIPPLE. Yes, sir.

Mr. SMITH. In other words, it just boils down to the fact that if it is just a matter as to whether Congress wants to appropriate for it then suppose we want to establish not only here, but in any other project in that area, that we pay for it much quicker by selling the Government power interest in all of these dams at the current value and make some money on things like Bonneville, which were built at the height of the depression. I presume the value of it is higher now and we could make a pretty good bargain there. Then we could put up dams all over the Northwest and finish up the whole area if we put it on that basis, and there would not be any demand for money.

Colonel WHIPPLE. It would certainly be possible to sell those power-plants for a very large sum of money.

Mr. SMITH. In fact, we might be able to extend flood control to other parts of the country that way if we had any money left over.

Mr. SCUDDER. Will the gentleman yield?

Mr. SMITH. Yes.

Mr. SCUDDER. If you will introduce a bill to dispose of these Government ventures and get the Government out of the power business, I will be very glad to support such legislation.

Mr. DEMPSEY. Just a moment. The Chair wants to make an announcement.

I think we should cover all of the problems contained in this bill today, because tomorrow we have the roads bill coming up again, so we have to finish this bill today.

Mr. SMITH. If the chairman will allow me, I think this is an important issue that we are discussing here. In fact, from what I read in the papers last fall it was one of the decisive issues in the campaign.

Mr. DEMPSEY. I think my great friend, the gentleman from Mississippi, knows that the sale of Bonneville is not involved in this bill.

Mr. SMITH. I think it is tied in directly. In fact, my whole position is that if we approve legislation like this we ought to add a clause allowing these local interests to bid for the facilities at Bonneville and Grand Coulee and any others like that. I do not remember the names of all of the rest of them.

Mrs. GREEN. I would appreciate very much permission to insert a statement, and also to insert some statements I have received from Eugene, Oreg., on the Green Peter and Cougar Dams.

Mr. BALDWIN. Could I ask a question?

Mr. DEMPSEY. Yes.

Mr. BALDWIN. Colonel, as I understand it, this testimony is under the proposal as it now is before us, actually it would cost the local interests less to get the power facilities that they need than they could on their own; and, secondly, it would cost the Federal Govern-

ment less in actual financial cost disbursements than it would if it had to pay alone for flood control. It that accurate?

Colonel WHIPPLE. I can answer the second part definitely, sir. That is as regards flood control it will cost the Federal Government just about one-half a million dollars less to proceed under this bill than it would be to build a purely flood-control dam, without the power in it. That is, flood control and water conservation without the power in it.

Mr. BALDWIN. Secondly and lastly, on the assumption that because of budgetary controls here in the Government we can only spend some limited total amount for this kind of project, then on the assumption that the Federal Government is only committed by this bill to spend a little bit more than half of what it would if it were building both flood control and power together, that means if we are spending a certain amount each year by these kinds of projects we will have more funds to put elsewhere and use for other projects that we may feel to be necessary and desirable. Is that also correct?

Colonel WHIPPLE. On that assumption, sir, it is unquestionably correct.

Mr. BALDWIN. No further questions.

Mr. DEMPSEY. Are there any other questions?

Mr. JONES. I have one question, Mr. Chairman.

On page 3, line 20, you used the words "separable-cost-remaining benefits" in quotes.

Colonel WHIPPLE. I am not sure what document you are referring to, sir.

Mr. JONES. The bill, and I am referring to page 3 of it.

Colonel WHIPPLE. Sir, that designation is the one that refers to the type of cost allocation which has now been agreed on by the Interior Department and Corps of Engineers and the Federal Power Commission as being generally applied to all of our multiple-purpose projects all across the country.

Mr. JONES. Would you be good enough to submit to the committee the language which specifically spells that out, rather than adopting any theory or any practice of cost allocations as made by the Federal Power Commission? We will have the separable costs and not be writing in legislative language that embraces some doctrine down at the agency.

Colonel WHIPPLE. Sir, I think probably the easiest way—of course, this basic theory dated May 1950 is not the latest agreement, although it is consistent with it.

Mr. JONES. I noticed the Bureau of the Budget feels it would be writing into law some universal understanding that Congress in the future would use in applying the ratio of allocation of costs. In the last paragraph of the letter from Donald R. Belcher, Assistant Director of the Bureau of the Budget, he has this to say:

Therefore, while we have no objection to the reference to it in this particular legislation, this should not be construed as an endorsement of the "separable-cost-remaining benefits" method for uniform application to future water resource development projects.

In order that we may spell out just what the formula is in this case, let us write it into law and not use some practice method adopted by the Federal power people.

Colonel WHIPPLE. The three agencies concerned in March of last year arrived at a detailed agreement as to how this method was to be applied. The testimony I have given on cost allocations is based on an application of that agreement which is essentially the same in principle as one referred to in this bill.

Mr. JONES. Let us get rid of that referral and write it in there.

Colonel WHIPPLE. All right, sir.

Mr. SCUDDER. Will the gentleman yield?

Mr. JONES. That is all I have.

Mr. SCUDDER. Mr. Chairman, I would like to see the Congress follow the suggestion that Mr. Jones has made, because it is my firm opinion that the agencies have not given proper costs to reclamation and flood control and have held down the cost of power development to a point where they justify so-called cheap power. I think it is a matter of manipulating costs which make possible cheap Federal power. It would be very well to expand on that if this committee would desire to. I would like to see this committee make an investigation of formulas applied to Federal projects built by the Department of the Interior and the Corps of Army Engineers, so as to arrive at a definite percentage of cost of each phase of the project, so that we will have a real nonpolitical approach to the actual cost of power in this country.

Mr. JONES. Off the record.

(Discussion off the record.)

Mr. SMITH. In reference to this bill, if there is anything wrong with the formula and if there is some subsidy for cheap power in the formulas used by the Corps of Engineers, and if we pass this bill, then we are giving a subsidy for cheap power to the city of Eugene and whatever the electric company is there, are we not, Colonel?

Colonel WHIPPLE. Yes, sir. If there is a subsidy in that method you are undoubtedly doing it if you agree on this method.

Mr. MACK. Mr. Chairman, I do not want to let the statement of Mr. Scudder go unchallenged. I have heard it repeated and repeated that to large an allocation is being made for flood control and reclamation and other things. I have had the occasion on many times to look up the project and when I investigated the facts I found the charges made for flood control and reclamation were very, very modest.

Mr. SCUDDER. Mr. Chairman, in rebuttal I would desire to say something on my viewpoint.

Mr. DEMPSEY. Just a minute. This is a matter for an executive session, and this is not an executive session. Let us proceed with this bill.

Colonel WHIPPLE. I will insert for the record the March 12 agreement, which is more specifically the basis on which these allocations have been given. I can only say insofar as our current practice goes that we do consider the separable-costs-remaining-benefits method not to include any subsidy to any project purpose. In that respect we consider it a great improvement on certain other methods that have been advocated in the past, and either used or recommended to be used in other cases.

(The following was received for insertion at this point:)

MARCH 12, 1954.

COST ALLOCATION—AGREEMENT AMONG DEPARTMENT OF THE INTERIOR, DEPARTMENT OF THE ARMY AND FEDERAL POWER COMMISSION

Costs of a multiple-purpose project shall be allocated among the purposes served in such a manner that each purpose will share equitably in the savings resulting from combining the purposes in a multiple-purpose development.

Acceptable methods. (See attachment for brief description.)

(1) *Separable-costs-remaining-benefits method.*—This method is considered preferable for general application.

(2) *Alternative justifiable expenditure method.*—This method differs from (1) only in employing specific costs of the various functions rather than their separable costs. It is acceptable where the necessary basic data to determine separable costs are not available and the time and expense required to obtain the data are not warranted.

(3) *Use of facilities method.*—This method is acceptable where the use of facilities is clearly determinable on a comparable basis and where use of this method would be consistent with the basis of project formulation and authorization.

Minimum allocation

Each purpose shall be allocated, in every case, at least its separable cost (the cost traceable to its inclusion in a multiple-purpose project). Limitations of basic data may occasionally require the use of specific cost (the cost of features identified solely with a single purpose) and other available data as constituting the best available basis for approximating separable costs.

Legislative history

The legislative history of authorized projects shall be considered in the allocation of cost. The authorizing act, committee reports, project justification documents, and similar sources disclose the nature of the proposal submitted to the Congress and of congressional action thereupon.

Consideration of economic costs

In applying any one of the above allocation methods, taxes in an amount equal to those which would be foregone as a result of Federal development of the power rather than the most likely alternative development shall be included as an economic cost when distributing costs among the project purposes for analysis of economic justification, but shall be subtracted from the costs thus distributed to power in order to obtain the allocation of project costs to power.

Value of power

The value of power produced means the estimated market value which would be obtainable if it were to be sold on an open competitive basis, without restriction as to use or resale. The value of power shall be determined as the lower of two figures:

(1) The estimated actual cost of equivalent power from the most likely alternative source that would be expected to develop in the absence of the project, to meet the same power needs, with appropriate adjustment for transmission costs and losses and other technical factors.

(2) Estimated value of power to users. (Applicable where costs of alternative power would be prohibitive either for part or all of the power produced.)

The value of power, determined as indicated above, shall be used for computations of economic benefits in project justification and for the allocation of project costs. It will not be used to establish the level of power revenues, which are based on the amortization of project costs (Federal power investment) over a reasonable period of years.

Project feasibility

Criteria of project feasibility shall be such that, insofar as can be determined in advance:

(1) Projects will be considered economically feasible when the value of power (as defined above) will at least equal the project costs allocated to power, plus the amount of taxes which will be foregone as a result of Federal development of the power rather than the most likely alternative development.

(2) Projects will be financially feasible, that is, they will have potential net revenues from power sales sufficient to reimburse the Federal Government for the Federal investment in power.

BRIEF DESCRIPTION OF METHODS OF COST ALLOCATION

The separable-costs-remaining-benefits method has the following steps :

- (1) The benefits of each purpose are estimated.
- (2) The alternate costs of single-purpose projects to obtain the same benefits are estimated.
- (3) The separable cost of each purpose is estimated.
- (4) The separable cost of each purpose in the multiple-purpose project is deducted from the lesser of each purpose's benefits or alternate cost. The lesser figure is used since alternate cost is used in this method only if it represents a justifiable expenditure ; that is, if it does not exceed the benefits.
- (5) From total cost of project deduct all separable costs to determine residual costs.
- (6) Residual costs, designated as joint costs in this method, are distributed in direct proportion to the remainders found in step 4.
- (7) To determine the cost allocated to each purpose, add the separable and distributed costs for each purpose and, in the case of power, subtract from that sum the amount of taxes foregone which was used in computing power costs under steps 2 and 3 above.

The alternative-justifiable-expenditure method has the following steps :

- (1) The benefits of each purpose are estimated.
- (2) The alternate costs of single-purpose projects to obtain the same benefits are estimated.
- (3) The specific cost of each purpose is determined.
- (4) The specific cost of each purpose in the multiple-purpose project is deducted from the lesser of that purpose's benefits or alternate cost. The lesser figure is used since alternate cost is used in this method only if it represents a justifiable expenditure ; that is, if it does not exceed the benefits.
- (5) From total cost of project deduct all specific costs to determine joint costs.
- (6) Joint costs of the multiple-purpose project are distributed among purposes in direct proportion to the remainders found in step 4.
- (7) Allocation of project cost is determined in the same manner as under the separable-costs-remaining-benefits method.

The use-of-facilities method has the following steps :

- (1) The use which is made by each purpose of joint project facilities is estimated on some basis which is comparable for the purposes concerned, using such measures of use as those of flow, reservoir capacity, energy consumption, and others as may be applicable.
- (2) The separable cost of each purpose is estimated. (In cases of minor importance specific rather than separable costs may be used.)
- (3) From total cost of project deduct all separable costs to determine joint (residual) costs.
- (4) Joint costs of the multiple-purpose project are distributed among purposes in proportion to the comparable measures of use of the joint facilities estimated in (1).
- (5) To determine the cost allocated to each purpose, add the separable and distributed costs for each purpose and, in the case of power, subtract from that sum the amount of taxes foregone which was used in computing power cost under (2) above.

Colonel WHIPPLE. Should I go to the Green Peter project and cover it briefly?

Mr. DEMPSEY. Yes.

Colonel WHIPPLE. The Green Peter project, sir, is remarkably similar to the Cougar project in its physical and engineering characteristics. As regards flood control there is a great deal more flood damage on the Santiam River itself than on the McKenzie, but the contributions to the Willamette are essentially the same.

The project is similar in being a rock-filled dam with an arrangement as regards spillway and powerhouse quite similar to that of the Cougar proposal. It is planned and it has been planned to have a re-

regulating dam immediately below it. The installed capacity contemplated is 81,000 kilowatts on Green Peter and 15,000 on Whitebridge, although like the Cougar project this will be refined during the course of the advance planning.

We have had no planning funds for this project so that the engineering is nowhere near as far advanced as it is in the Cougar project.

The preliminary estimate is \$58,365,000 including the Whitebridge dam, so it is a somewhat larger project. The proportionate share of power in the project is somewhat larger. The flood-control benefits are \$1,447,000 annually compared to a power benefit of \$1,833,000, which is slightly larger. There are also smaller benefits to water supply, pollution, navigation, and a very small benefit to downstream power in the Willamette Falls Dam, and a small recreational benefit as well, on account of being near population centers.

Most of the land required is forest land, as in the case of the Cougar project. There are only 64 acres of improved land to be acquired in the entire area, in addition to some roads.

The flood situation I have already covered. The project, of course, is to be constructed and handled under the partnership arrangement in the same way. Of course, we have not gone as far in the planning. This is also, however, considered to be a relatively economic and high priority project. The benefit-cost ratio is 1.44 to 1. Not quite as high as the Cougar project, but still an excellent project on that basis.

We feel that the engineering development of these two areas provides for utilizing the full resources of the sites. The coordination between flood control and power is readily obtained here as it is in the Cougar project.

I think also it is equally important in this case to obtain sound cost allocations in accordance with the usual standards, which would, of course, be done under this bill as in the Cougar project.

Mr. DEMPSEY. Have you finished your statement?

Colonel WHIPPLE. Yes, sir.

Mr. DEMPSEY. Mr. Ellsworth, is there any question you want to ask the colonel? I would suggest then, Colonel, if you do not mind, remain here as we may need you a little later.

Colonel WHIPPLE. All right, sir.

Mr. DEMPSEY. Now, Mr. Ellsworth, will you give us the names of your witnesses and the order in which you wish them to appear?

Mr. ELLSWORTH. Mr. Chairman. I would like to have you call 3 or 4 people who live in the flooded area to give a little bit more background on the flood-control part of this. Each of their statements are quite short. First, I will call on Dr. A. T. Oberg, of Eugene, Oreg., who represents the Eugene Chamber of Commerce flood-control committee and other community organizations in Eugene and Linn County. Dr. Oberg.

STATEMENT OF DR. A. T. OBERG, EUGENE, OREG.

Dr. OBERG. Mr. Chairman, I would like to file my statement and give my testimony orally.

Mr. DEMPSEY. Without objection.

(The prepared statement of Dr. Oberg is as follows:)

I am Dr. A. T. Oberg, practicing dentist, of Eugene, Oreg. Except as a domestic user of power and water over a long period, I have no connection with the Eugene Water and Electric Board, and my interest is purely a community interest, based on my own observation of conditions in the upper Willamette Valley for nearly 28 years.

Our chief need is for flood control on the McKenzie River, and for increased power production in a very rapidly expanding area. I shall not attempt to dictate the method of securing these benefits except to say that the need is immediate and pressing, and that the most expeditious method of accomplishment would, in my opinion, be the one our community would endorse.

Some geographic and climatic background would seem desirable. The Willamette Valley is about 150 miles long and from 20 to 60 miles in width. Flowing throughout its length is the Willamette River, one of the few rivers in our country that flows north. On the west it is bounded by the relatively low coast range of mountains, and on the east by the Cascade Range, ranging up to 10,000 feet in height, with perpetual glaciers. The region is generally known as one of much rainfall. This is not entirely true since our mean annual rainfall is about 3 inches less than that of, for instance, Baltimore or New York. The difficulty lies in the distribution of that rainfall. The bulk of our rain comes in the months of November, December, January, and February. During the summer months we have an annual average period of about 70 days during which little, if any, rain falls. It is during the period of heavy precipitation that our flood problems arise.

Let me mention the conditions that produce our floods. A heavy fall of snow in the mountain regions and some lower levels; saturated or frozen soil unable to absorb additional moisture; and warm rain accompanied by a warm chinook wind. When these conditions coincide, as they do from 1 to 3 times each season, the tributaries, of which the McKenzie River is a major one, become raging torrents. Water pours into the floor of the valley at a terrific rate. Now the floor of the valley is relatively flat, and the rate of fall of the river is very small, from an altitude of about 400 feet at the head of the valley to 22 feet where the river flows into the Columbia near Portland. The valley floor cannot contain the floods from the tributaries within river banks, with serious and costly flooding in the valley floor areas, interruption of normal commercial operations, transportation, school, and other losses which I shall mention.

The only feasible way to control these floods is in the tributaries. Once the water reaches the floor of the valley it cannot be controlled.

Let us look at some of the additional problems created. Some of the most valuable agricultural lands in the United States lie in these river bottom areas. This land might be nominally evaluated at \$1,000 per acre, but when crops of high-grade products, such as Blue Lake beans are raised, the land has been known to amortize itself in a period of 3 years. The \$1,000 per acre evaluation would, therefore, seem much too conservative. Our own cannery at Eugene plans to can some 10,000 tons of these beans this season, in addition to large quantities of beets, carrots, and corn raised on these lands.

This is the land which is being lost in these floods. About \$1 million worth of this marvelous soil is being washed into the Pacific Ocean each year, with peak years much higher. This is a loss greater than the immediate loss to the landowner. It is a loss of all of the productive value of this land for the foreseeable future of our civilization. It is a loss that cannot be restored, or replaced. It is a loss of our Nation's most valuable physical asset, its land.

This portion of the flood problem is not new. It was there when flood control on the McKenzie River was first authorized in 1938. It has, of course, increased as the amount of agricultural development has increased, but is basic so far as the land loss is concerned.

There is, however, a new and serious situation developing. If you will look at the map you will find a V-shaped delta area lying between the middle fork of the Willamette River and the McKenzie River. This land is, for the most part, low, with little natural drainage. Up to some 7 or 8 years ago, it was largely used for orchards, dairy purposes, and small farm plots. Today it is different. This, being the direction in which much new suburban development is occurring, both from the city of Eugene and the city of Springfield, there now are many hundreds of suburban homes there, many of them ranging in value from twenty to fifty thousand dollars.

Here is where the new problem arises. While both the Willamette and McKenzie Rivers were flooding, the waters reaching this area were slack—the flood from one river offsetting that from the other and leaving a simpler problem of inundation in its wake. Now—we have flood control virtually completed on the middle and coast forks of the Willamette. During our latest flood in November 1953 the crest of the flood in these rivers at Eugene was reduced by some 6½ feet, and could probably have been reduced more had facilities been completed and the need existed. But, there was no control on the McKenzie. Its raging force swept into this valuable delta area, and, lacking the counterbalance of the Willamette flood, achieved high velocity and produced much scouring. The danger lies in the fact that while one river is controlled and the other is not, there will be a new channel scoured out between them, cutting through a very valuable and highly developed suburban area.

I have confined my talk to flood control on the McKenzie River, which is the one upon which the proposed Cougar Dam will be constructed. I am not unmindful of our need for additional power, and water for supplemental moisture purposes during our dry season. I am very much in sympathy with these developments, and most certainly favor their progress. Yet there is one fundamental fact. Until we can get control of these waters, no other use can be made of them. I have lived in these areas for some 27 years, and seen the phenomenal growth. While flood control on the McKenzie River would understandably be an academic problem with people in other sections of the Nation, it is a very real problem to us. I have lived with these floods from year to year; seen the damages and the human misery they cause; and I can conceive of no greater service to my community than to work for their abatement.

Let me repeat. There is no more urgent problem in our area today than control of the flood situation on the McKenzie, and I must respectfully urge that you enact the necessary legislation in order that this may be accomplished.

Dr. OBERG. I am a practicing dentist in Eugene. I have no connection with the Eugene Water and Electric Board, and by the way, Mr. Smith, that is the name of it, except that I have been a domestic user of their electricity and water over a period of about 28 years. I have been intimately associated with this Willamette project since its very inception, since the first dam was approved and authorized and built.

I think I am familiar with the conditions that exist there. I shall confine my remarks largely to the Cougar area because that is the one with which I am most familiar, and I believe that the representatives from the other area will take care of their own part of it.

Flood control is absolutely essential. I am going to point out in a minute, with the aid of the chart, just why. It has always been essential. We have had our flood problem there ever since recorded history.

The 1861 flood is the earliest one of which we had any tangible record. At that time the Willamette River, which is normally a peaceable channel, was 20 miles wide. You could row a boat almost anywhere in the valley. What that would have done to a highly developed area such as we have there now, is for you to decide.

I would like to give, for the benefit of the newer members of the committee, and without trying to bore some of the other members who have heard me before, just a little geographic and climatic background. As mentioned by Colonel Whipple, the valley lies between two ranges of mountains—the relatively low Coast Range on the west and the high Cascades on the east, with mountain peaks up to 10,000 feet, and perpetual glaciers. In this valley flows the Willamette River.

The valley is approximately 150 miles long and from 20 to 50 miles in width. Incidentally, the Willamette River is one of the very few rivers in the United States which flows north. I mention that

because occasionally, in speaking of the upper and lower valleys it is just the reverse of what it would be in the Mississippi or Missouri Basins.

Now, as to the rainfall in that area, we get credited with being a wet country, but our actual rainfall throughout the year is about 3 inches less than what it is in New York or Baltimore. The problem is that we get practically all of our rain during 4 months of the year—November, December, January, and February. We also have a problem where at the very end of our growing season, beginning about July, we do not get any rain at all. We have approximately 70 days of desert weather.

While I am not going into the reclamation aspects of this thing the same stored water we are saving in the wintertime when we have too much, is going to come in awfully handy in the summertime when we do not have enough.

At the bottom of this valley we have some tremendously valuable land. It is probably some of the most valuable land in the United States. It is nominally evaluated at \$1,000 an acre. It produces highly irrigated crops such as blue lake beans, whereby that land will amortize itself in 3 years. The loss of that kind of land is a loss not only to the man who owns it—and it certainly is a loss when he sees acres of his land going down the river every year at \$1,000 a throw—but we are losing one of the Nation's most valuable assets. It is fertile land.

When you have carried that land down and left nothing but a gravel bar, you have destroyed an asset that should be with us for the period of our predictable civilization.

There has been a problem pointed out here that I would like to emphasize. For the purpose of discussion I shall use this chart over here. Here we have the main fork of the Willamette River. That is already pretty well controlled. Here we have the McKenzie coming in, with no control at all. When both of those were in flood, before control went in on this river, the slack water from this and the slack water from that did relatively little damage. But now that this one is controlled and this one is not there is a terrific tendency for cutting, and even the possibility of cutting clear across this area.

In fact, geological data show that eons of time back there have been such channels cutting clear across. What I have in mind particularly is this triangular area here. Up to about 7 or 8 years ago that was orchards and farms and garden plots. Today the population of Eugene here and Springfield here have spread out into this area. We have houses and homes ranging from \$20,000 to \$50,000 apiece on that land. We have highways and utilities. If that water cuts across there I hesitate to say what the damage will be. Not only damage, but probably loss of life as well.

We have a problem there. We are not ungrateful for the fact that this stream is controlled. We are mighty happy that it is. This area in here is already benefiting a great deal. This used to be flooded about every time we had a heavy dew out there. Now it is not flooded unless we have some very extreme conditions. That is roughly true on-up to the confluence of the McKenzie River. But we are taking an awful beating along in here.

After that stream meets the Willamette and goes on toward Jefferson City, those people are losing acres and acres of land in there.

The situation is definitely worse than it was before this was built. That is not the fault of the project at all, but it is due to the fact that the project is only half finished. We would be as happy about it as about a house that had a ground floor and did not have the second floor. But the original plan is good. We are hoping that you will expedite control on this river.

There is another thing. I know the people on these farms personally. I spoke to one man about 2 weeks ago who is probably as well acquainted with the McKenzie area as anybody there is. He knows about every man, woman, child, and dog along that river. He told me he did not think there were 2 people along the 50-mile stretch of the McKenzie River opposed to this project.

The question on this is expedition. Are we going to get it? We are not unmindful of the fact that the Columbia area in general and the Willamette area in particular have been receiving generous amounts of Federal money already. If there is a chance whereby the local people can get in and help to pay that cost at the present time when the Federal Government is already crowded for funds then we will be glad to have the local people get in there and help with that, and will probably get the project a little bit sooner.

There is a little point in connection with the discussion here, while I am not discussing this in executive session, that I think might be helpful from the standpoint of understanding it. It had to do with these reregulating dams. These dams such as Cougar and Lookout Point Dam have reregulating dams down below and are, therefore, serving a purpose that should be clearly understood.

The power produced by these dams will not be 24-hour-a-day power. It will be what is known as peaking power. That, as you probably know, is the most valuable kind of power there is. It is the kind of power you get when you do not have enough of anything else. If they were to release a lot of water from one of these dams during a peak period they would flood out an area down below. But when they quit releasing it, it would gradually go down again. But the people all along that whole river would be in the position of the person who is subject to the tides of the ocean.

So, by putting in a reregulating dam down below, that takes the excess water released during peaking hours and releases it gradually, and produces an even flow in the stream farther down.

Whether or not power is produced at that reregulating dam would not be an issue. The reregulating dam would have to be there to produce peaking power in the big dam. But if you could get a little additional power out of the reregulating dam we are just that much more to the good.

I am not going to repeat a lot of things, or things that I could have said here that have already been said and perhaps better said than I could say them. I do not want to bore anybody with statistics they have already heard. But we in our area urgently endorse the partnership plan.

I might say also there was a little discussion with reference to the financial responsibility of the Eugene Water and Electric Board. It is governed by an independently elected board of citizens of the city of Eugene. They are people who to my personal knowledge are of high integrity. The organization began some half a century ago when the electrical repair outfit of the Eugene Water and Electric Board

consisted of two bicycles with a rack on the back and a few spare parts on there. By conservative, sensible management and proper treatment of their people they have developed into a very fine and splendid municipal utility.

Now I am in a position where I would like to add to some of the telegrams that Congressman Ellsworth read in the record in the beginning of the talk. I might say I am chairman of the flood control and water resources committee of the Eugene Chamber of Commerce, and that they most emphatically endorse this partnership proposal.

I hope that you gentlemen will see fit to enact House bill 4662. Thank you.

Mr. DEMPSEY. Thank you very much, Mr. Oberg, for your splendid statement. Are there any questions?

Mr. ROGERS. Has there been any opposition at all in the community to the partnership plan?

Mr. OBERG. In the community there is no opposition whatsoever. Any opposition that occurs has been artificially stimulated, but there is not anybody who has a real basic quarrel with this plan.

Mr. ROGERS. What do you mean by "artificially stimulated"?

Mr. OBERG. Well, we could bring in issues from other parts of the United States and try to make them apply in our area, but they do not originate there.

Mr. ROGERS. None of your local people have expressed any opposition to it at all?

Mr. OBERG. They are not opposed to it at all. I have not met two people that are.

Mr. CRAMER. Is it not true the people in the area feel this is a way to break the deadlock with regard to the project and probably get it underway?

Mr. OBERG. That is it exactly, and the sooner we get it the less risk we run of getting terrific damage in here.

Mr. DEMPSEY. Are there any other questions?

(No response.)

Mr. DEMPSEY. Thank you very much, Doctor. You may call your next witness, Mr. Ellsworth.

Mr. ELLSWORTH. I would like now to have you hear Mr. Max Landon who lives in Sweet Home, in the Green Peter Dam area. He represents various Linn County organizations and the South Santiam Development Committee. May I say to the committee members that Mr. Landon asked me to say he is a bit hard of hearing, and if you ask him any questions speak up loud.

Mr. Max Landon, of Sweet Home.

Mr. DEMPSEY. Please give your name to the reporter.

STATEMENT OF MAX LANDON, SWEET HOME, OREG.

Mr. LANDON. My name is Max Landon, of Sweet Home, Oreg., and my home is located about 16 miles west of the proposed site of the Green Peter Dam.

My business occupation is as senior member of a general insurance agency at Sweet Home. From 1942 to 1951 I served as a member of the Oregon Legislature. I am a member of and speak for the South Santiam Development Committee and the Willamette Valley Conservation Committee, as well as many civic and service organizations including chambers of commerce.

The control of the waters of the South Santiam River is of vital importance to us. The Green Peter Dam is an integral part of the overall flood-control system of the Willamette Basin project and until it is built the wheel is no stronger than its weakest spoke.

Much erosion is caused by the increased speed of the current caused by the completion of the Detroit Dam and the controlling of the North Santiam. This increased the drop or fall, at flood stage, by more than 4 feet at the junction of the North and South Santiam Rivers. There is a pressing need for immediate construction of the Green Peter Dam if the valuable farmland in the area is to be saved and the flood-control projects for the Willamette River Basin so far built are to be operated with maximum benefit.

Over a year ago a group of people from various organizations and communities in our locality got together and formed a special committee to expedite and help with the Green Peter Dam project. This committee conceived an idea of local interest participation patterned after the administration's partnership principle. Pacific Power & Light was then approached by us with the request that they consider paying for the power features of the dam. After many meetings with us and studies by their engineers, that company agreed to join in the venture with the Federal Government if enabling legislation was enacted.

As has been and will be brought out in statements at this hearing, much of the cost of the proposed project will be borne by the licensee of power for the project. While we have talked to Pacific Power about the Green Peter project, I want to point out that the bill H. R. 4662 provides that any qualified applicant may apply for a license and the decision will be made by the Federal Power Commission.

Additional power is very much needed in our grid system, especially in the autumn months during low-water periods. This dam, being primarily a flood-control dam, would produce its peak power output in the autumn months, at which time the larger dams on the Columbia are at their minimum output. The reason for this is that at this time of the year the water level of Green Peter Dam would be lowered in order to hold back the spring runoff from the watershed.

Gentlemen, in closing I sincerely state that our communities need this flood-control and power-producing project very much. You have received resolutions from our city councils and county courts endorsing this project in its entirety as outlined in H. R. 4662. You have also heard, or will hear, from our Governor of the State of Oregon. Also before you are copies of a house joint memorial to the Congress from the Oregon Legislature enacted at its 48th assembly. This house joint memorial No. 3, introduced in the house on January 13, 1955, was passed by the house January 25 with a 44 yeas vote of those present in a 60-member body. It was passed by the Senate February 8 with 21 yeas votes out of those present in a 30-member body.

I have a telegram I received from our Secretary of State, Earl T. Newbry, saying:

In agreement with FPC endorsement Green Peter Cougar Dam project. Urge passage H. R. 4662.

Also I have here a telegram signed by our county judge and by each of the commissioners in Linn County, Ore. That is the district in which Green Peter Dam is located. In that telegram they say they endorse the project in its entirety. I would like to file that without taking time to read it.

Mr. DEMPSEY. Without objection it may be filed.
(The telegrams follow:)

ALBANY, OREG., April 30, 1955.

Representative HARRIS ELLSWORTH,
Fourth District, Washington, D. C.

DEAR CONGRESSMAN: Be it resolved by the Linn County court, of Albany, Oreg., that this court is desirous of supporting House bill 4662, which is in regard to the development and the completion of the Green Peter Dam, and we would request that the Congress of the United States give their utmost consideration to this bill.

Be it further resolved, that the Green Peter Dam which is located on the South Santiam River, after the same is completed, would generate power which is greatly needed and also will store irrigation water, which will be an aid to the farmers, as well as to the industries of Linn County.

Be it further resolved it is most important to Linn County that the Green Peter Dam be constructed as soon as possible. The control of the main Willamette and the North Santiam River has upset the adjustment of nature, and in so doing has caused great damage to the rich farming lands, and a control by this project would be very beneficial to the Willamette Valley and Linn County.

Yours very truly,

LINN COUNTY COURT,
E. G. ARNOLD,
County Judge.
FLOYD D. JANKS,
County Commissioner.
W. E. DOWNING,
County Commissioner.

SALEM, OREG., April 30, 1955.

MAX LANDON,
Washington, D. C.:

In agreement with FPC endorsement Green Peter Cougar Dam project urge passage House bill 4662.

EARL T. NEWBRY,
Secretary of State of Oregon.

Mr. LANDON. I have a resolution from our city council which has the customary "whereases." I would like to read just the last paragraph of that, with your permission.

Now, therefore, the Common Council of the City of Sweet Home does hereby urge the members of the Congress of these United States to support House bill No. 4662 introduced by Harris Ellsworth, United States Representative from the State of Oregon, which incorporates the principle of partnership development of our water resources.

Passed by the council and approved by the mayor, this 26th day of April 1955.

It is signed by the mayor and the city manager and ex-officio city recorder.

I would like to file that in the record.

Mr. DEMPSEY. Without objection it may be made a part of the record.

(The resolution follows:)

RESOLUTION No. 16 FOR 1955

Whereas the city of Sweet Home, a municipal corporation, located on the south bank of the South Santiam River at a point approximately 3 miles below the junction of the middle fork of the Santiam River with the South Santiam River is wholly dependent upon the waters of the South Santiam River for our municipal water system serving 1,500 customers, or 4,000 people; and

Whereas the incidence of high water in the South Santiam River at the intake point of our municipal water system during recent years has caused considerable damage and financial burden to our municipal waterworks; and

Whereas the construction of the proposed Green Peter Dam with the White Bridge reregulating dam will tend to stabilize the flow of water in the South Santiam River to assure this municipality of a more adequate and stable source of domestic water.

Now, therefore, the Common Council of the City of Sweet Home does hereby urge the Members of Congress of these United States to support House bill No. 4662 introduced by Harris Ellsworth, United States Representative from the State of Oregon, which incorporates the principle of partnership development of our water resources.

Passed by the council and approved by the mayor, this 26th day of April 1955.

W. T. HESEMAN, *Mayor*.

Attest:
[SEAL]

ROY EAMES,
City Manager and ex-Officio City Recorder.

Gentlemen, I believe this shows that our whole State favors this program and its start at the earliest possible date. We plead with you to give us this Green Peter Dam and Cougar Dam enabling act so that we may get immediate construction started.

We ask for your favorable consideration of H. R. 4662.

Mr. DEMPSEY. Thank you very much.

Mr. CRAMER. Is it my understanding that this idea originated with the cities and citizens' groups you mentioned and did not originate with the power company involved?

Mr. LANDON. That is correct, sir.

Mr. CRAMER. That is all.

Mr. DEMPSEY. Are there any other questions?

(No response.)

Mr. DEMPSEY. Mr. Ellsworth, you may call your next witness.

Mr. ELLSWORTH. I would like to have Mr. N. D. Bradley, of Jefferson, Oreg., called as a witness. He is a farmer who lives in the flooded area between the two rivers and is also chairman of the South Santiam Flood Control District.

Mr. DEMPSEY. We are glad to have you, Mr. Bradley.

STATEMENT OF N. D. BRADLEY, JEFFERSON, OREG.

Mr. BRADLEY. Mr. Chairman and members of the committee, I would like to read my statements here and have them filed. Also, along with my statement we have a map here. I have decided I will read my full statement and when I get through with that I will take the pictures that we passed out and take my ruler and point out those places on the map.

Mr. DEMPSEY. Time is running against us a little bit and I suggest that you not take any more time than is necessary for your presentation.

Mr. BRADLEY. Fine.

Mr. DEMPSEY. We want to hear all of the witnesses but we have only today in which to do it.

Mr. BRADLEY. Yes, sir. My name is N. D. Bradley, and my address is rural Route 1, Jefferson, Oreg. I own and operate a farm in the Jefferson area in Marion and Linn Counties, Oreg. I am chairman of the South Santiam Water Control District.

I am speaking today on behalf of the farmer members of that district and the farmer members of the North Lebanon and Sidney Talbot Water Control Districts.

At the outset, I can assure this committee that the approximately 250 members of these water-control districts, the members of their families, and the people with whom they do business in the area, are unanimous in their support of the proposal for the immediate construction of a dam which will control the disastrous floods on the South Santiam River.

I may say to the committee that I have been farming along the South Santiam River almost all my life. I have seen complete farms washed away by floodwaters. Each year farms bordering the river get smaller. As the committee knows, this is caused in large part by the tremendous force of the South Santiam.

As has or will be explained to the committee, this river originates in the Cascade Mountains. It drops 4,000 feet to the Willamette River Valley floor. This fall gives it the cutting energy which makes downstream control impossible. The only logical way in which these floodwaters can be controlled is through regulating the flow of the river by a dam which would back up and hold the waters which now annually burst the channels of the South Santiam. The proposed Green Peter Dam would be located a few miles upstream from Sweet Home, Oreg. The exact location, as I understand, has or will be shown on maps to be submitted by the Corps of Engineers or some of the other engineering witnesses.

It is the purpose of my testimony to show to the committee the devastating effect of floods which have occurred on that stretch of the river commencing a few miles below Sweet Home down to where the South Santiam joins the North Santiam to form the Santiam River. As the committee knows, the Detroit Dam was built to control floods on the North Santiam River and has been operating successfully. I know from personal experience that the same conditions which now exist along the South Santiam River existed along the North Santiam River prior to the construction of the Detroit Dam. The floods on the South Santiam occur usually during the months of November, December, January, February, March, April, and sometimes as late as May and June. During the remaining months of the year the area is apt to be short of water. As a consequence, the water stored behind the proposed Green Peter project would not only be of great value in controlling the floods during the winter and spring months, it would be a source of water for irrigation during the dry summer months. In addition, as the committee knows, the impounded water will also be used, under the terms of the proposed bill, to turn generators and provide electricity for homes and farms and industry in the area.

For the purpose of showing to the committee some of the damage caused by floods on the South Santiam River and indicating some of the points at which this damage occurs, I should like at this time to present to the committee a map and a series of photographs. The map, prepared by our people, is an enlargement of Soil Conservation Service maps showing the course of the South Santiam River from Lebanon in Linn County, Oreg., to its junction with the North Santiam River. It also shows the Santiam River itself from the junction of the North and South Santiam Rivers to the village of Jefferson in Marion County.

The committee will note that on the map there is an area marked "A." Picture No. 1 is an aerial photograph of this area. This photo-

graph, as in the case of all the others in this series, was taken only a week ago and at a time when the river was not at flood stage. At the point marked "A" on the map there is a horseshoe bend in the river. Within the bend of the horseshoe are three farms. Photograph No. 1 shows to the committee an area where within the past 2 years 140 acres of valuable river bottom soil have been completely destroyed.

Photograph No. 2 is a photograph of the area on the map marked "B" at the next bend of the river. In this area approximately 3,000 acres or more are flooded out each year, depending on the force of the year's flood. Some farms have been completely destroyed and washed away. The village of Crabtree near here was completely flooded in the years 1953 and 1954.

Photographs 3 and 4 are closeup shots showing driftwood and other debris which is thrown up annually on good soil by these destructive floods.

Photographs Nos. 5, 6, and 7 show the area marked "C" on the map. As I stated, all these photographs were taken at a time when the river was in its channel. In time of flood the river in effect attempts to iron out the many bends shown in the photographs and indicated on the map and tries to take the most direct route to where it empties into the Willamette. As a consequence, substantially all of the land within the various bends of the river are each year completely flooded, as well as the areas immediately adjoining such bends. It, of course, does not make a straight shot for the Willamette River because of the topographical characteristics of the area through which it flows. It is diverted across roads, villages and thousands of acres of fertile farmland, causing annually hundreds of thousands of dollars in damage. Photograph 5 is a general view of this area.

Photographs 6 and 7 show some of the erosion caused by the floodwaters to once rich farmland and show some of the drift thrown up on these farmlands by the floods.

I would like now to turn to a discussion of the areas marked "D" which include two bends of the river and the delta area between the South and North Santiam Rivers. Photograph 9 is a general view of this area. Now, by reference to the map, the committee will understand that the force of the South Santiam where it hits the bend, indicated in green, is held back only by the farmer-built dike, shown on the map, and located at this point. Because of the control by the Detroit Dam of the North Santiam, the force of the waters of the South Santiam at this point is greatly magnified. It causes from 3 to 5 feet of additional fall. There are approximately 1,000 acres behind this earth dike. This dike is the only protection that those acres have from the annual floods.

Photograph No. 8 shows how the force of the river at area "D" on the map is eroding the adjoining soil to such a degree that it is almost being dumped by the carful into the river and washed away. Just a few years ago the deed to this farm described it as containing approximately 180 acres. As a result of the floods, all of this farm except about 80 acres has been washed away.

Photograph No. 10 shows the kind and quality of farm buildings located in the area of the floods. As the committee will note, these are good, substantial, high-quality buildings; built by farmers who have pride in their farms and faith in their ability to develop the

land. The buildings shown in this photograph have a value of approximately \$75,000. If the committee will refer back to photograph No. 9 where these buildings are shown in the left middle section of the picture, they will see how the river is rapidly eating its way toward these buildings, with their probable destruction unless immediate action to control these waters is taken.

I hope my statement and these photographs will aid the committee in understanding the seriousness of our problem. If you could come out to Oregon and see for yourself; if you could put yourselves in the position of my friends and neighbors who every year fear the loss of everything they have built in their lifetime, I am sure you would take immediate action. We need help. I urge your prompt and favorable consideration of H. R. 4662.

Thank you, gentlemen, for your time.

Mr. DEMPSEY. Thank you very much, Mr. Bradley. Are there any questions?

Mr. JONES. Mr. Bradley, what size farm do you operate?

Mr. BRADLEY. I own 150 acres and farm 200. It is all bottom soil.

Mr. JONES. What is the principal crop?

Mr. BRADLEY. The main crop is peppermint oil. Did you ever see any of it? I have a bottle of it in my pocket.

Mr. JONES. Now how do you do it?

Mr. BRADLEY. It is a crop we plant. We plant the roots and you only plant it once. It stays indefinitely. Some of it has been planted for as much as 30 years. It is planted in rows with peppermint roots and you cultivate it the first year like any other row crop. Then in harvest time—

Mr. JONES. When is that?

Mr. BRADLEY. Usually in the month of August.

Mr. JONES. And you pull it up?

Mr. BRADLEY. No. It grows and looks like alfalfa but has bigger leaves on it. It is cut and mowed and put in windrows. Then we have what we call a field chopper which chops it into tanks and is put on a truck and trucked back to what we call peppermint stills.

My still in back has room for three loads at a time. We turn steam into the bottom of the kettle or tank and the steam goes up and takes the oil out. It goes over condensing coils and into settling tanks, and from there we separate the oil from the water.

Mr. DEMPSEY. Mrs. Green would like to ask a question.

Mrs. GREEN. I notice in the statement your organization is the South Santian Water Control District. You made a statement that the members of their families are unanimous in their support for the immediate construction of a dam which will control the disastrous floods on the South Santian River.

Have you studied the partnership program in this bill, which does not have to do with flood control, but has to do with the power allocation and power part of this dam?

What is the position of your group in relation to that?

Mr. BRADLEY. I will tell you. We have waited since 1938 to get something built like this dam and we have seen farms wash away—a lot of my neighbors and my friends. We have called meetings and decided we would take the first bill we would get, and this is the first bill.

Mrs. GREEN. That is the basis on which you base your decision?

Mr. BRADLEY. That is the basis; yes, ma'am.

Mrs. GREEN. I am a little bit disturbed about the statement that there is no opposition to the Green Peter Dam or the Cougar Dam because I have many letters in my office of people who are opposed to them and who do not like the partnership.

I beg your pardon. That is all.

Mrs. GREEN. Can I ask another question? If there were a second bill which would be introduced in the immediate future would your organization and your people weigh the two bills and then make a choice on which one you think would be most desirable? Or, are you committed to the first bill?

Mr. BRADLEY. I would say this: I think we will take the first bill we will get, because we have waited and seen so much land washed away. I think that would be the feelings of our committee.

Mrs. GREEN. You have not compared it to other possibilities for flood control and power, and so on?

Mr. BRADLEY. I think I can say this: We have compared it and read about one and the other, and tried in different ways, and heard we were going to get the dams. We have waited and waited, and this is our first chance. Most of our boys got together and decided we would try to back this bill because it looked like it was our first chance.

I want to show you some pictures here.

Mrs. SMITH. Is it not true that the Bureau of the Budget said this is all you are going to get? It is this or nothing?

Mr. BRADLEY. It may be. I do not know. But here is our position. I want to get along with this. I think I can show you why even 1 more year can make the difference between our having a home and not. And that is more important than fighting for partnership, or public power, or anything else.

If you will take your map and look at picture No. 1 you will notice in this bend of the river there is a great amount of erosion. That has been furthered to some extent before, but the last 2 years it seems that the stream is filling up to such an extent that even last year that field there was farm. This year it was given up as practically gone.

This picture was taken a week ago today, of this particular area. As you will notice out through these fields, this field is cut up and all this drift is there. The aerial photograph does not show it and bring it out like some of the other pictures will.

Mr. HULL. How wide is that valley you are talking about?

Mr. BRADLEY. I suspect it will probably be 100 miles wide, or 75 miles wide at least.

Mr. HULL. And the river changes its course something like the Missouri?

Mr. BRADLEY. I imagine so.

Mr. HULL. I think it does from the looks of it.

Mr. BRADLEY. In other words the valley varies in different widths up and down the valley.

Mr. HULL. Do you have accretion any place along the way where it changes its course?

Mr. BRADLEY. Yes, we do. That is all on that. We will take pictures 2 and 3. That is just down the river from No. 1. That is the next bend. He took that picture and walked down the river to

the next bend in the river. This picture will show how it is cutting through this rich farmland.

Pictures 3 and 4 are pictures we took on the ground and will show the drift. You will notice in picture No. 2 where the water cut back in those little channels. In the back you will notice the big drift sitting around in here. That is this picture here. This one is also taken back in there. In other words, the top one is an aerial photograph of the area, and the next two pictures are taken of the closeups to show what is happening to that soil.

Some of that drift is 6 and 8 feet high there, and it will settle there and get to be more. It does not make it practicable to clean that kind of thing off in 1 year.

Mr. HULL. Have you had any flood control on the river?

Mr. BRADLEY. Not on the south side.

Mr. HULL. Such as agricultural levees or rip-rapping?

Mr. BRADLEY. We have had some revetments put in; yes, but not near enough. We have a dam on the North Santiam River. I will show you that when we come to the delta area. The next picture is down the river a little further; 5, 6, and 7. That will show how crooked the river is and how it goes around in this particular bend.

I have a neighbor who lives here named Bill Easton. He is affected by this. He told me there was a home with 26 acres and that is completely gone and out of the way.

Then we went back away from the river and took these other two closeup pictures showing the erosion. Maybe you can see in this picture there was probably 300 or 400 yards from the river. It cuts out and cuts the whole field and does not stop along the bank.

Mr. HULL. Is most of that valley land made from erosion?

Mr. BRADLEY. A lot of it is.

Mr. HULL. Topsoil?

Mr. BRADLEY. Yes. And particularly in this valley here.

Mr. HULL. I have seen much damage like that in my home State.

Mr. BRADLEY. In this picture here we are coming down to the particular delta area where we are going to have some serious trouble until we get a dam. Here is a little vial of this dirt. It is a sandy loam. Not a clay soil but a sandy loam.

Mr. HULL. Mr. Jones is interested in that peppermint oil.

Mr. BRADLEY. That soil erodes much easier than clay or other soil. Now let us come to this. This particular portion or picture here with this erosion is right in this bend here. I want to bring out the tremendous force of the river against this particular bend in the river. At one time there was a revetment there, but it was not long enough. The revetment stops about 300 yards too soon. The next picture will show you the general outline of this area which is overlooking an area about in here. The aerial photograph was taken in here. Do you have a picture of that, Mrs. Green?

Mrs. GREEN. Yes.

Mr. BRADLEY. It shows how crooked and filled up that particular river is at that place. Our problem is this: This North River over here has control. We have the Detroit Dam up in the North River. That is held down within 1½ or 2 feet of the tops of the banks, even in floods. I have seen this 1, 2, 3, and 4 feet over the tops of the banks. It used to be a backwater in here where 1 river came up quick. But with control here and no control here there is an additional 500

acres here. The water here gets away faster and the only thing protecting the whole area is this little dike which we built ourselves with our own money. We have about \$11,000 in that dike, and \$10,000 in a few little straightenings. We have \$21,000 of our own money in this particular job.

This is 1 of our worst areas and 1 of our worst headaches. With this force against here and this force headed back here, if this little dike ever gives way the force will be so great there will not be much left of this 1,000 acres or so.

Mr. HULL. In other words, you did not have the flood damage before. The Detroit Dam is causing much flood damage and making it much worse than it was before?

Mr. BRADLEY. That is right, because it used to be a stillwater or backwater from one to the other, but with the Detroit Dam in it is different. We are glad it is in but it is a job half done. We want the other dam in to save our homes.

Now if you take picture 10 up the river here you see is one farm below the river. He has his home and fruit orchard and all kinds of garden stuff in there. One set of buildings is worth \$75,000. You can see how close the river comes to it. The river is in its banks today, too.

I think the engineers will back me up in the statement that if we do not stop this the whole area will be cut up where it will be of very little value to us.

I think that is all I have to say unless someone has some questions.

Mr. SMITH. Mr. Bradley your statement has been very interesting and appealing to me. I represent a congressional district where the entire district is like that land you described, and not just a part of the district. Your problem is to get flood-control for this Willamette Valley as I understand it?

Mr. BRADLEY. That is right.

Mr. SMITH. If the Congress during the coming appropriation bill will appropriate money to begin work on flood-control in that valley you would not be interested in any particular bill any more, would you?

Mr. BRADLEY. As I said before, I think we are interested in getting the first bill we can get, and that would be the one.

Mr. SMITH. The quickest action would not be to pass the bill here but to get an appropriation to work on a project already authorized.

Mr. BRADLEY. I could not argue with you on that because all I know is we have waited until now from 1938, when it was originally approved, and we have not gotten it yet.

Mr. DEMPSEY. Are there any questions here?

Mrs. GREEN. I may say I am in complete agreement with Mr. Bradley on the need for flood control there. I have been there for a good many years and he does not overstate the case at all. I am concerned about the people in the area and whether or not they have studied this particular bill and whether they would approve of the partnership power program.

Mr. BRADLEY. I think I can say they will, for this reason: They have waited so long, and their homes are at stake and their incomes are at stake, and it looks to them like they have to do something. At our meeting we had I do not think you could say that anything was

100 percent, but I think we are near 100 percent that the first bill through—which looks like this—we will take.

Mrs. GREEN. I will also say, Mr. Bradley, I am in agreement with the chairman that it seems to me the quickest way to get you flood-control is in an appropriation. I think if you introduce a controversial bill like one involving the partnership program, which I believe is the most controversial program in the West and involving whether we will go into the McKay program—when you introduce something very controversial like that it is my opinion you are actually slowing down any project which will be for flood control as you need it.

Mr. BRADLEY. Why has not a bill like that been introduced?

Mr. JONES. It has been authorized by an act of Congress.

Mrs. GREEN. It only needs an appropriation. Mr. Ellsworth is on the Appropriations Committee and he could—

Mr. ELLSWORTH. I am sorry. I have to correct my colleague from Oregon. I am not and I have never been on the Appropriations Committee.

Mrs. GREEN. I am sorry. You are on the Rules Committee. My apology.

Mr. CRAMER. I understand you had a meeting of the farmers in the area representing 250 families in your district. Is that right?

Mr. BRADLEY. That is right. We had the boards in different meetings. They have had their own meetings in those different areas. Yes.

Mr. CRAMER. To your knowledge then in these discussion groups it was clearly understood, was it not, that the bill presently before us for consideration was a partnership bill?

Mr. BRADLEY. I think so.

Mr. CRAMER. Recognizing that the partnership arrangement was what you had under consideration, you still unanimously endorsed it. Is that correct?

Mr. BRADLEY. That is correct.

Mr. CRAMER. Then would you say that the fair conclusion is that the farmers in the area do not necessarily object to a partnership arrangement with the result that they will get not only power but also flood-control projects that they have been waiting for since 1938, and on which they have been waiting for an appropriation? Would you say that is correct?

Mr. BRADLEY. I would say so.

Mr. CRAMER. As a matter of fact, when you met at these different meetings, did you know of any persons in the farming areas that actually came out and objected from a power issue standpoint to this being a partnership arrangement, or would you say that if there were such they were in the vast majority, or slight minority, or what?

Mr. BRADLEY. As far as I know there were only three that were against the bill.

Mr. CRAMER. Out of approximately 250?

Mr. BRADLEY. And I do know several of our Democratic committeemen—and one of them is on the Board I am on—and he said we will go with the first bill that comes—and that was this one.

Mr. CRAMER. That is all.

Mrs. GREEN. Mr. Bradley, following that line, did your group have copies of H. R. 4662?

Mr. BRADLEY. I could not say what the other two discussions above us and below us had, but I would say we did have.

Mrs. GREEN. The district you represent; that is, the South Santiam Water Control District?

Mr. BRADLEY. Yes.

Mrs. GREEN. The 250 members had a chance to read it?

Mr. BRADLEY. The 250 members are in the three districts. In other words, I am representing the three districts, and our district is with the other two.

Mrs. GREEN. In your district they had a chance to study this particular bill?

Mr. BRADLEY. Yes.

Mrs. GREEN. Did they endorse this bill itself, or did they endorse flood control?

Mr. BRADLEY. Well, I would say they endorsed this particular bill.

Mrs. GREEN. Would that action be shown in the minutes of your meeting?

Mr. BRADLEY. I think it would.

Mrs. GREEN. Mr. Chairman, I would ask unanimous consent that if it would be available it be inserted at this point in the record.

Mr. BRADLEY. I think it is.

Mr. SMITH. Without objection the material will be inserted if it is received.

Mr. ELLSWORTH. I believe, Mr. Chairman, we have telegrams from those districts which I have filed. I am not sure of all the names.

Mr. MACK. Mr. Chairman, I am sorry, but I had to go to the House floor to ask the Speaker for permission for the committee to sit in the afternoon while the House is in session. I was absent during Mrs. Green's questions, but from hearing the last part of her last question, did I understand her to imply there is a large segment of people in Oregon and the Pacific Northwest opposed to any partnership plan under any conditions?

Mrs. GREEN. No. The gentleman from Washington did not hear me say that. I do have letters in my office in opposition to this particular bill—the Green Peter and Cougar Dam bill. What I said was that the partnership program is a very controversial issue in the Northwest and there are large segments that are opposed to the partnership program.

Mr. MACK. To any kind of partnership, whether it is between the Federal Government and private companies or the Federal Government and a public power body?

Mrs. GREEN. The partnership program as it has been spelled out by the Department of the Interior at the present time in regard to Hells Canyon and in regard to Green Peter.

Mr. MACK. Hells Canyon is not a partnership.

Mrs. GREEN. Hells Canyon?

Mr. SMITH. Mr. Bradley, in view of the fact that we have four other witnesses and we have agreed to have an afternoon session I believe we should close this now.

Mr. ELLSWORTH. I agree with you, but while Mr. Bradley is with us I want to say I have had some correspondence and, in fact, I was out in this area at Eastertime. I talked with many people out there and I might explain to Mrs. Green—who represents a city district—

that these people in Linn County are very much interested in this partnership plan for another reason. They know, and it can be clearly proven, that they will not have to pay any more for their power no matter which way the dam is built.

But they are also interested in the fact that about \$28 million of taxable property will go on their tax rolls in Linn County if this partnership bill is passed. The present assessed valuation of Linn County is \$44 million. On the tax-ratio figure the assessment on this new power company property will run in the neighborhood of \$10 million, or almost a fourth of the total assessed valuation of their county at present, which will help them in their schools and other things.

So, these people have a dollars-and-cents interest in this bill in addition to obtaining flood control from it.

Mr. SMITH. The committee will stand adjourned until 2 o'clock.

(Whereupon, at 12:30 p. m. the subcommittee adjourned until 2 p. m. of the same day.)

AFTERNOON SESSION

Mr. DEMPSEY. We will now resume the hearing on H. R. 4662. Mr. Ellsworth, will you proceed with your witnesses?

Mr. ELLSWORTH. Mr. Chairman, members of the committee, the next witness has come to the hearing room from his home in Albany, Oreg., Mr. Charles K. McCormack, who is the mayor of Albany. I would appreciate it if the committee would call him to make a brief statement.

Mr. DEMPSEY. Mr. Mayor, I want you to know we are very happy to have you with us this afternoon.

Mr. McCORMACK. Thank you.

Mr. DEMPSEY. We do not want you to hurry at all. Be at ease.

Mr. McCORMACK. That is very kind.

STATEMENT OF HON. CHARLES K. McCORMACK, MAYOR, ALBANY, OREG.

Mr. McCORMACK. As Congressman Ellsworth said, my name is Charles McCormack. I live in Albany, Oreg., which is the county seat of Linn County and located on the Willamette River about in the middle of the Willamette Valley as we think of it.

At Albany the valley is flat, from there to Eugene, a distance of about 50 miles. From Albany to Portland it is a rolling type of country on the valley floor.

In addition to being mayor of Albany, I also am chairman of the Willamette Basin project committee of the Albany Chamber of Commerce, and I am treasurer of the South Santiam development committee, which is a local organization working on the Santiam flood problem.

The Santiam comes into the Willamette below Albany, but the trade area is nearer to Albany than to any other town.

We have cooperated with Sweet Home, Lebanon, and Jefferson and the area along the Santiam.

We are interested in the Cougar project too, of course.

The progress of the basin project has been very important to us as it went along. The logical procedure in completing it is to take the

largest rivers as they are in order. These two the Santiam and the McKenzie, are the next two in that order.

The organizations which I represent, like myself, are strongly in favor of H. R. 4662, because we believe it offers the most practical and economic way to get work started promptly on the Green Peter flood-control project, which is needed so badly by the people of our area, and also to get work going on the Cougar project, which is an equally important part of the Willamette Basin river control program.

We have been working for over 20 years on the river control program, and eventually that will work down to 88 percent control, I believe, or in that neighborhood, which would keep the river in its banks beyond Albany. This is a community problem, as you all know. The floodwaters are no respecters of persons. We have people in all walks of life in our area working for the completion of the project, that is, any and all parts of it.

Our need is to get these flood projects built and into operation. The sooner the job is done the sooner we put an end to the damage and waste that result annually from the existing situation.

The urgency of our problem is such as to cause us to welcome every helping hand. We are sincere in that statement. There is a place for everyone in this river development program, and there is need for every dollar we can get to help finance our development.

The Willamette Valley is the most populous area of the State, not nearly as populous at the upper end as it is at the northern end, but we are growing steadily and filling in more all the time. The size of the farms is being decreased.

Our years of work on the Willamette River Basin program have made us very familiar with the fact that we are not the only ones who have a problem. We know that other communities in the Nation have similar problems, and we know that the Members of Congress face a constant problem of how to fit many useful and desirable projects into the national budget. That is why a year ago we began looking for a local partner, when the partnership program was suggested, that might be in a position to put up part of the money required for the full development of the Green Peter project. We felt that if we could offer to match Federal dollars with dollars from some other source we might then have reason to hope for early construction of the dam.

The authorized programs are very numerous over the United States, and it appeared to us at the time that the partnership program would perhaps lift us out of the group where there are billions of dollars requested by the people in the country and perhaps if we offered to help more than our proportionate share as individuals, perhaps we could get faster action.

I am glad to say that we in our area, like the people in the McKenzie River area, did find a willing partner. The electric company that serves our section of the Willamette Valley has agreed to work with us and is prepared to put up approximately one-half of the total amount required to develop the Green Peter project. We welcome this cooperation from Pacific Power & Light, and know that if the partnership moves forward, that all of us will benefit by such joining of forces to accomplish something that is for the good of all.

We still have much to do in our region after the Green Peter and Cougar projects are completed, and the more we can get accomplished

with the available Federal dollars the more benefits we will be able to enjoy as the years go on.

The next project, in our opinion, in Albany is the control of the Calapooya River, which meets the Willamette at Albany. It is smaller than the McKenzie and smaller than the Santiam. Otherwise we would be here asking you for money for that right now. Until the other projects are completed, we do not feel that that is proper. If you would give it all to us, we would accept it, however.

The fact that the President's budget request includes funds for starting these two projects if the bill before us is approved emphasizes to us the urgency of favorable action on H. R. 4662. Every year that is lost in getting these projects built is at the expense of fertile farmlands being washed away to the sea by winter floods and at the expense of inadequate water supplies for irrigation and other purposes during the dry summer months.

The plan we support for construction of the Green Peter project and for its companion Cougar project is a plan initiated by the people of our area and promoted by them. It was we who sought out a partner, and it is we who urge you of the Congress to open the way for this cooperative effort to go forward.

If you could see, as we have seen, good farmland along some of these streams flooded as many as 11 times in 1 winter, if you could see the floodwaters of the South Santiam River cutting away productive fields and covering farms with debris, you would understand why we feel so strongly that the time is now to get the job done.

Your favorable action on H. R. 4662 will, I assure you, be most welcome news to the people of our area, who are awaiting anxiously the outcome of this hearing.

I wish to submit for the record two resolutions in support of the legislation before you—one from the city of Albany passed by the city council, and one from the Albany Chamber of Commerce. These I brought with me to add to the many such expressions already before you.

Thank you very much for your consideration of our problem.
(The resolutions above referred to are as follows:)

RESOLUTION No. 319

Be it resolved by the Council of the City of Albany, Linn County, Oreg., That they are of record in supporting the Green Peter and Cougar Dam projects and urge the Congress of the United States to give their utmost consideration to the necessity and expediency of these two projects; be it further

Resolved, That the mayor of the city of Albany be and he is hereby authorized to take whatever steps necessary in informing the Congress of the United States, and all other parties, of the wish of the citizens of the city of Albany, in seeing the Green Peter and Cougar Dam projects inaugurated and completed with all possible expediency in order that the citizens of the central Willamette Valley may reap the many benefits of these two worthwhile projects.

Passed and unanimously adopted by the Council of the City of Albany May 28, 1955.

CITY OF ALBANY,
By CHARLES MCCORMACK, Mayor.

Attest:

WILLIAM D. BOLLMON,
City Recorder.

RESOLUTION

Whereas the Willamette Basin project, authorized by Congress in 1938, as a multiple-purpose project contemplates complete control of flood damage by storage of water on all of the main tributaries of the Willamette River; and

Whereas the South Santiam River and the McKenzie River are the two main tributaries where no dam or dams have been constructed and there is no control of said rivers, and these rivers cause thousands of dollars damage each year by flooding; and

Whereas hundreds of acres of fertile river bottom land are being washed away each year, and as a result are permanently taken out of production and off the tax roll; and

Whereas the main stem of the North Santiam River has partial control which lowers its flood level and has increased the flood damage on the South Santiam River by such control in that the current has increased from the South Santiam River flowing across the delta between the two rivers; and a similar condition exists in regard to the McKenzie River area by reason of partial control of the waters of the Willamette River; and

Whereas the contemplated Green Peter Dam on the South Santiam River and the contemplated Cougar Dam on the McKenzie River will generate hydroelectric power which is badly needed for both defense and domestic purposes and will store irrigation water which is also badly needed for agricultural purposes: now, therefore, be it

Resolved, That the Albany Chamber of Commerce, acting by and through its board of directors, urges that the Congress of the United States immediately appropriate funds for the planning and construction of the Green Peter Dam on the South Santiam River and the Cougar Dam on the McKenzie River in order that construction can be completed at the earliest possible date.

H. J. ALBRICH, *President*.

ALBANY, OREG., *April 29, 1955.*

Mr. MACK. Mr. Mayor, do you know of any public or private utilities in your area that are opposed to this legislation?

Mr. McCORMACK. Public or private utilities? No, sir. There is no one in the area that I know of who is opposed. Should I enlarge on that?

Mr. MACK. Whatever you have to say.

Mr. McCORMACK. It was my pleasure to attend a hearing at the State legislature on the same subject, and we were urging them to send you the memorial, which they did.

Mr. MACK. That memorial was passed by about a 3-to-1 vote, I understand.

Mr. McCORMACK. Yes; a substantial margin. Considerable people other than in our immediate area were in favor of it. It was not a party issue. The people on our Willamette Basin Project Committee, both parties or all parties—I don't know of any Communists but we would accept them if they were working for the good of the country—

Mr. MACK. I recall in the Cougar hearings last year we had only one protest to the Cougar project. That protest came from an attorney who wrote to the committee and said that he was opposed to the Cougar Dam because it was going to cost the city of Eugene too much. The cost of the power would be too great. That issue is an issue for the Eugene utility to decide, not for the Congress. The utility was in favor of going ahead with the project despite this lawyer's protest.

That is all, Mr. Chairman.

Mr. DEMPSEY. Any other questions?

Thank you very much, Mr. Mayor.

Mr. ELLSWORTH. Now, Mr. Chairman and members of the committee, we will hear, if you wish, the representatives of the two utility systems, who will, we assume, be the partners. And the first witness

whom I suggest you call is Mr. Byron Taylor, who is representing the Eugene Water and Electric Board.

Now, with Mr. Taylor here in the room is also the general manager of the Eugene Water Board, Mr. Boals, and I think 1 or 2 of their staff people, so Mr. Taylor will speak for them, but they have staff enough here to answer any technical questions. So I would like to call Mr. Taylor.

Mr. DEMPSEY. Mr. Taylor, if you will take the chair there and tell us what you know about the project.

**STATEMENT OF BYRON K. TAYLOR, ASSISTANT SUPERINTENDENT,
EUGENE WATER AND ELECTRIC BOARD, EUGENE, OREG., ACCOMPANIED BY THOMAS B. HAYES, CONSULTING ENGINEER**

Mr. TAYLOR. Mr. Chairman, my name is Byron K. Taylor, of Eugene, Oreg. My position is assistant superintendent of the Eugene Water and Electric Board in charge of engineering and operations. Accompanying me here is Mr. Thomas B. Hayes, one of our consulting engineers.

I am speaking for the Eugene Water and Electric Board in support of H. R. 4662. The board heartily supports both of the projects to be authorized by this legislation, but since its primary interest is in the McKenzie River, I will confine my remarks to the Cougar project. However, the general principles involved apply equally well to both projects.

The Eugene Water and Electric Board is the proposed licensee for the power facilities at Cougar Dam and Reservoir project located on the south fork of the McKenzie River, Oreg., as outlined in this bill. It is the official agency of the city of Eugene and has utility responsibility for providing both water and electric services to the city and a portion of the surrounding territory. It has been furnishing water services to the city since 1908, and has been generating and distributing electric power since 1911. It is one of the oldest and is now the largest municipally operated utility in the State of Oregon. It provides electric service to over 24,000 customers, representing a population of approximately 80,000 people.

A balance sheet showing assets of both the electric and water utilities as of September 30, 1954, is reproduced in the accompanying brochure, copies of which I believe you have.

This shows that in the 47 years of its existence assets have been built up from nothing to a total of nearly \$25 million, against which there is a net long-term debt of only slightly over \$1,600,000. The net worth of the combined systems is approximately \$16 million.

Since 1911 the board has built generating stations of its own having a total capacity of 56,000 kilowatts, of which 32,000 kilowatts is in steam capacity and 24,000 kilowatts in 2 run-of-river hydrostations located on the lower McKenzie River.

The board is ready and willing to participate as a partner in the development of the proposed Cougar project by constructing the power facilities with its own funds. It is well qualified to participate, by virtue of both its sound financial position and its long experience in the utility field. Strong local support for badly needed flood control assures favorable action by the electorate of the city

in authorizing revenue bonds to finance the board's portion of the project.

Justification for the multiple-purpose project has been fully presented previously. This is probably best demonstrated by the fact that multiple-purpose construction has been authorized by Congress. It is unnecessary to repeat these justifications here, but it should be borne in mind that the erosion produced by natural floods is materially increased since the main stem of the Willamette has been largely controlled without corresponding control on this major tributary. The power needs of the Northwest have been widely publicized. It is merely noted here that the load of the Northwest area is increasing at the rate of approximately 600,000 kilowatts per year, which is roughly the capacity of the entire Bonneville Dam.

The area needs will be developed more fully by a witness of the Pacific Power & Light Co. to follow.

The additional generating capacity required to meet this growth seems not to be forthcoming except through use of local money in both partnerships and purely locally owned developments. This seems to be a place where local money will do the most good in a partnership.

The city of Eugene is interested in the immediate construction of the project because the areas affected by the floods of the McKenzie River are largely within its trade area. The Eugene Water and Electric Board serves a large number of the residents of the affected areas. The board's distribution lines are damaged by floods and its present hydroplants suffer both from floods and periods of low water. The power needs of the local system are increasing at the rate of approximately 6,000 kilowatts per year. The Eugene Water and Electric Board has the definite responsibility of providing continued adequate service to its customers. Additional local generation is desirable in providing this service. The legislation proposed in H. R. 4662 provides an ideal means of utilizing local money to provide multiple-purpose benefits and to provide them quickly.

Mr. Hayes will show us the load chart historically and projected into the future. You will notice to the left up to the present time is the historical representation of both loads as they existed and generation as it has been built. Into the future is projected the estimated load growth with our proposed construction to take care of it, first in the Beaver Marsh plant, one entirely owned by the city of Eugene, and second, this proposed Cougar partnership.

Our plans for the physical development of power at the Cougar project vary slightly from those proposed by the Corps of Engineers in that we propose to make a larger power installation. Their tentative plans call for an installation of about 25,000 kilowatts to operate as a base-load station. Our tentative plans call for an installation of 37,500 kilowatts to be operated as a semipeaking station. This will make possible better utilization of the available water and will provide power at an annual load factor approximating that of the area. To utilize the reservoir releases on a semipeaking basis it will be necessary to construct a reregulating reservoir downstream from the main Cougar Dam. This we propose to do as our own undertaking at the Strube site, at which there will be installed 1,000 kilowatts of power located about 2 miles downstream from the Cougar Dam proper.

These modifications in plans meet with the approval of the Corps of

Engineers, and the Bonneville Power Administration assures us that our plan of operation will integrate with the entire Northwest power grid.

The method of operation is shown in daily load curves representing two seasons of the year. To the left is a typical daily load curve for the month of May for our estimated load of 1965, showing the distribution of the available power sources in that load curve. At that period of the year the reservoir would be filling. We would be storing, conserving water, and hence the Cougar plant would be operated to the very peak of that daily load curve to utilize minimum water and store maximum water.

On the other hand, during the fall and winter season it takes the position indicated in the curve to the right. At that time there would be considerable water available from Cougar, hence considerable energy, and it would be used to produce more, its position transposed with that of our peaking station at Beaver Marsh.

I would like to take a moment here to point out the nature of the integrated power system in the Northwest. In our region there are three primary sources of power: federally owned plants, privately owned plants, and non-Federal publicly owned plants. All these are interconnected through a voluntary organization called the Northwest power pool. By careful and coordinated operation of the various plants, this pooling has had the effect of adding 600,000 kilowatts of capacity to the region's resources.

The power is interchanged through the federally owned transmission lines operated by the Bonneville Power Administration.

The generating plants owned and operated by the city of Eugene are part of the Northwest power pool. If the city is permitted to pay for the power portion of the Cougar Dam and Reservoir, those facilities will also become part of the pool resources. This would also be the case if a new power-generating plant were constructed by any agency in the Northwest.

In our area, the total capacity of all plants, Federal and non-Federal, is pooled and interconnected. The power generated by the combined facilities flows to the load center nearest the point of generation. Capacity proposed to be installed by us at the Cougar project would add to the resources of the Northwest just as fully as if installed with Federal funds. It would be available to the Northwest power pool through our connection to the Bonneville Power Administration transmission network and would displace power that would otherwise have to be brought into the Eugene area from other sources.

We have a system diagram here to illustrate our system and the interconnections to Bonneville. You will note the schematic and not-to-scale diagram, of course, of the city of Eugene, with our present and proposed generation on up the river.

Mr. JONES. What is your transmission distance?

Mr. TAYLOR. It is approximately 50 miles from Cougar in to Eugene. It shows there the connection to the Bonneville power system through the Eugene substation and their connection on down to Alvery substation. From both of those points there are main ties back into the grid. There are ties to Lookout Point Dorena. There are feeds to various other utilities, both public and private, fed from the Bonneville system. Through that system of interties we are connected to the entire Northwest power grid.

Mr. MACK. Mr. Taylor, before you leave the map, if the Federal Government were to build this dam, how far would it have to transport power to deliver the power from the Cougar installation to the point of consumption?

Mr. TAYLOR. Presumably their connection would be from Cougar to the Alvey substation, which would be a distance of approximately 60 miles of new transmission line, duplicating in part or paralleling lines which we now have in part and propose to have before Cougar and the rest of it.

Our partnership proposal, as outlined in this bill, would work out as follows: Upon passage of this authorizing legislation an agreement would be entered into between ourselves and the Corps of Engineers. This agreement would cover the construction and operating arrangements between us. It would spell out the details of construction, operation, maintenance, and use of water. It would outline the responsibilities of each party and would set up the cost allocations for both construction and maintenance. Construction of the power facilities would be in accord with a license to be issued by the Federal Power Commission. If such license is not issued, or if construction did not proceed within a reasonable time, the authorization for construction of power facilities would revert to the Corps of Engineers. Allocation of costs between ourselves and the Federal Government would be made by the Chief of Engineers in collaboration with the Federal Power Commission.

The project is and must remain primarily a flood control project and any other uses of water would be secondary to that purpose. Releases of water for irrigation and minimum flows for fish life also would have priority, and power uses would be coordinated with them.

We have made considerable studies on the use of water as illustrated in the upper left here. The years are laid out horizontally. The solid black line at the top represents the rule curve which the Portland District Corps of Engineers has laid out for operation of the reservoir to provide adequate volume for storage of floods. That represents the elevation that the water in the reservoir could not exceed at any given time of the year.

Along with that rule curve we have worked out what actual operating levels there would be in the reservoir for various water conditions. The blue line represents water conditions in the median year. The green line is what we call the adverse year, which is the year of 1936-37. It was the most severe year of record during storage season in the Northwest on the Columbia River. The red one is a year that was dry all through the year. The winter wasn't quite so dry, but all the spring, summer, and fall were dry.

You will notice in all of those cases that our reservoir levels would stay at or well below the maximum point as specified by the Corps of Engineers, utilizing water for all purposes.

The ownership of the dam and the overall control of the reservoir would remain with the Corps of Engineers. Based on preliminary data, the Corps of Engineers' estimate of cost for the multiple-purpose project, including power, would be, as Colonel Whipple gave this morning, \$37,400,000, exclusive of interest during construction. To this must be added the cost of transmission and terminal facilities which are not included in the above estimate and would amount to approximately \$2 million, making a total cost of approximately

\$39,400,000 to the Federal Government if built entirely as a Federal project.

Under the partnership plan, we would relieve the Government of the direct cost of the power installation at the dam amounting to an estimated \$6,010,000; also the incremental cost of increasing the height of the dam to provide for power storage amounting to approximately \$4,088,000. And that is represented graphically here by the dark-shaded area. The dam would have to be increased a matter of 40, 45 feet in height to provide power and head, power storage, over the minimum dam required for flood-control storage, and that is the incremental cost of the dam that we would pay for amounting to over \$4 million. Also an equitable share of the cost of jointly useful facilities as determined by the so-called Green Book method generally accepted by Federal agencies amounting to \$425,000. And the cost of transmission of approximately \$2 million. These cash disbursements, of which the Government would be relieved by partnership construction, total \$12,523,000, leaving a net capital expenditures for the Government in providing the other multiple-purpose uses of \$26,877,000. The cost of a single-purpose project to provide flood control only is \$27,302,000.

It will be noted that multiple-purpose construction under the partnership proposal would cost the Federal Government a half-million dollars less than a flood-control project built entirely with Federal funds.

In addition to relieving the Government of the above expenditures, we would build the Strube reregulating reservoir entirely with our own funds. The cost estimate on this is approximately \$1 million. Under the partnership proposal, the capital expenditures of the Government would be reduced, as noted above, by \$12,523,000, and this without any subsequent loss to the Federal Government.

Present Federal policy, as expressed in the Flood Control Act of 1944, the Bonneville Act, the Fort Peck Act and perhaps others, is that power from Corps of Engineers projects shall be sold at the lowest possible cost to the consumer consistent with sound business principles, but that it shall be sold at such rates as to cover all operation and maintenance costs and retire the principal with interest over a reasonable period of years. The intent is very clear that the power installations at Corps of Engineers' dams should pay their own way, but no more than their own way. Partnership would fully accomplish this result with local money and with no subsequent loss of revenue to the Federal Treasury.

We believe this to be an eminently sound and very businesslike proposition which will relieve the people of our area of flood damages much sooner than would be possible under purely Federal construction, and we urge that you take quick and affirmative action to authorize partnership construction of this beneficial and critically needed project.

If there are any questions, gentlemen, I would be happy to try to answer them.

Mr. JONES. Mr. Taylor, what is the proportionate share of your total generation to the hydro?

Mr. TAYLOR. Not quite half; 24,000 out of 56,000 in our present system.

Mr. JONES. How many thermal plants do you have?

Mr. TAYLOR. We have one.

Mr. JONES. What is its generation?

Mr. TAYLOR. It is 32,000 kilowatts. It is ordinarily operated or principally operated as standby.

Mr. JONES. What is the cost of operation per kilowatt on that plan?

Mr. TAYLOR. It depends, of course, on load factor and type of fuel that is burned at the moment. We are set up to burn any 1 of 3 different kinds of fuel. In our country there is considerable wood waste from sawmill operations. When that fuel is available, it is by far the most economical to burn. Otherwise we can burn either oil from California or coal from Utah.

Overall costs of operating steam with wood fuel and ordinary peaking from, say, 8- to 12-hour operation is around 8 mills per kilowatt-hour, I believe, from memory. Using either the oil or coal it is I believe 1 cent. Those figures are from memory. I can—

Mr. JONES. What does your hydro cost you?

Mr. TAYLOR. Last year one of our hydro plants cost us 1.6 mills, the other 1.8.

Mr. JONES. That is about as cheap as it comes, is it not?

Now, what is your rate of exchange on your grid system?

Mr. TAYLOR. Ordinarily we are purchasing from the system. That is, our peak loads during the past winter were considerably higher than our combined capacity of all of our stations. We had a peak load of a little over 67,000 kilowatts. Our generating capacity is 56,000. So to carry our peaks we are very definitely dependent upon the Bonneville system. Also—

Mr. JONES. How much did you buy from the Bonneville pool, and how much did you pay for it?

Mr. TAYLOR. Our peak demand on Bonneville was about 14,000 kilowatts, which was paid for as firm power at their published rates. I can't give you the dollar figure that that particular thing would amount to. We also buy steam replacement power, so-called dump, which is a flat 2.5 mills. Our firm power overall cost us last year—I mean our firm-power purchases—

Mr. JONES. All your peaking power is firm power, is it not?

Mr. TAYLOR. That is right. And that purchase from Bonneville was at the average rate of 4.1 mills.

Mr. JONES. Does that include the transmission cost?

Mr. TAYLOR. Yes, sir; our purchase from Bonneville—that is included in that.

Mr. JONES. Now, what are your average rates to the customers of the system?

Mr. TAYLOR. 1.15 cents. It has been that same average for several years.

Mr. JONES. And who sets the rate of retail sales? The public service commission of the State or you?

Mr. TAYLOR. No, sir; we, as a municipality, are not under the jurisdiction of the public service commission. We set our own rate.

Mr. JONES. Do you think that that situation will continue for the foreseeable future?

Mr. TAYLOR. So far as I know; yes, sir.

Mr. JONES. Is there any agitation within the State at the present time to subject the municipal distribution systems and the cooperatives to ratemaking by a State public body?

Mr. TAYLOR. Not to my knowledge; no, sir.

Mr. JONES. If you will notice the bill, Mr. Taylor, you will find there is no designation of the licensee. Do you not think it would be wise for us to designate the licensee or the prospective licensee?

Mr. TAYLOR. We would have no objection to it at all.

Mr. JONES. In reading the bill did you find anything that would restrict you from making sale or disposition of the properties owned by the city to a prospective purchaser?

Mr. TAYLOR. In the provisions of the bill; did you say?

Mr. JONES. Yes, sir.

Mr. TAYLOR. No, sir; I do not believe there is anything there to restrict that. However—

Mr. JONES. If you wanted to sell out next week, the successor or purchaser would have the same rights and authorities as your city? Is that right?

Mr. TAYLOR. I presume that would be true. However, we have certainly no thought of selling out.

Mr. JONES. I believe you have testified you have generated all the energy used in the system except that acquired from the Bonneville pool?

Mr. TAYLOR. We are making purchase from one sawmill in town that has a steam plant with some excess energy to dispose of. However, those purchases are quite small and insignificant in the total system.

Mr. JONES. You would have no objection, I presume then, to writing in restrictive language making sure that this would only apply to the city on Cougar Dam and terminate the agreement if there are successors?

Mr. TAYLOR. I can think of no objection to it.

Mr. JONES. That is all.

Mr. DEMPSEY. Mr. Mack?

Mr. MACK. Mr. Taylor, your statement was so complete that it doesn't leave much room for questioning. However, Colonel Whipple testified last year and testified again today that this was not a low-cost power project—that is, in comparison with other large dams in the Pacific Northwest. His testimony was to the effect, with which I think you will agree, that McNary Dam or the Bonneville Dam or the Chief Joseph Dam or the Dalles Dam all can produce power at a lower cost than will Cougar.

Can the city of Eugene produce power as cheaply from Cougar if you go ahead with this installation as contemplated as you can buy power from Bonneville?

Mr. TAYLOR. Yes, sir. In fact, to the best of our knowledge and belief—and we have spent quite a little time and energy on figuring costs—we think that we can beat the costs of purchased power from Bonneville slightly on their present rates.

Mr. MACK. You would agree with the proposition though, would you not, that these other major dams on the river do produce power at a lower cost than the Cougar Dam?

Mr. TAYLOR. Yes, much lower.

Mr. MACK. In other words, if you would multiply the 25,000 kilovolts that you will get at Cougar by 40, you would have a million-kilovolt dam which would cost you 40 times \$10,500,000; more than \$400 million, which is a greater cost than say, for instance, the Dalles Dam, which I think is costing \$360 million.

Mr. TAYLOR. That is correct. Of course, as part of the Bonneville rate and our costs of purchased power is a considerable distance of transmission line and considerable expense which has, of course, to be amortized through the rate. This being close to load center, utilizing existing transmission, there is a considerable saving in that respect.

Mr. MACK. When you wheel power any great distance a certain amount of it is lost through friction, is it not?

Mr. TAYLOR. That is right.

Mr. MACK. I have no more questions.

Mr. DEMPSEY. Mr. Smith?

Mr. SMITH. Has the city of Eugene investigated any other possible sites in the area for hydro development?

Mr. TAYLOR. Yes, sir. We have investigated some places rather in detail, all the way from almost the mouth of the McKenzie clear to its source in Clear Lake. We have plans for some of that. We have investigated a site on the Siuslaw River, which is in the coast mountains. We have investigated more steam and more diesel.

The combination mentioned here in the first place, of Beaver Marsh as one entirely our own plus Cougar as a partnership, are the two things that appear economical to take care of us for several years in the future.

Mr. SMITH. In other words, the advantage of the other Government construction of Cougar makes it a good proposition for you by contrast to just building another plain hydro dam some place else without any other features at all?

Mr. TAYLOR. As a partnership, a joint effort of two organizations, it makes it economical. It isn't any gold mine, but we see our way to come out on it economically.

Mr. SMITH. In other words, because a good part of the features of the dam that are necessary for the flood control will serve you, your power potentials, will they not?

Mr. TAYLOR. Yes, sir.

Mr. SMITH. You can see that these flood-control portions of the dam actually serve a power potential that you do not have to pay for?

Mr. TAYLOR. That is right. It provides head and stored water. However, this site never would be developed as a power site only. That is, a purely power development here would cost something over \$1,000 a kilowatt, which is clear out of reason. I say it never would be built; it might eventually but long years in the future.

Mr. SMITH. The power part of this item is just something that comes in as a little extra where you can get a pretty good bargain since we are going ahead and making a flood-control dam? You can get power at a pretty good rate?

Mr. TAYLOR. It is a small part of the project. It is primarily a flood-control project. However, the power is no particular bargain. It is just about a break-even proposition.

Mr. SMITH. Well, it must be a reasonable bargain or you all would not want it. You all are not just in this as just charitable action on the part of the city.

Mr. TAYLOR. That is correct. We are not in it for the fun of it. We have a responsibility to provide completely adequate service at economic rates. We see our way to do that and to help in a community service in this project.

Mr. SMITH. Do you feel as long as the people in the United States are contributing their money to provide flood control for the protection of the people of this portion of the Willamette Valley that you might as well take advantage of the opportunity to get power at a rate that has been partly subsidized by the people through the flood-control project?

Mr. TAYLOR. I do not feel that there is a subsidy there, sir. There Government would come out on it the same at the end of 50 years under either circumstance, whether power was built with Federal funds or with local funds.

Mr. SMITH. But the Government would own the power part of it in 50 years or 100 years or 10 years or whatever the time was.

Mr. TAYLOR. That is correct, yes. However, 50 years is the ordinary depreciation period.

Mr. SMITH. I understand why you made reference to the 50 years. There are several hydropower developments—you mentioned one your city is interested in—in the Pacific Northwest that are owned by non-Federal people, both public and private, are there not?

Mr. TAYLOR. Yes, sir.

Mr. SMITH. In other words, you are not restricted, if you want to get hydropower out there, to having to get a part of one of these Federal projects, are you?

Mr. TAYLOR. That is our only practical source of purchased power.

Mr. SMITH. It is the cheapest practical source? It is the best bargain?

Mr. TAYLOR. It is the only one. None of the private companies who develop power have any to sell that I know of.

Mr. SMITH. I am not talking about buying from them now, but I mean they have developed private generating facilities, hydro generating facilities, have they not?

Mr. TAYLOR. Yes, sir.

Mr. SMITH. That is all the questions I have.

Mr. ELLSWORTH. I do not want to take this from the other members of the committee, but I have a question or two I think would be interesting in the record. May I—

Mr. JONES. Yes, indeed. You proceed. We will be glad to have you ask any questions that you think might help the committee. You go right ahead.

Mr. ELLSWORTH. Thank you, Mr. Chairman.

Mr. Taylor, as I recall it, your system was given an award or honorable mention or something last year as being the city of greater than 2,500 population in the whole United States that had the lowest power rate. What was that statement?

Mr. TAYLOR. I forget the exact statement. It comes from the Federal Power Commission and from figures compiled by them for certain kilowatt-hour usage. We were lowest within the population range.

Mr. ELLSWORTH. Well, in the discussion of this matter in the last 2 years since we have been considering this bill, the statement has been made occasionally by some people, none in our own immediate area that I have heard of, that we should not pass this kind of bill because by doing that we deprive the people of the area of low-cost Federal power. That is the conventional phrase that is used. Now, the question I would like to ask you is this: Would you rate, Eugene

Water and Electric Board system rate, to the customer be less if this dam were built entirely by the Federal Government?

Mr. TAYLOR. No, sir. In fact, our figures—and we think they are fairly solid and reliable figures—indicate that our overall cost of supplying power to the city would be less with our construction of this dam than if we had to purchase our additional requirements from the Federal system.

Mr. ELLSWORTH. You would have to buy it, just as you are buying it now, only you would have to buy more of it and your figures indicate that you are paying Bonneville system more than you would have to pay to make your own power with this Cougar Dam?

Mr. TAYLOR. Yes, sir; that is correct.

Mr. ELLSWORTH. And is it not a fact also, although it would be an infinitesimal amount, that if this construction were included in the Bonneville system, being much higher cost power than the other facilities in the system, that it would, if it had any effect at all on the Bonneville system rate, have to make it higher rather than lower, would it not?

Mr. TAYLOR. That is correct, yes, sir.

Mr. ELLSWORTH. Then I think the answer to the statement I have quoted, namely, that by the passage of this bill the people will be deprived of low-cost Federal power, is that it is a totally inaccuracy? Is that not the truth?

Mr. TAYLOR. That is a correct statement as far as we can see it, Mr. Ellsworth.

Mr. ELLSWORTH. Thank you. That is all.

Mr. JONES. You just were testifying about Cougar now?

Mr. TAYLOR. Yes, sir.

Mr. JONES. Mrs. Green?

Mrs. GREEN. No questions.

Mr. JONES. Mr. Bush?

Mr. BUSH. Mr. Chairman, I was detained and did not get in here. Anything I might add would probably be repetitious. I will pass at this time.

Mr. JONES. Mr. Rogers?

Mr. ROGERS. In the studies you have made I presume you have projected what income you expect from the power that you would be able to obtain from the dam. How many years do you anticipate it will take to pay for the dam out of the income that would come in—your portion of the contribution?

Mr. TAYLOR. We would plan to amortize the debt in approximately 30 years.

Mr. ROGERS. What would be your yearly income, would you say?

Mr. TAYLOR. I cannot answer that offhand. I can furnish you the information later if you wish.

Mr. ROGERS. Now, out of that income would any part go to pay salaries or anything?

Mr. TAYLOR. General operating expenses, including salaries not only of the operating personnel but general expenses, office, all that. Yes, sir.

Mr. ROGERS. Would that go to expenses of the Eugene Water and Electric Board as such?

Mr. TAYLOR. Yes, sir.

Mr. ROGERS. I believe that is all I have.

Mr. JONES. Mr. Schwengel?

Mr. SCHWENGEL. No questions.

Mr. JONES. Mr. Wright?

Mr. WRIGHT. I am sorry, sir, I came in just a trifle late. Do you represent the Eugene Water and Electric Board?

Mr. TAYLOR. Yes, sir.

Mr. WRIGHT. Is that a municipal institution, or is that a private power development company, or what is it?

Mr. TAYLOR. It is municipal. It is an official body of the city of Eugene set up by a charter. The board consists of 5 members who are elected by the people on nonpartisan ballot, nonpolitical.

Mr. WRIGHT. I think I understand. Thank you very much, sir. I have no other questions, Mr. Chairman.

Mr. JONES. Thank you for your very fine statement. I am sure the people out there have a good manager and have their business in good hands.

You may introduce your next witness.

Mr. ELLSWORTH. Mr. Chairman, we have heard from the representative of the system of the City of Eugene, which system we assume to be the partner in the Cougar Dam, and now I want to call to the stand a representative of the private utility company who we assume to be the partner on the Green Peter Dam.

However, before doing that, Mr. Chairman, I would like to direct the attention of the committee to the piece of plywood in the back of the room, which is a giant postcard, 4 feet by 8 feet, that was sent to me by air this week by the people of the Linn County area where the Green Peter Dam is located. I did not count the signatures on the card, but they tell me that it contains more than a thousand signatures from that little community of Sweet Home and upper Linn County.

Mr. JONES. That is fine. We are glad to have it, but that is one piece of material we cannot put in the record. (Laughter.)

Mr. ELLSWORTH. Thank you, Mr. Chairman.

Now, Mr. Chairman, if you will call Mr. Robert de Luccia, who is the vice president of the Pacific Power & Light Co., and I believe head of their engineering department.

Mr. JONES. Mr. de Luccia.

STATEMENT OF E. ROBERT De LUCCIA, VICE PRESIDENT AND CHIEF ENGINEER, PACIFIC POWER & LIGHT CO.

Mr. DE LUCCIA. Mr. Chairman and gentlemen of the committee, I have a prepared statement that I would like your permission to read, but before doing so I thought it might be useful to describe this project physically so we might have it in our minds as I read my statement.

Shown on the map at the top of it is the so-called Green Peter project, and below it is the White Bridge re-regulating dam.

The Green Peter project is located on the middle fork of the Santiam River, which is a tributary of the Willamette about 4 miles from its mouth. The White Bridge is somewhat less than 4 miles downstream from the Green Peter Dam, being nine-tenths of a mile above the mouth of the river.

The drainage area above the Green Peter Dam is 279 square miles. The total storage in the project will be 360,000 acre-feet, of which 38,000 acre-feet will be dead storage and the rest will be useful.

The normal pool will be elevation 984 above mean sea level and will provide a power head from normal tail water, to normal pool, of about 315 feet.

It probably will be constructed as an earth and rockfill dam 370 feet high from the foundation to the crest, contain about 4,300,000 cubic yards, and be about 1,600 feet long across the top. It will be, I think, what we would call a major structure.

The White Bridge Dam, on the contrary, will be a concrete dam considerably lower, would have about 8,500 acre-feet of storage, and would be about 130 feet high.

I might say that the data and the figures I am reading are from an Army engineers report and are preliminary figures, since the project needs considerable amount more investigation as to foundations and other conditions before a final design is adopted.

The power installation at the Green Peter Dam would be 96,000 kilowatts ultimately, and the White Bridge Dam 15,000 kilowatts. I must correct that. The total will be 96,000, of which 15,000 will be at the White Bridge Dam.

I think the basin has been sufficiently described for the record, and with the exception of the information I have just given I think that the projects have been reasonably well covered.

I might say one other thing. The total amount of energy from both the Green Peter and White Bridge combination is about 280 million kilowatt-hours average annual energy, and, of course, it is a flood-control structure. The power features and the power operation will be subordinate at all times to the flood-control needs, which, as has been stated here today, are very urgently needed with respect to correction of the difficulties now occurring because of the incomplete flood-control program in that valley.

If I may now, I will go to my statement.

I am E. Robert de Luccia, a resident of Oswego, Oreg., which is a suburb of Portland, Oreg., vice president and chief engineer of Pacific Power & Light Co. I appear here today in favor of H. R. 4662. I support the bill in its entirety, although the interest of Pacific Power & Light Co. is directed more particularly to the Green Peter and White Bridge projects.

The Green Peter project first came to our attention as a possible partnership development in March of last year when the South Santiam Development Committee was exploring ways and means of expediting the Federal flood-control program on the South Santiam River. At that time, the committee inquired whether we could undertake the power features of the project, thereby greatly reducing the Federal investment necessary to obtain the flood-control benefits and thus assisting in bringing about the earliest commencement of construction. Therefore, after preliminary study of the Green Peter project, Mr. Paul B. McKee, president of Pacific Power & Light Co., jointly with Mr. A. W. Trimble, president of Mountain States Power Co., wrote the South Santiam Development Committee advising of the intention of our companies to participate in the Green Peter project.

That letter was included in the record of the hearing of March 19, 1954, and as a matter of convenience to this hearing, I would like to put into this record at this point copies of our letter of March 12, 1954, and also a letter of that same date which I wrote to the Santiam Committee relating to the power production of the Green Peter project.

Mr. JONES. Without objection, they will be received.
(The letters above referred to are as follows:)

MARCH 12, 1954.

SOUTH SANTIAM DEVELOPMENT COMMITTEE,
Lebanon, Oreg.

GENTLEMEN: Pacific Power & Light Co. and Mountain States Power Co. have given serious consideration to the request of your committee that the companies undertake to aid in construction of the Green Peter project on the Middle Fork of the Santiam River, authorized by act of Congress approved June 28, 1938, for improvement of the Willamette River Basin, Oreg., for flood control and minimum power facilities.

Review of the available data indicates that this may be a marginal project from the standpoint of electric energy production costs. However, the output of the project would help meet power needs in the Pacific Northwest and in view of the representations made by you as to the importance of this proposed project in controlling destructive floods in the Santiam Basin, we believe we should join with you in making every effort to support the project.

The installation of power facilities by the Pacific and Mountain State companies (or by Pacific alone if the pending merger of Mountain States into Pacific is consummated) would substantially reduce the costs that would be incurred by the Government in the construction of a dam for flood control as presently authorized. Therefore, in the interest of the area, we are willing to agree with your committee to participate with the Federal Government in the construction of the Green Peter project to the extent of installing power facilities and bearing such proportionate share of the costs of construction, operation, and maintenance of the dam and reservoir as may appropriately be allocated to power. Such participation would be in accordance with the terms of the Federal Power Act and necessary enabling legislation by the Congress.

This letter is written to confirm the intention of the two companies with respect to their participation as outlined above.

PACIFIC POWER & LIGHT CO.,
By PAUL B. MCKEE, *President.*
MOUNTAIN STATES POWER CO.,
By A. W. TRIMBLE, *President.*

PACIFIC POWER & LIGHT CO.,
Portland, Oreg., March 12, 1954.

SOUTH SANTIAM DEVELOPMENT COMMITTEE,
Lebanon, Oreg.

GENTLEMEN: At a recent meeting, a member of the committee asked if we would supply a brief statement of the power aspects of the Green Peter project on the Middle Santiam River near Lebanon, Oreg.

As proposed by the Army engineers, the Green Peter project would have installed 2 units totaling 81,000 kilowatts with a reregulating dam downstream at White Bridge with an installation of 15,000 kilowatts, making the total project installation some 96,000 kilowatts. The project would produce 280 million kilowatt-hours on the average annually, of which about 75 percent would be available between November and April.

This power would be extremely valuable to the Northwest in that it would be located near the load centers and available during that part of the year when there is a general deficiency on the Columbia River. In the remainder of the year, the Columbia River could supply the load with existing energy now going unutilized with the result that the total additional electric power-carrying ability of the Northwest interconnected pool could be increased by nearly 100,000 kilowatts.

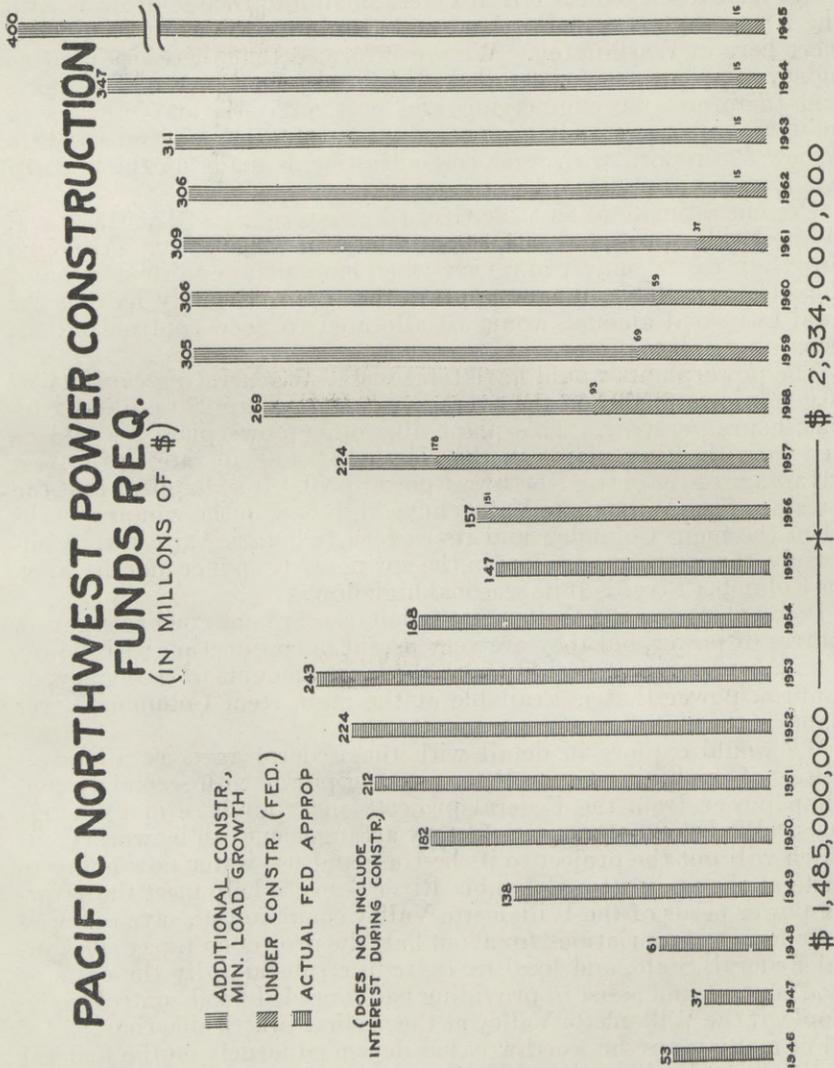
The project is located only 11 miles from the end of the 69-kilovolt transmission line of Mountain States Power Co. and about 23 miles from the 115-kilovolt line of Bonneville Power Administration. Thus, with strengthening or rebuilding the 69-kilovolt line, the project could be readily connected with minimum expense and difficulty into the entire Northwest regional pool.

The construction and operation of the project for flood control is, of course, the primary purpose. Generation of electric power can readily be fitted into that requirement with mutual advantage to all project features.

Should the committee desire additional information, please feel free to request it.

Very truly yours,

E. ROBERT DE LUCCIA,
Vice President and Chief Engineer.



MR. DE LUCCIA. Subsequently, on May 21, 1954, Mountain States Power Co. was merged with and into Pacific, and Mr. A. W. Trimble is now a vice president of Pacific.

I reaffirm at this time the assurance made last year that Pacific Power & Light Co. is willing to install the power facilities at Green Peter Dam, to construct the White Bridge Dam and powerplant, and to bear a part of the costs of construction, operation, and maintenance of the Green Peter Dam and Reservoir. Our participation would, of course, be in accordance with a license from the Federal Power Commission pursuant to the Federal Power Act and the bill now before you, H. R. 4662.

We have discussed the Green Peter and White Bridge projects with the Army engineers in Portland and also in the Chief of Engineers' office here in Washington. We are informed that there has been no money appropriated for detailed planning by the Corps of Engineers and therefore our engineering and cost analyses, and other such matters, have necessarily been based on the studies made for the 1948 review 308 report, with some cost adjustments made on the basis of Engineering News Record cost index changes.

Present estimate of cost for Green Peter project is \$49,861,000 and White Bridge project \$8,504,000, or a total of \$58,365,000. Although these figures are subject to review when more detailed information of the site is available, it now appears that approximately half of the total estimated amount would be allocated to flood control and the remaining half to power.

The powerplants would have total installed generating capacity of 96,000 kilowatts and on the average would produce 280 million kilowatt-hours per year. This plant, like other powerplants, would be tied in with other plants in the Northwest and operate to the best advantage of the entire Northwest power pool. It so happens that the streams of the Willamette Valley have high flow in the winter months when the main Columbia and its eastern tributaries are low. Conversely, these streams are low in the spring and summer months when the Columbia River is at its seasonal high flow.

Powerplants on the Willamette tributaries are not good as separate sources of power, but they are very useful in conjunction with power from other sources, especially with the large amounts of secondary, or nonfirm, power that is available at the main stem Columbia River plants in the high-flow summer months.

We would explore in detail with the Federal agencies all possibilities of combining Green Peter peaking power with secondary and dump power from the Federal projects on a purchase or exchange basis. We believe that a satisfactory arrangement can be worked out which will put the project to its best use and use water now going to waste at the main stem Columbia River dams to help meet the growing power needs of the Willamette Valley communities, save the need of Federal appropriations for about half the project cost, pay substantial Federal, State, and local taxes, reduce substantially the costs of flood control, and assist in providing badly needed flood control to the people of the Willamette Valley at the earliest practicable time.

For many years the Northwest has depended largely on the Federal Government for its power supplies. We still shall be dependent on the Government for several more years at least. The Congress has been most generous, and we of the Northwest are profoundly aware of

and grateful for the nationwide support we have had for such a long time. But now as the Chief Joseph, McNary, and the Dalles projects approach completion, and as we consider the immense sums of money which will be needed in addition to meet power needs, it has become clear that we cannot expect the United States indefinitely to furnish more and more powerplants.

I have a chart here which shows the Federal expenditures for power in the Northwest from 1946 to date and the estimated investment that must be continued in the future to meet the minimum forecasted power load without reserves.

Mr. MACK. What do the different colors on the chart represent? I cannot tell from here.

Mr. DE LUCCIA. The green columns represent expenditures which have already been made in the Northwest for power projects and related features.

Mr. MACK. By the Federal Government only?

Mr. DE LUCCIA. By the Federal Government only. The colors on the right-hand side of the chart represent in blue the Federal expenditures to complete projects now under construction and for which funds have been appropriated and authorized. The colors in red which complete the stacks in blue represent the total minimum amounts of money by years that must be spent in order to meet the power needs of the area which are considered to be minimum load estimates.

Mr. MACK. What are those years? I cannot see from here.

Mr. DE LUCCIA. The years begin in 1946 and continue through 1955 for funds expended and for approved budgets through this fiscal year. Then the years begin 1956 and continue through till 1965. I might have gone further, of course, but these are two decades which can be compared.

You will note that I have summed up on the left-hand side of the chart the total expenditures for power purposes for the years 1946 to 1955 and arrive at a figure of \$1,485 million. The requirements for the next 10 years added together are \$2,934 million, practically \$3 billion.

Mr. MACK. Is that the complete authorized budget?

Mr. DE LUCCIA. This would be the amounts of money required to complete authorized or any other projects to meet the power needs. A good many projects in the Northwest are authorized, and selections would have to be made from those as time goes on. For example, in 1966, instead of \$400 million being required for that year, it would have required almost \$500 million, and in consideration of two things: one, the growing power load; two, the fact that the cheaper projects are being constructed and we are getting into more expensive projects as we use those up.

Mr. SCHWENGEL. Mr. Chairman, what was that total figure expended in the green?

Mr. DE LUCCIA. The total figure in green is \$1,485 million.

Mr. SCHWENGEL. That is the amount that has been expended or allowed for expenditure up to now?

Mr. DE LUCCIA. Up until now. It is not intended to include any operation or maintenance or not intended to include projects which are not associated with power. Multiple-purpose projects and items of that kind are included.

Mr. ELLSWORTH. Mr. de Luccia, I think I should point out the figures from 1945 to 1955 there. There was Federal money expended in the thirties and until 1945, but he just picked out those years. Is that not correct?

Mr. DE LUCCIA. That is correct. I selected 10 years to compare with 10 future years.

Mr. ELLSWORTH. In other words, \$1,485 million does not represent the total Federal in the 20-year period. It would be somewhere around \$2 billion.

Mr. DE LUCCIA. It does not. And I think that is correct. There is about another \$500 million that would be added to this if you were to begin at the beginning and carry through.

Mr. SCHWENGEL. Mr. Chairman, you lead to another question there. Is that all in one community, or is that in a number of communities? How many communities does that involve?

Mr. DE LUCCIA. This involves the Columbia River Basin.

Mr. SCHWENGEL. The Columbia River Basin?

Mr. DE LUCCIA. It involves an area beginning with the Snake drainage and the Clark Fork, Kootenai and other drainage, the Willamette drainage, and so on down through to the mouth of the Columbia.

Mr. MACK. Does that include the distribution systems as well as the power dams?

Mr. DE LUCCIA. It does not. It includes primary transmission and the generating, the power dams, but no distribution.

Mr. MACK. Would it include the reclamation phases in Grand Coulee or just the power phases?

Mr. DE LUCCIA. It includes with respect to Grand Coulee the reclamation phases since they are carried by the Bonneville Power Administration as part of the power project; that is, as part of what is called the Columbia Basin project. It does not include a reclamation project which is not physically and integrally associated with a power project.

Mr. MACK. On these other dams do they include flood control features as well as the power features?

Mr. DE LUCCIA. It includes flood control. If navigation is present, such as The Dalles, it would include navigation and all of the other multiple-purpose features.

Mr. JONES. Mrs. Green?

Mrs. GREEN. Do you have the figures on how much of that money has been paid back to the Federal Government through the sale of power?

Mr. DE LUCCIA. I have the annual report for 1954, the Bonneville Power Administration, and in that report are shown the figures I am sure of what has been paid to date. However, the kind of bookkeeping associated with this and the charges to plant account are such that I do not think I would want to undertake to analyze that at this moment.

Mrs. GREEN. Is it not true that when Grand Coulee and Bonneville were built they worked out a 50-year repayment program?

Mr. DE LUCCIA. Yes, I understand that that is correct.

Mrs. GREEN. And they are years ahead on that repayment program if my memory serves me rightly. It is 11 years, is it not, or is it 8? Eight or eleven?

Mr. DE LUCCIA. I do not know. The Bonneville Power Administration breaks its figures up, and that is one of my difficulties, into the Bonneville transmission system, in which they indicate a payout that is ahead—

Mrs. GREEN. Does that amount to about \$64 million or \$68 million ahead on their repayment program at the present time selling electricity at 2 mills a kilowatt? Is that not right?

Mr. DE LUCCIA. I am not sure just how much it is, but it is a substantial sum of money.

Mrs. GREEN. Then, actually, this is not money that is being given by the Federal Government to any area. It is money which is being loaned and it is a self-liquidating project?

Mr. DE LUCCIA. Well, it is money, Mrs. Green, which is taken involuntarily from everybody in the United States and pooled together and spent for the benefit of the people of this area, and in due course they pay it back.

Mrs. GREEN. When you say for the benefit of the people in this area, do you mean that no one else in the United States benefits by the development of the Northwest area? Would you not say that all of the country really benefits from the wealth that has been created out there and the revenues that are produced?

Mr. DE LUCCIA. I would say that the Government would probably benefit more—that the people would benefit more by a good, stiff reduction in taxes than they would be continuing to furnish money for projects when other people are willing to put up that money.

Mrs. GREEN. Well, you have attracted industries, however, to the Northwest which have paid a tremendous amount in taxes to the Federal Government. You have created wealth out there.

Mr. DE LUCCIA. You cannot spend \$2 billion in any place without obviously creating wealth of some kind. I think that would be an obvious thing.

Mrs. GREEN. These are the two things—

Mr. DE LUCCIA. I think, if I may just say again, the \$2 billion could be just as well spent by the people in the area if they are willing to create the same wealth as being spent by the Federal Government.

Mrs. GREEN. You mean that the people in that area could have built Grand Coulee or Bonneville?

Mr. DE LUCCIA. I believe so.

Mrs. GREEN. Do you think they would have?

Mr. DE LUCCIA. I believe they might have; yes.

Mrs. GREEN. Do you think they would have?

Mr. DE LUCCIA. I think they would have.

Mrs. GREEN. Did any private utility ever offer to build Grand Coulee or Bonneville?

Mr. DE LUCCIA. There is now a bill in Congress for a project in which the private utilities are willing to advance \$273 million to build the John Day project.

Mrs. GREEN. Does not the record prove that the private utilities fought the building of Grand Coulee and Bonneville?

Mr. DE LUCCIA. I think if you examine the record closely you will find that is not correct.

I think further the record will show that a private utility is now and has been spending a great deal of money for development of

a section of the river in the Northwest and willing to spend its own money to do so.

Mrs. GREEN. Mr. Chairman, the two points I thought were important for the record were, one, that these are self-liquidating projects and that they have paid back to the Federal Government and that they are way ahead on their repayment program, and that the benefits to the Northwest have also benefited the entire country.

Mr. SMITH. Mr. Chairman—

Mr. JONES. Yes, Mr. Smith?

Mr. SMITH. While this point is being developed, is your contention that this program could have been done much better by the citizens of the area? Is that correct?

Mr. DE LUCCIA. My contention is not that they were not well done, that the work was not well done.

Mr. SMITH. I did not say that.

Mr. DE LUCCIA. What I meant—

Mr. SMITH. That it could have been better done?

Mr. DE LUCCIA. I sincerely believe where the people of any area can take care of themselves and are willing to do so, they should not only be given that opportunity but should be required to do so.

Mr. SMITH. Do you not think then we ought to adjourn this hearing and just forget about this bill and let you all take care of this problem out there yourselves?

Mr. DE LUCCIA. That would be an interesting solution, but Congress has already tied up this particular project by an authorizing act, and this bill—

Mr. SMITH. Nobody has come in here from the State of Oregon or from the city of Eugene or from your company or any private individuals or anybody else out there suggesting that they provide this flood control and this power project. I would suggest that that is what you ought to do if this is the situation—make it a joint operation between the State of Oregon and your company to provide the flood control and the navigation and the power project.

Mr. DE LUCCIA. If Congress should wish to adopt that as a national policy, as a taxpayer, I think you would have a very interesting suggestion.

Mr. SMITH. In other words, you are criticizing this program. Yet you want to come in here and ask for part of it.

Mr. DE LUCCIA. I'm sorry, Mr. Smith—I am not criticizing the program.

Mr. SMITH. Well, you say you are not criticizing. You are saying it is not very good. That was damning with faint praise.

Mr. DE LUCCIA. On the contrary, I think it is an excellent program. As I said a moment ago, we in the Northwest were very grateful for the amounts of money that the rest of the country has seen fit to spend on it. I am saying that the people of the area are now willing to spend their own money to do this, and that being the case, I do not think it is necessary, in every case, to use Federal funds. That is all I am saying. Now, I am not speaking, if I may say so, to flood control. I think flood control as a national policy for the expenditure of Federal funds is well demonstrated. But for power projects, where people can and will put up the money, public or private, they should be given that opportunity.

Mr. SMITH. Well, why is it you get public money for flood control and private money for power projects, when they are part of a multi-purpose project?

Mr. DE LUCCIA. No practicable way has yet been found to assess flood control and have it paid for. The same with the highways, possibly. It is in the category in which you cannot get revenues. You cannot, therefore, borrow money or otherwise raise funds to build flood-control projects.

Mr. SMITH. As long as these projects are being built for flood control with public money, and as you say there is no way to assess that back to the local people who are the beneficiaries, fairly assess it back, although the Corps of Engineers have a long series of proposals that get higher and higher about how the local beneficiaries pay for it when they come in here with a project—and you have this proposition here to build a flood-control dam at this point, Green Peter—would you prefer just to have the power dam there, that your company be given a license to develop?

Mr. DE LUCCIA. We would not build a power dam at this site simply as a power dam because it would be entirely too expensive.

Mr. SMITH. In other words, this becomes a good proposition because there is a lot of Government money in it.

Mr. DE LUCCIA. On the contrary, it is not a very good proposition.

Mr. SMITH. Well, you don't expect to lose any money by going into it, do you?

Mr. DE LUCCIA. We certainly are not going to make any money. This project is a marginal project as far as cost goes.

Mr. SMITH. And you are going in it just in the spirit of public good will, in other words, which is very commendable. I don't want to discourage it.

Mr. DE LUCCIA. I think I will have to tell you what I have told our management. This project is marginal from the standpoint of economics. We recognize that we live in an area that needs some flood control. These people have come to us. We did not seek them out. They came to us quite unannounced, and asked if we could assist. We took a preliminary look at this project and thought possibly we could assist. We wrote them a letter and said we would help them. If we break just exactly even on this project, I will be very, very happy.

Mr. SMITH. Well, now, from what you have previously said, if you break even on it, the reason you did not lose money would be the fact that this other flood-control installation there is already there for you to use at no cost.

Mr. DE LUCCIA. No, sir; that is not correct. We would not build a project at this site.

Mr. SMITH. Who would not?

Mr. DE LUCCIA. We would not. And I don't think anybody else would, just as a power project.

Mr. SMITH. Right. Now, it will become a power project upon which you break even, or perhaps make a little money, if everything turns out fine, because in addition to the power project that you are going to put in, there is the flood-control facilities which the Government is putting in, is that correct?

Mr. DE LUCCIA. It becomes an economical power project only because of the fact that it is basically a flood-control project to be built sometime. It offers an opportunity to use water which if not combined

with this project would go to waste. And that is the only reason power is attractive in this project.

Mr. SMITH. But the water would never be there to make any possible power production if you didn't have a flood-control dam there, would it not?

Mr. DE LUCCIA. That is not a power project in any sense. There would be no power project. Now, if you build a flood-control project, you have an impoundment of water, and that can be used to make power, that is correct.

Mr. SMITH. That is right—much cheaper than if you went out there purely for power.

Mr. DE LUCCIA. Oh, yes; much cheaper.

Mr. SMITH. In other words, the presence of the flood-control facility there enables you to generate power at that point much cheaper than you would be able to without it.

Mr. DE LUCCIA. That is correct.

Mr. JONES. Have you completed your statement, Mr. De Luccia?

Mr. DE LUCCIA. I have not, sir.

Mr. SMITH. I would like to continue on this point, if I may, Mr. Chairman.

Mr. JONES. All right, go ahead.

Mr. SMITH. In relation to the way the various costs of a multipurpose project, this project, are computed, is it your belief that the flood control and power cost is allocated on a fair basis—or on an accurate basis—put it that way.

Mr. DE LUCCIA. Well, as I think I indicated, in the first part of my statement here, and speaking to this particular project, there has to be a considerable amount more engineering work done before the costs will be known. So as to the exact amounts of money that will be involved, it is not possible at this time to say that we know what that would be precisely. As to allocation methods in general, the method that has been suggested in this bill, if used fairly, should produce reasonable allocations. But there are many other methods that can be used, and it may well be that that particular method is useful here and it may not be some place else.

Mr. SMITH. You have had considerable experience in the methods used by the Corps of Engineers allocating power and flood-control costs, have you not?

Mr. DE LUCCIA. Yes.

Mr. SMITH. Is it your experience that they have been accurate in their evaluation?

Mr. DE LUCCIA. The experience that I have had with allocations, as you suggested, extends over a considerable number of years. The Bureau of Reclamation has made allocation—or the Department of the Interior, rather, has made allocations for the same dams that the Corps of Engineers has made, and the Federal Power Commission has made allocations for those same dams, and the three allocations have frequently been different.

Mr. SMITH. Well, that is a well-known fact. It has been publicized time and time again. I asked you what was your experience.

Mr. DE LUCCIA. My experience is that, as I say, I could not assess any of the Government agencies. Having been associated with the Federal Power Commission, I thought the allocation methods that they finally developed were good. So that I find it rather difficult

to answer the question simply because there has been a divergence of allocations in the three agencies.

Mr. SMITH. Well, you have not answered the question. Does that make it fair for me to raise the question in my mind that possibly you have not answered the question because you contended in the past they have not been fair, and yet now, since you are going to benefit by one of these allocations, it puts more cost to flood control, you are hesitant to say that perhaps they have not been fair?

Mr. DE LUCCIA. No, indeed; I didn't have that in mind. I was trying to give you an answer to a general question without relation to this project—as to whether I thought they were always fair in their allocations. I am merely saying to judge that I had to point out that three competent agencies, in getting cost estimates, have gotten different allocations. And the Federal Power Commission finally adopts an allocation which is used in determining what the rate might be for the sale of power from these projects. Sometimes it has taken the Department of the Interior allocation; sometimes the Army engineers; and frequently a different one.

Mr. SMITH. Your company certainly would not accept an allocation that attributed too much of the cost of this project or allocated too much of the cost to flood control, would you, and thereby deprive the taxpayers of the country of the fair share in the cost of the project.

Mr. DE LUCCIA. The allocation we would want made is an allocation which is fair and reasonable to all the purposes for which the project is constructed, an allocation which might be made by the Army engineers or anybody else in collaboration with the Federal Power Commission, as I think I recall it so indicates in the bill, and such a finding of allocation, if judged fair and reasonable by the Federal Power Commission, would, I believe, properly allocate costs to the different functions.

Mr. SMITH. In other words, you are saying that your company believes that in the main further allocations of cost to the various units on these Federal projects will be reasonable.

Mr. DE LUCCIA. The previous allocations?

Mr. SMITH. Yes.

Mr. DE LUCCIA. I think they have been reasonable in certain cases. In certain cases they may not have been. There is a great deal of difference of opinion. The allocations to McNary are much different from the allocations to Bonneville, and seemingly the same kind of dam is involved. There is much higher power in McNary than it is in Bonneville. I believe that the Federal Power Commission would produce a reasonable allocation in cooperation with the Army engineers. And in offering our assistance in this particular effort, this particular bill, we would naturally accept the allocation that was finally made. That, of course, would be subject to whatever the costs were at that time and whether or not such allocations were completed. For example, had the Federal Power Commission decided that \$50 million should go to power and \$1 million to flood control, I think we would want to reserve the right to take a look at that. I indicated here that 50-50 might be an allocation, as the formula worked out. It is pretty close to that, I think.

Mr. SMITH. Now, previous efforts have been made on Federal multi-purpose dams to increase the allocation to power—the cost of the dam.

Do you agree that on an overall the average of the allocation of the power should be increased?

Mr. DE LUCCIA. If the allocation has been made fairly and reasonably to begin with, it would not need to be increased. If there was some reason why the allocation would not be made properly, it should be increased whether it be power, flood control or any other part of it.

Mr. SMITH. In building this dam, we are faced with the job of supplying flood control to the people of this area that would be protected, we want to give them flood control, and we go in and get it at whatever reasonable cost, the flood control that can be given, and then we find that for an extra \$10 million—if we are going to spend \$40 million to supply the flood control—we can have a profitable power installation on that facility, do you not think that the Government is entitled to get a little bit of a bargain on the flood control and get the flood control a little bit cheaper by allocating more of that to power? You mentioned the necessity of saving the taxpayer money. If by building this facility—just like by building up your business to a certain degree, you find that the cost of your business is very good and very efficient, and by just an extra capitalization you can make more money there, you are entitled to that profit rather than to give it all for just the amount of that extra capitalization to some other investor who comes along.

Mr. DE LUCCIA. If the Federal Government were in business to make a profit and not merely to return the capital sum allocated to purchase power, there might be some merit in your suggestion. But since it only has returned the sum of money which is allocated to power, it makes no profit and has no funds of any kind to apply to the flood control.

Mr. SMITH. Well, we in the Congress, when we authorize and appropriate money for these flood-control projects, have an obligation to try to get the most flood control for the least amount of money. And if we can, through our flood-control investment, develop a profitable power investment, do you not think it is fair for us to charge off a little of that flood control to the power?

Mr. DE LUCCIA. Assuming that the allocation is going to be fair and reasonably made, so that the burden is fairly and equitably assessed in all the purposes of the multipurpose project, you come out with the same sum of money no matter who might pick up the power allocation. Accordingly, forgetting now the need for appropriating and saving funds, the aid to the Federal Government would be precisely the same insofar as reducing the costs of flood control, since it does not make a profit, as I mentioned earlier, on any of these funds which it advances.

Mr. SMITH. It can get a return for what we allocate to power, though. It can get all the money returned, can it not? At least it has proven so far out in the Northwest it can get the return.

Mr. DE LUCCIA. Well, you can get the return under this proposal that is in this bill, H. R. 4662, without ever having to appropriate the money in the first place, and instead of coming out zero in 50 years and carrying all that money, and taking it from the present people and adding it to the national debt, you don't even have to do that.

Mr. SMITH. Well, at the end of 50 years, what are you going to do with that. If you still have it, the Federal Government would have paid it off, assuming all factors of power and so forth carry on and we

don't have any atomic powerplants that would put all of this out of business. The Federal Government would still own that plant and have that capital investment, whereas it would not under your proposal.

Mr. DE LUCCIA. The Federal Power Commission may not issue a license, as I understand the Federal Power Act, for more than 50 years. At the end of that time, the license is just done, and the plant then is in the hands of the Federal Government to do one of several things with it. It may reissue the license or it may issue the license to somebody else, or it may pay the depreciated amount, if there is any, left in the plant. But it can have the plant at the end of 50 years. In fact, the licensee may not have it without additional permission from the Federal Government.

Mr. SMITH. It is not likely the Federal Government is going to deny them a renewal if the license has paid originally for the powerplant.

Mr. DE LUCCIA. We have had not case yet. I think the first one is up in 1970.

Mr. SMITH. You don't deny a man that has a patent a chance to renew the patent at the time that it expires. That is not exactly the same thing, but it is a similar situation.

Mr. DE LUCCIA. It would be an interesting amendment to the Federal Power Act to permit the original licensee to have the refusal on the issuance of the next license.

Mr. SMITH. I cannot get over in my mind the fact that we obviously recognize that this would not be worth anything to power unless the flood-control feature was in there.

Mr. DE LUCCIA. We agree on that; yes, sir.

Mr. SMITH. In other words, that makes it to me a good business proposition that has been made that way by the taxpayers' money.

Mr. DE LUCCIA. Yes. And it is even better business for the taxpayer to quit right at that point and say to somebody else "Now you put up the money, you build the thing, and don't let me be in hock for 50 years."

Mr. SMITH. Well, it seems to me if we are going to do it that way, it would be better to leave all power features out of it entirely and get out of it entirely. As long as the Federal Government is not going to participate in the power, I do not see any point in the Federal Government allowing the power to be in it.

Mr. DE LUCCIA. The Federal Government has adopted a wise policy in the conservation of natural resources, to which I subscribe most heartily. And the thought that there was available an opportunity to use water going to waste for the benefit of the people in the area would disturb me a great deal, and I am sure a good many other people, if it were not so used.

Mr. SMITH. That is all.

Mr. ROGERS. Mr. Chairman, I would like to ask a few questions. I was interested in your statement, Mr. de Luccia, that your companies just came in ready to help the flood-control situation along and you were not too interested because you are not going to make any money at all out of this project. Is there any real need for additional power there, to your company?

Mr. DE LUCCIA. We purchase approximately 50 percent of our power from the Bonneville Power Administration. We have been

informed, and continuously informed, that in 1960 or 1961 power now being purchased by us will be withdrawn in favor of preference customers. We face the very serious situation of having to replace 50 percent of the existing power resource in the early 1960's, and having that kind of responsibility is a very frightening thing. We ask only an opportunity to develop our projects in order to get power for our customers, some 275,000, of which about 125,000 are in this general Willamette area.

Mr. ROGERS. Well, then, you do have a very definite interest and your company is more interested than in just flood control, is that right, in getting this project started.

Mr. DE LUCCIA. We are interested in developing the power resource that is available. In this particular power project we are interested as much from wanting to get some additional power, which, as I said, is not as attractive competitively with other power sources, but which, in addition, will assist in getting this flood control. Now, we were approached by this committee I mentioned earlier. They were a very serious group of citizens. You have seen some of them here today. And we had a conference and we said we would look into it. We did, and we are attempting to help out.

I would say that if there was any demonstration by the Federal Government immediately that it would go ahead with this project and with a good many other projects, keeping in mind, as I understand it, there are \$7 billion worth of authorized projects by the Corps of Engineers, and how many more the Bureau of Reclamation has I do not know—

Mr. SMITH. Where did you get that figure?

Mr. DE LUCCIA. I got that figure from a talk made in Portland not long ago by a representative of the Army engineers. Now, remember that since 1938 these people have been trying to get this built, and keeping in mind that it is halfway done, something should be done. And with all of those things in mind, we are willing to assist in it, so that there is more involved in this than partnership, there is more involved in it than power needs—there is involved actually a cooperative effort by all of us in that area to do something about that particular situation.

Mr. ROGERS. Also flood control.

Mr. DE LUCCIA. Yes, sir; all of those things.

Mr. ROGERS. This seems to be a spur-of-the-moment sort of thing with you, to come forth here and just try to spur this flood-control project. You said this is not really an economic setup for your company to produce electricity. Are there other spots there that your company would probably go ahead and use and do it more economically?

Mr. DE LUCCIA. Yes. In addition to this, we are a partner, as I will indicate later in my statement, or a proposed partner in the construction of the John Day Dam. We have a preliminary permit where we are part of a group of companies for the development of two dams on the Snake River, and we have others that I could go on and mention.

Mr. ROGERS. You are in the group trying to develop the John Day?

Mr. DE LUCCIA. We are in that group.

Mr. ROGERS. Would any portion of that be attributable to cost of flood control, say in the John Day Dam?

Mr. DE LUCCIA. Practically none. It is primarily navigation and power, very similar to the McNary Dam.

Mr. ROGERS. As I understand, in the John Day you are advancing the cost of the entire dam; is that correct?

Mr. DE LUCCIA. That is not quite correct. They are advancing the entire cost of the power features of the dam, some \$273 million out of an estimated cost of \$310 million. The remaining amounts of money would be the probable amounts that would be allocated to power.

Mr. ROGERS. Now, in the allocation, has your company suggested allocation of this Green Peter Dam, as to power and water, flood control?

Mr. DE LUCCIA. We have merely applied a formula. And as I said earlier, it comes out about 50-50. That is very general, because it is subject to all of these other studies.

Mr. ROGERS. Did your company submit that proposal as a suggested formula or how was that obtained?

Mr. DE LUCCIA. Oh, no; we did not suggest that in anyway. The formula which has been used or suggested in this bill was developed by the interested Federal agencies, over a long period of time, and adopted by them for their uses.

Mr. ROGERS. And you agree with that formula; is that right or not?

Mr. DE LUCCIA. We agree that the formula, as it says in the bill, or any other method that may be mutually agreed upon—there are many other ways of doing this.

Mr. ROGERS. They would not vary very much?

Mr. DE LUCCIA. I don't think they should vary too much; no.

Mr. MACK. Mr. de Luccia, it has been the understanding of us who believe in the Federal development of these power dams on the Columbia River that the Federal Government is really not spending its money, but is advancing its credit toward the construction of these dams. The Federal money is paid back, both interest and principal, as far as the electrical installations are concerned, within a period of 50 years. Don't you think that what is actually happening—that the Federal Government is getting back both its principal and interest as far as these electrical installations are concerned on the Columbia?

Mr. DE LUCCIA. On the Columbia, that is correct. I didn't mean to indicate that it was not. What bothers us, Mr. Mack, is the fact that we have recurring power shortages while we are waiting for the Federal Government to develop these projects. In the past it has spent money at a certain rate in our area, which is roughly a third of the total amounts of money spent in the country for the same kind of thing.

Mr. MACK. For flood control and navigation.

Mr. DE LUCCIA. Navigation and power and the things associated with that. And knowing that the needs are doubling, and looking forward to 1960 and 1961, and finding ourselves without power resources, even if the Federal Government kept up the present rate of expenditure, it would only halfway meet the requirements. And it is in consideration of the situation which is now urgent and very late to get started on these things that we come forward with these various suggestions. I think that everybody has got to help. I think the Federal Government has got to build some projects. I think the local

people have got to build projects. And I think it is high time we all got going. I am not here today to plead no more Federal spending at all.

Mr. MACK. You are in favor of the Federal Government continuing a program of building new dams on the Columbia River in addition to those now under construction.

Mr. DE LUCCIA. I am in favor of the Federal Government continuing to build dams and to assist to the extent that it will, and at the same time to permit the local people to assist in that burden in order to supply our power needs which are just getting out of bounds.

Mr. MACK. It is your feeling, then, that no one agency is sufficiently strong financially to supply all the funds to develop all the power that that region is going to need within the next 10 or 20 years.

Mr. DE LUCCIA. Well, I have it in my statement. I would like to quote to you, if I might, from the letter of transmittal of the 1954 Bonneville Power Authority Annual Report, page 3, in answer to your question:

The unprecedented interest in the power partnership policy is reflected by 41 applications for power projects in the Pacific Northwest which have been filed by non-Federal utilities with the Federal Power Commission. These applications represent a potential addition of over 8 million kilowatts, exclusive of several proposed Canadian storage projects.

And it goes on to mention the Canadian projects.

Those 8 million kilowatts would carry us through until about 1967, and you would not need, other than the associated funds required for flood control in the nonreimbursable portions, a nickel for any power in the Northwest until 1967. I don't know what would happen after that.

Mr. MACK. I rather got the impression this morning from Mr. Smith's questioning that he was in favor of dismembering this Bonneville system and selling the Bonneville Dam, the Coulee, and the McNary, and all the other Federal dams, to local bodies. Would you be in favor of any such proposition as that?

Mr. DE LUCCIA. No; indeed. I think we had better use our money to build new power projects and get on with meeting our loads before anybody ever considers anything like that—certainly not.

Mr. JONES. Do you think it would be wise to sell the TVA?

Mr. DE LUCCIA. The TVA is an area that I have not studied for some long time.

Mr. JONES. I thought every power man in the country knew all about the TVA. You are the first one I have run into that does not know all about it.

Mr. DE LUCCIA. I do not say I do not know of the TVA. I do not know all of the details and what has been happening lately. I do not know how the people feel in that area. I can tell you how the people feel in the Northwest about this. My own personal opinion, of course, is expressed, as to whether or not you want to sell the Bonneville Power Administration. But the matter of people providing for their own power facilities is a matter of record in the Federal Power Commission and is indicated in the Bonneville official report of 1954.

Mr. ROGERS. May I ask a question. What do you estimate your contribution to the Green Peter Dam would be from the local interests there?

Mr. DE LUCCIA. Well, assuming that the allocation would work out about 50-50, it would be somewhere between \$28 and \$29 million.

Mr. ROGERS. And do you have any present plan, or do you know of any plan to be developed, where your company could build a dam and obtain the same amount of power with that expenditure of money that they could by this project?

Mr. DE LUCCIA. Yes.

Mr. ROGERS. You could?

Mr. DE LUCCIA. We would.

Mr. ROGERS. Where would that be?

Mr. DE LUCCIA. It would not be precisely the same amount of money, because no two projects are alike. But we have been investigating a site on the Lewis River in Washington which would be a very good site.

Mr. ROGERS. Approximately what would your costs run there?

Mr. DE LUCCIA. Oh, I would say probably \$55 million. But the power would be cheaper from that site.

Mr. ROGERS. But you would have an expenditure of \$55 million, and here you would have only how much?

Mr. DE LUCCIA. Well, we would have \$55 million here, and we would have \$28 million or \$29 million at Green Peter.

Mr. ROGERS. In other words, about double your expense.

Mr. DE LUCCIA. That is \$55 million there, and we would have 30 or 40 percent of \$273 million at John Day, and we would have 25 percent of about \$200 million on the lower Snake, and we would have some other things we have got to build. We are talking about very large sums of money, very large amounts of power. This 280 million kilowatt-hours in the Green Peter project is only about 5 percent of our estimated requirements by the time this project might be completed.

Mr. ROGERS. But you could replace this 5 percent with an expenditure of \$55 million that you stated at your other site, where you can get the 5 percent now for \$28 million.

Mr. DE LUCCIA. We could not, because we would need that, this and the other projects I mentioned, and we would need more.

Mr. ROGERS. But I am just comparing the two. If you had to replace this, it would cost you approximately \$55 million, is that true?

Mr. DE LUCCIA. No, it is not.

Mr. ROGERS. You could do it for \$28 million?

Mr. DE LUCCIA. At the project I speak about, the \$55 million, we would have about 275,000 kilowatts installed and about 850 million kilowatt-hours annually, which is quite a little bit different from this project, which has only 96,000 kilowatts and 280 million kilowatt-hours annually.

Mrs. GREEN. I have one question. I want to go back to a question asked a few moments ago. Did you say that you thought that if the Federal Government had not loaned the money or made the money available for the building of Grand Coulee and Bonneville that private interests might have and indeed would have built those multiple-purpose dams?

MR. DE LUCCIA. It is my considered opinion that they would have been built someday by somebody, and if the Federal Government had not built them, they would have been built by others.

MRS. GREEN. That was during the depression years. You say someday. Would you make an estimate of how long a time?

MR. DE LUCCIA. I don't know. The power loads are growing. I might say that the first dam on the Columbia River, Rock Island Dam, which is fully comparable in every respect to Bonneville, was built in the 1920's by a private power company.

MRS. GREEN. Do you know of any private interests, private utilities, or groups of individuals or groups of PUD's or REA's or anybody else, that proposed the building of those multipurpose dams during the depression years? Do you know of a single instance?

MR. DE LUCCIA. I personally do not know of any.

MRS. GREEN. And in fact wasn't there considerable opposition to the building of both of these dams?

MR. DE LUCCIA. I was not living in the Northwest during those years.

MRS. GREEN. I think the record will show that. One other question.

MR. DE LUCCIA. I might say I don't think there was any opposition, as I understand it, to the development of the Columbia River.

MRS. GREEN. Are you in favor of the preference clause?

MR. DE LUCCIA. The preference clause, Mrs. Green, is something which I consider to be a little unusual in our usual way of doing things. What it does is to deny to a group of people an opportunity to participate in all of these nice things that the Government does in a certain area in the power field. I have always felt that the original preference clause of 1906, or whenever it was first announced, was correct when in those cases the preference was given to municipal purposes, meaning, in my opinion and judgment, water pumping, sanitary facilities, truly municipal purposes. As time has gone on, it has been expanded. It has been expanded to include those people who are willing to band themselves together into some local entity of some kind, which is their choice, if they will do so, and if they are so willing to do that, they may then enjoy this Federal power under the preference clause.

I must ask myself continuously if that is fair to all of those Americans who do not choose to band themselves together, and if they are not being pressured into doing something outside their own free will in order to enjoy any largess or any subsidy or any gift from the United States which it may desire to make to them.

MRS. GREEN. Then to answer my question, you are opposed to the preference clause. You would like to have it done away with?

MR. DE LUCCIA. I think the preference clause might be much differently administered, and if so administered, might not be too bad a thing. I haven't taken any position of doing away with it. If we do have it—we find we are going to have a shortage on our system unless we do something about it. I do not think that the preference clause does the Northwest or any other part of the country any good, including public bodies, and I believe that ultimately they will come to that conclusion.

MRS. GREEN. Then I take it you are opposed to it.

MR. DE LUCCIA. I am opposed to discrimination. The preference clause is discriminatory in character. And for that reason, I believe it is not the kind of thing we should have in our Government.

Mr. WRIGHT. I have some questions, but I will permit Mr. De Luccia to conclude his testimony, if he wishes to.

Mr. DE LUCCIA. I have about two more pages, Mr. Chairman.

Mr. JONES. Suppose we do that.

Mr. DE LUCCIA. I was indicating the chart which shows the Federal expenditures for power in the Northwest from 1946 to date and the estimated investment that must be continued in the future to meet the minimum forecasted powerload without reserves. You will note that during the last decade about \$1.5 billion was expended by the Federal Government. This is about a third of appropriations for such work nationwide. Even though the forecast is definitely on the low side it will require expenditures averaging nearly \$300 million per year in the next 10 years and reaching at least \$400 million in 1965 for a total amount of \$3 billion. It is clear that we in the region must assume the main obligation of providing for our own power resources, and that we can and will do it is being demonstrated overwhelmingly by local public and private power utilities. For example, in 1954 Congress passed an act, Public Law 544, authorizing a local public utility district to build a multiple-purpose project at Priest Rapids on the Columbia River. In 1954 partnership bills to permit participation by local interests were introduced for Green Peter, Cougar, and John Day. Similar proposals for these projects have been reintroduced in this Congress.

I have just read the Bonneville Power Administration 1954 Annual Report regarding 41 applications for power projects in the Pacific Northwest totaling over 8 million kilowatts have been filed by non-Federal utilities with the Federal Power Commission. The Northwest Power Co., of which Pacific Power & Light Co. is a member, has recently received a preliminary permit from the Federal Power Commission and has already spent over \$500,000 in exploratory drilling and preliminary design on the 1 million kilowatt potential Mountain Sheep and Pleasant Valley dam sites on the Snake River. Pacific Co. recently completed the Yale hydroelectric project on the Lewis River, Wash., at a cost of about \$37 million and has already spent over \$300,000 exploring sites on this river upstream from Yale under Federal Power Commission preliminary permits. I could give many more examples of the serious and earnest search for opportunities for local power agencies to participate in development of power resources.

The bill before you, H. R. 4662, proposes to authorize the granting of a Federal Power Commission license to a non-Federal entity for the powerplant at Green Peter Dam and for White Bridge reregulating dam and powerplant; and to authorize the Corps of Engineers to make agreements with the licensee for operation of Green Peter Dam for multiple-purpose benefits. This, in my opinion, is an excellent example of a mutually advantageous partnership. Pacific Power & Light Co. is interested in applying for a license as soon as practicable after this bill is enacted. We believe that we can work out with the Government agencies a partnership arrangement under which it will be feasible for us to finance the power aspects of the Santiam River projects and use the power output in our system. Of great interest to us as residents in the area is the needed flood control that the project will provide for an important part of our service area.

This map shows the Willamette Valley, from the Columbia River south, and south to Dixonville. It shows in red the transmission line

of the Pacific Power & Light Co. It shows in black the transmission lines of the Bonneville Power Administration. The dotted black lines are proposed lines by the Bonneville Power Administration, and the dotted red line from the Green Peter damsite to Sweet Home, a distance of some 11 miles, is proposed for construction to tie the power from Green Peter into the Pacific Power & Light Co. network which is in turn intimately connected at several points with the Bonneville network.

Mr. MACK. Does that line from Sweet Home have sufficient capacity to wheel the power produced by the Green Peter Dam?

Mr. DE LUCCIA. The line from Green Peter to Sweet Home will be a new line. The line from Sweet Home into Albany could be used to wheel this power. But I think we will strengthen that as a general system matter.

Mr. MACK. Do any lines of the Bonneville grid go near Green Peter?

Mr. DE LUCCIA. I think the nearest line of sufficient capacity for tying in is about 40 miles away.

Mr. MACK. In other words, if this were a Federal operation Bonneville would have to spend a million or two million dollars to build a transmission system to transport the power to a consuming center.

Mr. DE LUCCIA. That is correct. With the stepup and stepdown facilities and the voltage, to get it into their system, I imagine they would spend about \$2 million.

As I just said, you will see that Pacific serves a large territory in the central Willamette Valley as well as the western Oregon coast and much of Portland and vicinity. We also have extensive operations in eastern Oregon, Washington, Idaho, Montana, and Wyoming. Please note that Green Peter and White Bridge projects are situated in the midst of our Willamette Valley area close to Albany, Lebanon, and Springfield. The project sites are near our transmission lines and a short connection of only 11 miles would fully tie them into our system. We in turn are fully interconnected with the Bonneville Power Administration system, so the projects would be completely integrated with the entire Northwest power pool. All of us in the utility business learned long ago the advantages of full integration of all powerplants in the Northwest. Pacific's other powerplants are part of the pool. It would be our firm intent to operate these powerplants also in full compliance with the operations of the power pool.

Since the engineering work on Green Peter Dam is not complete and a good deal of additional foundation exploration and office studies will be needed, it is not possible for me to give precise facts and detailed statements at this time.

We recognize that the bill as drawn permits any qualified agency to apply for a license and to participate. However, Pacific Co. is interested in participating in the Green Peter and White Bridge development, and will cooperate with the Army engineers and all interested Federal agencies and the local organizations in expediting the engineering and other necessary studies to the end that construction of this important flood-control project can be undertaken as soon as possible.

I would like, in concluding my statement to emphasize again, as has been mentioned earlier here today, the seriousness of our power situ-

ation. Time is of the essence to us now, and it is almost too late. We have got to do something quickly.

I have, Mr. Chairman, with my statement, a reproduction of the chart which I showed the committee.

Mr. JONES. The letters have already been made a part of the record.

Mr. DE LUCCIA. I think earlier I asked they be made a part of my statement. And I would like to request the same with respect to the chart.

Mr. JONES. I don't think we can reproduce the chart in the record. But it will be available and can be used as a reference.

Mr. WRIGHT. Mr. de Luccia, you represent a prospective licensee under this act. The firm you represent is a prospective licensee?

Mr. DE LUCCIA. Yes, sir.

Mr. WRIGHT. Are there any other firms or agencies engaged in generating or distributing electricity in this area?

Mr. DE LUCCIA. There is the city of Springfield, the city of Eugene, there are several PUD's. There is the PUD here which operates all the way up the Oregon coast, a distance of several hundred miles, and crosses to Eugene. There is the Tillmuck PUD that operates in that area, and some REA's sprinkled around the area.

Mr. WRIGHT. Do they generate electricity, for instance—the city of Eugene and the city of Springfield—do they maintain generating plants or do they simply purchase the electricity from you and distribute it over their distribution system?

Mr. DE LUCCIA. Eugene has generating plants. I think you will find in the record earlier today that is true. And Springfield has generating plants. Tillmuck has generating plants. And those are the principal ones. They all have generation. They all use this, and could wheel it around through the Bonneville grid. I might say in many cases we wheel power from the Bonneville grid to some of these public bodies for the convenience of the Bonneville customer.

Mr. WRIGHT. Do you have standby agreements with those other firms and agencies?

Mr. DE LUCCIA. We have various types of agreements. There are also a lot of local generating sources, sawmills and the like, in the valley, and they are all tied in. They are very small, but they are tied into all of these different areas.

Mr. WRIGHT. As I read the bill, it does not define any conditions that a prospective licensee must meet, but appears to leave it rather to the choice of the Chief of Engineers working under the direction of the Secretary of the Army in collaboration with the Federal Power Commission. I presume that they have certain criteria that they require?

Mr. DE LUCCIA. Oh, yes. I think section 2 of the act requires, for example, that construction shall be in accord with the provisions of licenses to be issued by the Federal Power Commission, in accordance with the Federal Power Act and this act. That sentence there I would understand to bring into this act every condition and requirement of the Federal Power Commission relating to the issuance of licenses, quite apart from this act.

Mr. WRIGHT. Now, each of these other institutions or enterprises would, I presume, be on a par with the firm you represent in applying for a license if it so desire.

Mr. DE LUCCIA. It would be more than on a par, sir. They have a preference under the Federal Power Act. Everything else being equal, a public body filing at the same time or even after a private body—of course, it would be before a license is issued or anything is concluded—would have a preference and would have to be given the license. That is mandatory under the Federal Power Act.

Mr. WRIGHT. Well, I was interested in your statement a little earlier to the effect that the power you have been purchasing from the Bonneville Dam is going to be withdrawn or made available to preference customers beginning with 1961, and that that is going to place you at a disadvantage of having to try to find other sources of power. What reason do you have to believe that that would not happen on Cougar and Green Peter?

Mr. DE LUCCIA. Well, of course, as far as Cougar is concerned, the city of Eugene, a public body, has already spoken its mind as desiring that particular project. That would naturally make it impossible for us to apply for that project. That, of course, rules out the Cougar. As far as Green Peter is concerned, so far as we know, nobody else has been willing to step forward and assist in this particular project. If a public body should, as I indicated before, it certainly would get the license. The matter of the Bonneville power under the preference act is simply that Bonneville has undertaken, without limit, limited only to its ability to supply, to take care of the needs of the so-called preference customers, and in the meantime, until they have built up their loads sufficiently to use up all of the power that Bonneville has, it permits the private companies to have some of that power. We have a contract which, of course, is arranged so that in a stated number of years, Bonneville may withdraw any or all of the power which we would take. And if more Federal dams were built, and this thing could keep on going, we would never come to that moment, then the preference clause would not have any particular meaning. If we had sufficient power in the area, and instead of operating on a theory of scarcity, but operated on a theory of plenty, the preference clause would be, for all practical purposes, an abstract consideration.

So what really is needed here to protect us was to get a lot of power in this area, for everybody to get in and do it, and in that way we would not have all the difficulties we are discussing this afternoon.

Mr. WRIGHT. The preference act would apply at Green Peter exactly as it applies at Bonneville?

Mr. DE LUCCIA. If we have a license for Green Peter, the preference act, which I believe in this case would be related probably to—I am just trying to remember now—the Flood Control Act of 1944 and subsequent acts, would not apply.

Mr. WRIGHT. The preference act would not apply at Green Peter?

Mr. DE LUCCIA. If a license were issued for the power project, it would not apply.

Mr. WRIGHT. Is there any guaranty, either in the present bill or in existing law, to assure that any competitive firms might gain access to the power so generated? Is there any assurance to protect them in the event they should need power in the Green Peter site?

Mr. DE LUCCIA. If they want power from the Green Peter site at the time that the opportunity for applying for license is available, they should come forward at that time.

Mr. WRIGHT. After the license has been granted, we are assuming that it is going to be an exclusive license; is that correct?

Mr. DE LUCCIA. It will be an exclusive license under the Federal Power Act, which has been in operation, as I am sure you know, since 1920, and which has issued, under the license—it would be that type of license which would permit the person or company having the license to secure the necessary long-term financing and the other kinds of commitments required to finance these projects and to pay them out, which may be not more than 50 years.

Mr. WRIGHT. At Green Peter, if your application for license is granted, which you are assuming that it will be, you will have the sole discretion of the use of that power.

Mr. DE LUCCIA. If I might just correct you for a moment. We are not assuming that a license might be issued.

Mr. WRIGHT. That was implicit in what you said earlier.

Mr. DE LUCCIA. I'm sorry—I did not mean to give that impression.

Mr. WRIGHT. You are hopeful that your application for a license at Green Peter to develop power at that project will be granted.

Mr. DE LUCCIA. Yes.

Mr. WRIGHT. And your interest in this project arises from that hope.

Mr. DE LUCCIA. It rises primarily from the desire to help complete the flood-control program, and the hope would arise in connection with those matters as well as getting power.

Mr. WRIGHT. Assuming this area should be greatly developed in the future, and additional demands should be made upon the power generated at the Green Peter site, is there any protection under the law which would assure that any other system might get access to some of that power or would you hold an exclusive franchise?

Mr. DE LUCCIA. There is protection under the law with respect to licensees who are other public bodies. There is no protection under the Federal Power Act as now amended, as I understand it, which would permit any agency getting any of that power at any time if the license is issued through a public body. But if it is issued through a private company, it may not be issued for more than 50 years. At the end of 50 years, the Federal Government has the so-called recapture clause in the Federal Power Act. The Commission could issue a license for a shorter time if it so desired, and in some cases it has issued a license for 35 years.

Mr. WRIGHT. You would apply for a 50-year license.

Mr. DE LUCCIA. We would apply for a 50-year license in order to get the very best financial terms we could get.

Mr. WRIGHT. And for 50 years the power generated at this public facility, through your generating plant—we will assume that you gain the license and you pay for the construction of the generating facilities—all the power generated through your facility from the public dam will be sold by your firm.

Mr. DE LUCCIA. That is correct.

Mr. WRIGHT. In 50 years, if that is the term of the license.

Mr. DE LUCCIA. For whatever the term of license is.

Mr. WRIGHT. And do you intend to apply for a 50-year license?

Mr. DE LUCCIA. We intend to apply for a 50-year license.

Mr. WRIGHT. Thank you, sir. I believe that answers my question.

Mr. MACK. Mr. Chairman, I would like to make one observation. I concur that we desperately need more power in the Pacific North-

west. We require the equivalent of one Bonneville Dam each year. The two projects mentioned here will be about one-quarter of Bonneville Dam, and will not solve our problem. We must have more power by 1961. We are well taken care of until then.

It seems to me that while we should authorize projects of this kind to generate more power, at the same time it is urgent that the Federal Government give us a new power dam start in the Pacific Northwest soon. It takes 4 or 5 years to build one of these huge dams.

Mr. JONES. Mr. de Luccia, you are in a forum where we express our wants frequently on this committee, and while Mr. Mack has wanted more power for the Pacific Northwest, I want more power for down in our area. I am in the same situation.

Mr. DE LUCCIA. It is a healthy state for the country that we need more power.

Mr. JONES. I do not know of any area in the United States where there is any excess power. Certainly the complaints that we hear come from people in all sections of the country who have appeared before this committee, pointing out the very thing that you have emphasized so well today. If we are going to meet our power needs, it is going to take all of our resources, both public and private, to do a creditable job.

Mr. ELLSWORTH. May I ask one question? Just so that the record on this project will correspond, or at least have the same questions that I asked Mr. Taylor regarding Cougar—there are two basic objections that I have heard on this idea of a partnership bill. One is that the Government is denied an opportunity to make a profit. Your testimony and the testimony of the others has clearly exploded that idea. Now, with reference to the other objection, which I stated in asking a question of Mr. Taylor, the other objection is that if this dam is not built by the Federal Government, people are denied the privilege of buying low-cost Federal power. Now, in reference to that question, your company serves the area of Linn County, and from the map there is quite a wide area around the vicinity of the dam. And you are already buying half of the power from the Bonneville system. The customers pay their bills to your company and not to the Federal Government. With reference to that statement, that unless this dam is built by the Federal Government, the people are denied low-cost power, what would your answer to that be? Is that a fact or is it not?

Mr. DE LUCCIA. I do not think that is a fact. I think that the power that we sell in the area is certainly classified as low-cost power. It stacks up with the rest of the country as a remarkable bargain.

Mr. ELLSWORTH. Let me amplify that just a little.

Mr. JONES. We are going to be here all night if we are going to argue the proposition as to whether this is most profitable for this company to do it or the Federal Government. You are going to open up an unending subject of debate.

Mr. ELLSWORTH. It is the same question I asked the other gentleman. You have to buy a high percentage of power from the Government anyway. The question now is do you think, would it be possible that the amount of power obtainable at the Green Peter site would affect your rate to the extent that you would have to charge more money for the power you sell if you built the dam yourself as compared with what you would have to charge if the Government

built the dam and you brought it through the Bonneville system.

Mr. DE LUCCIA. Well, if you are referring to the proposition where we would, in cooperation with the Federal Government flood-control program, in accordance with this bill, get a license from the Federal Power Commission, the answer is it would not affect our rates.

Mr. ELLSWORTH. Let me get that very clearly. So far as the customer, the person who buys the power on your lines, it will make no difference in the amount of money he pays to your company for the power whether this dam is constructed with the use of Federal money or whether you advance the money for the power.

Mr. DE LUCCIA. That is correct.

Mr. ELLSWORTH. In other words, the statement that if the Federal Government puts up all the money the people get the benefit of a lower rate—that statement is not correct.

Mr. DE LUCCIA. I haven't heard any proposals to reduce the Bonneville rates. On the contrary, there have been proposals to increase them.

Mr. ELLSWORTH. Thank you.

Mr. JONES. Thank you.

Mr. ELLSWORTH. Mr. Chairman, we now come to our last witnesses. I have deliberately, in arranging the list of witnesses, held Mr. Carvel Linden to the last, because we have heard in this hearing testimony from people of the area, from the immediate area affected and the two proposed partners. Mr. Carvel Linden is the vice president of the United States National Bank at Portland, and he is here representing not only the Portland Chamber of Commerce, but the Pacific Northwest Trade Association. And I have asked Mr. Linden to come before the committee to give the attitude of the Pacific Northwest region as a whole by way of concluding our hearing.

Mr. JONES. We are glad to have you, Mr. Linden. I remember the pleasant occasion when we were last together. You can assure the Pacific Northwest Trade Association that we are available to come out there at any time.

Mr. LINDEN. Thank you very much. We will be happy to have you again. I have a three-page statement I will file with you. But I would like the privilege of reading it, if I may.

STATEMENT OF CARVEL C. LINDEN, VICE PRESIDENT, UNITED STATES NATIONAL BANK, PORTLAND, OREG.

Mr. LINDEN. My name is Carvel Linden. My business connection is vice president of the United States National Bank of Portland. I am chairman of the board of the Portland Chamber of Commerce and president of the Pacific Northwest Trade Association, a federation of chambers of commerce, boards of trade, and business concerns in Oregon, Washington, Idaho, western Montana, British Columbia, and Alaska. I am appearing here today in support of this bill at the specific request of the Portland Chamber of Commerce. Also I am authorized by the Pacific Northwest Trade Association to endorse in principle the partnership development of the water resources of the Pacific Northwest, which includes the two Oregon rivers concerned in this legislation.

The Portland Chamber of Commerce, by its long history of promotion of the commercial, agricultural, and industrial potentials of the

Columbia River Basin, has always been in the forefront of any movement that would create jobs for the people who live in the Pacific Northwest, or who wish to live here; that would lead to an economic utilization of the water resources of the Columbia River and its tributaries for purposes of power generation, irrigation, navigation, flood control, recreation, and fish protection.

The Portland Chamber of Commerce was one of the prime movers in the fight which led to the establishment of the Willamette Valley project authorized in 1938, and has followed the step by step development of this important river control plan. Great progress has been made in this direction, but the South Santiam and McKenzie Rivers—the two worst remaining troublemakers of the Willamette River tributaries—are still unharnessed and cause serious flood damage every year.

House bill 4662, if approved by Congress, would do much to control these two streams. President Eisenhower, in his budget request to Congress, has asked for an appropriation of \$3 million to start work on the Green Peter and Cougar projects if a plan such as proposed in this bill is adopted. This plan permits local interests to provide the funds required for the power portion of these projects.

We need more power in the Pacific Northwest. We need it in such quantities that the drain on the national treasury would be astronomical were all the necessary projects financed by the Federal Government alone. Therefore, it would seem logical that Congress should encourage the investment of development dollars from every available source.

In most sections of the Nation, a multiple energy base is provided by coal, natural gas and hydropower, which occupies a small portion of the power generated in other sections. In contrast to this, the Pacific Northwest energy base is provided almost solely by hydropower, and we are dependent on this source to serve the rapidly growing population and industry in our area. We are hopeful, however, that we will have natural gas in a couple of years which will do much to augment hydropower.

The city of Eugene is ready, willing, and able to provide the \$11 million for the power facilities of the Cougar development. The Pacific Power & Light Co. has indicated a willingness to provide \$29 million for the construction of such facilities at the Green Peter project. If other utilities, public or private, wish to have a part in the development of these power facilities, this bill provides for such participation by any qualified applicant through license by the Federal Power Commission.

I wish to say further that the Portland Chamber of Commerce has never opposed Federal development of the dams on the Columbia River or in the Columbia Basin. We feel the great need for power, regardless of how it is provided and from what source it is obtained.

Under such partnership arrangement, a total of \$40 million from non-Federal sources can be obtained of the total \$96 million needed to build these flood control projects, thus relieving the national Treasury of a sizable portion of the cost. At the same time, these dams will provide 130,000 kilowatts of new power which is vitally needed to augment our supply close to the fast-growing communities in the Willamette Valley.

Further, because of the difference in the seasonal annual stream-flow pattern between the South Santiam and McKenzie Rivers on the one hand and the Columbia River itself on the other, the power from these two projects will help to increase the prime power from existing projects on the main stem of the Columbia River which now must be considered secondary power and subject to interruption during the low-water season on the Columbia River.

The important flood-control benefits of the Cougar and Green Peter projects not only extend to farms and communities directly adjacent to the South Santiam and McKenzie Rivers in the Willamette Valley, but these projects will also be of tremendous value to the communities along the lower Willamette River extending as far as Portland. These two projects, in conjunction with the existing storage dams, will increase the stream flow of the Willamette River during the low summer months, thereby decreasing present pollution levels, and will assist immeasurably in the fish survival program in the lower Willamette River.

Adequate control of the Willamette River and its tributaries will insure more uniform stream flows which will be of benefit to navigation, and provide a more constant supply of water for industrial and irrigation uses—and recreation and sports. The economic importance of these two projects extends far beyond the regional area of the streams themselves to the entire Willamette Valley and the State of Oregon.

The Portland Chamber of Commerce and the Pacific Northwest Trade Association, the organizations represented by me, strongly urge your committee to give favorable consideration to H. R. 4662.

Thank you.

Mr. JONES. Thank you, Mr. Linden. Are there any questions?

Mr. ELLSWORTH. Mr. Chairman, that concludes our list of witnesses. I have been asked to again state, although I think it was covered in previous testimony, that the Pacific Power & Light Co., which is the company represented here, has been in business a long time and has never at any time opposed the development of Federal projects on the Columbia River.

Now, Mr. Chairman, may I express on behalf of the people who have come out from the west coast for this hearing and myself, the author of the bill, our appreciation for the fine hearing you have given us and the time the chairman and the members of the committee have taken on this bill. We very much hope we have convinced you of the merits of H. R. 4662.

Mr. JONES. Thank you very much. And the committee, I am sure, is grateful for the fine presentations which the many witnesses have made in behalf of the legislation. Of course, it will be taken up in executive session at some future date and reported to the full committee. At the time the report is made of the action taken on the bill, the complete report will be made available to you.

I have a note that Senator Neuberger wishes to extend his remarks. Without objection, the statement of Senator Neuberger will be made a part of the record.

(The statement referred to is as follows:)

STATEMENT OF SENATOR RICHARD L. NEUBERGER OF OREGON TO THE SUBCOMMITTEE ON FLOOD CONTROL, PUBLIC WORKS COMMITTEE, HOUSE OF REPRESENTATIVES, ON H. R. 4662, MAY 2, 1955

Mr. Chairman, I want to thank the committee for the opportunity to include in the record of hearings on H. R. 4662 a statement regarding my views on this legislation. Because of the precedents which it would establish in the approach of the Federal Government to programs for water resource development, this bill is one of the most important to come before the Congress.

President Theodore Roosevelt voiced the guiding principle for full, multiple-purpose development of water resources when he said: "Each river system, from its headquarters in the forest to its mouth on the coast, is a single unit and should be treated as such."

That principle, followed in development of the Columbia River Basin, will provide the greatest benefits to people of the immediate area, to the Pacific Northwest region, and to the Nation.

Breaking up the development of the Columbia and its tributaries into a number of disconnected pieces will not achieve the same benefits as would result from following a unified plan, embodied in the Army engineers' famous 308 report. Adoption of H. R. 4662 would contribute to the disintegration of that unified plan.

Both Green Peter and Cougar Dams have been authorized as Federal projects for construction by the Army Corps of Engineers. The alternative financing program proposed in H. R. 4662, rather than bringing the projects closer to reality, acts as a deterrent to congressional approval of funds for full Federal construction. As a fully Federal project, the Congress had but one proposal. Introduction of the so-called partnership principle now presents the Congress with the necessity of choosing between multiple alternatives. The attendant debate undoubtedly will delay the start of construction. Revival, at this time, of a project financing method which was discredited during national administrations of the 19th century does not contribute to advancement of the projects.

The financing method proposed in H. R. 4662 is disadvantageous to the people served by the utility partners because the partnership power would be more expensive than if the powerplants were federally financed and operated as integral parts of the Columbia River power system.

Under partnership financing, the higher interest rates paid by the utility partners would be reflected in higher rates to the power consumers. For example, if the Federal Government paid 3 percent more in interest rates than it does now, the present Bonneville Power Administration rate of \$17.50 per kilowatt-year would jump to \$25.90—or a 50-percent increase in basic power rates.

As Federal projects, cost of Green Peter and Cougar power facilities would be averaged in with such low-cost projects in the integrated Federal system as Bonneville and Grand Coulee. But, under H. R. 4662, Green Peter and Cougar would be isolated plants with the power the sole property of the company and the costs would be averaged in with the other higher cost plants of the utility partners' systems.

Should a private power company become the licensee for Green Peter power facilities under H. R. 4662, the power would be more expensive to the company's customers than if Green Peter were built as a fully integrated Federal project, because the company's investment expands the base on which its rates are determined. To power users it would be cheaper to obtain the equivalent amount of power from the Bonneville transmission system.

Oregon's neighboring State, Washington, has many publicly owned utilities which enjoy preference in obtaining Federal power. Oregon would be at a serious competitive disadvantage if it became dependent on higher cost partnership power, while Washington enjoyed the benefits of low-cost Federal power. Oregon faces this grave danger if the unified Federal system is broken up with piecemeal partnership projects. The best interest of my State would not be served by reserving for Oregon the higher cost partnership power, while turning over to Washington most of the supply of low-cost Federal power.

H. R. 4662 establishes a number of precedents of dubious value. Since the proposed scheme calls for the project works to remain the property of the Federal Government, private utilities would be exempt from payment of local property taxes on the power facilities which it financed. Is it necessary or desirable to give private utilities such a tax exemption subsidy?

H. R. 4662 gives engineers in Federal agencies discretionary power in determining the reimbursable power costs of the project. Is it desirable, from the standpoint of integrity in governmental operations, to set up a system by which extraordinary pressures might be exerted on Government employees making the cost allocations so that they would be financially favorable to the utility playing the partnership role?

The comingling of public and private funds is contrary to a basic concept in American government. Governmental units are prohibited by law from owning stock in private corporations. Certainly the objections to "business in government" are as valid as the objections to "government in business." Partnership makes it difficult to determine who owns what.

Partnership also raises the question of who will make what decisions. Beginning with the initial planning and carried through the plant operation, the Federal and utility partners may see different obligations, different objectives, different purposes for operation of the dam. The bill provides no means of resolving these conflicts. One can only assume that if the utility partner is dissatisfied with the engineers' operation of the project for flood control, as opposed to operations for maximum power, then its grievance would be carried into a court of law. Lawsuits are a most ineffective and inefficient method of administering the water resources of the Columbia Basin.

I am opposed to H. R. 4662 because it tends to disintegrate the plan for unified development of the Columbia Basin, it would raise the cost of power to consumers, it would put the utilities' customers at a competitive disadvantage, it would establish a bad precedent in the relations between business and government, and it would tend to increase administrative friction and inefficiency.

Green Peter and Cougar Dams have been approved by Congress for construction as Federal projects. I will continue to work for immediate construction of these vitally needed Willamette Basin units as part of the integrated region-wide system.

(Whereupon, at 4:45 p. m. the committee adjourned.)

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At the 1937 State Engineers in Federal agencies' discretionary power in determining the reimbursement power costs of the project. As it is table from the a number of the bills in Governmental departments to set up a system by which extra advance payments might be carried on Governmental contracts making the cost of the project so that they would be made to the State in the 1937 fiscal year.

The construction of public and private funds in contrast to a basic concept in State Government. The project will be completed by 1942 in order to meet the State's requirements. Certain the objectives to be met in carrying out the project are as follows: (1) to provide for the State's requirements in carrying out the project; (2) to provide for the State's requirements in carrying out the project; (3) to provide for the State's requirements in carrying out the project.

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(Witnessed at 4:15 p. to the committee adjourned.)

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